

# A Study on Equalization of Basic Public Service in Urban and Rural Areas of China

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I. Empirical analysis on equalization of basic public service in urban and rural areas of China

## (I) Analysis on compulsory education in urban and rural areas

Since 2006, China has entered a period of implementing a new fund safeguarding mechanism for rural compulsory education expenditures (from 2006 till now). Aiming at solving the problems in the past such as unclearly-defined responsibilities in input from government at all levels in safeguarding the funds for compulsory education, outstanding contradictions between supply and demand of the fund, unreasonable allocation of education resources. In December 2005, the State Council issued the *Notice on Deepening the Reform of Mechanism of Safeguarding the Funds for Rural Compulsory Education*, proposing the principles and methods of “clearly defining the responsibilities at all levels, jointly sharing the burden by the central and local governments, increasing the financial input, improving the fund safeguarding level and organizing the implementation by steps”. The features of new mechanism can be summarized as: First, fully integrate rural compulsory education into the coverage of public finance; second, a mechanism of safeguarding the funds for compulsory education has been set up, in which the expenditures are shared by the central and local governments according to a specific proportion based on specific projects. In the fund arrangement, the principle that most of funds are given by the central government should be implemented; third, specific measures for sharing by local governments at various levels have been laid down for expenditures which shall be borne by governments below the provincial-level under the overall arrangement of provincial governments. The core of such a new mechanism is that it has solved the problem of too much of the funds were borne by governments at low levels. The problem has lasted for long time. The public product attributes and public finance natures of rural compulsory education have been reflected in a better way.

**Since the fund safeguarding mechanism was reformed, a significant progress has been achieved in free compulsory education.** According to the relevant data, since the new fund safeguarding mechanism was implemented (2006—2013), the cumulative funds allotted for rural compulsory education across the country have reached 895 billion yuan (excluding teachers’ salary). Among others, the central government has allocated 505 billion yuan and the local governments have arranged 390 billion yuan. The funds allotted from the central government have reached from 15 billion yuan in 2006 to 87.897 billion yuan in 2014, with an average annual growth of 24.7% (Bai Yue’e, 2014). The total input of funds in rural compulsory education within the national public budget has risen from 67% in 1999 before tax reform to

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97.05% in 2010, achieving the historic change of integrating compulsory education into the range of financial security. Meanwhile, it has given a strong impetus to the development of rural compulsory education. In 2011, the net enrollment rate for the primary school across China has reached 99.8%, up 12 percentage points above the world average level of previous year. The gross enrollment rate for junior high school has reached 100.1%, up 20 percentage points above the world average level of previous year. The average schooling years for the population above 15 years old and newly-increased labor force have hit 9 years and 12.7 years respectively, standing in the front rank of developing countries (Bai Yue'e, 2014).

**No doubt, a series policies densely formulated and implemented by the central government since 2006 have made the “short plate” in the development of rural compulsory education in the history grow longer and significantly improved the equalization of urban and rural compulsory education. However, through in-depth analysis, there still exist some differences between urban and rural compulsory education in China, which deserves attention.**

—Input equalization of urban and rural compulsory education has been significantly improved, but there still exists a specific gap at present time. The expenditures for education within the budget remain the most important part in total expenditures for education. As the data show, the proportion of per-capita budgeted expenditures for education of primary schools and junior high schools in rural areas of China before 1999 was lower than the national per-capita education plan, by 0.78 and 0.82 (1 for equal one) respectively in 1995, revealing the inequality in budgeted education expenditures for urban and rural areas. After 1999, particularly 2006, along with continuous increase of input into rural education by the state, the proportions of per-capita expenditures for primary schools and junior high schools in rural areas have been significantly improved, both exceeding 0.94 in 2009, but slightly dropped in 2010 (Huang Shao'an, 2013).

—The big gaps of input in compulsory education among regions have also made significant differences in investment into urban and rural compulsory education in different areas. The data show that there exist big gaps in both per-capita financial input on education and per-capita expenditure among primary schools and junior high schools in the east, middle, west and northwest of China (see Table 1). In 2010, the per-capita public finance budgeted expenditures on education and the per-capita public finance budgeted expenses for public use for ordinary primary school pupils in the east of China were 2.47, 1.66 and 1.33 times those in the middle, west, northeast of China respectively. The per-capita public finance budgeted expenditures on education and the per-capita public finance budgeted expenses for public use for ordinary junior high school students in the east of China were 2.36, 1.79 and 1.52 times of those in the middle, west, northeast of China respectively. If the per-capita financial expenditures on education were taken into account, the larger gap among provinces could be seen. In 2010, the highest one in per-capita public finance budgeted expenditures on education for ordinary primary school pupils was Shanghai Municipality, hitting 16143.85 yuan while the lowest one was Henan Province, only 2186.14 yuan, with difference of 6.38 times between them; the highest one in per-capita public finance budgeted expenditures on education for ordinary junior high school students was Beijing Municipality, hitting 20023.04 yuan and the lowest one was Guizhou Province, only 3204.20 yuan, with difference of 5.25 times between them; in terms of per-capita public finance budgeted expenses for public use, the highest one for ordinary primary school pupils was Beijing Municipality, up to 5836.99 yuan, 9.08 times higher than the lowest 579.26 yuan of Guizhou Province; the highest one for ordinary junior high school students was Beijing Municipality, nearly 9 times high than the lowest 827.24 yuan of Guizhou Province (Wang Jian, 2012). It was determined by financial and economical strength of different areas. Moreover, there

also exists a significant gap with relevant per-capita expenditures on compulsory education in urban and rural areas.

