

Articles

China's Urbanization, Social Restructure and Public Administration Reforms: An Overview

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Abstract

This paper provides a review of the broad process of China's urbanization and the urban public administration reform since the 1978 reforms, with a focus on the changing public policies in the realms of employment, housing, social insurance and the devolution of government authority. It suggests that the main government rationale of the public administration system reforms was to hand over a part of public services which used to be delivered by the central government and state-owned enterprises (SOEs), to local governments and to devolve a part of responsibility to the private sector, the social sector and individuals. According to these reforms, most of the social services, which could only be enjoyed by the employees of the SOEs were handed over to grassroots governments and aimed to cover more urban population. But at the same time, individuals had to take on more responsibilities of their careers choice and fund part of their own social welfare. This paper concludes by suggesting that with proliferating literature on China's social and economic transition, further study should be carried out to explore the implementation of the reformed urban public policies by local governments and special concern should be given to the participation of non-government actors in China's public administration.

Introduction

SINCE THE LATE 1970S, a series of economic reforms have been driving China to step away from a rigid socialism to a more open and diverse society, in which the urban economy developed at a tremendous speed and played an increasingly important role in the national economy. The proliferating urban economy and population led to a diverse Chinese urban social structure, as the urban population shifted from a comparatively homogeneous industrial working class to a mixture of

various classes and identities. In the realm of public administration, the diversifying social stratification, increasing population mobility and influx of rural-to-urban migrants has brought about huge pressure for urban public administration, since the top-down socialist administration system which relied heavily on the state-owned enterprises (SOEs - Dan-wei) turned out to be unsuited to the transitional urban society for the following two reasons: First, the highly centralized welfare system posed a too huge financial burden on the central government since the state-owned sectors began to bankrupt in the 1990s. Second, the urban policies in the socialist system excluded the rural-to-urban migrants out of the urban welfare system and undoubtedly, caused increasing social conflicts. In response to this transition, a series of reforms were adopted in the realm of public administration in Chinese cities.

This paper aims to provide an overview for China's rapid social transition since 1978, with focus on the eruptive urbanization process and the reforms in urban public administration system in the realms of employment, housing, and social insurance system. The following part of this paper is framed in the following sections. Section two reviews China's fast urbanization process and the fragmenting of social structure within this process. Section three introduces the urban policy reforms in the areas of employment, housing and welfare systems since 1978, which began to involve the engagement of the private sector, NGO and individuals. Section four reviews the devolution of Chinese government functions and authorities since 1978 and section five concludes this paper by suggesting that further study should be carried out to explore the implementation of these reformed urban public policies at the local level and special concern should be given to the everyday practices of local government and the participation of non-government actors in China's public administration.

China's Urbanization and Social Restructure

Urbanization process since 1949

Driven by a series of contradictory policies in economy, spatial development strategy and population mobility control, the process of China's urbanization since the founding of the P. R. China in 1949 can be classified into three phases (see Appendix A). Between 1949 and 1980, cities were targeted as the main areas to develop industry. The central government suppressed the development of big cities and tried to evenly distribute industry in small and middle-sized cities around the country. The urbanization ratio was controlled approximately to 18 percent with a slow incremental rise for thirty years. Between 1980 and 1995, the central

government changed a series of policies and strategies to develop commerce in cities. The reforms pushed the country into a radical urbanization process. During this phase, the government targeted stimulating urban economy as a key emphasis in its work and the urbanization ratio increased from 19.39 percent to 29.04 percent with an average annual growth rate of 2 percent. Since 1995, the economic and social reforms were further promoted in all aspects. The urban economy played an increasingly important role in the national economy and China stepped into a phase of rapid urbanization. The urbanization ratio increased with great speed from 29.04 percent in 1995 to 53.7 percent in 2013¹.

Looking back at the urban policies since 1949, the contradiction of governing policy between Mao era (1949-1977) and post-Mao era (1978-present) directly led to the eruptive urbanization process. In Mao's regime, the Chinese central government put focus on developing large-scale industry and making a defensive territorial planning in case of a war with the Soviet Union or western capitalist countries. The government's urban policies were heavily inclined to industrial development and military security. The industrial enterprises were mainly allocated within small and middle scale cities in mountainous west China to ensure their safety. Two thirds of the population dwelled in vast rural areas and lived on agriculture. In the first ten years since the foundation of P .R. China (1949-1959), efforts were made to push forward urban construction due to 'strategic needs' and focus was mainly placed on developing industrial and natural resource-based cities. In 1949 there were only 132 cities around the state with 57.76 million registered urban residents and the urbanization ratio was at a low level of 10.67 percent (The status of China's cities, 2010/2011). During the first Five-Year Plan period (1953-1957), 156 key projects were launched around the state to develop

