

[Draft for the article](#)

REFORM AND STABILITY – THE RUSSIAN AND THE CHINESE WELFARE SYSTEMS COMPARED

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(About 10.000 words)

1. Introduction

Both Russia and China have been governed by the communist party and ideology. They had eliminated private ownership of the means of production and classes based on that. However, Russia was an industrialised and urbanised society and China still predominantly an agrarian society. These differences exist even today, even if China has experienced an exceptionally rapid urbanization during the last three decades. Nowadays, both Russia and China face the challenge of developing a new socio-economic model and a new social contract between the state and society in the context of the market economy reality. While it is well established by previous research how democratic systems produce welfare, it is not known what kind of welfare these transitional systems produce – and how.

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[Usually the concept of hybrid regime refers to political system comprising both democratic and authoritarian elements. China is not a hybrid system in this sense. Rather it is traditional communist party state and cadre power system. However, as a comprehensive social system China is a hybrid combining capitalist market economy with communist political regime. In this article, we are inclined to argue that we need new theoretical and methodological perspectives for explaining welfare in these hybrid systems.](#)

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[What is the significance of the welfare regime for stability of the political system in hybrid regime? We maintain that there is a lack of systematic theoretical work on Russian and Chinese social policy. We need more conceptual specification, more solid empirical evidence and fewer ready-made totalizing answers.](#)

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Christian Aspalter¹ argues that explanatory theories of social welfare may be characterized either as actor-based (conflict) theories, or structural (functional) theories. Actor based theories suggest that it is the power and the programs of different actors that are the key to the formation of welfare regimes. These actors comprise classes and the state, corporatist institutions, political parties, labor unions but also ruling elites, governing administrators, activists and professional organizations. In many cases the role of international bodies, such as the IMF, the World Bank, the United Nations, or the OECD has to be taken into account. The actor based explanatory theories seem to imply a diversification of welfare regimes based on different power resources of various actors in particular societies. On the other hand, the structural theories are apt to predict a convergence on social policies based on common structural determinants such as e.g. the degree of economic development, urbanization, modernization, or the advance of capitalist market economy.

Our analysis here adheres to structuration based explanation taken into account both agency and structure. [Giddens' structuration theory does not refer to fixed structures but points to the fact that structures come into existence and fade away in dynamic processes of structuration. In these processes actors are continuously changing structures. Even Russian or Chinese development should not be seen as some kind of evolution and development without the actors and agency. Furthermore, in this process people are also observing themselves, modifying their intentions and executing their actions differently. This brings to the research focus the prospect of learning and changing understanding of interests and intentions. If we want to study the institutions we cannot see them straightforwardly as](#)

¹ Aspalter, Christian: The welfare state in cross cultural perspective. International Social Work Vol. 51, 2008/6, 777-789; Aspalter, Christian: New Developments in the Theory of Comparative Social Policy. Journal of Comparative Social Welfare Vol. 1, 2006/1, 3-22. (2006a); Aspalter, Christian: The East Asian Welfare Regime. International Journal of Social Welfare Vol. 15, 2006, 290-301. (2006b)

[the institutionalization of pre-given values. Rather we should conceptualise them as a multifaceted tension field of various intended and unintended structuration processes.](#)²

The comparative social policy literature has produced several well-known distinctive ideal typical models of welfare regimes in particular regions, specifically Europe (OECD), contemporary East Asia, and Africa. In his path-breaking comparative analyses of European and Anglo-Saxon countries, Esping-Andersen distinguished three ideal-type welfare state regimes in the OECD world, which he labelled as liberal, conservative and social democratic. The post World War II communist welfare regimes were distinct from any of these paradigms. Basic welfare was relatively comprehensive and secure, yet determined by the state rather than democratic politics. Furthermore, unlike in other regions, welfare provision was concentrated mainly at the enterprise level. The Soviet type of welfare policy was constructed on two pillars: Firstly, the state provided non-monetary social benefits for particular social groups. Secondly, most social benefits and services were based on work, and distributed at the state owned enterprise level. Both of these old pillars are vanishing in the contemporary market system. Gough and Therborn (2010) categorized post-socialist states as proto-welfare states that have superior welfare outcomes in the context of the non-OECD world.³ However, the contemporary situation has to take into account both the old rusting elements of the inherited welfare state, and the development of a new welfare model. The main argument in this article is that both in Russia and in China choice of the model of welfare is still open comprising several contradictory frames and event-driven agencies.

In this article, we first describe the development of social policy in Russia and China. As the second point, we indicate some basic results and major challenges of contemporary situation. rather

² See especially Giddens, Anthony. (1984) *The Constitution of Society. Outline of the Theory of Structuration.* Cambridge. Cf. Kivinen, Markku and Cox, Terry. (2016). "Russian Modernisation – A New Paradigm." *Europe-Asia Studies* 68: 1 – 19.

³ Jan Gough and Göran Therborn. *The Global Future of Welfare States. The Oxford Handbook of the Welfare State*. Edited by Francis G. Castles, Stephan Leibfried, Jane Lewis, Herbert Obinger, and Christopher Pierson. Online Publication Date: Sep 2010 DOI: 10.1093/oxfordhb/9780199579396.003.0048.

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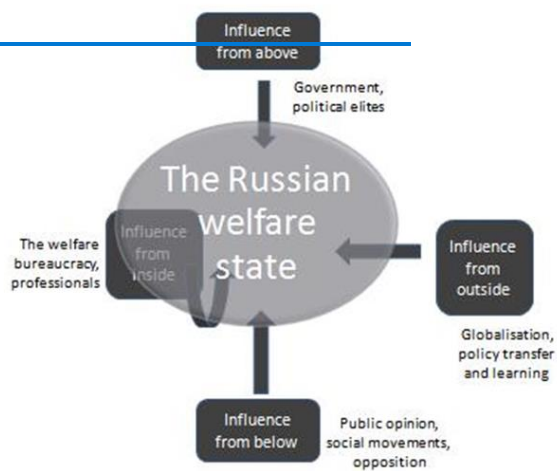
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than making comprehensive empirical analysis we concentrate on similarities and differences in policy making process. As a starting point for major generalizations we use the analytical model developed by our Norwegian colleagues. Finally, we end up suggesting new conceptual openings for the further analysis.⁴[Our](#)



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[is that both in Russia and in China choice of the model of welfare is still open comprising several contradictory frames and event-driven agencies.](#)

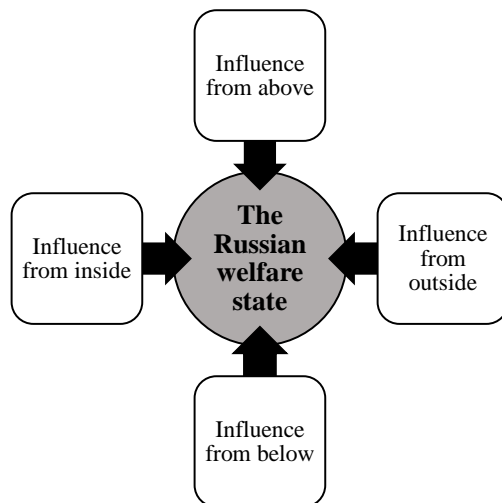
⁴As a previous comparison see Kivinen, M. and Li, C. L. (2012). "The Free-Market State or the Welfare State?" In C. Pursiainen (ed.), *At the Crossroads of Post-Communist Modernisation: Russia and China in Comparative Perspective*. Palgrave Macmillan: Houndmills. pp. 47-113.