**Table 1 Per-capita financial expenditures on education in east, middle, west and northwest of China in 2010 (unit: yuan)**

Area	Per-capita public finance budgeted expenditures on education		Per-capita public finance budgeted expenses for public use	
	Ordinary primary schools	Ordinary junior high schools	Ordinary primary schools	Ordinary junior high schools
Average in the east	7468.72	9822.34	1849.33	2591.92
Average in the middle	3023.02	4155.85	817.50	1279.74
Average in the west	4499.41	5478.77	1151.71	1736.74
Average in the northeast	5626.43	6466.19	1234.74	1788.69

Data source: *Statistical Bulletin for Implementation of National Expenditures on Education (2006-2010)* Ministry of Education, National Bureau of Statistics

—There exists a big gap in the quality of compulsory education between the urban and rural areas. To take the academic structure of teachers in primary schools and middle schools as an important measuring indicator, the data show that, in 2010, teachers of bachelor degree or above in junior high schools of rural areas accounted for 54.82%. The average figure was 64.05% across China. The percentage was 92.44% and 84.6% in urban and rural areas (Table 3). Besides, college entrance examination is also an important indicator to measure the quality of education in urban and rural areas. In 2010, the participants of college entrance examination in rural areas were 5.592 million, far more than 3.601 million in urban areas, however, the admission rate of universities and colleges for rural students was around 50% and the admission rate of key universities for rural students was only 30% (Huang Shao'an, 2013).

**Table 2 Academic structure of teachers in junior high schools of cities, counties (towns) and countryside**

	Total Number of Teachers	Post-graduates	Under-graduates	Junior College Students	Above Bachelor (%)	Number of Students	Student-Teacher Ratio
Whole country	3523 382	22 681	2 234 092	1219068	64.05	52 759 127	14.98
Cities	705 956	14 861	568 778	119061	82.67	10 590 217	15
Counties (Towns)	1545 884	5 278	970 821	550301	63.14	24 324 161	15.74
Countryside	1271 542	2 542	694 493	549706	54.82	17 844 749	14.03
Percentage in cities	20.04%	65.52%	25.46%	9.77%	25.86	20.07%	-
Percentage in Counties (towns)	43.87%	23.27%	43.45%	45.14%	43.25	46.10%	-
Percentage in Countryside	36.09%	11.21%	31.09%	45.09%	30.89	33.82%	-

Data source: Education Statistical Yearbook in China

**Table 3 Academic structure of teachers in ordinary primary schools of cities, counties (towns) and countryside**

	Total Number of Teachers	Post-graduates	Under-graduates	Junior College Students	Above Bachelor (%)	Number of Students	Student-Teacher Ratio
Whole country	5 617 091	6 407	1 325 247	3 065 721	78.29	94 407 043	17.7
Cities	947 337	4 397	456 547	414 753	92.44	18 204 675	19.22
Counties (Towns)	1 479 228	1 055	384 019	866 419	84.6	22 700 170	15.35
Countryside	3 190 526	955	484 681	1 784 549	71.15	53 502 198	16.77
Percentage in cities	16.87%	68.63%	34.45%	13.53%	19.91	18.31%	-
Percentage in Counties (towns)	26.33%	16.47%	28.98%	28.26%	28.46	22.84%	-
Percentage in Countryside	56.8%	14.9%	36.57%	58.21%	51.36	53.82%	-

Data source: Education Statistical Yearbook in China

## (II) Analysis on the social security in urban and rural areas

Over the past years, due to the restriction of economic development conditions and influence from the system of urban-rural dual structure, Chinese social security has been focusing on cities, in which a good urban employee social insurance and social welfare system has been established. However, social security is almost a bland in rural areas.

**In the past decade, China has carried out a reform centering on policies of pension and social assistance and initially established a new type urban and rural social security system.** Firstly, an urban and rural subsistence security system was established. In order to ensure the people in financial difficulties can live a basic life, China set up urban and rural subsistence security system in 1997 and 2007 respectively. According to the relevant provisions, the urban and rural residents with per-capita household income below the local security line can be included in the scope of subsistence security. The central government would give appropriate subsidies to the areas in financial difficulty. Second, a new urban and rural pension system was established. In 2009, a new rural security system was established, practicing an institutional pattern combining social mutual assistance programs with personal accounts. The government paid basic old-age pension to the eligible insured persons in full. The central government provided subsidies to the central and western regions in full and gave 50% subsidies to the eastern region. In 2001, the state started

to establish an old-age pension system for urban residents. The non-employed residents in urban areas could participate in voluntarily. The pattern and scope of implementation of urban non-employed residents are the same as those of new rural insurance. Moreover, since February 2014, the state started to combine new rural insurance with urban insurance and established a unified basic old-age pension system for urban and rural residents, which has not only unified scope of coverage and level of payment, but also improved the payment incentive mechanism, receiving condition and trans-regional transfer and continuation measures in a bid to march towards a more fair target.