¹ In China the published statistics for urban population merely show the population figures calculated on the basis of household registry rather than the actual number of people. In other words, it just indicates the number of urban Household holder. The guidelines for the third census (1982) state the that the population of a city or a county is made up of:

- (i) those who reside permanently in the city or county concerned and hold registry there;
- (ii) those whose registry is outside the city or county concerned but have lived in the said city or county for one year or longer;
- (iii) those who have lived in the city or county concerned for less than a year but moved their family registry into said city or county one year or more earlier;
- (iv) those whose application for transfer of family registry to the city or county concerned is being processed at the time of the census; and
- (v) those who have residential family registry in the city or county concerned but are living abroad at the time of the census.

new resource-based cities. Meanwhile, existing industry-based cities were expanded in scale with policy support. By 1957, the urbanization ratio had raised to 15.39 percent (China's statistical Yearbook, 1957). But still, the central government had no interest in developing non-industrial cities and big cities. Meanwhile in rural areas, most peasant families still had self-sufficient lives with their farmland and posed little economic burden on the government. To retain people in rural areas as much as possible, in this period policy control on population mobility from moving to cities was quite strong. On the other hand, to avoid problems caused by the expansion of cities' scale, the objective of urban policies was to 'make the most use of middle-scale cities and allocate only one or two enterprises in one city to make the industrial distribution more even' and 'strictly control the urban population, especially the population of big cities' (National Design Work Conference Document, 1957). In the 1960s and 1970s, the massive famine and the Cultural Revolution (1966-1976) seriously hindered economic development. In the Cultural Revolution, over 26 million young urban residents were exiled to the countryside to relieve the urban employment pressure according to a policy known as 'Up to the Hill, Down to the Countryside' (shang-shan-xia-xiang). From 1966 to 1976, there were only 26 new cities established and the urbanization ratio stagnated between 17 percent and 18 percent. By 1978, the country had an urban population of 172.45 million in 1978, representing an urbanization ratio of 17.92 percent (The status of China's cities, 2010/2011).

Since 1978, the central government began to shift its emphasis of work to economic development and launched a series of economic and social reforms to open China to the world. The emphasis of the government's urban policies dramatically shifted from controlling the development of big cities to encouraging the development of cities, especially big cities. In 1992, the Chinese government established a ground-breaking objective of 'developing a socialist market economy' on the Fourteenth Congress of the Community Party, in which the role of cities as regional economic centres was emphasized by the top government leaders for the first time. To stimulate the urban economy, the government loosened its policy control on population mobility to expand the urban labour market and accordingly, the urbanization process accelerated with an eruptive speed. From 1980 to 1995, the urbanization ratio rose from 19.39 percent to 29.04 percent with a steady speed. Since 1996, the policy control on population mobility was further weakened and the urbanization had stepped into a phase of high speed. From 1996 to 2003, the urbanization ratio increased 10 percent within only 7 years, which was four times that of the 1950s. In the first decade of the 21st century, China's urbanization still kept increasing with a high speed, especially in big cities and metropolises like Beijing, Shanghai, Shenzhen and coastal cities in southeast China.

From 2000 to 2013, the urbanization ratio increased another 17.48 percent (China Statistical Yearbook).

With the rapid development of cities, especially big cities, the urban economy played an increasingly important role in China's national economy. Cities were targeted as an important arena to absorb the surplus rural labour and relieve the nationwide employment pressure, which was a primary issue of the central government. At the same time, the abrupt population boom in big cities launched a series of social problems, including housing shortage, public security crisis, environmental pollution and social segregation, which raised huge pressures for the urban public administration system.

Social Restructure and Ensuing Social Problems

Since China stepped into a fast urbanization process, the rapid increase of the urban population led to a fragmenting of urban social structure. The urban population shifted from a comparatively homogeneous industrial 'working class' to a mixture of various classes and identities. Diversifying interest groups, an increase in the floating population and in the number of migrant workers, constantly challenged the original urban administration system and led to many social and administrative problems.

Social stratification

The changing social stratification was an important issue in the social transition (Lenski, 1966). Before the 1978 reforms, Chinese population was classified into three classes: the peasant class, the working class and the cadre class (Schurmann, 1966; Watson, 2010). Industrial and commercial sectors were located in cities and owned by the state. The economic structure was very unitary since most industrial and commercial sectors were state-owned. Most urban residents who worked for the SOEs (Dan-wei) were classified as 'working class' and only a small portion of urban residents were classified as 'cadre' including university graduates, government officials, teachers and retired soldiers. In rural areas, the economic structure was even more unitary and almost all rural residents belonged to the peasantry class.