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Figure 1 Analytical model



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2. Changing frames of Russian social policy

The creation of a new model of welfare state is one of the most comprehensive – and thus far to a large extent unresolved – strategic tasks of Russian society. As Alfio Cerami⁵ (2009a) puts it, Russia is called upon to face a double burden of responsibilities: it must ensure protection against old and new social risks for a larger proportion of its citizens than in Western societies, while, simultaneously, dealing with the most serious social, political and economic challenges stemming from transition.

It is difficult to overstate the social crisis which emerged as an effect of the Russian transition. The rise of poverty, mortality, infectious diseases, alcohol and drug abuse, homelessness and

⁵ Cerami, Alfio: *Socio-Economic Transformations in Post-Communist Countries: Central and Eastern Europe and Russia Compared*. Romanian Journal of Political Science, Vol. 9 No. 1, 2009 (<http://www.sar.org.ro/polsci/>)

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unemployment are dramatic indicators. Cerami⁶ (2009b) summarises four main trends in a drastic restructuring of the Russian welfare system:

- (1) privatisation of provisions
- (2) individualisation of risks
- (3) monetisation of access
- (4) decentralisation of management.

During the first decade of transition, the reform of Russian society began with crucial institutional changes in order to transit to a market economy as rapidly as possible (Gaidar 2009⁷). The emphasis was on economic reforms and the changes in social policy occurred as side effects of economic restructuring. Priority was given to issues that were conceived to relieve pressures on the state budget⁸ (Cook 2007, 185, Tuomi 2012, 83-89). Liberalisation, privatisation and decentralisation were motivated by an effort to restrict the role of the state in the welfare structures. In fact, the institutional change was linked with retrenchment of the welfare state. Consequently, social policy in Russia has been contradictory, with radical changes that were often poorly developed and implemented. Inconsistency in policy was reflected in slow and contradictory institution building. In the 1990s, centralised institutions broke down and became decentralised and subject to strong informal pressures.

⁶ Cerami, Alfio: *Welfare State Developments in the Russian Federation: Oil-led Social Policy and 'The Russian Miracle'* *Social Policy & Administration*, Volume 43, Issue 2, 105-120.

⁷ *Russia: A Long View*, by Yegor Gaidar (Author), Antonina W. Bouis (Translator), Anders Aslund (Foreword), The MIT Press (October 12, 2012).

⁸ Cook, Linda J.: *Postcommunist Welfare states: Reform Politics in Russia and Eastern Europe*, Cornell UP 2007, Tuomi, Maria (2012): *Diffusion of social innovations across the borders social sector cooperation with the Republic of Karelia*. Publications of the University of Eastern Finland. Dissertations in Social Sciences and Business Studies., no 33.

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When Vladimir Putin came to power there was a reverse trend toward greater centralisation of social policy⁹ (Remington 2011, 39–40). A major shift in Russian social policy was initiated by political leadership in 2005. In his key speeches, Putin designated social policy as the most urgent task for all levels of government and administration. He seemed to turn the direction to some extent back towards statist welfare policies with the introduction of ‘priority national projects’ in health, education and housing. Oil exports have produced a surplus that has been used for stabilising the economy as well as for producing more resources for reforms of social security. Cerami has called oil-led social policy ‘the Russian miracle’.

~~Soviet welfare policy was constructed on two pillars. On the one hand, the state provided non-monetary social benefits for particular social groups. On the other hand, the businesses in the planned economy were not enterprises as we understand them in the market economy. Both of these old pillars are vanishing in the contemporary market system.~~

— In the Soviet system, education and health care were universally available public services funded by the state. The system of public welfare comprised extensive non-monetary benefits¹⁰ (cf. Remington 2011, 40–46) in addition to pension provision, which was by far the largest cash transfer system, -the welfare provisions included 15 benefits which were mainly various kinds of rights to free services. Some of these were rather insignificant benefits, such as the right to free installation of a telephone or reduced telephone payments, but some were truly important benefits. For example, ten million with disabilities had the right to free orthopedic treatment and free prostheses, which is a significant benefit. Free medicine and care services for the poor and the chronically ill were almost the only way to get care. Target groups represented 14 main categories. War veterans and family members of war invalids, for example, belong to these categories. These groups also comprised victims of more recent events, such as Chernobyl and

⁹ Remington, Thomas (2011) *The Politics of Inequality in Russia*, Cambridge University Press, 39-40.

¹⁰ *ibid.*, 40-46.

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veterans and those who were wounded in the war in Afghanistan. Some had the right to all benefits. For example, all veterans of war and heroes of the Soviet Union had fully comprehensive rights. Some groups, such as teachers who work in the countryside and residents of refugee camps, had only the right to free public transport.

At the micro level of society another component of welfare was provided by companies. The ideological representation characterised a Soviet enterprise as a “labour collective”: The moderate but real standard of living in Soviet society was based, to large extent, on workplaces and those services that they produced. There was no unemployment, because under -the conditions of the planned economy it was profitable to have a large pool of reserve labour in the enterprise. In fact, it was not the sales but production and resources in particular that were maximised. The more resources that could be lobbied for during the planning, the more successful the Soviet factory director was in his own eyes. [These lobbied resources were his major power basis.](#) The labour collective comprised all those with a right to work in the enterprise, including, for example, women on extended maternity leave or young people in military service, as well as the pensioners of the enterprise. It is the labour collective that produces and reproduces itself through its activity in the enterprise (and it is the labour collective that is the principal claimant to ownership rights in the process of privatisation). This means that the achievements of an enterprise were not measured in money, not simply in tons produced, but in the size, education and skill composition of the labour force, the number of houses built, kindergartens supported, etc., which dominate the iconography of the Soviet enterprise and of the achievements of socialism¹¹. (Clarke 1993, 25).

The idea of the enterprise as a labour collective has been a fiction, but it is precisely in the name of the labour collective that management has ruled the enterprise, in the name of the labour

¹¹ Clarke, Simon: *The contradictions of 'state socialism'*. In Simon Clarke (et al.): *What about the Workers. Workers and the Transition to Capitalism in Russia*. Edgar Elgar 1993. p.25

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collective that it has pressed its interests vis-à-vis higher authorities and required that workers be subjected to managerial authority. It should be kept in mind that this kind of right to social benefits was not a citizenship-based right that was equally enjoyed by the entire population. The provision made by workplaces was dependent on the nature (state-owned versus collective) size (big versus small) and administrative level (central, provincial or county authorities) of the firms. When each firm had different kinds of benefits, the system of “working collective” welfare was and had only a weak distributive effect.¹² (Hughes 1998, cf Lin and Kangas 2006 on China).

When the social system was changing, many of the social structures of the Soviet time began to erode. Enterprises were no longer responsible for social services. The more an enterprise has adopted the market principles, the more the labour collective has disintegrated. By 1997 most provision of social goods by Russian companies had shifted to municipalities. At the same time, a more general welfare restructuring was introduced more or less in a neo-liberal spirit. Consequently, both of the security systems of Soviet life are disappearing.

