

Research on Fund-Raising for Rural Five Guarantees in China - A Case of Foshan in Guangdong Province

Yan Zhiying¹

¹ General Department, Zhaoqing Inspection and Quarantine Bureau,
Zhaoqing, Guangdong, China

Abstract

This paper investigates the operation of rural five guarantees system in Foshan, Guangdong province of China, which has presented a model of residual welfare. Moreover, local governments have to take the responsibility of funding the rural five guarantees system. There are also many other problems in the process of policy implementation. We suggest that the government should change the idea of social assistance and improve the level of local government to fund the rural five guarantees system.

Keywords: Rural Five Guarantees, Social Assistance, Development of Society

1. Introduction

The system of five guarantees (guarantee of food, clothing, housing, medical care, and burial) is established for elderly people, handicapped people and residents under the age of 16 living in the countryside who have lost the ability to work, have no sources of income and have no people to support them. With continuous development in recent years, it has been a very important part of Chinese social security system.

During the past fifty years, according to source of funds, the rural five guarantees system has gone through the following three models: the model of collective support (1956-1978) operating on public welfare funds and organized by the production team or the production brigade; the model of collective support (1979-2001) operating on funds and goods from the village deduction and reserving and the resources are under the overall control of the township government; the model of modern social security (from 2002 on wards) supported mainly by the national finance and complemented by collective security, land security and social assistance. The transformation of the three models represents the process of structural change from a mutual-aid and self-supporting pattern to the one supported by government public finance.

For decades, an increasing number of people are benefiting

from rural five guarantees which has played an important role in maintaining social stability in rural areas, and guaranteeing rural residents' right to the basic needs. Though five guarantees has gotten great achievements, but it still has some disadvantages, such as its fund-raising. In order to analysis the fund-raising for five guarantees in Chinese rural areas more deeply, we choose Foshan in Guangdong province as the research object. For one side, this city has a higher level of economic development, for another side, the rural population accounts for about 30%, so Foshan is a representative city.

2. Policy design

2.1 Budget system

According to Regulation of Five Guarantee in Guangdong Province, rural five guarantees fund should be included in the annual budget of government at or above the prefecture level, and earmark fund for its specified purpose only. Provincial and municipal level of financial departments should give adequate financial support to areas in financial straits.

2.2 Main fiscal responsibility of fund-raising

According to Regulation of Five Guarantee in Foshan City, rural five guarantee fund is supported by the district finance. Sharing ratio of fund among district, town/street and village is decided by the district government. According to regulation, provincial and municipal government will not subsidize those areas in financial straits through transfer payments. So district, town/street and village are entirely responsible for rural five guarantees fund. In a word, fund-raising for rural five guarantees in Foshan presents a model of residual welfare.

There is neither clear criteria nor document to regulate the sharing ratio of fund among district, town/street and village. In practice, the sharing ratio of fund is 4:4:2 in South Sea district, while the fund of Chancheng district is

provided by town/street and village, district level of financial department needn't to burden it.

3. Analysis about key issues

3.1 The fiscal transfer payment

In China, economic decentralization and vertical administration system are closely integrated into Chinese-style decentralized governance model. Economic decentralization enables local governments to have an incentive to develop the economy. Political centralization links the promotion of local governments official to economic growth, which provides local governments with promotion incentive of economic growth. Financial incentive and promotion incentive lead to local governments compete with each other, so they all try their best to pursue short-term targets of economic growth, while they ignore even sacrifice the development of social security system.

The number of rural residents and their actual needs are not the chief considerations in rural five guarantees system. Because there is lack of clear sharing ratio, the higher level of government (district) game with subordinate level of governments (town/street, village), they all have motivation to minimize the burden of fund. For example, Guangdong Provincial level of financial department doesn't subsidize Foshan government through transfer payment at all.

3.2 Raise the standard

The rural five guarantees fund is proportionally shared by district, town/street and village finance in Foshan. Because of short-term economic growth target, all of the district governments are lack of motivation to raise the standard of rural five guarantees fund.

From Table 1, Table 2, Figure 1 and Figure 2, we can see that year-on-year growth rate of the standard of rural five guarantees fund is faster than the growth rate of GDP in some areas, others are slower than the growth rate of GDP, however, there is neither quantitative relationship nor linkage growth between them. In general, the standards of rural five guarantees fund in all districts are not high enough, and they don't increase steadily year by year.