The 1978 reforms quickly diversified the urban social and economic structure. As many SOEs became bankrupt, the laid-off workers were encouraged to seek other employment channels. Meanwhile, the private sector began to develop in the market economy system and citizens had more choices of career. International

investment was allowed in China and became an important new economic power. Citizens working for different companies began to enjoy different income and welfare standards and the wealth gap was widened. Under this context, people with different identities, careers and income levels formed many interest groups and aroused increasing social conflicts. At the same time, a large number of rural residents began to move freely between cities and countryside and formed a new social class called 'migrant workers' in a broader sense. Some of them gave up farming and permanently moved to cities while others regularly moved between cities and rural areas in search of temporary jobs. This amount of floating population brought huge employment, welfare and housing pressure on the urban public administration system. As the urban life became more heterogeneous, open, fluid and diverse, urban residents developed different social classes according to their generation, life styles and standard of consumption. There were many discussion about the emerging middle class in China (Cheng, 2010, Chen & Goodman, 2012) and newly developed social classes like xiao-zi (meaning petty bourgeoisie), fu-er-dai (meaning rich and influential second generation), jiu-ling-hou (meaning the generation born in 1990s) developed various urban culture.

'Floating population'

The Chinese vocabulary of 'floating population' (liu-ding-ren-kou) referred to 'the population living in places other than the towns of their household registration where they had left for over six months' (The status of China's cities, 2012/2013). Before 1978, the number of floating population was small because it was difficult for both urban and rural residents to seek employment and apply for social welfare outside of the area where their households were registered. The movement from rural areas to cities was especially difficult due to policy control.

Since the 1978 reforms, the central government gradually loosened its control on population mobility. People in both cities and the countryside were allowed to move away and seek jobs outside their registered area and the population mobility in China increased with unprecedented speed. From 1979 to 2010, the number of floating population grew from 6 million to 261.39 million, which was approximately 16 percent of the national population (The status of China's cities, 2012/2013). The increasing population mobility attracted the attention of researchers and policy makers due to the challenges it made to the original urban welfare and public service system, which only served the registered urban householders (Chang, 1996; Scharping, 1997; Huang & Yang, 2000; Goodkin & West, 2002; Shen & Huang, 2003). According to the 2010 Report on China's

Migrant Population Development², there will be approximately 350 million 'floating population' in China by 2050. The annual increase would be slower but steady and the coverage would be expanded from big and southeast coastal cities to inland and provincial-level cities. Meanwhile, the migration of whole families will increase and most of them are inclined to settle down in the places they have moved to. There will be greater pressure on the administration system associated with their family members including their employment, welfare, medical care, offspring education, cultural identity and segregation.

'Migrant workers'

Among the floating population, the people who moved from the rural areas to cities for jobs were usually referred to as 'migrant workers' or 'peasant workers'. Basically migrant workers can be classified into three types (Li, 2009):

- The people who abandoned farming and permanently moved to cities. They had permanent jobs in cities and gradually blended into urban life. After several generations they were identified as urban residents and themselves approved their identities as urban residents, too. These people were the first generation of migrant workers and they made up only a small proportion of migrant workers.
- The people who moved between cities and countryside and had temporary jobs in cities. Their movement was irregular and they intended to seek work in different cities. The majority of migrant workers fell into this category.
- The people who undertook both farming in rural areas and temporary jobs in cities. They moved regularly between cities and countryside according to season and still viewed themselves as rural residents.

By 2007, there were 120 million migrant workers among the 140 million floating population, 60 percent of whom were working in middle and big scale cities, 20 percent were working in small cities and the remaining 20 percent were working in the industrialized and developed villages in the southeast coast area (Li, 2007). According to China's public administration system, only residents who are registered as urban households can enjoy most welfare and social insurance provided by their employers or local governments. Therefore many migrant workers are covered by little welfare and social insurance and most of them cannot enjoy the same housing, medical and education welfare as urban householders as long as their households are still registered in rural areas. It has been over 30 years since the first generation of migrant workers resided in cities. Their offspring were born and grew up in cities and have grown into a new

² the State Population and Family Planning Commission (2010)

generation of urban labour. However most of them are still registered as rural residents and cannot enjoy the same welfare as the urban residents. By 2009 among the 150 million migrant workers who worked in cities around China, 61.6 percent of them were the new generation between the ages of 16 and 30 (The status of China's cities, 2010/2011). This indicates that the new generation of rural migrant workers is playing an increasingly important role in the economic and social development of China, but their identity as rural residents in many aspects impeded them from enjoying the same education, welfare and career opportunity as the urban residents. A survey in 2010 showed that only 21.3 percent, 34.8 percent and 8.5 percent of the new generation of rural migrant workers were entitled to pension, health insurance or unemployment benefits respectively (China's Statistic Yearbook 2010), which were classified as necessary for the most basic living standard by the government. The biased policy direction and crude administrative measure towards urban migrant workers such as illegal arrest and expulsion aroused radical social conflicts in the 1990s and seriously threatened China's social and political stability. In 2003, the central government began to change the policy direction to include migrant workers in the urban welfare system. It was obvious that in the future decades, the migrant worker would further increase and play an increasing important role in the urban economy.