Linda J. Cook¹³ (2007) has conducted a systematic analysis of how the Russian welfare state has developed during the transition. The first stage during 1991–93 included rampant and unrestricted liberalisation of the welfare model. There were no political counter-forces. Those who executed power during the reform process were the key ministries in social policy in the radical liberal government. Because the structures of the state machinery collapsed, the other stake-holders were paralysed and could therefore not slow down the process to any significant extent.

During the second stage, 1994–1999, political counter-forces emerged; these were predominantly the communists in parliament, who could thwart the progress of liberal reforms. The

¹² Hughes, M.C.: Smashing the iron bowl. *Foreign Affairs*, Vol. 77, 1998/4, cf. Lin, Ka & Kangas Olli: Social Policymaking and its institutional basis: Transition of the Chinese social security system. *International Social Security Review*, Vol. 59, 2/2006, 61-76.

¹³ Cook, Linda J.: *Postcommunist Welfare states: Reform Politics in Russia and Eastern Europe*. Cornell UP 2007.

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aim of the communists was to restrengthen the system of the communist period and, in that manner, secure the position of old, poor and more state-dependent Russians. Even the *Women's Party* and the *Yabloko* tried to make reforms more moderate and maintain the structures of the former social security. Despite all of this: "In the same manner as the economy, the welfare state in most respects went through a process of informalisation, spontaneous privatisation and cracking of the control of means of social security and social benefits"¹⁴ (Cook 2007, 25).

This development was mainly an unintended result of uncontrolled development, not so much of some systematic reform process. During the first Putin period (2000–2004) the State Duma passed a significant number of laws which contributed to a welfare state model based more on the market than state structures. Pension systems were reformed, the legislation concerning the privatisation of housing was strengthened and a part of the labour market became unregulated. Also, in the essential sectors of health and education, the adoption of market-based routines became more common. According to Cook, the elites within the social sector and other state-based agents participated in the process to a completely different extent than they had done during the first years of the 1990s. It seemed to be not so much about creating rules of the game for the welfare state or the role of the state in general, but first of all how resources within the social sector should be dealt with. This power game between the professions and the elites requires closer analysis.

The core of the economic policy during Putin's first term built on an economic development strategy run by an institute under German Gref, later a long-standing Minister of Economic Development. This was a strategy of development in the Russian Federation until 2010. This was a comprehensive document covering many aspects of government policy and linked to a very detailed list of practical measures to be implemented year-by-year, in effect to roadmap the reforms¹⁵ (Cooper 2012, 2). This document, known as Strategy 2010 or 'the Gref plan' comprised tax reforms as well

¹⁴ Cook, Linda J.: *Postcommunist Welfare states: Reform Politics in Russia and Eastern Europe*. Cornell UP 2007. p.25

¹⁵ Cooper, Julian (2012): *Reviewing Russian Strategic Planning: The Emergence of Strategy 2020*, *NDC Research Review*, 22p.

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as framework legislation for the economy. However, it also defined the main directions in social policy and administrative reform. According to the plan, taxation was simplified. Russia adopted flat income tax of 13 percent while the previous system had a scale of 12–30 percent. Various social payments had earlier amounted to 38.5 percent of wages. In order to avoid tax evasion, the new social tax was made regressive with a scale from 35.6 to just 2 percent of wages. Later the taxation of energy exports was greatly increased, and as export prices kept increasing, this became the most important tax base. By the mid-2000s oil companies had to pay about 60 percent of export revenues as taxes and the marginal tax rate was about 95 percent¹⁶. (cf. Sutela 2012, 56–64). On the basis of this income the Russian government was able to stabilise the fiscal situation and there was a budget surplus until the 2008 crisis.

At the same time, the Russian government was paying foreign debts and collecting lots of money for stabilisation funds. On the other hand, Russia's economic structure was becoming more one-sided and not diversified.

From 1 January 2005 [Russian government launched](#) the so-called L'got-reform [monetarising most of the Soviet welfare benefits](#)~~was enforced in Russia~~, which led to many reforms across the whole system of social security. It was a question of a comprehensive package of laws, which is one of the most important decisions during Putin's presidency at that time. The intention was to replace those non-monetary benefits – which dated from Soviet times – with a more simple system allowing the creation of possibilities for a modern social policy. Western experts had recommended this reform. The target group was not small; the change directly concerned 34 million beneficiaries and, with a longer perspective, the change in social security would concern the whole population.

Typical for the Russian way of governing, public debate about the total reform of social security did not begin before Putin had won the presidential election and *United Russia* had

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¹⁶ Cf. Sutela, P. (2012). *The Political Economy of Putin's Russia*. New York: Routledge. p. 56-64

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indisputably become the largest party. In the State Duma, the reform was passed by *United Russia* while the entire opposition was against it. The result was massive protests movements: monetization event created suddenly a strong and critical political agency, with contradictory results. Although the government was not willing to make any concessions to popular demands, the monetization was only implemented thoroughly in a few rich regions of Russia (such as Tiumen and Tatarstan), while more than half of the regions only saw minor changes and less than one-third of the regions saw moderate changes. In the final evaluation, the monetization reform was too much top-down, which is why it failed in many respects.¹⁷

Already during the last two decades of the Soviet Union demographers started to pay attention to increasing mortality¹⁸. ~~(Anderson & Silber 1989 and Feshbach 1982)~~ During the turmoil of the 1990s this tendency dramatically increased with growing rates of cardiovascular diseases, suicide, violent crime and accidents. In Russia, men mainly die prematurely due to unhealthy lifestyles (heavy drinking, smoking, poor diet). Russian life expectancy is low. For men it is 58.9 years, and 72.4 for women. Low birth rates and high mortality have resulted in an unprecedented peacetime depopulation of approximately 700,000 a year. At the beginning of the 1990s, Russia's population reached 149 million, at the beginning of 2007 it had fallen to 142 million¹⁹. ~~(Kulmala 2007, UNDP 2010)~~.

In 2005, Putin declared that because of the demographic problems social policy should be the main priority. The demography plan passed in 2006 soon became to be seen as one of the national programmes²⁰. ~~(Sutela 2012, 207-210)~~. The fundamental goal of the plan was to stabilise the

¹⁷ Maltseva, *Welfare Reforms in Post-Soviet States*, 290.

¹⁸ Anderson, Barbara A. & Brian D. Silver. 1989. "The Changing Shape of Soviet Mortality, 1958-1985: An Evaluation of Old and New Evidence." *Population Studies*, 43: 243-65. And Feshbach, Murray: *Between the Lines of the 1979 Soviet Census*. In *Problems of Communism*, January 1982, pp. 27-37.

¹⁹ Paikallishallinnon reformi vahvistaa keskushallinnon valtaa Venäjällä: paikalliset taloudelliset kannustimet Kulmala, M. & Tekoniemi, M., 2007, Helsinki: Suomen Pankki, Siirtymätalouksien tutkimuslaitos (BOFIT) And UNDP: *Human Development Report 2010, The Real Wealth of Nations: Pathways to Human Development*. United Nations Development Programme. Palgrave Macmillan. New York.

