

## *Left to Market and Family – Again? Ideas and the Development of the Rural Pension Policy in China*

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### **Abstract**

*The rural pension policy in China is characterized by a high degree of instability. In the past 15 years since the introduction of pilot schemes in some regions, the state has been unable to establish a stable institutional framework for rural old-age security. This article seeks to integrate the theoretical insights from a growing body of international literature on the role of ideas in social policy reform in order to shed new light on the study of Chinese rural pension policy. I argue that the rise of the rural pension scheme and its eventual failure to make consistent progress towards a comprehensive system is directly related to conflicting ideas among bureaucrats with respect to what sort of welfare provision the rural elderly actually need. The fluctuations in this policy realm vividly illustrate the predominance of the policy idea that peasants could still rely on their land and family, supplemented by private commercial insurance, in their old age. Given this alleged self-reliance on the part of rural residents, the state is very reluctant to set up a comprehensive rural pension scheme. As a result, the old-age security of the peasants in rural China is standing on very thin ice, and the prospect for more active state involvement in the near future remains dim.*

### **Keywords**

*Ideas; Institutions; Institutionalism; Rural pension policy; China*

### **Introduction**

Students of Chinese social policy are very familiar with the urban–rural divide which has led to the uneven development of social welfare in China. From the 1950s onwards, the state set up a comprehensive urban social insurance system which, coupled with the state-owned enterprises, provided workers with generous benefits (the iron rice bowl). In rural areas, however, responsibilities for social welfare were largely confined to the village collectives (communes), and above all, the peasants themselves (Dixon 1981; Song 2003; You 1995; Wong 1998).<sup>1</sup> Apart from collective welfare facilities, the residual

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scheme of the Five Guarantees (*wubao*) was the only institutional assistance the state could offer for those in adversity. Land plot and family support alone were regarded as ideal pillars of welfare provision that would leave more room for industrial development.

Since the economic reforms in 1978, however, the collapse of communes, the diversification of the rural economy and the ageing population have increasingly put the traditional arrangement of rural old-age security into question. The state perceived the growing contingency confronting the rural elderly and responded with the introduction of a rural pension scheme at the beginning of the 1990s. However, even after over a decade of political endeavour, the policy as a whole is still in a morass. The active involvement of the state at the outset was followed by its abrupt retreat from the original institutional design in the late 1990s. Even today, the state still exhibits a very hesitant attitude towards the issue, and the overall development of the rural pension policy remains unclear.

This political impasse requires a theoretical explanation, thereby raising an important question: Why has the establishment of the rural pension scheme constituted such a conundrum in Chinese social policy? In an attempt to answer the question, this article aims to draw on the theoretical insights from the international literature on the role of ideas in social policy in order to offer a new perspective on Chinese rural pension policy. I argue that the eventual failure of the evolution of the rural pension scheme towards a comprehensive system is a result of conflicting ideas among bureaucrats with respect to what kind of old-age security the rural elderly really need. The fluctuations in this policy realm clearly illustrate the predominance of the policy idea that land, family, and private commercial insurance would provide peasants with sufficient old-age security. Given this alleged self-reliance of the rural residents, the state declines to establish a more comprehensive rural pension scheme.

This article is based on official documents, unpublished government sources, and interviews this author conducted between 2004 and 2005 with officials in Beijing and Shanghai who were involved in the rural pension policy. This article first sets out the theoretical discussion grounded in the idea-oriented institutionalist approach in order to outline an analytical framework. The next section focuses on the evolution of policy ideas in the rural pension policy. The final section concludes the findings and reflects on their theoretical implications.