Urban Public Administration System Reforms

The high-speed urbanization process brought about many social problems within a short time and caused huge pressure for the China's urban public administration system. In the socialist welfare system (1949-1977), the central government was the main provider for the urban welfare funding and the SOEs took charge of delivering public service, welfare and social insurance. With the central government firstly allocating funds to the SOEs, the SOEs further allocated the funds and provided all kinds of welfares to their employees. After the 1978 reforms, the urban economy became liberal and the private sector began to occupy the market. The state-owned sectors soon lost their competitiveness and went bankrupt. More and more employees were laid off and became ineligible for any social welfare. For the central government, there were three pressing issues at the time including the rising unemployment rate caused by the bankruptcy of state sectors, the urban housing shortage caused by the massive rural-to-urban migration and the urgent need to development a new social insurance system which could cover the unemployed, laid-off workers, retired workers and urban migrants (see Appendix B).

In the 1990s, the government launched a series of reforms respectively in employment, housing, and the social insurance system with a main principle of handing over the social services which used to be delivered by the central government and SOEs to local governments, meanwhile devolving a part of responsibility to the private sector, NGO and individuals.

Employment system reform

With an extremely large population, the employment problem has been the most significant issue for the Chinese central government since the foundation of the P. R. China. With a socialist central-planned economy (1949-1977), the state controlled most of the industrial and commercial sectors and the government had the responsibility to ensure full employment for urban residents. Most of the urban labour was assigned a job in either the state or collective sectors and enjoyed quite a range of free welfare, although relatively low wages. As employees of SOEs, people enjoyed an 'iron rice bowl' (tie-fan-wan), which meant they were free from the risk of losing their jobs. The central government shouldered this pressure of providing welfare for the state sector employees. After the 1978 reforms, the private sector and international enterprises developed quickly in cities and urban citizens had increasing choices of career. Employees were allowed to change and quit their job, and it was much easier to start a private business. Meanwhile, the urban labour market became diverse and competitive: on one hand the SOEs became bankrupt due to lack of efficiency and laid off a large amount of urban labour. This amount of people came into the labour market to look for re-employment. On the other hand increasing rural surplus labourers began to spill into the urban labour market and took up to a big proportion of jobs with lower wages. In this process, the central government established a series of policies to expand the employment market and reduce the unemployment rate.

The Chinese employment system reformed underwent three stages (Ding & Warner, 2001). The first stage was between 1978 and 1981, when millions of young urban residents who were exiled to the countryside during the cultural revolution were sent back to cities in batches and doubled the employment tension. It was estimated that in 1979 there were approximately 15 million jobless young people in Chinese cities (Warner, 1996). In this first three years of reform, a main objective was to allocate jobs for the unemployed young people. A 'three-in-one' (san-jie-he) policy was established in 1980 to encourage the local labour bureaux, enterprises and individuals to develop more channels for employment. According to the policy, people were officially allowed to start private business. At the grassroots level, a large amount of 'labour service companies' (lao-dong-fu-wu-

gong-si) were set up to provide skill training and job placement services for unemployed young people. Meanwhile, more flexible employment patterns including contractual workers (he-tong-gong) and temporary workers (lin-shi-gong) were allowed to stimulate employment growth.

The second stage was between 1981 and 1994 when the labour contract system began to replace the lifetime employment system and the labour market became competitive. Attempts were first made in Shenzhen, China's first Special Economic Zone (Jing-ji-te-qu) and then promoted nationwide. In the early 1980s foreign investment companies were allowed to hire people by contract and later the practice was implemented in SOEs. By the end of 1982, there had been approximately 160,000 workers hired by contract in SOEs (Zhuang, 1994:410). In the labour contract system, enterprises enjoyed more freedom to sign contracts with qualified workers and dismiss surplus and unqualified employees. The contractual workers had to perform well to be competitive. At this stage, the coexistence of lifetime employment system and labour contract system contributed to a diverse urban labour market including the surplus rural labour, the employees in town and village enterprises, the employees in private enterprises, and self-employed labours and unemployed workers.