²⁰ Sutela, P. (2012). *The Political Economy of Putin's Russia*. New York: Routledge. p. 207-210

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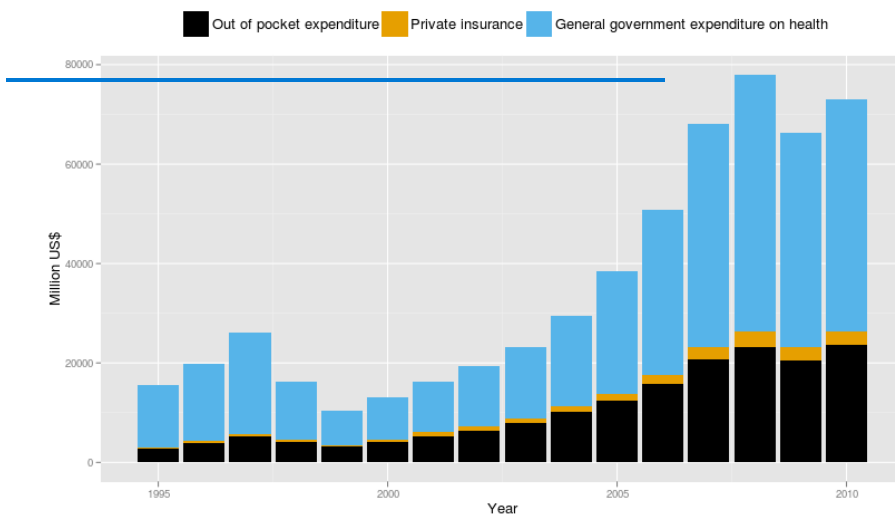
population at 140–142 million by 2015, and then have it grow slightly to 145 million by 2025. The main target was to increase the birth rate, increasing births from 1.3 births per woman to 1.7. The most significant instrument was to introduce a ‘maternity capital’ for women who give birth a second time. This increase can be seen in the relative growth of the family and childhood protection in Table 6. Russian demographers did not have much to say with regard to priority on increasing birth rates. They have strongly argued that the true problem is in mortality²¹ (Vishnevsky 2010).

The national health care programme earmarked funds for the modernisation of health care as well as higher wages for health care personnel. Fifteen state-of-the-art hospital centres were built in various regions of the federation. However, ~~Table 5 shows that~~ despite absolute growth of 2.5 for health care expenditure from 2005–2011 the relative share has not been growing. Figure 23 shows the division of expenditure on health between general government expenditure, private insurance and out-of-pocket expenditure. They have all increased but private insurance still remains rather marginal. There is more than anecdotal evidence that out-of-pocket expenditure has a considerable aspect of corruption as well.

Figure 33 describes the dependency of health expenditure on GDP growth. Although there is a lot of fluctuation during the years, the logarithmic figure shows a strong interdependency and some decline in major economic crises. This would not indicate a strong effort to face the exceptional problems of national health with determined and exceptional funding efforts.

²¹ Vishnevskii, A. (1998) *Serp i rubl': konservativnaia modernizatsiia v SSSR [Sickle and Rouble: Conservative Modernization in the USSR]. Moscow: OGI.*

Figure 2 Expenditure on health in Russia (Million USD)



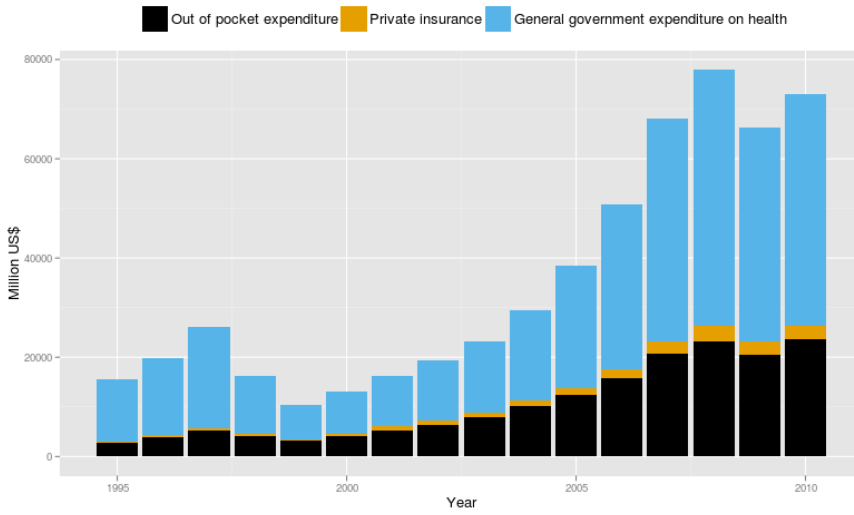


Figure 3 Expenditure on health in Russia (Million USD)

Source: WHO Global Health Expenditure Database 2012

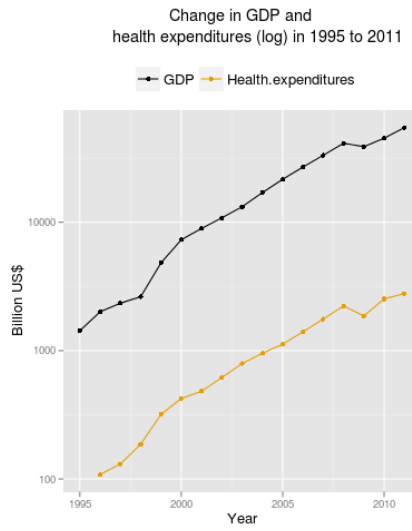
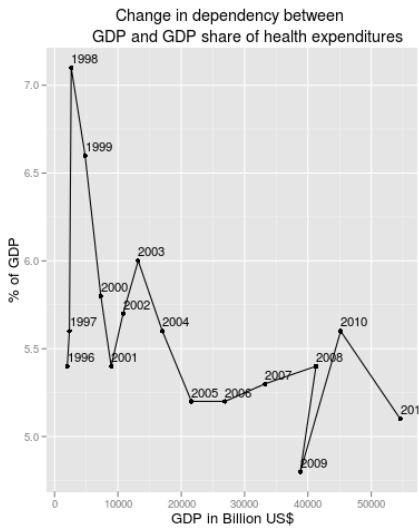
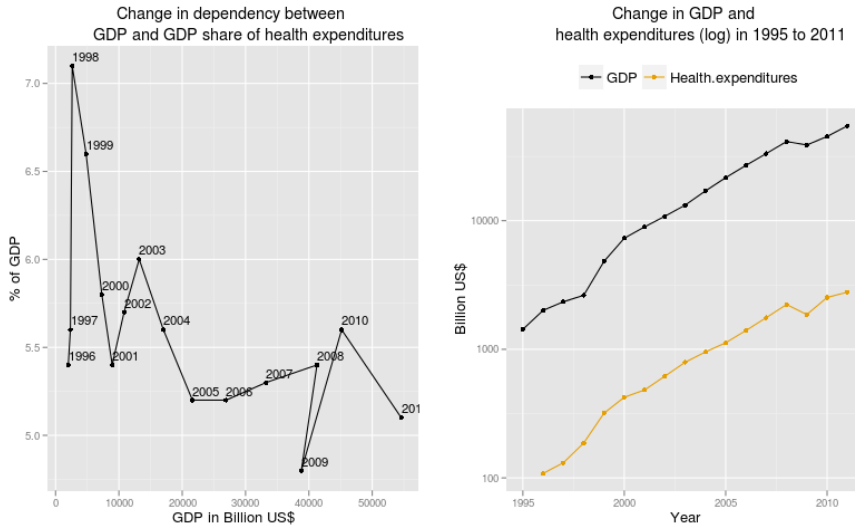


Figure 3



One of the core challenges for the Russian society – as well as the Chinese society – is to create a new welfare regime. This is also definitely one of the key issues in mobilisation of class interests. In advanced capitalist countries many of the security needs of classes and individuals have come to be provided by ‘welfare states’, embracing a combination of pensions and social protection benefits, social services and labour market regulation. In these conditions social policies not only reflect but also reproduce stratification outcomes in terms of power as well as class and other forms of inequality. As Wood and Cough put it: “In this way, social policies shape political divisions and alliances, and usually reproduce them through time in a path-dependent way.”²²

However, classes are not major actors in Russian social policy. They may have different interests, but there is not much of a democratic class struggle in the Nordic sense²³. (Korpi 1983).

