FINANCIAL SECURITY OF URBAN RETIREEES

ABSTRACT. This essay explores the impact of the post-Mao economic reforms on the financial security of urban pensioners by focusing on 3 issues: (1) changes in the financial value of pensions, (2) male-female differences in financial security, and (3) role of post-retirement employment. Drawing on materials from official statistical yearbooks, Chinese scholarly journals, and interviews with urban retirees during eight trips to China in 1979, 1981, 1984, 1986, 1987, 1988, 1990, and 1992, the author concludes that despite some weakening of social welfare commitments and greater privatization of the economy, the reforms of the 1980s did not create an obvious class of financially disadvantaged urban elderly although they initially appear to have increased male-female inequalities. Nevertheless in contrast to elderly interviewed by the author in 1979 and 1981, those interviewed in 1990 and 1992 expressed more anxiety about their long term financial security and this was true for both males and females. This heightened sense of insecurity appears to be the result of two post-1985 phenomena which undermine faith in the long term adequacy of current pensions: inflation and growth of highly paid post-retirement jobs open to only a minority.

Key Words: pensions, post-retirement employment, gender differences, urban, China

INTRODUCTION

Over the decade of the 1980s the Chinese leadership turned away from the socialist blueprint. Initially, their retreat was modest, limited to the rehabilitation of victims of past political purges and elimination of the most severe Cultural Revolution constraints on trade and private plots. Subsequently, reforms took a more radical turn as the new leadership dismantled core institutions of the collectivist era and granted new legitimacy to individualistic, even capitalist, ideologies of meritocracy and competition. The most immediate impact of these policy shifts was in the rural areas where as early as 1985 the functional equivalents of family farms had replaced the People's Communes and private entrepreneurship was the primary engine of economic growth. Simultaneous with this retreat from Maoist economic orthodox was a dramatic relaxation in state control over rural to urban migration. During most of the 1960s and 1970s rural inhabitants had found it virtually impossible to leave their home villages and find new jobs in distant provinces or even in nearby cities. However, after 1980 new policies which favored long-distance trade and investment, greatly weakened barriers to out-migration, and by 1990 approximately 70 million adults had left their home villages and become itinerant peddlers, artisans, or migrant laborers (Peng Peiyun 1990). Even in the cities where such core institutions of the command economy as life-time employment in state enterprises remained the norm, the new legitimacy given to market mechanisms and the increased emphasis on cost-benefit calculations created an environment where communist ideals became increasingly irrelevant and government
officials as well as private citizens articulated alternatives to Maoist socialism. It is within this context of economic and social upheaval, that this essay examines the consequences of the first decade of post-Mao reforms on urban elderly.

BACKGROUND

Under the Maoist regime of constrained geographical mobility and state insistence on collective responsibility, both rural and urban elderly enjoyed high levels of material security (Davis-Friedmann 1991). By law children were held responsible for supporting (and housing) frail parents, and throughout China local authorities enforced this intergenerational obligation. In addition the workpoint system used by the People’s Communes to divide the harvest guaranteed elderly villagers a subsistence share, while for those in desperate need a village and commune welfare system provided minimal housing and medical care. In the cities, a generous pension program drafted in the very first years after the communist victory provided life-time pensions to all who had worked for at least twenty years in a State job. For urban elderly who did not meet these eligibility requirements (and until the late 1970s this was the majority), subsidies given to all urban residents for housing, medical care, and staple foods buffered them from the pervasive insecurity which had been the norm for elderly before 1949.

Given the key role of village collectives and Maoist welfare policies in protecting Chinese elders’ well-being, one might assume that the efforts of the post-Mao leaders to move China toward a more competitive and mobile society would reduce material security of the old. Certainly it was true that after 1980 many welfare programs developed during the high-tide of Maoist collectivism collapsed or reduced their scope. For example by the mid-1980s most rural health cooperatives had closed, hospitals all over the nation introduced new fee-for-service procedures, industrial enterprises restricted benefits for employee dependents, and schools introduced new tuition charges (Henderson 1990; Laodong renshibao August 6, 1987: 3; Renmin ribao August 4, 1987: 1; September 3, 187: 1; October 9, 1987: 2; January 11, 1988: 2). But did such enthusiasm for privatization and commodification actually create hardship and new strata of disadvantaged citizens?

Looking at the most general social welfare outcomes, it is surprisingly difficult to document a definitive correlation between the official enthusiasm for markets and increased poverty or lower levels of health and welfare. Between 1975 and 1990 average life expectancies rose to 70.4 years for urban males, 74.4 years for urban females, 67.1 years for rural males and 70.2 for rural females (Henderson 1992: 112). The number of hospital beds per capita increased from 1.73 beds per thousand people in 1975 to 2.30 per thousand by 1990 (Zhongguo tongji nianjian 1991 (hereafter ZGTJNJ 1991): 772), and the percentage living in extreme poverty fell from 110 million to 40 million (Guowuyuan gongbao ((Bulletin of the State Council)), April 10, 1990: 140; Lyons 1992).