Since 1994, the Chinese employment system reform stepped into a new stage, which aimed to promote the labour contract system and establish a rational employment system. The Labour Law of the People's Republic of China promulgated in July 1994 required that all employees, regardless of the ownership type of their employers, must be placed on labour contracts. Meanwhile enterprises were granted more autonomy in enrolling contractual workers. By the end of 1996, there were approximately 106 million urban workers put on individual labour contracts, accounting for 96.4 per cent of all formal urban employment (Zhu, 1997). In the late 1990s the unemployment rate began to increase as the central government vigorously pushed the SOEs to restructure, merge or declare bankruptcy. Approximately 20 million workers were laid off by SOEs and most of them were middle-aged, poorly educated, unskilled and uncompetitive in the labour market (China Labour Bulletin, 2007). The re-employment of these laid-off workers was a big challenge and most pressing issue for the government. Since the 21st century, the Chinese government established various schemes and incentives to stimulate re-employment of laid-off workers but by 2005 only 32 percent of unemployed were re-hired (China's Statistical Yearbook 2005). Besides laid-off workers, the increasing rural-to-urban migrant workers and college graduates and young people also exerted huge pressure for the government. According to the United Nations' estimates, the proportion of the

population aged between 15 and 59 in China will reach its peak and remain at a high level (more than half the total population) between 2010 and 2020, indicating that unemployment will continue to be a significant problem in the next two decades (Statistics: Projected Population in China, 1950-2050).

Housing system reform

Before the 1978 reforms, most Chinese urban houses and flats were owned by the government and the SOEs. The public housing was a large portion of the urban housing system. As part of basic social welfare, public housing was distributed to workers and staff free of charge or rented to them with a very low rent. In 1958, the average rent of public housing in Beijing was 0.22 rmb /sq.m /month, which was only 6.15 percent of the workers' average wage (Xie, 1999). Compared with other countries, this was a very low rate. Within the thirty years after the foundation of P. R. China, the increasing urban population, industrialization and urbanization, the public housing system posed a huge burden for the central government. With limited fiscal budget the central government could hardly provide enough housing for urban residents. By 1978 there had been a serious housing shortage in big cities. The average living space of urban residents reduced from 4.5 sq.m/ capita in 1949 to 3.6 sq.m/ capita in 1978 and it was estimated that there was a shortage of 8.69 million households around the Chinese cities, which was 47.5 percent of the overall urban households (Hou etc, 1999).

In the 1980s, the Deng Xiaoping regime gradually abolished the socialist public housing system and established a commercial housing provision system to relieve the government's pressure of housing provision. The housing reforms were launched in five phases: between 1979 and 1985, the central government firstly established some policies as 'tests' to encourage urban residents to purchase housing by themselves. Commercial residential housing was for the first time open to citizens to buy at full price. To promote the selling of commercial housing, the policy was that government pays a third, the individual buyers pay a third and their employers pay a third. Between 1986 and 1990, the central government began to raise the rent of public housing to promote private housing purchase. Between 1991 and 1993, the central government further raised the rent of public housing and controlled the subsidy on public housing. On the other hand preferential policies were established to reduce the price of commercial housing. Between 1994 and 1998, a housing fund system was established to strengthen the personal ability to purchase private housing. In this system the enterprises did not have to provide housing for their employees for free. Rather in all kinds of enterprise employees had to separate a part of their wage as 'housing fund' which

would be used as deposit when they purchase private housing. Since 1998, public housing has been gradually replaced by commercial housing and the housing fund system has been promoted. More housing policies were established to make sure more families with low income could purchase private housing. Meanwhile, a new welfare housing system was developed in addition to cater for the families with low income and difficulty in purchasing commercial housing.

So far China has developed different kinds of urban housing for families with different income levels. Commercial residential housing mainly catered to the families with moderate or higher incomes. It was developed by real estate enterprises and could be traded freely on the market. Policy-guided housing included houses for relocated households from shanty towns (*hui-qian-fang*), price-restricted commercial residential houses (*liang-xian-fang*), public rent houses and employer-built houses. These were mainly designed for families with lower or moderate income and had difficulty in purchasing houses independently. Social housing including low-rent houses (*lian-zu-fang*) and affordable houses (*jing-ji-shi-yong-fang*) was mainly aimed at those urban families with a low income. Those houses were fixed at comparatively at low rent. However, many cities are still confronted with a serious housing shortage.