²² Geof Wood and Ian Gough, ‘A Comparative Welfare Regime Approach to Global Social Policy,’ *World Development*, Vol. 34, 2006/10, 1696-1712, here p. 1699.

²³ [Korpi, Walter: *The Democratic Class Struggle*, Routledge and Kegan Paul 1983.](#)

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The Russian political system is based on a power vertical that underlines the role of the elite²⁴. ~~(cf. Sakwa 2008 and 2004, OPFR 2008)~~. There is no doubt the elite has been emphasising social policy since 2005. Indeed, welfare funding has increased rapidly. However, a more detailed analysis of relative percentages of welfare in the federal budget reveals that in these figures the political will can hardly be seen. Social federal outlays have increased but not more rapidly than other outlays. Russian social policy seems to be hovering between fiscal conservatism and active social policy. Since everybody is aware of the social crisis all political forces tend to raise social policy issues on the agenda. In real terms, fiscal conservatism has so far been more significant. Within the ministerial structures, the Ministry of Economic Development has been the most important. Except for the ideology of fiscal conservatism, this could be linked with the strong bureaucratic tradition within state structures.

When it comes to other actors, professional organisations ~~have been for a long time tend to be~~ at the margins of major decision-making in social policy. This is most visible in the demography programme in which the vast problem of mortality is not given priority. The role of corporate structures is strong in pension policy, but the actual outcome is not what the government and the Russian Union of Industrialists and Entrepreneurs intended. At the local level, quasi-formal corporatist institutions, such as regular consultation between governors and major enterprises and between the executive and the heads of party factions in the Duma²⁵ ~~(Remington 2011, 213)~~,

²⁴ Sakwa, Richard: *Putin Russia's Choice*, Routledge 2004.

Sakwa, Richard: *Russian Politics and Society*, Routledge 2008.

OPFR: *O sostojanii grazhdanskoqo obshchestva v Rossiiskoi Federacii*, Moskva: Obshcheshvennaia palata Rossiiskoi Federacii 2008.

²⁵ Remington, Thomas (2011) *The Politics of Inequality in Russia*, Cambridge University Press, p. 213.

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establish an arena for political compromises. In many cases this has created hybrids of public and private welfare structures. Even in more general terms Russian welfare policy seems to oscillate between contradictory tendencies: between neoliberalism and state-based social policy, between individualisation of risks and strong administrative control.

According to our recent analyses, the situation has somewhat changed in the 2010s. As shown, the government has opened the decision-making to experts and NGOs through different cross-sectoral consultative bodies under the different governmental bodies at the different levels. This is not a return back to the late 1990s and interest representation through the political systems. Instead, this is more about a restricted space set by the state. Under the current political regime, the state acknowledges the need and consequently welcomes expert knowledge, at least in certain spheres of social policy, but at the same time controls the place (usually under the executive) and participation (defining selection criteria). In sum, in current conditions with heavy state control, there nevertheless exists a degree of controlled pluralism as multiple societal actors, including experts and civil society actors, participate in policy discussion and implementation. Thus, the increasingly authoritarian political regime does not exclude extra-governmental expertise but provides a restricted place to it – which in some cases might open up a window of opportunity for a real change as in case of paradigm shift in child welfare²⁶ (Bindman et al. 2018; Kulmala et al. 2017).

Alfio Cerami argues that contemporary Russian welfare policy is highly vulnerable. He emphasises that this form of social policy expansion based on volatile equilibriums present in the global arena is unlikely to be sustainable in the long run, even in the presence of the additional

²⁶ Bindman, E., Kulmala, M., Bogdanova, E. (2018) NGOs and the Policymaking Process in Russia: the Case of Child Welfare Reform. *Journal of Public Administration and Governance* (under review with minor revisions). Kulmala, Meri (2017): "Paradigm Shift in Russian Child Welfare Policy." *Russian Analytical Digest* 200, 28 March 2017, 5-10.

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surplus reserve fund²⁷ (Cerami 2009b, 216): “Due to the impossibility of predicting the trends in global markets, the destiny of the ‘Russian miracle’ remains highly unpredictable.” Yet, as we have shown before ²⁸ (Kulmala et al. 2014), the relative shares of most social expenditure categories remain almost the same despite the growing emphasis on social policy. Since 2005, social policy has been a priority and funding has increased accordingly, although not more rapidly than other outlays. Furthermore, the increase in social security mainly concerned pensions and family and childhood protection. In the crisis year of 2009, the share of social expenditure other than pensions (which, as noted, actually increased) declined rather steeply. All this seems to lead to the conclusion that, in spite of the increased budgetary resources, the Russian miracle in social policy is overstated.

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In many fields of welfare arrangements, we see the Russian state continuing to withdraw from its previous social obligations. The Russian state has recently encouraged for instance Russian NGOs and businesses to step in the welfare service provision. The federal government has enacted legislation that enables the state to outsource its social obligations to Russian NGOs, especially to those labelled as socially oriented NGOs, which will presumably increase the already dominant social orientation of Russian civil society. The government has also made certain endeavors to reduce taxes on charity activities for businesses, which are thus encouraged, if not expected, to participate in various social programs.

In contemporary political and economic constellation the vulnerabilities of Russian oil-led welfare regime might be realised. Except for this exogenous vulnerability, there seems to be endogenous vulnerability as well. Paradoxical and contradictory policy seems to be here to stay. If the increased financing is not connected to institutional reform, huge questions concerning contradictory

²⁷ Cerami, Alfio: *Welfare State Developments in the Russian Federation: Oil-led Social Policy and ‘The Russian Miracle’ Social Policy & Administration, Volume 43, Issue 2, 105-120*

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²⁸ Kulmala, Meri; Kainu, Markus; Nikula, Jouko and Kivinen, Markku (2014): “Paradoxes of Agency: Democracy and Welfare in Russia”. *Demokratizatsiya: The Journal of Post-Soviet Democratization* 23 (4), 523-552.

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approaches and incentives will not be solved. Consequently, the Russian welfare system has not failed completely, but Russian welfare model is highly incoherent. We have previously shown²⁹ (Kulmala et al. 2013) that, in the absence of a mechanism of democratic accountability and articulation of interests, Russian welfare policy is produced by several somewhat disparate processes; namely, incremental bureaucratic processes, priority setting by the government, event-driven agency, and agency at the regional and local levels. The evident improvements in quality of life that is truly experienced by citizens, which legitimizes for the Putin administration. However, the situation has not led to any comprehensive or coherent welfare policies.