**Finance is an important pillar for social security. In recent years, along with increasingly intensified support of public finance, the rural social security has made a historic breakthrough and the urban and rural public security has tended towards perfection.** From 2008 to 2012, the national finance has totally arranged 520.801 billion yuan for supporting urban and rural subsistence security, including 281.024 billion yuan for supporting the urban subsistence security and 239.777 billion yuan for supporting the rural subsistence security. By the end of 2011, the rural subsistence security system in China has covered 53.135 million persons and 26.626 million households, up by 53.9% and 69.3% respectively over that in 2007 when rural subsistence security system was initially established; the average level of monthly per-capita subsistence security and the monthly per-capita spending level are 143.2 yuan and 96.4 yuan respectively, growing by 1 times and 1.6 times respectively over that in 2007. In 2012, the population of rural subsistence security was 53.41 million, with national average standard and subsidy level adjusted into monthly per-capita 172 yuan and 109 yuan. In late 2012, the population of urban subsistence security was 21.42 million, while the national average standard and subsidy level are adjusted to monthly per-capita 330 yuan and 244 yuan. By the end of 2012, the new rural insurance and urban resident insurance have achieved a full coverage in system across the country. The population of urban and rural insurants has reached 460 million, including 130 million residents receiving the insurance. For ensuring the implementation of the work, from 2009 to 2011, the central finance has granted subsidies of 104.7 billion yuan. In the past two years, the financial support has been intensified. It was 62.17 billion yuan in 2012. It was further increased to 83.7 billion yuan. It has played an important role in promoting the reform of old-age pension for urban and rural residents of China.

**Currently, the main problem of urban and rural social security equalization lies in subsistence security rather than old-age pension.** Now, the national urban and rural pension system has grown from nothing and been merged, which has laid a system foundation for equalization of urban and rural pension. Since the system is unified, urban and rural residents can make a payment by choosing different levels. In the future, the received pension will have a difference, even significant difference inevitably. This is not a reflection of unequalization but embodiment of fair principle. Currently, the unequal status of urban and rural social security system is mainly reflected in urban and rural subsistence security. The basic subsistence security level in rural areas lag behind that in urban areas. In 2006, the average level of Chinese urban subsistence security was 169.6 yuan for each per month while the average level of urban subsistence security for rural areas was 70.9 yuan for each per month, 98.7 yuan lower than the level in urban areas. In 2009, the average level of Chinese urban subsistence security was 267.48 yuan for each per month while the average level of urban subsistence security for rural areas was 134.7 yuan for each per month, with the gap between rural and urban levels expanded to 132.78 yuan. In 2012, the urban subsistence security was 330 yuan for each per month and the subsistence security in rural areas was 172 yuan for each per month, with the gap further expanded to 158 yuan. As further analysis shows, in 2009, the level of rural subsistence security in western, central and western regions was 197.75 yuan, 107.4

yuan and 91.96 yuan respectively (see Table 4), markedly lower than urban level in various regions. In this case, while the state tries to perfect the urban and rural subsistence security, emphasis shall be placed on improving the rural subsistence security level, stepping up the efforts to support the central and western regions in a bid to reduce the gap between the urban and rural subsistence security levels among different regions.

**Table 4 Subsistence security levels in different regions of China in 2009  
(unit: yuan/month for each)**

Region	Urban areas	Rural areas
Eastern region	319.78	190.78
Central region	240.54	107.40
Western region	228.96	91.96
National average	267.48	134.70

Data source: China Civil Affairs Statistical Yearbook

### (III) Analysis on health care in urban and rural areas

**In the past decade, major institutional innovation has been made for Chinese urban and rural health care system. The establishment of new rural cooperative medical care system and basic medical insurance system for non-working urban residents marked the historic breakthrough made in equalization of urban and rural health care.** New rural cooperative medical care system refers to a mutual aid system for farmers' medical care mainly based on comprehensive arrangement for serious diseases, which is organized, guided and supported by government, paid voluntarily by farmers, financed by individuals, collectives and governments. For a long time, rural cooperative medical care system has been operating in some areas, however, due to influence of many factors, it is mainly based on mutual aid by farmers in a centralized way without participation of government. It has not been persisted effectively in many areas from time to time, so it has not achieved an ideal result in security. Farmers are also not active enough to get involved in this system. Under the impact of market-oriented reform, the original three-tier medical network in rural areas is difficult to effectively assume the responsibilities of basic medical security which shall be shouldered by government. In 2003, a new rural cooperative medical system was started as a pilot for trying to solve the problems of difficulty and high cost to access medical service facing farmers and achieve "universal access to health care". From 2003 to 2011, the national finance totally arranged 472.4 billion yuan of new rural cooperative medical subsidy and achieved a full coverage of new rural cooperative medical system. In 2011, new rural cooperative medical system covered 2,637 counties (districts, cities), involving 832 million rural residents. The total amount funded for new rural cooperative medical system reached 204.76 billion yuan, with per-capita funding up to 246.2 yuan and 1.315 billion persons benefited from it. Among the sources of new rural cooperative medical funds, the percentage of national financial subsidy in it was raised year on year. In 2003 when it was initiated, among per-capita financed 30 yuan, 20 yuan was subsidized by governments at various levels. By 2011, among per-capita financed 246.2 yuan, 200 yuan was subsidized by governments at all levels, with the ratio of subsidy growing by 15 percentage points. In 2012, the subsidizing level from governments at all levels was further raised from per-capita 200 yuan to per-capita