Social insurance system reform

Before the 1978 reform, most of China's urban social insurance including pension, medical care and occupational injury was provided by the SOEs. As a matter of fact, only the employees of state-owned sectors could enjoy the social welfare for free. On the other hand the SOEs developed their own welfare system along with their main business. For the 'Three NOs' population, which referred to the people with 'no working ability', 'no family' and 'no income', the government distributed a small amount of cash benefits for them. Since 1978, the central government gradually cut off its financial tie with the SOEs and cancelled the state enterprises' compulsory obligations to provide welfare services to their employees. Accordingly, many SOEs gradually cut off their welfare system. Under this context, the Chinese government began to develop a new welfare system at the local level in which more actors were involved in delivering social welfare and more members could be covered by social insurance. The governments reduced their share of financial provision in many welfare programs and devolved part of the responsibility to individuals, enterprises and social organizations. Deng and Ye (2000) described the shifting function of the Chinese government in public administration from four aspects including:

- regulation-maker: to formulate the rules and set basic standards for welfare projects;
- administrator: in charge of most welfare projects, and supervising the behaviour of related actors in other welfare projects;
- financial provider: although on a reduced level, the governmental budget is still the most important source for some welfare programmes;
- financial guarantor: in some welfare projects such as social insurance, the government is still responsible for guaranteeing financial viability should the system get into difficulties, even though it is no longer responsible for normal payments.

For the growing number of unemployed and low-income families, the government established a 'minimum living allowance standard'. Individuals and families with lower income than the standard could enjoy a government subsidy. By the end of 2011, there were 11,457,000 households and 22,768,000 urban residents entitled to the minimum living allowance (The status of China's cities, 2012/2013). As the SOEs cut their welfare provision to a large extent since the 1990s, local welfare-related social organizations (NGO) began to develop with the government's support to take over increasing responsibilities in the social care of the elderly, migrants, females and other disadvantaged social groups. At a national level, some national and international charity societies and foundations were expanding to provide social services including poverty relief, education, medical care, etc. At the end of 2009, there were 38,060 elderly social welfare institutions nationwide, with 2.662 million beds and 2.109 million adopted persons (The status of China's cities, 2010/2011). By the end of 2011, there were 462,000 social organizations in China working on delivering social care such as education, public health, civil affairs, sports, environmental protection, legal service, social intermediary service and so on. These social organizations had about 5,993,000 employees in total. (The status of China's cities, 2012/2013).

Devolution of Government Authority

When the Communist Party came to power in 1949, it inherited the government structure in Minguo period (or Republic of China, 1912-1949) and adopted a four-tier government system, which consisted of regional government, provincial government, county government and village government. In the 1980s, the central government decided to strengthen the government function at city level and adjusted the government structure into a village four-tier system (province – municipal – county - village) , which still works today (see figure 1).