## Studying Chinese Rural Pension Policy

There is little interest in the international literature regarding the development of the rural pension policy in China, partly because reforms in urban pension systems in recent decades have attracted much more attention.<sup>2</sup> Several studies have investigated the situation of the elderly and highlighted the precarious nature of old-age security in rural China (e.g. Davis-Friedmann 1991; Ding and Chen 2005; Pang *et al.* 2004; Pei and Pillai 1999; Xu 2001), or suggested a theoretical framework for the analysis of rural welfare (Hebel 2003). However, the rural pension policy of the state has not been taken into

account. Indigenous Chinese scholars have made numerous analyses of the decade-long policy process, but these studies tend to be merely descriptive of rural China's imminent problems and they ultimately rush to make policy proposals.<sup>3</sup> There seems to be little effort among them to explain the policy with theoretical accounts.

Only a small portion of the international literature has analysed the rural pension policy from any theoretical perspective. The focus is generally put on the political contexts and interest constellations in central government (Gong 2003; Leisering and Gong 2002). They illustrate how political actors have come to establish experimental pension schemes in rural areas, and how the policy direction has been altered in the midst of rapid political changes. Given their contribution in explaining the political process, however, the answer to the crucial question of why the central government is so uncertain about the future of the rural pension policy remains unclear. These studies are unable to offer a satisfactory account of the state's decision to retrench the ongoing rural pension schemes because policy ideas with respect to the role of the state in this domain are insufficiently understood. This indicates a missing dimension in current research.

Yet, with the exception of a few works such as Béland and Yu (2004), the role of ideas has thus far not been systematically integrated into research on Chinese social policy. Several studies have indeed pointed to the distinctive characteristics of Chinese culture in social welfare (e.g. Chen 1996; Chow 1987; Tao and Drover 1996; Twohey 1999; Wong 1998), but they generally fail to trace how these cultural ideas might influence political process and policy outcome. In this respect, a recent work by Lin (2001) is particularly intriguing in that he addresses the cognitive dimension of Chinese scholars. His study concludes that in sharp contrast to their Scandinavian colleagues, Chinese researchers are inclined to take a critical stance towards the institutional sustainability of the Scandinavian welfare state, while overlooking the cultural values (solidarity, equality) deeply rooted in its historical development.

Lin's work highlights the potential power of ideas. His comparison of different perceptions between Chinese and Europeans gives a clue to exploring what implications this ideational aspect could have for the development of Chinese social policy. An interesting starting point would be to search for the link between ideas and institutions, i.e. how the ideas elaborated by political actors might influence the political process and outcome. This is precisely what this article seeks to elucidate in the case of Chinese rural pension policy. Not only in successful stories of institutional building can one detect the power of ideas, but studying a stagnant policy development may also yield fruitful insights into the persistence of specific ideas. Chinese rural pension policy is an ideal case for this sort of analysis.

### **How Ideas Matter in Chinese Rural Pension Policy: An Analytical Framework**

This article starts with the assumption that the intersection of ideas and institutions plays a significant role in Chinese rural pension politics. On the

one hand, ideas influence institutions as policy-makers possess values and beliefs which shape their comprehension of and response to social problems. On the other, given institutional frameworks influence ideas, as the former provide agents with specific programmatic orientations which strengthen or constrain certain ideas. This aspect is essential because one of the distinctive characteristics of Chinese politics lies in the formulation of discourses that justify political decisions on the ground of certain ideas (Wong 2004). Especially in the post-Mao era of market reforms, state bureaucrats often seek to enforce welfare reforms by advocating new ideas that reframe the political context. Suitable rhetoric with plausible justification can claim legitimacy and lower the implementation hurdle for the administration. Grasping ideational changes is thus crucial for a more sophisticated account of Chinese social policy.

The emphasis on ideas has recently experienced a renaissance in welfare state research, largely in tandem with the growing appeal of institutionalist approaches in different disciplines (Clemens and Cook 1999; Hall and Taylor 1996; Immergut 1998; Thelen and Steinmo 1992). Ideational approaches generally underline the power of ideas in influencing the perception and preference of social actors and their corresponding impact on political outcomes.<sup>4</sup> In such analyses social reality is understood not as a fixed, external system, but rather as a subjective framework which is formed by the social values of actors. Distinctive beliefs about social and economic configurations shape the institutional structures of various welfare regimes (Cox 2004; Goodin *et al.* 1999), as well as their reform paths (Cox 2001; Schmidt 2002; Taylor-Gooby 2005).