3. Major trends in Chinese social policy

China has experienced historically unprecedented economic growth in the world during the last four decades since the period of economic reforms and ‘opening up’ of the economy began in 1978. About 600 million people have been lifted out of extreme poverty, but inequalities of income and living conditions have risen dramatically. The gaps between rich and poor, between urban and rural populations, and between rich and poor regions have become major concerns for political authorities, as has the lack of adequate social protection for the rapidly growing migrant population of currently around 260 million people. What has happened to social policy development during the period of economic reforms? What kind and scope of state responsibility for citizen welfare is developing – a ‘welfare state’ with “Chinese characteristics” or a type of welfare state which resembles welfare states elsewhere?

Chinese social policy has undergone tremendous changes since the establishment of the People’s Republic of China in 1949, from a highly centralized communist ‘iron-rice-bowl’ regime

²⁹ [ibid.](#)

into a socialist market economy ³⁰(Kettunen, Kuhnle, Ren, 2014: 24-25). But one institution, the household registration system (*Hukou*), introduced during the first decade of the ‘Maoist period’ of social policy development after the foundation of the PRC, has had lasting implications until the present day for urban-rural differences in social protection coverage and entitlements. Welfare in urban areas was guaranteed through the *danwei* (working unit) system in State Owned Enterprises (SOEs), providing cradle to grave social security, and government employees were covered by social insurance based on a law from 1951. The *danwei*-system represented a kind of mini-welfare state, and played a key role for health service provision. The at the time much larger rural population obtained minimum security through the public ownership of land and the establishment of People’s communes in 1958.

A new phase of social policy development began after the initiation of economic reforms from the late 1970s, and can be said to have lasted until the early 2000s. People’s communes were disbanded and the role of the state in the responsibility for citizen welfare was downplayed to give space for market-oriented flexibility and competitiveness, which led to erosion of previous welfare arrangements. Economic growth was the prioritized public policy goal. In urban, industrialized areas, the *danwei* system was dismantled and, for example, health care was delegated to local authorities. Through a management reform, hospitals were generally transformed into profit-oriented, largely autonomous, entities. The overall trend was characterized by state withdrawal and increased out-of-pocket payments by workers for health services³¹.-(Saich, 2011).-Due to the collapse of the Cooperative Medical Schemes a similar process of health care deterioration took

³⁰ Kettunen, Pauli, Stein Kuhnle and Yan Ren (2014). “Introduction: The development and diffusion of welfare systems and policies in the Nordic countries and China”, in Kettunen, Kuhnle and Ren (eds.) *Reshaping welfare institutions in China and the Nordic countries*. Helsinki: Nordic Centre of Excellence NordWel. p.24-25.

³¹ Saich, Tony (2011), *Governance and Politics of China*. 3rd edition. Basingstoke: Palgrave Macmillan

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place in rural areas. In the 1980s 900 million rural residents were in practice without health insurance coverages³² (Chan et al., 2008).

China is currently in its third phase of social policy development which can be said to have started around the turn of the last century, and more clearly after Hu Jintao and Wen Jiabao became the new leaders of the party and government in 2003. “At the beginning of the 21st century, levels of economic development improved, as did public demand for social services.”³³ (UNDP and DRC, 2016: 43). Imperfect social policies were seen to have a negative impact on economic growth. Attention shifted from pure economic growth policies towards a more balanced, sustainable and socially equitable approach to development. A vision of development towards a “moderately well-off society” (*xiaokang shehui*) was formulated by the Communist Party (CPC) in 2004. The concept of “building a harmonious socialist society” was introduced, later abbreviated to “Harmonious Society”³⁴ (UNDP and DRC, 2016: 18). New concepts have later been formulated, such as “Scientific Outlook on Development” (2007) and “Shared Development” (2015). Chinese authorities have acknowledged the destabilizing potential of the highly unequal distribution of income and access to social security and health care. The separation of welfare provision from SOEs and the rapidly growing numbers of migrants from rural to urban areas, many or most of them informal workers, have left many millions without basic and/or adequate social security or protection. But a great number of social policy initiatives have been taken and many laws enacted during the last 15-20 years, over a broad range of social, welfare and education policies. Among major social policy reforms are the introduction basic medical insurance for urban areas (1998); minimum standard of living scheme for urban areas (1997) and rural areas (2007); new rural

³² Chan, Kwan, Kinglun Ngok and David Phillips (2008), *Social Policy in China. Development and Well-being*. Bristol: Polity Press.

³³ UNDP and DRC (2016), *China National Human Development Report 2016: Social Innovation for Inclusive Human Development*, edited by Gong Sen, Ge Yanfeng and Stein Kuhnle. Beijing: China Publishing Group Corporation, China Translation and Publishing House. p.43

³⁴ *ibid.*, p.18

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cooperative medical scheme (2003); pension scheme for all urban workers (2005); new measures to provide social protection for migrant workers (2006); labour contract law (2008); free nine-years compulsory education for all (2006); new health care reform (2009); and the first social insurance law (2010). From 2003 onwards, the social policy agenda has shifted towards the inclusion of larger proportions of the population and the most vulnerable groups; i.e. rural residents, the unemployed and migrant workers. The agenda has been followed up in practice. For example, in 2003, only 55% of urban households and 21% of rural households were covered by basic medical insurance, but the figures increased to 89% and 97%, respectively, by 2011.³⁵(UNDP-DRG, 2016: 64). The entire population is now covered by basic medical insurance. The pension system is also moving towards universal coverage, after the introduction of (voluntary) new rural (2009) and urban (2011) social pension schemes to supplement the (compulsory) Unified Pension System for Enterprise Employees (1997).³⁶(Dalen, Fløtten and Hippe, 2015). The ambition of CPC and the government is to achieve a nation-wide universal health care and pension systems by 2020. Social justice, equity, equality, and sustainable development have to a greater extent shaped the political discourse in China over the last decade. Besides fulfilling these goals, the aim is also to preserve social stability, which in turn is considered the main precondition for continued and stable economic growth³⁷(Saich, 2011).

Is the Chinese social policy development following Western patterns of ‘welfare state’ development, and if so, what path of Western development? The spread of the idea of ‘the welfare state’ (although the concept is not globally used) is, in spite of the apparent global strength of neo-liberal ideology and policies, one element in the still on-going process of the globalization of economics and politics. Public responsibility for citizen welfare is increasing, as measured by public expenditure data and scope of legislation, in emerging economies around the world, and

³⁵ [ibid., p.64](#)

³⁶ [Dalen, Kristin, Tone Fløtten and Jon Hippe \(2015\), “Restructuring welfare in China – Scandinavian and Chinese pension and poverty policies compared”. Paper for the 2015 FISS Conference, Hong Kong, June 7-9, 2015.](#)

³⁷ [Saich, Tony \(2011\), *Governance and Politics of China*. 3rd edition. Basingstoke: Palgrave Macmillan.](#)