240 yuan annually. The input increased by governments at all levels exceeded 3.3 billion yuan. While the new rural cooperative medical system was established, a pilot of basic medical insurance system for non-working urban residents was initiated in some cities from 2007. Students, children and other non-working urban residents uncovered by basic medical insurance system for urban employees can voluntarily participate in basic medical insurance system for non-working urban residents. By 2009, the basic medical insurance system for non-working urban residents was established in all the cities across the country. Both basic medical insurance system for non-working urban residents and new rural cooperative medical system adopts a pattern combining government subsidy and individual payment, which are designed to solve the inpatient expenses for severe illness and give consideration to compensation of outpatient expenses partly. Since the system was established, the overall financing level and government subsidizing level for new rural cooperative medical premium and urban residents' basic medical premium have been continuously improved. In 2012, the financing level for new rural cooperative medical premium and urban residents' basic medical premium has reached around 300 yuan for each per year. Among others, the subsidizing level from government at all levels has been raised to 240 yuan for each per year. The central government provided a subsidy of 156 yuan and 132 yuan to the western and central regions respectively. In 2012, the spending from the central government on this aspect reached 105 billion yuan. By the end of 2012, the population covered by new rural cooperative medical insurance reached 805 million and the population covered by urban residents' basic medical insurance hit 271 million, with 70% inpatient expenses reimbursed. The implementation of the two systems has played a critical role in reducing the residents' burden of medical costs and improving the medical service and the residents' health level.

**Despite the significant progress in equalization degree of urban and rural medical care, there still exists a big gap between urban and rural areas in allocation of public health resource and accessibility to medical services.**

—There is a big gap between urban and rural areas in basic public service funds for medical care. First, the medical care costs are unreasonable and unequal in total amount, growth rate and proportion between urban and rural areas. In terms of total amount, in 2010, the medical care costs in urban areas were 1550.86 billion yuan, but the figure was only 447.18 billion yuan in rural areas. It shows that the medical care costs enjoyed by 666 million urban population which accounted for 49.68% of the total population, were 3.47 times of that enjoyed by 674.7 million rural population which accounted for 50.32% of the total population; in terms of growth rate, during the “11<sup>th</sup> Five-Year Plan” period, the medical care costs in urban areas have risen year on year, with annual growth amount up to 178.55 billion yuan and annual average growth rate of 19.6%. Comparatively, during the same period, the medical care costs in rural areas showed a wave growth. In 2007 and 2010, negative growth occurred. The annual average growth rate was only 9.5%; in terms of proportion, in 2010, the medical care costs for urban areas in total medical care costs made up 77.6%, but only 22.4% for rural areas. Besides, the proportion of medical care costs for urban areas in total medical care costs fluctuated, but the rate of fluctuation is slight and kept stable relatively. The proportion of medical care costs for rural areas showed a sharp fluctuation and poor stability. Second, the absolute amount of per-capita medical care costs for urban and rural areas is highly different. The gap between urban and rural areas has been widened if the proportion of per-capita income is taken into account. On the one hand, in 2010, the per-capita medical care costs for urban areas was 2315.5 yuan and that for rural areas was 666.3 yuan, 3.48 times for urban areas over rural areas. Though the gap of per-capita medical care costs between urban areas and rural areas is gradually narrowing, there remains a significant difference; on the other hand, despite similar proportion of per-capita



medical care costs in per-capita income for both urban and rural areas, if the per-capita income ratio of 3.23:1 between urban areas and rural areas is taken into account, rural residents will have face a heavier burden and more pressure in medical care costs actually (Wang Jian, 2012).

—There is a big gap between urban and rural areas in availability of medical care workers. It can't be denied that a rapid growth has achieved in the number of medical care workers in both urban and rural areas. In 2010, the number of health technicians, medical practitioners or assistant medical practitioners, registered nurses per thousand people was 7.62, 2.97 and 3.09 respectively in urban areas, up by 30.93%, 20.73% and 47.14% over 2005; the figures were 3.04, 1.32 and 0.89 respectively in rural areas, up by 13.01%, 4.76% and 36.92% over 2005. However, compared the figures between urban areas and rural areas, the number of the aforesaid three kinds of medial workers in urban areas was 2.16, 1.95 and 3.23 times that in rural areas. In the subsequent years, the gap was continuously widened. By 2010, the growth rate increased by 151%, 125% and 247% respectively (see Table 5) (Wang Shuangbiao, 2013).

