

second phase from 2013 to 2020, during which the development-oriented social welfare system will basically take shape.

The objective for 2012 is to set up initially a welfare system with full coverage. Specific contents of six aspects are included in such a system. Firstly, gender difference of school-age children in entering school will be eliminated basically. The tuition and fees of nine-year compulsory education in urban and rural schools, as well as that for special education will be completely waived. Free textbooks will be offered to rural students and free nutritious meals will be provided to boarded students in poor areas of central and western China. The pre-school education will be extended to cover all urban children and those in more developed rural areas. One-year free pre-school education will be accessible for children from poor rural areas, as well as those from urban and rural low-income families. For children from poverty-stricken areas and those from low-income families, one-year free vocational education will be offered if they do not continue their studies after graduation from middle school. There will also be tuition fee remission for all needy students in senior high school. Secondly, a fundamental system boasting "the old get cared" will be established with full coverage. By 2012, a universal-accessible differentiated pension insurance system that covers farmers, migrant workers, and urban residents will be established. A pension insurance

system for migrant workers will be established based on social pooling of national level. Basic pension insurance schemes for agriculture workers will be subsidized by central government. Moreover, an "old-age guarantee fund scheme" will be established for seniors with no protection and supported by fiscal budget. The third is to vigorously implement the active employment policy and increase input to vocational training and job placement services. More ways that organically link training for the unemployed with benefit delivery of social welfare will be explored. The unemployment insurance will cover all urban workers and gradually extend to rural workers. The fourth is to strive to further expanding the coverage of basic medical insurance for urban employees, new rural cooperative medical system and medical insurance for urban residents, so that these schemes reach 90% or more of the population. By and large, the inter-regional flowing population will be insured and receive benefit as social pooling schemes of different regions are linked up. Fifthly, efforts will be made to expand the coverage of the basic living guarantee system and uplift the subsidies' standard step by step. The proportion of expenditures on basic living guarantee to central budget will be increased. Beneficiaries of the basic living allowances will be provided accordingly with additional assistances and social support, such as basic medical care, education, and housing. At the same time, marginalized groups will also be taken care of. Basic public services and social welfare will be delivered to specific groups such as

children, seniors, the disabled and women. Sixthly, the urban and rural housing guarantee system will be improved and the supply of low-rent housing will be increased, so that about 50% of urban low-income households and 10% of inter-regional migrant workers' households with housing difficulties can enjoy low-rent housing guarantee. Moreover, construction subsidies will be offered to 2.6 million rural households that have difficulties in building houses.

The objective for 2020 of the developmental social welfare system is to further materialize the equity of welfare rights and benefits, enable decent and normal life, promote delivery of appropriate public services, and basically achieve urban-rural equal access to public services. Specific contents of six aspects are included. Firstly, the "1+9+1" model of compulsory education will be put into practice, which means one year of free pre-school education for all school-age children prior to the nine-year compulsory education and one year of free vocational training for middle school graduates who will not continue their studies. Moreover, children from rural and urban low-income families will enjoy free senior high-school education. Secondly, the basic system of "the old get cared" will be further improved. All urban and rural workers will be able to take part in social insurance schemes, contribute with an affordable rate and receive proper social insurance benefits for their old-age, sickness, unemployment and work injuries. In addition,

all seniors with no protection will have access to appropriate old-age grants. Thirdly, basic medical insurance for urban workers, medical insurance for urban residents and the new rural cooperative medical system will achieve full coverage and the standard of medical protection will be improved continuously. Fourthly, basic living guarantee and medical services will be provided to non-workers and people with low-income or no income; and the standard of protection will be substantially uplifted. Fifthly, training and employment assistance will be provided to all unemployed people and groups with difficulties in looking for jobs. A long effective mechanism for employment promotion will be set up. Sixthly, the basic housing guarantee will be provided to all urban low-income groups as well as 30% of inter-regional migrant workers who live in urban areas for a long time but hardly afford any housing. Supportive housing guarantee will be provided to people in the mid and low-income brackets with housing difficulties. In addition, another 5.2 million rural low-income households that have difficulties in building houses will gain access to construction subsidy.

4. Major Policy Recommendations

a. The old get cared. The basic pension insurance system that covers both urban and rural areas should be established, employing the model of combining social

pooling with individual account. The basic old-age benefit system and the individual account system should be put into practice. The basic old-age benefit for farmers should be financed by fiscal budget, while the individual accounts funded by individual contributions, collective subsidies and government grants. As far as the pension insurance for migrant workers, the basic part is funded by employers' contribution at a rate of 6%. Its collection, management and delivery are all implemented at national level, so is its pooling. Funds of individual accounts are composed of employers' and individuals' contribution. These accounts are managed as real ones, owned by individuals and portable with flow of workers. The pooling level for urban employee's pension insurance scheme should also be upgraded, so that the provincial level pooling for individual accounts and national level pooling for basic old-age benefit can be realized soon. In order to expedite the full coverage of basic pension insurance scheme in urban and rural areas, the first to do is substantially lower the rate so that more people can afford the contribution. It could start with lowering down the contribution rate for self-employed and flexibly employed workers from current 20% to 14%, and later gradually lower the rate for other social groups. Secondly, the government input should be increased significantly, so that the participation rate of migrant workers can reach 50% or more by 2010 and then achieve full participation by 2012. As for urban and rural non-working seniors over 65 with

no protection, an old-age grant system that financed by fiscal budget should be set up, with a standard slightly higher than the minimum living guarantee lines. A long-term care guarantee for the elder seniors should be explored, and the socialized old-age care services should be developed actively.