Crucial for the career of an idea is its conjunction with the institutional environment (Hall 1989, 1993; Rueschemeyer and Skocpol 1996; Berman 2001). Ideas encompass both cognitive elements of situation definition as well as normative elements of solutions to problems. Once institutionalized, policy ideas frame the cognitive maps of the agents in terms of setting the background of policy debates as well as limiting the range of alternatives they deem relevant. Policy-makers follow the logic of appropriateness rather than the logic of consequentiality because their decisions are not merely driven by rational calculation of consequences, but rather weighed against a set of values and beliefs embedded in given institutional rules (March and Olsen 1989). It is in this sense that ideational institutionalists speak of 'path dependency of ideas', highlighting the intellectual aspect of institutional continuity (Blyth 2001, 2002; Cox 2004).

To accentuate this interpretive dimension in my analysis, I use the concept of 'cognitive lock' suggested by Blyth (2001, 2002) to illuminate the staunch persistence of traditional ideas in Chinese rural pension policy. By 'cognitive lock' Blyth (2002: 229) refers to a process that makes 'the situation amenable to only one "problem description"'. This locking has the effect of rendering the government incapable of seeing any other alternative.' That is, political actors' cognitive and normative perspectives are grounded in a given policy paradigm that makes certain policy measures look more coherent and appealing. Inspired by Hall (1993) and other historical institutionalists, Blyth develops this concept to show how new economic ideas become institutionally

embedded after their triumph over the old paradigm. Here Blyth echoes the emphasis of Béland (2005) and Campbell (1998) to take more into account how policy ideas are formulated to appeal to the public. While Blyth originally applies this concept to analyse the dominant power of new ideas once anchored in the minds of political agents, the term is introduced here to highlight the equally powerful influence of old ideas that withstand the challenges of new ones under certain circumstances. Stressing the resistibility of existing policy ideas is vital as they often have feedback effects that tend to amplify their merits while making new alternatives less credible.

Essential for the researchers is to figure out why old ideas remain prominent while new ones fail to gain credence (Berman 2001). Cognitive lock is in essence the consequence of the struggle between different, if not conflicting, cognitive categories of contextual order and meaning. This interactive process involves ideas with which political actors mobilize their resources to influence events in the political arena. Ideas are the 'weapons' of political actors attempting to claim credit for their approaches among the public (Blyth 2001, 2002). Since the rural pension policy is an innovation in the Chinese context, bureaucrats are in fact working in a sense of uncertainty as they grapple with the problem of rural old-age security. Only by clarifying the categories of problem and policy response can they make meaningful decisions. Following this point, analysing how political actors create cognitive categories to construct problems and interpret the meaning of different approaches to old-age security will contribute to the understanding of the ideational conflicts in the political process.

While underlining the significance of ideas in Chinese rural pension policy, this article makes no claim to discount the interest aspect of political action. Conflicts among bureaucrats in the government certainly encompass rational calculation of ministerial interests, but one must not forget that agents' interests are sometimes ambiguous, particularly in cases of uncertainty. In the political process discussed here, uncertainty exists as to what kind of rural pension schemes would better fit the rapidly changing rural contexts. In each case the agents need cognitive 'road maps' to make sense of their decisions. Ideas matter precisely in this respect because they provide political agents with argumentative instruction and policy orientation. Conceiving of institutional change in Chinese rural pension policy merely as an outcome of interest constellation would miss this vital dimension and offer a partial picture.