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China is clearly no exception³⁸ (Castles et al., eds, 2010). The “East Asian welfare model”³⁹ (Goodman and Peng, 1996; Kwon, 1997; Walker and Wong, 2005; Peng and Wong, 2010) most often refers to two groups of states, including the *de facto* autonomous political/administrative systems in the cases of Hong Kong and Taiwan: Japan, South Korea and Taiwan on the one hand and China, Hong Kong and Singapore on the other, sharing some commonalities in terms of cultural values basis (Confucian heritage), but being distinguished by qualitatively different types of welfare policy orientation⁴⁰ (Kuhnle, 2011:256). The first group shares the characteristics of having developed more redistributive social insurance institutions and more universal health care and pension systems, while the second group has relied more on the individual’s capacity to mitigate social risk⁴¹ (Peng and Wong, 2010), that is, social protection has been made more to rely on private savings, which are less redistributive. Chinese social policy development seems to aspire in the direction of the first group of other Northeast Asian countries, such as Japan, South Korea and Taiwan, where the principle of universalism has been underpinned, in contrast to Hong Kong and Singapore where provident funds are the main anchor of the welfare state with a strong emphasis on public housing⁴² (Cook and Kwon, 2007: 226). Thus, elements of both Continental European and Scandinavian/Nordic welfare models (or “conservative” and “social democratic” welfare regimes in the Esping-Andersen terminology) can be observed in the recent Chinese experience. But it should

³⁸ Castles, Francis G., Stephan Leibfried, Jane Lewis, Herbert Obinger and Christopher Pierson . (eds) (2010). *The Oxford Handbook of the Welfare State*. Oxfodr: Oxford University Press.

³⁹ Goodman, Roger and Ito Peng (1996), “The East Asian welfare states: peripatetic learning, adaptive change, and nation buildings”, in Gösta Esping-Andersen (ed.) *Welfare States in Transition*. London: Sage., Kwon, Huck-Ju (1997), “Beyond European welfare regimes; comparative perspectives on East Asian welfare systems”, *Journal of Social Policy*, 25 (4): 467-484. Walker, Alan and Chack-Kie Wong (eds.) (2005), *East Asian welfare regimes in transition*. Bristol: The Policy Press Peng, Ito and Joseph Wong (2010), “East Asia”, in Castles, Francis G. et al. (eds.)

⁴⁰ Kuhnle, Stein (2011), “Towards a Nordic-East Asian welfare dialogue?”, *Journal of Asian Public Policy*, 4 (3): p.256

⁴¹ Peng, Ito and Joseph Wong (2010), “East Asia”, in Castles, Francis G. et al. (eds.)

⁴² Cook, Sarah and Huck-Ju Kwon (2007), “Social Protection in East Asia”, *Global Social Policy*, 7 (2): 226

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be noted that the overall welfare state effort is modest and in practice, there are still a number of impediments to the implementation of effective national, universal social policies. Divisions between urban and rural populations persist, and the vast population of migrants is only slowly and gradually being included under the Social Insurance Law of 2010⁴³ (Ringen and Ngok, 2013).

Since the end of 2015, China's reconstruction of social security and welfare system has moved into a new phase (the fourth phase). During 2010-2015 (the 12th five-year plan of the Chinese government), social security and welfare system had expanded very fast, which was reflected both in social security coverage and social assistance improvement. According to *China Social Security Development Report* (China Society of Social Security 2016), by the end of 2015, universal pension system was established; universal health insurance system basically completed; comprehensive social assistance system basically formed. However, with economic slowdown since 2015, this development has been facing great challenges and becoming unsustainable. The previous expansion of social security and welfare system relied heavily on governmental expenditure. Under the "new normal" of China's economy, the government fiscal could not afford continuing expansion of social security and welfare. Social security fund has encountered increasing difficulties to maintain balance between its revenue and expenditure (何晖芦艳子 2016). This issue is especially prominent for pension system. With the advent of the aging society, the elderly population receiving pension has been increasing while working population paying endowment insurance has been decreasing since 2012. The UN report of *World Populations Prospects 2015* shows that the number of people aged over 65 in China will rise from 132 million in 2015 to 331 million by 2050 (and 480 million people will be over 60), while the number of people aged 15-64 will fall from 1bn to 849m. (United Nations 2015) The funding shortfall in China's pension system RMB 3.6 trillion

⁴³ Ringen, Stein and Kinglun Ngok (2013), "What kind of welfare state is emerging in China?", *The Social Security in China Project, Asian Studies Centre, St. Antony's College, University of Oxford, unpublished paper, January 2013.*

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(equivalent to US dollars 522 billion) according to China Social Security Development Report 2016. (China Society of Social Security 2016) With the increasingly financial pressures, the Chinese government has put forward the new direction of social security construction in its 13th Five-year Plan (2016-2020), which is that “the attention of social security development should be shift from the size-expansion (“extension development”) to sustainable development and improving fairness”.(王延中 2016) The government has tried to reduce the dependence of social security fund on the government fiscal, and share social security responsibilities with enterprises, individuals, families and charities (何晖芦艳子 2016). At present, another major source of social security fund is from enterprises, which is also facing pressure to cut down because of falling corporate profits and rising labor cost. In early 2016, the government had to cut down the social security contribution rate of enterprise, from 20% of employee income for pension to 19% in most provinces and even 14% in tow provinces (Guangdong and Zhejiang), from 2% for unemployment insurance to 1% - 1.5%.

At the same time, there have been existing significant inequalities in the social security and welfare between urban and rural areas, public and private sectors, developed and less developed regions. In the past decade, the government strategy reducing such inequalities was to include most people in social security system and continuously upgrade welfare of the disadvantaged groups (such as rural residents or migrants) so that narrowing the gap between the disadvantaged groups and the advantaged group in social security and welfare, and promoting the integration of national social security system. That results the continuous and universal improvement in social security and welfare during previous decade. This strategy cannot be sustained now because the government is incapable of continuing to raise welfare standard of the disadvantaged groups. New strategy is to lower partially welfare standard of the advantaged group (such as lowering pension standard of workers in government-affiliated institutions in line with enterprises’ employees), and redistributing social security fund among developed and less developed regions. That is bound to change the

previously universal beneficiary into interest conflict among groups. The new policies have aroused much controversy and been experiencing a lot of resistance in 2016.

4. Contemporary level of welfare

___If we look at the contemporary Russia in the light of the key welfare indicators at the national level from 2017³ we can see that according to UNDP Human development indicator Russia is placed in high human development category with similar levels with United Arab Emirates or Greece. ~~Based on GDP per capita 11223 US\$~~ Russia is ranked either at the bottom *high-income* or top of *upper-middle-income* category by World Bank at together with Poland and Brazil, whereas mean wages are at same level with Estonia and Jamaica. As for all demographic indicators Russia performed alarmingly bad in 1990's, but has gradually improved the figures. Natural change in population turned positive in 2013 for the first time since 1992. In Human Development Index ranking Russia is in the position of 4950th in the World, -China being the 8690th. ~~China? (Markus kiteytäkö tähän vastaavan)~~

1.4 Human Development Index and its components

ind	year	China	Finland	Norway	Russian Federation	Sweden	United States
Expected years of schooling	2014	13.07	17.07	17.49	14.69	15.82	16.48
GNI per capita rank minus HDI rank	2014	-7.00	0.00	5.00	-1.00	-1.00	3.00
Gross national income (GNI) per capita	2014	12547.03	38694.77	64992.34	22352.05	45635.50	52946.51
hdi_rank	2014	90.00	24.00	1.00	50.00	14.00	8.00
Human Development Index (HDI)	2014	0.73	0.88	0.94	0.80	0.91	0.91
Life expectancy at birth	2014	75.80	80.80	81.60	70.10	82.20	79.10
Mean years of schooling	2014	7.54	10.29	12.63	11.95	12.10	12.94

___China is lagging behind the developed Western societies in educational indicators whereas the key problem in Russia is the national health. In fact in life expectancy of age of Russian men is not only behind China but also behind India. Moreover, this is the case in the situation where Russia has more medical doctors than any other society due to the Soviet legacy, and infant mortality figures have all the time been good and improving. In China the unintended effect of the successful

one child policy is the biased development of the gender composition of the population. (Figure

[kiinalaisten ja venäläisten kirjasta tähän](#)).