**Table 5 Change for number of medical care workers per thousand people in China between 2005 and 2010**

Year	Medical technicians		Medical practitioners or assistant medical practitioners		Registered nurses	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
2005	5.82	2.69	2.46	1.26	2.10	0.65
2006	6.09	2.70	2.56	1.26	2.22	0.66
2007	6.44	2.69	2.61	1.23	2.42	0.70
2008	6.68	2.80	2.68	1.26	2.54	0.76
2009	7.15	2.94	2.83	1.31	2.82	0.81
2010	7.62	3.04	2.97	1.32	3.09	0.89

Data source: China Statistical Yearbook (2011)

Further analysis shows that there is also certain gap in availability of medical technicians and other basic conditions between different areas (see Table 6). Particular attention shall be paid to that the problem of basic public health service system in some western regions, especially former revolutionary base areas, areas inhabited by minority nationalities, remote and border areas and poverty-stricken areas has not been solved fundamentally. Judging from the facts, the significant gaps between urban and rural areas in medical care service and health care level was caused by that the medical and health care human resources, facilities, equipment and advanced technologies concentrate in economically developed urban areas. Large hospitals are in cities, health resources are inadequately allocated in rural

areas. Moreover, longitudinally, over the past years, the bed number of medical institutions per thousand people in cities of China has been higher than that in the countryside. The health resources between urban and rural areas are significantly different, the layout and structure are not reasonable, the advanced medical care technologies, equipment and outstanding medical personnel concentrate in cities, especially cities' large public hospitals, health resources are inadequate in rural areas and communities at grass-roots level and their service capacity is fairly weak; on the other hand, the resources of large hospitals cannot be reasonably utilized, making it difficult to achieve the equality in basic medical care service and affecting the process of urban-rural integration, which has also been a key factor to influence the social equality and justice.

**Table 6 Availability of health workers and hospital beds per thousand people for different areas in 2010**

Region	Availability of health workers per thousand people		Availability of hospital beds per thousand people	
	Urban areas	Rural areas	Urban areas	Rural areas
Eastern region	6.85	3.31	4.41	2.00
Central region	6.02	2.84	4.38	1.94
Western region	7.05	2.35	5.34	2.13
National average	6.67	2.86	4.70	2.02

Data source: China Health Statistics Yearbook 2010

—The public medical service in rural areas lags behind that in urban areas, which is also reflected in health indicators of infants and pregnant and lying-in women. As relevant data shows, in recent years, China has been improving the quality and level in health care service for women and children. More and more women and children have opportunities to access better and more comprehensive health care service. The mortality rates of children below 5 years old, pregnant and lying-in women have dropped significantly. As the monitor shows, the mortality rates of newborn infants, infants, children below 5 years old and pregnant and lying-in women in Chinese rural areas have shown a sharp decline. In 2010, the figures were reduced to 10.0‰, 16.1‰, 20.1‰ and 20.1 per 100,000 people respectively, down by 4.7‰, 5.5‰, 5.6‰ and 23.7 per 100,000 people (see Table 7) (Wang Shuangbiao, 2013). However, there is a great difference between urban and rural areas. In 2010, the mortality rates of newborn infants, infants, children below 5 years old and pregnant and lying-in women in rural areas were 2.44, 2.78, 2.75 and 1.01 times those in urban areas, which has actually reflected that the medical service level available in rural areas remained lower than that in urban areas.

**Table 7 Mortality rates of children below 5 years old, pregnant and lying-in women in Chinese rural areas**

Year	Mortality rate of newborn infants(‰)		Mortality rate of infants(‰)		Mortality rate of children below 5 years (‰)		Mortality rate of pregnant and lying-in women (1/100,000 people)	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
2005	7.5	14.7	9.1	21.6	10.7	25.7	25.0	53.8
2006	6.8	13.4	8.0	19.7	9.6	23.6	24.8	45.3
2007	5.5	12.8	7.7	18.6	9.0	21.8	25.2	41.3
2008	5.0	12.3	6.5	18.4	7.9	22.7	29.2	36.1
2009	4.5	10.8	6.2	17.0	7.6	21.1	26.6	34.0
2010	4.1	10.0	5.8	16.1	7.3	20.1	29.7	30.1

Data source: China Statistical Yearbook (2011)