The next section will analyse policy ideas put forward by bureaucrats in various branches of central government.<sup>5</sup> Note that, even within the Chinese state, bureaucrats in different ministries often have diverse preferences and beliefs which could stand in tension with each other (Baum and Shevchenko 1999; Lieberthal 1995; Shambaugh 2000). The aim is, therefore, to reconstruct the ideas and discourses proposed by these bureaucrats in the development of the rural pension policy. To underline the process character of ideational struggle, policy ideas are conceptualized in three phases – as institutional design in uncertainty (institutional blueprints), as weapons in the struggle between various government branches (institutional contestation), and as 'cognitive lock', whereby the merits of old ideas rise again to political prominence (institutional reinforcement).

## The Evolution of Rural Pension Policy Ideas

In the pre-reform era, old-age security in rural China was dominated by the residualist idea. Social security provision in rural areas was sparse and fragmented. Even in the course of the 1980s, when some wealthier brigades began establishing pension schemes, these sporadic initiatives were confined to local villagers. Due to different financial conditions, these programmes varied from village to village with regard to eligibility and benefits. In the absence of a national statutory regulation, individual entitlements to rural pensions were never guaranteed.

### *Ideational changes in the rural pension policy since 1986*

In the mid-1980s the central government signalled its concern over the ageing rural population and started to contemplate the establishment of a public rural pension programme.<sup>6</sup> The seventh Five-Year Plan (1986–90) was the first political signal that the state was to strengthen its role in rural social security. The following, eighth Five-Year Plan went even further to view a comprehensive social security system as a favourable condition for accelerating economic growth as well as maintaining social stability. After more than a decade of economic reforms, the state stressed the necessity of developing an adequate social safety net for the rural population. This background laid the foundation for the start of the rural pension policy.

*The initial phase (1986–92): groping for institutional blueprints.* Against the background of the seventh Five-Year Plan, in 1987 the State Council (SC) authorized the Ministry of Civil Affairs (MOCA) to be in charge of the experiments with old-age security in rural areas. Since launching the rural pension policy was an innovative move in the Chinese context, uncertainty prevailed with regard to which model would fit the status quo. The ministry took a cautious step and concluded from previous local experiences that providing comprehensive benefits solely from village collectives would eventually be unsustainable. Given the condition that development among regions varied, it was essential to take the economic and financial situations of different rural areas into account. Incrementally establishing a pension scheme based on voluntary participation, defined-contribution, and fully-funded individual accounts, was seen to be more appropriate. The state strove to set up an institutional framework for administration and supervision of the scheme, but restrained itself from undertaking the main financial responsibility (MOCA 1986). This view has since then taken shape and dominated the direction of the rural pension policy in the 1990s.

From 1986 onward, there were a few experiments with various pension insurance schemes in several provinces under the supervision of the MOCA. In 1991, the SC decided to delegate competence in urban and rural social security affairs to the Ministry of Labour (MOL) and the MOCA, respectively. This gave the latter more room for innovative policy initiatives. In April 1991, the MOCA launched a preliminary plan in Weihai and Yantai, Shandong Province, to establish a rural pension insurance programme. After a successful

start there, the MOCA concluded at the end of 1991 that the time was right for further expansion of the pilot scheme. Major regulations of this original pilot scheme aimed to include all rural residents between the ages of 20 and 60, though participation in the scheme was primarily voluntary (MOCA 1992). During this period the MOCA's pilot scheme was rapidly extended to most counties of Jiangsu Province, and other regions soon followed suit.

The MOCA was from the outset the main policy entrepreneur for the new idea of more state responsibility. In its view, the success of the rural pension policy was associated with a series of policy contexts. This was best illustrated in the concluding remarks of the vice-minister Chen (1992) at a national conference of the rural pension schemes. In his view, the establishment of the rural pension system was an important complement to the economic reforms as well as a buttress to the birth-plan policy in rural areas. Chen argued that the rural pension system was a response to the growing problem of population ageing, aiming to resolve the problem of old-age security of peasants. He further pointed to the supportive function of the collected fund for rural economic development. As the main advocate of the new idea, the MOCA was convinced that only a more active role on the part of the state could catch up with the needs of the rural elderly. In adapting to the developmental variety of different rural regions, the pilot scheme itself served as the first experimental step, though ultimately the state would have to assert more responsibility.