b. The sick get cured. Efforts should be made to extend the coverage of medical security system. By 2012, the basic medical insurance for urban employees, basic medical insurance for urban residents and the new rural cooperative medical system should cover 90% or more of the population. The difficulty of migrant workers, who move from one pooling area to another, in participating in the scheme and receiving benefits will be addressed mostly, as schemes are linked with each other. In this way, migrant workers will have equal access to basic benefits as regulated by related rules of social insurances. Government should increase its input to the health service system of grassroots level and enhance management, in order to attract more insured people seeking for medical treatment at the grassroots-level hospitals. Efforts should also be made to improve the standard of medical security, expand the scope and increase the proportion for payment to ease individuals' burden. Urban and rural medical assistance system should be established extensively and the standard should be improved. The socialized management of medical insurance for retirees should be

achieved. Comprehensive arrangements will be promoted to balance urban and rural areas, prefectures and cities, outpatient and inpatients. More explorations are suggested to set up institutions such as first visit at community clinic and two-way referral for medical services. It is proposed to involve medical insurance administrators in pricing process and explore a consultation mechanism for pricing between suppliers and consumers. Scientific and rational methods for settlement, such as prepayment on the total amount and payment by disease, are also suggested. Moreover, inter-regional transfer payment funded by central budget for healthcare should be enhanced.

c. Learners get taught. The basic education should be extended, so that the one-year preschool education and one-year free vocational training after completion of middle school education can be integrated into compulsory education, and gradually the objective of "1+9+1" extended compulsory education will be achieved. Proactive measures that need to be taken include: enlarging input into education and increasing educational expenditures in fiscal budget so that its proportion to GDP mounts to 4% by 2012 and exceeds 4.5% by 2020. The budgetary financing needs to be ensured to account for about 95% of the total expenditures of compulsory education, and the balanced development should generally be achieved within regions. Moreover, free nutritious meals should be

provided to boarded students of poverty-stricken areas in central and western China. The scope of training for employed migrant workers should be expanded with quality improved. Besides, the development gap of education between urban and rural areas should be narrowed as soon as possible, with increased input into compulsory education for rural areas and quality improved.

d. Workers get paid. Fiscal input to support the active labour market policy should be enlarged. Active employment assistances should be delivered to specific groups with difficulty in finding jobs, enabling them to stay in the labor market voluntarily, rather than purely depending on welfare. Efforts should also be made to actively extend the coverage of the unemployment insurance. The delivery of unemployment benefits should be better associated with public-post employment, training and re-employment of the unemployed. An unemployment security system should be actively explored to meet the needs of the flexibly employed, migrant workers, and employees of township enterprises in rural areas. Its contribution rate and benefit delivery should be correctly distinguished from that of unemployment insurance system. Labor market construction should be strengthened to break up the segmentation of urban and rural labor market policies. The labor market service system that composed of job placement, vocational training, occupational mobility and

creation of jobs should be further improved, to accelerate labor market integration.

e. Inhabitants get accommodated. For urban low-income earners, low-rent houses should be considered as the main solution of housing security. The low-rent housing security needs further improvement and innovation. All urban low-income families with housing difficulties, if applied for low-rent housing and rental subsidies also meet related requirements, should be provided with housing security by 2020. Measures of aid housing security, such as economically affordable houses, low-cost houses and relief of tax and fees, should be further explored, so that those in the mid and low-income bracket with housing difficulties could basically be covered.

As part of integrated efforts to solve housing problems for migrant workers, expansion of low-rent houses is the basic idea, particularly for those live in urban area for a long time but can hardly afford a house. As for migrant workers with higher income, subsidies on economically affordable houses could be delivered. By 2020, the issue of migrant workers who stay in urban areas for a long time with housing difficulties should be basically addressed. Government at all levels should earmark more in fiscal budget so that the housing condition of low-income rural households can be effectively improved. From now on till year 2020, 650,000 rural low-income households should be

subsidized each year for building houses. Government is responsible for regulating the pricing of commercial housing market. Measures should be taken to bring the real estate price back to a level that average earners can afford.

f. The poor get assisted. To improve and complete Chinese minimum living guarantee system, the core should be "cover all required" and properly lift the standard of assistance. Policy recommendations mainly include: allocating more fiscal budget and enhancing financial support to minimum living guarantee, so that the total volume of the fund used in minimum living guarantee and assistance can double the number of 2007, and redouble by 2020. Social protection and support to specific groups, such as 80 million disabled, 100 million seniors, 240 million children and women as half of the population, should be improved. In particular, expenditures should be increased on employment subsidy, children's nutrition, rectification and rehabilitation for the disabled, protection of rights and interests of women, children and the old-age. The positive role of social charitable donation, revenue from social welfare lottery and turnovers of welfare enterprises should be brought into full play. The new social welfare system that "participated by public and enjoyed by all" will therefore be improved constantly.