#### **(IV) Analysis on basic public service for immigrant workers**

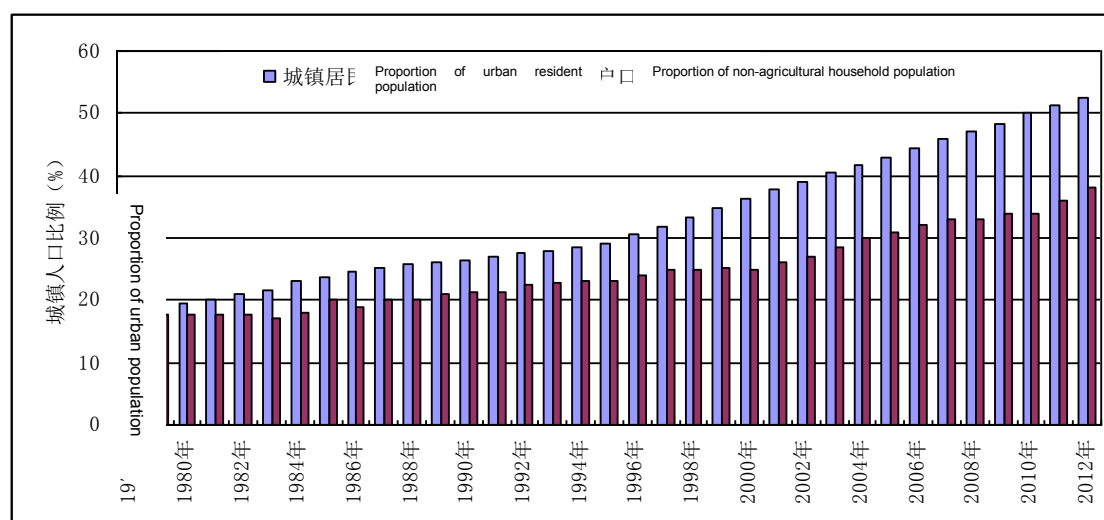
**The rural agriculture surplus labor transferring to non-agricultural industries and rural population moving into cities are a law of internationalization for modern economy transformation and urbanization development and also a basic trend for population mobility and employment change since reform and opening-up are launched in China.** As data show, in 2011, the total of immigrant workers in China reached 252 million, including 158 million immigrant workers traveling to cities and 94 million local immigrant workers (non-farming). By 2012, the total of immigrant workers was increased to 262 million, including 163million immigrant workers traveling to cities and 99 million local immigrant workers. By 2013, the proportion of immigrant workers in employment population was increased to 44%. Such labor mobility has played a crucial role in promoting the economic growth, urbanization development and reducing the property in China.

**Table 8 Numbers of immigrant workers in China from 2008 to 2011 (unit: 10,000 persons)**

	2008	2009	2010	2011
Total of immigrant workers	22 542	22 978	24 223	25 278
1. Immigrant workers travelling to cities	14 041	14 533	15 335	15 863
(1) Immigrant workers travelling to cities in rural families	11 182	11 567	12 264	12 584
(2) Immigrant workers with all family members travelling to cities	2 859	2 966	3 071	3 279
2. Local immigrant workers	8 501	8 445	8 888	9 415

Data source: Thinking on Insurance Industry's Involvement in Urbanization Development, written by Xu Laofeng, published on Issue 6, 2013 of Insurance Studies

Over the past years, China has been carrying out a rigorous urban and rural household registration system, therefore, immigrant workers working and living in cities were counted as urban resident population, but cannot fully access the basic public services of cities. The data show, from 1978 to 2012, the proportion of urban resident population including immigrant workers in national population was increased from 17.245 million to 71.182 million, growing from 17.92% to 52.57%, however, the proportion of non-agricultural household population in cities which can fully access the basic public services in cities rose from 17% in 1978 to 38% in 2012 (see Figure 1).



**Figure 1 Trend for urban resident population and non-agricultural household population in 1978-2012**

Data source: Data for various years from National Bureau of Statistics

**In recent years, the state has been increasingly attaching importance to the rights and interests of immigrant workers, but the basic public service problem for immigrant workers has not be solved properly.**

—Among immigrant worker groups, basic social security has a low coverage. According to the survey data issued by Chinese Academy of Social Sciences, the proportions of immigrant workers in old-age pension, unemployment, medical care, industrial injury and female workers mutual aid and co-operation insurance were 33.7%, 10.3%, 21.6%, 31.8% and 5.5%, far lower than those of urban residents. The coverage of enterprise supplementary insurance, employees' mutual aid and co-operation insurance and commercial insurance for immigrant workers was 2.9%, 3.1% and 5.6%. In 2011, as data from National Bureau of Statistics show, the proportions of pension insurance, industrial injury insurance, medical insurance, unemployment insurance and maternity insurance for immigrant workers paid by employers or organizations were 13.9%, 23.6%, 16.7%, 8% and 5.6% respectively. The sample survey in relevant areas has also proved the above conclusion. As a survey in Wenzhou made by Chinese Academy of Social Sciences in 2010, the proportions of pension insurance, industrial injury insurance and medical insurance for immigrant workers paid by employers or organizations were quite low (see Table 9).

**Table 9 Coverage of social security for rural migrants in Wenzhou (%)**

	Free medical care or medical insurance	Retirement pension or old-age pension	Housing welfare	Industrial injury insurance	Unemployment or maternity insurance
Option	35.28	24.78	25.82	50.43	16.52
Not available	46.3	57.66	56.45	32.87	62.99
Not applicable	3.79	4.3	3.96	4.13	4.65
Not clear	12.39	10.84	10.15	9.64	12.56
No response	2.24	2.41	3.61	2.93	3.27
Total	100	100	100	100	100

Data source: Xu Laofeng, 2013

—There still exists a gap between children living together with immigrant workers in receiving compulsory education. In recent years, the state has attached more importance to supporting the children living together with immigrant workers to access compulsory education. From 2008 to 2013, the central government allotted incentive subsidies of 24.1 billion yuan for children living together with immigrant workers in accessing compulsory education, which has improved the schooling problem of children living together with immigrant workers. According to a survey by Ministry of Education, in 2009, among 9.97 million children of immigrant workers who were enrolled in urban schools, nearly 80% students were learning at public schools. This rate reached 90% in 19 provinces. In July 2009, a sample survey in Beijing, Shanghai, Shenzhen, Taiyuan and Chengdu made by State Family Planning Commission showed, 98.2% of immigrant workers' children of 7-14 years old can attend school. Among them, 69% of children were learning at public schools and 25% of them were learning at private schools. Only 6% of them went to "immigrant workers' children

schools” (Development Research Center of the State Council, 2014). However, there still are many left-behind children in China. Some of them stay in countryside and fail to go to school. Some of them drop out of school. The schooling of immigrant workers’ children in public schools and immigrant workers’ children schools keeps a similar proportion roughly. The relevant data show (see Table 10), there is a great difference between the potential number of immigrant workers’ children and reported schooling number.