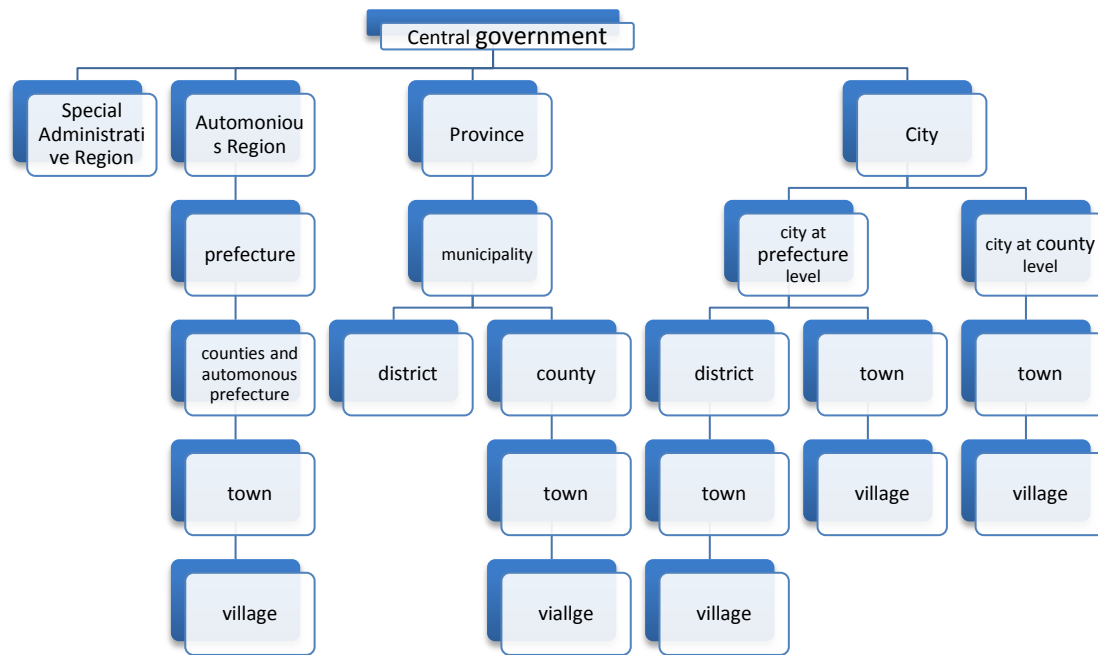


Figure 1: The government structure of P. R. China

In the first three decades since the foundation P. R. China, the central government carefully held most administrative and financial authority in hand to prevent local governments from having too much autonomy. The municipal governments had to submit all revenues to the central government and they then received the majority of funds for construction and fixed asset projects from the central government. Accordingly, local governments were highly dependent on central government in finance and possessed limited practical authority. Meanwhile, as local governments had to duplicate the institutional setting of the upper level governments, they usually had huge scale, embractive functions but were awkwardly deficient in autonomy. For instance, along with the ordinary public services such as education, traffic planning, housing and collection of local revenue, Chinese local governments also provided the services which were usually provided by the central government such as public health, police, public security, foreign affairs, international trade and market surveillance. Every level of government was organized with a similar structure to deliver all kinds of services at a local level, but local governments always took orders from their superior departments, which allowed higher-level governments to easily control their subordinates according to financial and administrative means (Xie, 2010).

After the 1978 reforms, the Chinese government began to adjust its relationship with local governments in order to delegate more fiscal independence and the urban land use discretion to municipal-level governments. In the 1980s, the central government began to share tax with the municipal governments and gave

them greater autonomy in allocating revenues. Meanwhile, the central government significantly reduced its investment on local projects and pushed local government to develop more diverse channels of financing including loans, municipal bonds and foreign investment. With funding resources from the private sector, the municipal government gained increasing control over urban land use, the economy and comprehensive development. Apart from that, the municipal governments inherited rights from the central government to take charge of the capital improvement projects of the SOEs. Geographically, this tendency has spread from big cities in southeast China nationwide over the last thirty years. Except for some industrial cities in which SOEs were still the local economic controller, in most places economic control has transferred from the central government to local governments (Zhang, 2002).

Another profound devolution process was accompanied by the land ownership reform established by the 1982 Constitution, which declared that 'the urban land belongs to the state and the rural land belongs to the peasantry collective'. According to the Constitution, The ownership of all the urban land within built up areas belonged to the government but the land use right could be temporarily 'transferred' (or sold) to enterprises and individuals by local governments. The 1990 *Provision Regulation on the Granting and Transferring of Land Rights over State-owned Land in Cities and Towns* recognized the 'land use rights' as a commodity and allowed the transfer of land use rights. According to the national policy, land use rights can be 'transferred' to an individual by paying the municipal government a correspondent land premium in an open market under the 'supervision' and 'management' of local governments. Urban residents could only 'use' the land for seventy years, after which they had to return the land together with the buildings and attachments on it back to the government. The same ruling also applied to the enterprises, schools and any other types of land use. With the rights to transfer urban land use rights from the central government, the municipalities soon became important power-holders in the urban land economy and the urban land transfer and auction became a major income source for local revenue.

As China stepped further into the economic and social transition and allowed an increasing number of non-government actors into the urban economy, further decentralization developed at a more grassroots level. The delegation of power was promoted between the municipal government and lower levels of public institutions in many big Chinese cities during the 1990s, when district-level governments began to share taxes with municipal government and enjoyed greater independence in allocating local revenue. In the late 1990s, the Chinese central

government began to promote a 'community construction' movement across the country with the aim to further delegate government functions and authorities to local governments. A street-level regime, namely 'She-qu' government, was targeted as the new entity to deliver public services social welfare at the urban neighbourhood level and municipal-level governments were designated by the central government as 'the main actors to lead the grassroots regime construction practices' in different cities (CCCP, 2000). Meanwhile, as the former President Hu Jintao articulated in the central government document that, '*we should unite all the power we could unite and mobilize all the members we could mobilize to build a harmonious society*' (CCCP, 2006), new focuses of the Chinese government work will be given to involving the private sector, NGO and citizens into public administration. By 2009, most of Chinese cities have established the She-qu government, which means that in the coming decade, much more massive and profound reforms in China's urban public administration will take place, within which the grassroots governments and non-government actors will play a more active and important role in China's urban public administration.