*The expansion phase (1992–8): ideational struggle and institutional contestation.* Yet as the experiments got under way all over the country, the development of the rural pension schemes gradually reached a bottleneck. As the MOCA (1995) revealed in its report submitted to the SC, the overall coverage rate was less than 6 per cent. In addition to competition from private commercial insurance, an inherent impediment lay in the lack of nationwide statutory regulation which would have given the rural pension policy a clearer status and direction.<sup>7</sup> Since local governments were granted autonomy to implement pilot schemes in accordance with local circumstances, problems such as power abuse by cadres in forcing peasants to join in the scheme, or embezzlement of accumulated funds, surfaced.

This mismanagement has undermined the credibility of the whole policy. Even among peasants there was widespread suspicion regarding its sustainability, thanks to the past experiences of unstable state rural policy.<sup>8</sup> These anomalies opened a door of opportunity for the opposition bureaucrats in the central government to create another category of problem definition. At this stage, disputes between two rival ideas regarding the role of the state in the rural pension policy sparked out in the political arena (Leisering and Gong 2002: 29ff.). Officials from ministries for economic affairs, not least the Ministry of Finance (MOF) and the People's Bank of China (PBC), questioned the viability of current rural pension schemes and the necessity of a public rural pension system. They argued that traditional means of subsistence (land, family) would suffice to meet the need for old-age security in the rural sector. They further maintained that decreasing agricultural return and family size did not necessarily lead to the declining function of family support. Even

if the state was to be involved in the task, it should encourage a multi-pillar approach based on family support and community care as well as commercial life insurance. In short, they insisted that the state should restrict its role as much as possible.

On the contrary, the MOCA maintained that population ageing and decreasing family size, as well as rural industrialization, would generate increasing demands for a public old-age security system. In its view, it was therefore time for the state to take on a more active role because land and family could no longer meet peasants' growing need for old-age security. This new idea of the MOCA appealed to the SC initially, as the latter also viewed it as a proper response to the rapid changes in rural development. But with the failure of the MOCA to keep policy implementation on track, the fundamentals of this policy idea were gradually eroded.

This context change matters to the policy development because the rural pension policy had still to struggle for its place on the political agenda. Since the reform of the state-owned enterprises was the core element of the market reforms, the significance of the urban sector outweighed that of the rural counterpart (You 1995; Wong 1998). The rural pension policy was relegated to a relatively minor niche whose political weight depended on its compatibility with goals like promoting market reforms or social stability. That was why the MOCA succeeded initially in gaining support for its policy initiatives. But once the rural pension policy was perceived to be contradictory to those primary goals, its significance in Chinese welfare politics would fade, which made it harder for the MOCA to withstand opponent challenges.

The Asian financial crisis in 1997 was the last straw that significantly altered the political context of problem interpretation and policy orientation. For fear of a similar financial crisis in China, the central government began adopting stricter measures to avert financial risks in both rural and urban sectors. The potential risk of rural pension mismanagement now stood out. The then deputy premier Zhu Rongji, an influential leader who enforced a series of neo-liberal market reforms later during his premiership, claimed that the insurance industry was in such a mess that it would trigger financial disaster. He was also worried about the risk associated with the public rural pension schemes (MOLSS 2001: 1). His remarks revealed a fundamental perception change on the part of the leaders about the necessity of the rural pension policy. Heralding the system as a propeller of economic reforms now gave way to the notion that the very same system would be a source of financial turbulence and social instability.