**Table 10 Immigrant workers’ children accessing compulsory education**

City (year)	Total population (million)	Non-native migrating population(million)	Number of children from migrating population attending school (thousand)	
			Potential	Actual
Shanghai(2012)	24.3	10.5	1155.0	500.0
Beijing(2009)	19.6	7.1	775.0	393.1
Guangzhou(2011)	12.7	4.8	523.6	362.4
Ningbo(2012)	7.6	2.3	251.7	289.0
Chengdu(2010)	14.1	2.6	288.3	173.8
China	1370.5	221.4	24356.9	12000.0

Data source: Development Research Center of the State Council, The World Bank, 2014

II. Suggestions on further promoting the equalization of urban and rural public service in the near-term and mid-term

**(I) The state’s financial allocation shall practice policies inclining to three fields**

—The state’s financial funds shall incline to livelihood field. According to the needs of market economy and China’s actual conditions, in the future, Chinese financial expenditure structure shall be adjusted, with basic direction towards maintaining expenditures in some areas while reducing them in others, pushing forward incremental adjustment and stock adjustment simultaneously. Only by taking such approaches can enable the input into livelihood and basic public service to have a practical and reliable financial foundation. First, accelerate the reform of administrative mechanism, effectively solve the problems of institutional expansion, excessive population supported by government finance and heavy financial burden, maintain financial expenses within a reasonable range, and keep on taking measures for reducing the expenditures in three public consumptions (overseas trips, vehicle purchasing and maintenance, official receptions). Second, improve the financial investment policies. The finance shall be resolutely withdrawn from investment on general competitive sectors so as to change the situation that the financial investment range is too wide and involves too many fields. Third, pool financial resources to step up the input into livelihood, especially enhancing the expenditures in public services such as education, medical care, social security etc. Government at all levels shall

give priority to arrange budget for basic public services and ensue the growth rate in line with financial growth and basic public services.

—The state's financial input into livelihood shall incline to rural areas indeed. First, improve the long-term guarantee mechanism of rural compulsory education. Raise the public expenditure standard of rural compulsory education, strengthen the maintenance and repair of middle and primary schools in rural areas, take priority to raise the remuneration and quality of rural teachers. Second, strengthen the national investment on medical care in rural areas and improve three-tier medical care networks in countryside. In recent years, the state has attached more importance to the construction of rural medical care service, but the condition that medical care in rural areas far lag behind that in urban areas has not been changed radically. Therefore, the emphasis shall be placed on improving the medical care level for government's investment. For the backward condition of medical care in rural areas, first, the county-level medical care capacity shall be built to deal with the basic medical service in the areas properly. It is possible to set the proportion of insurance reimbursed for guiding seriously ill patients in counties and towns to receive medical treatment in county-level hospitals. Second, township hospitals shall be built in suitable positions according to radiating area, population density, and distance to county town so as to assume the rural public health duties and be able to deal with common diseases, frequently-occurring diseases, chronic diseases, minor operations and first-aid treatment. Besides, the building of village clinics is also important since they are close to farmers, which need subsidies from government for building medical care facilities, purchasing necessary small medical equipment and training village doctors. Third, strengthen the support to rural social security. It is required to improve the subsistence security subsidy level progressively based on the state's financial ability in order to reduce the gap in subsistence security between urban and rural areas. In addition, a standard and effective social subsidy and medical care subsidy system shall be established.

—The state's financial input into livelihood shall incline to underdeveloped areas. In the past decade, the central government has issued a lot of livelihood improving policies, continued to raise the level and quantity of input on livelihood, and practiced differentiated regional input policies, which has played a critical role in promoting the development of urban and rural basic public services for various areas across the country. However, the fact shows, there still exists a big gap in basic public services for different areas. In this case, in the future, the central government's input on livelihood still needs to incline more to underdeveloped areas by raising the level of subsidies to public funds for rural middle and primary schools, rural medical care expenditures, new rural cooperative medical insurance, new rural social old-age insurance etc. and make continuous efforts to reduce the gap between urban and rural areas and the gap between different areas in basic public services.