Conclusion

This paper has reviewed the broad process of China's urbanization and public administration reform, with a focus on the changing economic and public policies in Chinese cities since 1978. To conclude, the radical change of economic policy direction triggered a massive and eruptive urbanization process in China. During the last thirty-five years, China's economic and social structure underwent a series of radical changes and the scale and number of Chinese cities developed with an unprecedented speed. The accelerating urbanization and diversification of the urban social structure has pushed the original urban welfare system towards a series of reforms in the employment system, housing system and social insurance system. The main government rationale of these reforms was to hand over a part of public services which used to be delivered by the central government and SOEs, to local governments and to devolve a part of responsibility to private sectors, social sectors and individuals. According to these reforms, most of the social services, which could only be enjoyed by the employees of the state-owned enterprise, were handed over to local governments and aimed to cover more urban population. Local governments developed increasing financial independence and administrative authority within this process but at the same time, individuals had to take on more responsibilities of their careers choice and fund part of their own social welfare. The significant reforms in urban public administration system directly contributed to the changing landscape of China's urban governance, which

indicated that local governments, the private sectors, NGO and individuals would play increasingly important roles in public service delivery, social welfare and other aspects of China's urban governance. With proliferating literature on China's social and economic transition, further study should be carried out to explore the implementation of these reformed urban public policies by Chinese local governments and special concern should be given to the participation of non-government actors in China's public administration.

Biography

Xiaoyuan Wan is an international teaching associate at the Department of Town and Regional Planning, University of Sheffield, UK. She got her doctorate at the University of Sheffield on December 2013. Her research interest includes Chinese planning theories and practices, urban governance, governmentality, public participation, community planning and heritage preservation.

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APPENDIX A

The Proportion of Registered Urban and Rural Residents Between 1949 and 2010

Phases	Year	Total Population (10,000)	Proportion of registered population (percent)	
			Urban	Rural
I	1949	54167	10.67	89.36
	1952	57482	12.46	87.54
	1958	65994	16.25	83.75
	1960	66207	19.75	80.25
	1965	72538	17.98	82.02
	1970	82992	17.38	82.62
	1975	92420	17.34	82.66
	1980	98705	19.39	80.61
II	1985	105851	23.71	76.29
	1987	109300	25.32	74.68
	1990	114333	26.41	73.59
	1993	118517	27.99	72.01
	1995	121121	29.04	70.96
iii	1996	122389	30.48	69.52
	1999	125786	34.78	65.22
	2000	126743	36.22	63.78

	2003	129227	40.53	59.47
	2005	130756	42.99	57.01
	2006	131397	43.90	56.10
	2010	133972	49.68	50.32
	2013	136072	53.7	46.3

Source: China statistic yearbook (1949-2010)

APPENDIX B

China's Urban Welfare Policies in China Before and After the 1978 Reform

Welfare	Urban Social policies	
	Before the 1978 reforms	After the 1978 reforms
Employment	<p>1. Full employment policy: all urban labourers could be assigned a job in either state or collective sectors; the wage was low but the welfare level was high.</p> <p>2. Lifetime employment: state workers were free from job loss once they were employed.</p>	<p>1978-1981: three-in-one policy launched the development of private sectors which encouraged more flexible employment pattern</p> <p>1981-1994: labour contract system began to replace the lifetime employment system and the labour market became competitive</p> <p>1994-present: labour contract system was promoted to cover all types of enterprises and employees. The labour market has become</p>

		more competitive. Unemployment became the most pressing problem for government
Housing	<p>1.Public housing: most urban houses and flats were owned by the government and state enterprises, and distributed to workers and staff free of charge;</p> <p>2.Low rent: the average rent of public housing and flats was even lower than the basic maintenance standard.</p>	<p>1979-1985: commercial residential housing became open to individuals. To develop property market, the price of property was divided into equal thirds split between the government, the individual buyers and their employers.</p> <p>1986-1990: the rent of public housing rose to promote private housing purchase.</p> <p>1991-1993: government continued to raise the rent of public housing and controlled the subsidy on public housing. However, preferential policies were established to encourage commercial housing purchase.</p> <p>1994-1998: housing fund system was established to strengthen the personal ability to purchase private housing.</p> <p>1998-now: public housing was gradually replaced by commercial housing and the housing fund system was developed. Housing policies were established to make sure more families with low income</p>

		could purchase private housing.
Social insurance	<p>1.The governmental granted financial subsidy towards food, clothing and other basic subsistence material so that urban residents could benefit from lower prices</p> <p>2.'Labour insurance' for workers in the state sector and governmental staff, covering pension, medical care, occupational injury, etc.</p> <p>3.Cash benefits for the urban 'Three Nos' (no working ability, no family and no income).</p>	<p>1. The government reduced its financial provision in social insurance and devolved responsibilities to enterprises, NGOs and individuals.</p> <p>2. Employees of all kinds of enterprises pay a part of welfare by their own.</p> <p>3.Minimal living allowance for the unemployed and low income families.</p>

Source: Li, Q. (2009). Study on major social issues and solutions in Chinese urbanization process. Economic Science Press. Beijing.