To endorse this perception, an internal special commission was set up in late 1997 to review commercial insurance and other similar schemes such as the rural pension scheme of the MOCA.<sup>9</sup> Group members came mainly from different departments relevant to the issue, including the then State Planning Commission, the PBC, the MOF, the MOL and the MOCA. In itself, the commission consisted of all the major actors with conflicting ideas in the field of rural pensions, but its agenda had already been set: Instead of suggesting options to improve the rural pension policy, the group was designated to sort out potential risks associated with the insurance industry and the rural pension schemes. In April 1998 the commission presented its



conclusion, claiming that there were several risks inherent in the rural pension schemes (Leisering and Gong 2002: 31): overestimation of future benefit, management risk of pension funds, misleading information for the farmers, and abuse of power in the form of compulsory participation. The commission also recommended the transition from public rural pension schemes to private commercial insurance.

These conclusions again triggered internal debates among various ministries in the ensuing months, most of which concentrated on the future of the rural pension schemes as well as their possible alternatives.<sup>10</sup> Opponents of the MOCA pension schemes advocated support by the state for private life insurance by means of preferential tax treatment. The government should, in their view, select qualified insurance companies and supervise their insurance products. In contrast, the MOCA and its supporters pointed to the imperfect market circumstances in China and the inevitable responsibility of the state to implement the rural pension schemes. Yet in the aftermath of the Asian financial crisis, the political tide gradually turned against the MOCA as well as the overall idea of establishing a state rural pension system. Leaders of the SC, Zhu Rongji and Wen Jiabao, repeatedly criticized the disorder of the MOCA pension schemes and emphasized the risk involved in their further implementation. They also remarked that the overall condition of rural areas was not yet sufficient for the introduction of social insurance programmes (MOLSS 2001: 1).

*The backlash phase (1998–): cognitive lock of the residualist idea.* Following the commission's report, the SC decided in 1998 to reshuffle the functional division among its subordinate ministries. The authority of the MOCA for the rural pension policy was entirely transferred to the new Ministry of Labour and Social Security (MOLSS). This was a heavy blow to the MOCA, as its decade-long efforts to establish a rural pension system were *de facto* discredited. The competence shift also suggested political marginalization of the rural pension policy, since the forerunner of the MOLSS, the Ministry of Labour, was primarily in charge of labour insurance in the urban sector. This political message signalled a downgrade of the rural pension policy on the political agenda.

In July 1999, the SC made the final decision demanding an immediate rectification of the public rural pension scheme in most areas. Premier Zhu himself explained this policy shift in his speech titled 'Accelerating the establishment of social security systems and ensuring the stability of the country' in May 2000:

Social security for peasants should be different from that for urban residents. We have adopted the household responsibility system, of which the land is the basic production tool for the peasants and the basic protection for their lives. The old-age security of peasants is based mainly on family protection, combined with community support. Wealthier regions can introduce commercial old-age insurance based on the voluntary principle and individual savings. The rural pension scheme as it has been implemented in some villages in the past needs to be seriously rectified. (MOLSS 2001: 3)

By 'rectification' (*zhengdun guifan*) the new guidelines denoted an immediate halt to the public pension scheme expansion and an overhaul of the administration of pension funds. The recalibration of policy goals was immediately interpreted by the subordinate administration in both central and local governments as a sign of policy retrenchment. Thereafter, the already-established pension schemes in many areas suffered severe backlash as local cadres and peasants lost confidence in the government's determination to keep the policy on track.<sup>11</sup> Only some regions with dynamic economic growth have kept their schemes above water since then.<sup>12</sup> As a whole, however, the coverage of the pension insurance slumped in the following years, as table 1 shows.