## **(II) Take new steps in pushing forward relevant key system and mechanism innovations**

—Reasonably divide the administrative rights of the central and local governments in basic public service. At the current stage, emphasis shall be laid on the coordinated development between urban and rural areas and among different areas, unify the responsibilities in division of affairs and expenditures for provinces and under provinces appropriately, move the responsibilities of affairs and expenditures which shall be assumed by government of higher level upwards, endeavor to clearly define the administrative authorities and expenditure responsibilities of governments at all levels in basic public service fields such as compulsory education, public health, social security, natural resource and environmental protection etc. Among others, compulsory education shall be shared by central government, provinces and counties by level according to specific items. The central government is responsible for

formulating unified minimum education expenditure security standard across the country and strengthening the security to public funds for compulsory education through general transfer payment; the salary for compulsory education teachers shall be changed from the current practice that the teachers' salary is paid by county governments into that the central government will pay the salary for teachers; the schools' building and reconstruction will be borne by provincial government; the schools' maintenance and daily management expenditures will be borne by county-level government. The central government shall be responsible to formulate minimum standard for public health service across the country and shoulder national key disease and chronic disease prevention and treatment. The provincial government shall be responsible for distribution of public health service resources and endemic disease prevention and treatment. The county-level government shall be responsible for basic expenditures for building and operation of public health institutions and medical institutions. For social security, the central government shall be responsible for old-pension insurance, major disaster and accident relief and overall planning across the country; balance the burden level of enterprises in different areas, promote the trans-regional flow of labor force and merge the multiple security systems in due time. The provincial government is responsible for formulation of policies on welfare and health care of residents, rural subsistence security, local disaster and accident relief; the county-level government is responsible for implementation of welfare and health care policies for residents and daily management. For natural resource and environmental protection, it shall be based on the principle of benefited range and externality and combine the state's planning for main functional areas. The central government shall be responsible for natural resource conservation and environmental protection expenditure in state-level areas in which development is prohibited and limited, harnessing of major rivers, land improvement of the whole basins and national environmental protection; the provincial government shall be responsible for environmental protection in areas in which development is prohibited and limited, harnessing of regional rivers, land improvement and environmental improvement; county-level government shall be responsible for daily environmental monitoring and reporting.

—Establish a transfer payment system of the central government to the areas to which immigrant workers flow. First, integrate part of eligible immigrant workers who have been urbanized into the security coverage of urban basic public services by combining the arrangement of reform on urban and rural resident household registration systems. The central government shall give necessary subsidies to the areas to which immigrant workers flow through general transfer payment according to the population size of urbanized immigrant workers, public service cost and other factors. According to Chinese planning for urbanization development, from now till 2020, China will turn 100 million farmers into civilians. The public service requires a huge cost for turning immigrant workers into civilians, so it needs to be shared by local government and central government's transfer payment. Second, the immigrant workers who are not eligible to be civilians currently, they shall also be able to access certain basic public services of urban areas such as schooling for children, social security, employment service etc. The central government shall also give certain support to the areas to which immigrant workers flow through special transfer payment in line with the situation of permanent resident population in the areas to which immigrant workers flow.

### **(III) Pay attention to the sustainability of financial policies**

The essence of urban and rural basic public service equalization is a livelihood issue, which is closely related with public finance and has a high requirement for finance. In the past decade, for promoting the equalization of urban and rural basic public services, the state has issued a series of regulations and policies. The expenditures



of the state's finance in education, health care and social security alone have made up 40% approximately, which has provided an important financial foundation for public finance coverage in rural areas. **In the mid and long term to come, from the perspective of macro strategy on the whole, the state' finance shall beef up its efforts in expenditures for livelihood and rural basic public service without a doubt, but it must be noted that, in the future, the issuing of new systems, policies and expenditure increase for urban and rural basic public services shall be kept under a proper range, rhythm and intensity. Attention shall be paid to the sustainability of financial policies.** The main reasons are: First, China's financial revenue has turned from the high growth previously into normal growth. In the coming years, the era for high growth of revenue has ended. From 1994 to 2011, China's financial revenue has increased from 521.8 billion yuan to 10387.4 billion yuan, up by 18.9 times, with yearly increase of 19.37%. In the recent two years, due to the impact of economic downturn and the state's tax-cutting policy, the growth rate of financial revenue in 2012 and 2013 has dropped to 12.9% and 9.8% respectively. A lot of domestic and overseas researches show, there remains a great potential for development of Chinese economy in the future, however, the economic growth rate is impossible to keep at more than 10% in the past years. An economic growth rate of around 7% will be a new normal state for economic development for a long term in the future. In this case, the financial growth in the future will step into a normal growth trend. **Second, the financial expenditure will face new expenditure increasing pressure for long term in the future.** Apart from basic public services such as education, social security and medical care, we will face four other expenditure-increasing pressures in the years to come: food security and Sustainable agricultural development, ecological and environmental protection, urbanization development, industrial structure optimization and upgrading, development of strategic emerging industries etc. All these are key strategic issues which have a bearing on the process of Chinese modernization drive, so they call for support of government in both policy and financial resources. **Third, the government's debt shows a trend of accelerated growth.** Presently, the debt balance of the central government has reached 8.6 trillion yuan and the debt balance of local governments has hit 20 trillion yuan. Though the governments' debts are still within a secure range, attention shall be paid to the debt' rapid growth and the pressure from continuously approaching debt-paying peaks. **To sum up, the fiancé currently and in the future has shown a great difference with that previously. In such a context, we must consider the balance between equalization of urban and rural basic public service and sustainability of financial policies in the future.** China is still a developing country, so urban and rural basic public service equalization will be inevitably a long-term goal and a dynamic optimization process, which will be subject to restriction of actual conditions and financial strength of a country.