Table 1: Growth rate of five guarantees and GDP in 2012

District	Growth rate of five guarantees in 2012(%)	Growth rate of GDP in 2012(%)
Chanchang	15.38	8.0
South Sea	4.29	8.0
Shunde	9.23	8.0
Sanshui	20.00	11.2
Gaoming	0	11.0

Table 2: Growth rate of five guarantees and GDP in 2013

District	Growth rate of five guarantees in 2013(%)	Growth rate of GDP in 2013(%)
Chanchang	12.67	10.2
South Sea	14.38	10.8
Shunde	14.08	11.3
Sanshui	11.67	15.0
Gaoming	30.00	12.5

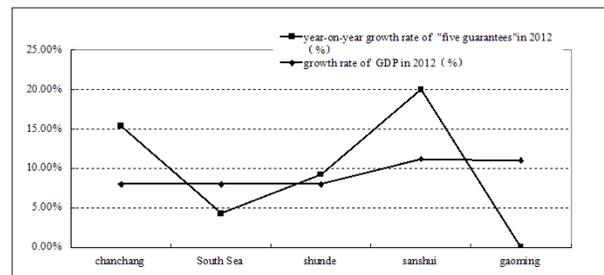


Fig. 1 The trend of growth rate of five guarantees and GDP in 2012

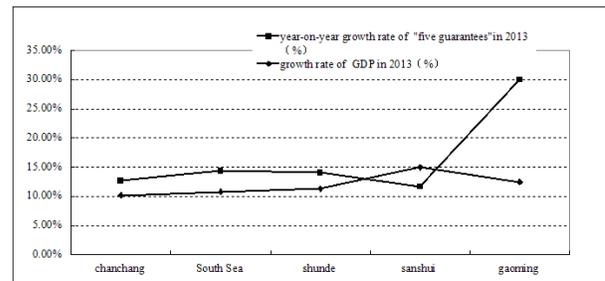


Fig. 2 The trend of growth rate of five guarantees and GDP in 2013

In order to discuss the standard of rural five guarantees fund better, we introduce a concept of the replacement rate, which refers to the ratio of the standard of rural five guarantees fund to the annual per capita net income for rural residents. As can be seen from Table 3, Table 4, except for Sanshui District in 2011 and South Sea District in 2012, their replacement rate is less than 60%, the rest of districts all comply with regulation concerning Regulation of Five Guarantee in Guangdong Province which requires that the standard of rural five guarantees fund should be no less than 60% of the annual per capita net income for rural residents. Foshan government even issued documents to raise the standard of rural five guarantees fund up to 70% in 2014 and 2015. The municipal government hope that they can help rural residents in straitened circumstances live in dignity, with their basic living conditions better ensured. However, the district government doesn't have adequate incentive to improve the standard of rural five guarantee fund.

Table 3: The replacement in 2011-2012

<i>District</i>	<i>The replacement rate in 2012(%)</i>	<i>The replacement rate in 2011(%)</i>
Chanchang	60.8	61.0
South Sea	59.2	63.2
Shunde	60.2	62.2
Sanshui	61.6	59.5
Gaoming	63.3	73.0

Table 4: The replacement rate in 2013-2015

<i>District</i>	<i>The replacement rate in 2014-2015(%)</i>	<i>The replacement rate in 2013(%)</i>
Chanchang	No less than 70	60.3
South Sea	No less than 70	60.1
Shunde	No less than 70	60.5
Sanshui	No less than 70	60.7
Gaoming	No less than 70	72.6

4. Conclusions and Proposals

4.1 Change the idea of social assistance

The rural five guarantees system in Foshan has presented a model of residual welfare obviously, that is, when the basic needs of rural residents can't be met by market or family, the government would involve in providing social assistance, but only temporary assistance. Because of these ideas, Foshan government doesn't have initiative to improve rural five guarantees system and raise the level of five guarantees treatment. The local governments take much count of maintaining social stability, rather than protecting fundamental right of residents. Nowadays, growth rate of GDP has been the most important indicator of evaluation system for local governments, as long as there is no outbreak of large-scale social unrest, no outbreak of mass incidents, no serious social problem, the governments don't have the initiative to improve rural five guarantees system on a large scale.

In order to solve these problems, local governments should change the idea of social assistance. We should protect rural residents' fundamental right of social assistance. It is said that give a man a fish and you feed him for a day, teach a man to fish and you feed him for a lifetime. Except for fund, we should pay more attention to education assistance, job training and other special assistance to help rural residents get rid of poverty.

4.2 Raise the level of local government

There is fiscal responsibility problem in rural five guarantees system in Foshan. Local governments undertake too much responsibility for fund, so they lack the motivation to raise the level of social security.

We should raise the level of local government to fund the rural five guarantees system, the central government has prime responsibility for it. It is not only beneficial to adapt the political-fiscal decentralization system, but also to solve the problem of government lacking the motivation to improve rural five guarantees system.

When the central government policy about rural five guarantees fund has not been clear and detailed, Guangdong provincial government should raise the level of local government to fund rural five guarantees system firstly, Guangdong provincial level of financial department should take on the responsibility to raise fund, city, district,

town/street and village government no longer take the responsibility.

It is the last safety net of social security rights to provide social assistance to and meet the basic subsistence needs of people in poverty, caused by natural disasters, loss of labor capacity, or due to other reasons. We must pay attention to ensuring that rural residents under the care of the system of rural five guarantees enjoy the average standard of living of local villagers.

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