Several years have passed since the retrenchment decision of the central government, yet the overall direction is still vague. Since 1998 the MOLSS has submitted, as demanded by the SC, two proposals concerning how the rural pension scheme could be rectified (MOLSS 2001; Zhao 2002). The first one suggested further implementation of the pension schemes only in those rural areas with sufficient conditions. The second one proposed the overall commercialization of rural pension provision. Both versions envisaged a changing role for the government from provider to regulator, but they encountered diverse responses from different branches of central government. Whereas the MOCA and the National Planning Commission stood on the side of the MOLSS, the MOF and the Insurance Supervision Commission remained firmly opposed to both proposals. The opponents did not agree to set up a new insurance institution, nor did they endorse any support for the institutional transition. The whole issue was set aside without further decision. Given the rectification order of the SC, the MOLSS could only adopt fragmented policy measures compatible with the guidelines.<sup>13</sup>

In sum, after more than a decade of political engagement, the progress of the rural pension policy in China is still constrained by the dominant idea that land, family, and market provision should remain the chief pillars of rural old-age security. Departing from this premise, many economically minded bureaucrats argue that the state should play a residual role in rural old-age security. In view of the overall uneven development of rural areas, they deem it impossible to allocate more resources to rural old-age security. The bearers of new ideas, the MOLSS and the MOCA, have been striving to reverse this perception and appealing in vain for more sophisticated state provision in this domain. The internal problem of mismanagement and the external shock of the Asian financial crisis have created a context in favour of the residualist idea because it would incur the least responsibility and risk for the state. Leaders in central government are cognitively locked in to the residualist approach and look set to postpone the whole issue on the political agenda.

## Conclusions

This article emphasizes the role of ideas in Chinese rural pension policy. In welfare state research, efforts to underline the relationship between ideas and institutions have widened our vision of how they influence each other.

Table 1

## Development of the MOCA Rural Pension Scheme since 1992

	1992	1995	1996	1997	1998	2000	2001	2002	2003	2004
Number of insurants (million)	26.0	51.42	65.94	82.80	80.25	61.72	59.95	54.62	54.28	53.78
Number of pensioners (million)	—	0.27	0.32	0.55	—	0.98	1.08	1.23	1.98	2.05
Contribution collection (billion Yuan)	—	3.67	4.41	4.22	3.14	1.39	1.71	2.52	3.60	—
Pension expenditure (billion Yuan)	—	0.099	0.18	0.33	0.54	0.41	0.52	0.53	1.50	—
Accumulated funds (billion Yuan)	0.8	5.95	9.95	14.03	16.62	19.55	21.61	23.32	25.93	28.50

*Note:* Numbers have been rounded for simplicity.

*Sources:* (1) Labour and Social Security Statistical Bulletin of the Ministry of Labour and Social Security, various years (after 1997) (available at: [http://www.molss.gov.cn/index\\_tongji.htm](http://www.molss.gov.cn/index_tongji.htm)).

(2) Civil Affairs Development Statistical Bulletin of the Ministry of Civil Affairs, various years (before 1997) (available at: <http://www.mca.gov.cn/wjylzx/index.asp>).

Departing from the concept of 'cognitive lock', this article has sought to highlight the significance of the residualist idea that many Chinese political elites believe in with respect to the rural pension policy. According to this conviction, policy-makers in central government were determined to defer the introduction of public pension schemes in rural areas which they deemed structurally immature. Particularly in critical times of external shock (the Asian financial crisis) and internal problems (mismanagement of the rural pension scheme), advocates of the residualist idea won the upper hand as theirs turned out to be the 'only' appropriate response to the contextual change.

This article does not intend to judge the normative 'correctness' of the arguments in the political debate, nor should it be interpreted as advocating a universal rural pension scheme. While recognizing the plausibility of the argument in favour of the state's limited role in the rural pension policy, the aim is rather to illuminate the dominance of the residualist idea exhibited in the opinions of oppositional political elites. It is understandable to point out the problems emerging during implementation, yet to conclude that the rural areas are unsuitable for more state involvement discloses the cognitive habit of the Chinese policy-makers to downplay the significance of social policy for rural residents. The failure to establish a sound rural pension system cannot be attributed solely to the insufficient infrastructure of the rural areas, but other causes are equally to blame, among them particularly the dearth of a well-elaborated statutory framework at the outset. But instead of acknowledging that point, the policy-makers choose to hold the MOCA and the MOLSS responsible for miscalculating the whole rural circumstances; and so they decide that the policy should be rolled back.

This 'cognitive lock' on the part of the central government has profound implications for the development of the rural pension policy in China. Without a clear resolution of the SC, the MOLSS has in effect very little leeway for innovative policies that would eventually expand public responsibility for rural old-age security. Given the proclaimed retreat of the state, old-age security in rural China hinges, once again, on the private insurance market and family support. Only in wealthier regions can the rural elderly expect more subsidies from local governments. In view of the changing nature of family relationships as well as the uneven distribution inherent in the market reforms, averting the risks of old age remains a risky private matter for many residents in rural China.

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## Notes

1. By using the term 'peasant' I refer to residents who are registered as rural households according to the *hukou* system. It is used in the same sense as 'rural resident'.
2. Recent articles discussing pension reform in urban China are abundant: see, for example, Béland and Yu (2004), Smyth (2000), West (1999), Whiteford (2003) and World Bank (1997).
3. Plenty of Chinese articles or books discuss this theme, making it impossible to give a full account here. Nonetheless, my appraisal that, while not denying their respective contributions, they tend to be descriptive and suggestive, remains valid. This view is also shared by some Chinese scholars (Peng and Song 2002).
4. As there is a great deal of literature addressing this theme, not least in the institutionalist-oriented tradition, I will not be able to give a fair account of all studies here (for an overview, see Berman 2001; Blyth 1997; Campbell 1998, 2002; Hall 1997; Lieberman 2002). My intent is instead to delineate the relevant viewpoints in the welfare state literature in order to outline an analytical framework for the topic under discussion.
5. Despite their crucial status, many Chinese scholars merely play a supportive role by making policy suggestions for the government. Particularly in rudimentary policy areas such as the rural pension policy, the influence of academic intellectuals is limited. For this reason, I concentrate my analysis mainly on the political debates among bureaucrats within central government.
6. The following analysis has profited greatly from the study of Leisering and Gong (2002) as well as informal talks with Gong Sen, Dai Guangyi and Liu Yugen.
7. In the course of the 1990s, private insurance companies were gaining ground in rural areas. Paucity of statistical data makes it impossible to offer further information about private commercial insurance here. Part of the MOCA's motives was to replace the private insurance with its own scheme. Since then, public and private pension schemes have been in a competitive relationship with each other. Retrospective description made by an official of the MOLSS in my interview in Beijing, September 2004.
8. Retrospective description made by an official of the MOLSS in my interview in Beijing, September 2004.
9. The group was led by Zhang Zuoji, a former SC deputy secretary general, until he was appointed as the MOLSS minister under the new government in March 1998.
10. Retrospective description made by an official of the MOLSS in my interview in Beijing, September 2004.
11. The view was expressed by an official of the Beijing Bureau of Labour and Social Security during my interview in June 2005. With the metaphor of 'imperial sword' (*shangfang baojian*), she indicated the significance of the resolution by central government to ensure the feasibility of the rural pension scheme at the local level.
12. The most representative pioneer among them is Shanghai city, where a new Township Insurance Programme (TIP; *zhenbao*) has been introduced since 2004. It is designed as an interface between the social insurance programme for urban residents and the pension scheme for rural residents. Information provided by an official of the Shanghai Bureau of Labour and Social Security, May 2005.
13. The deputy director of the Department of Rural Social Insurance of the MOLSS, Zhao Dianguo, reckons that current strategies of the MOLSS will be concentrated on further implementation of the rural pension scheme only in wealthier villages. Protection for vulnerable groups like landless peasants,

migrant workers and rural peasants with only one child or two daughters will also be strengthened. *Zhongguo shehui baozhang (China Social Security)* (2004), 12: 21.

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