1.1 Health outcomes

ind	year	China	Finland	Norway	Russian Federation	Sweden	United States
Adult mortality rate, female (per 1,000 people)	2013	76.00	51.00	47.00	126.00	43.00	76.00
Adult mortality rate, male (per 1,000 people)	2013	103.00	114.00	73.00	339.00	69.00	128.00
Infant mortality rate	2013	10.90	2.10	2.30	8.60	2.40	5.90
Life expectancy at age 60	2010/2015	19.45	23.84	24.00	17.46	24.11	23.23
Physicians (per 10 000 people)	2001-2013	14.56	29.05	37.39	43.09	32.65	24.52
Public health expenditure (% of GDP)	2013	5.57	9.40	9.57	6.55	9.71	17.10
Under-five mortality rate	2013	12.70	2.60	2.80	10.10	3.00	6.90

Table 1 Human Development Index and its components in 2017

	<u>China</u>	<u>Finland</u>	<u>Norway</u>	<u>Russia</u>	<u>Sweden</u>	<u>U.S.</u>
<u>HDI rank</u>	<u>86</u>	<u>15</u>	<u>1</u>	<u>49</u>	<u>7</u>	<u>13</u>
<u>Value</u>	<u>0,752</u>	<u>0,920</u>	<u>0,953</u>	<u>0,816</u>	<u>0,933</u>	<u>0,924</u>
<u>Life expectancy</u>	<u>76,4</u>	<u>81,5</u>	<u>82,3</u>	<u>71,2</u>	<u>82,6</u>	<u>79,5</u>
<u>Expected years of schooling</u>	<u>13,8</u>	<u>17,6</u>	<u>17,9</u>	<u>15,5</u>	<u>17,6</u>	<u>16,5</u>
<u>Mean years of schooling</u>	<u>7,8</u>	<u>12,4</u>	<u>12,6</u>	<u>12</u>	<u>12,4</u>	<u>13,4</u>
<u>GNI per capita</u>	<u>15,270</u>	<u>41,022</u>	<u>68,012</u>	<u>24,233</u>	<u>47,766</u>	<u>54,941</u>
<u>GNI per capita minus HDI rank</u>	<u>-9</u>	<u>10</u>	<u>5</u>	<u>3</u>	<u>9</u>	<u>-2</u>
<u>HDI rank in 2016</u>	<u>86</u>	<u>15</u>	<u>1</u>	<u>49</u>	<u>8</u>	<u>12</u>

Source: UNDP 2018 --> <http://dev-hdr.pantheonsite.io/en/composite/HDI>

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Both countries have experienced considerable improvement in their incomes and welfare since 1990's. The absolute improvement in economic situation seems to be a key to the legitimacy of the contemporary elite in both countries. At the same time, inequality has quite dramatically increased and regional inequality is very high. In general, Russia is now having the highest gini-coefficient

among the Eastern European transition countries and China being at the top level in East Asia (Remington 2016). However, among the BRICS-countries they do not have exceptionally high

inequality. This growing inequality has not, we would argue, anyhow lead to a polarized society.

Rather the social structure is complex and social classes play a very limited role in both countries leaving a lot of room for other agencies, especially ministries and professional organizations.

In China as well as in Russia, the economic transition towards market-based society, including elite and mass privatization, has fundamentally transformed social structures. The transition has created new capitalists as well as small employers and petty bourgeois social groups. However, these groups remain a minority in a wage-labor based society. In Russia, the new wage laboring middle class positions have been growing stronger during the Putin regime, having been in decline during the first ten years of transition. There are more entrepreneurs in urban China than in Russia. On the other hand, wage laboring middle classes are larger in Russia. In both societies also the working class situation has been improving in economic terms over the last ten years. This may be more significant for the working class experience and consciousness than the growth of relative differences. In urban China, both the working class and middle class positions have increased and the general level of living has considerably improved. The remarkable economic growth has increased the real incomes of the Chinese working class. This has paradoxically maintained the legitimacy of the hegemonic project, which in fact means an implicit erosion of the “sacred” working class. The communist regimes always declare themselves as representatives of the working class and the growth of the middle classes emerges as an unintended result of their modernization effort.⁴⁴ (Kivinen 2002, *op.cit.*, pp. 207-221; Kivinen 2007 *op.cit.*, pp. 248-257; Kivinen & Li 2012)

Analysing postcommunist labour in comparative perspective Chen and Sil argue that while organized labor may be weak both in Russia and in China this can be explained by fundamentally

⁴⁴ Kivinen, M. and Li, C. (2012). *Socioeconomic Systems – Comparative Analysis of Russia and China*. In: Pursainen, C. (ed.) *The Dragon and the Bear: Strategic Choices of Russia and China*. Palgrave MacMillan.

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different mechanisms. Russian labour, while more autonomous from the state, has been too fragmented to organize widespread protest, whereas Chinese labour, while organizationally unified, is not autonomous enough from the state to even consider challenging it. ⁴⁵ Calvin Chen and Rudra Sil, 'Communist Legacies, Postcommunist Transformations and the Fate of Organised Labor in Russia and China', *Studies in Comparative International Development*, Vol. 41 (2), pp. 62-87. Cf. also Pringle and Clarke, *Op.cit.*, pp. 202.

—In contemporary China the working class has been growing, while deep internal segmentation has emerged. It should also be noticed that neither in Russia nor in China inequality can be reduced in class differences. In Russia huge regional differences prevail, whereas in China the class structure is to a large extent dualistic. Upper classes are almost non-existent in rural China. Unlike Russia who started its transition when it already was a fully industrialised and largely urbanised society, China's transition has been characterised by large-scale industrialisation and urbanisation, which have resulted in a significant reduction of peasant class, increase of working class in 1990s and expansion of middle class during 2000s. The privatisation process has led to the emergence of the capitalist and middle-class entrepreneurial classes, members of which are previously worked for the public sector. While most or all people have improved their economic situation, the rising income gap has however become the main source of social discontent and criticism against government policies. Like in Russia, in China the role of the middle class is an issue. Some regard it as a potentially destabilising group which needs to be controlled, whereas others see it as the socio-political stabilizer who defends political conservatism, because it benefits most from the economic reform and rapid economic growth and at the same time it is strongly

⁴⁵ Calvin Chen and Rudra Sil, 'Communist Legacies, Postcommunist Transformations and the Fate of Organised Labor in Russia and China', *Studies in Comparative International Development*, Vol. 41 (2), pp. 62-87. Cf. also Pringle and Clarke, *Op.cit.*, pp. 202.

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depended on the state. In general, the central government has since the beginning of the 2000s deliberately taken a series of measures to balance the interests between the elite groups and the mass majority. Although the trade unions are more or less weaker bargaining parties in the huge bureaucratic machinery, the state has been rather successful to function in its role as an arbitrator of interest conflicts. Moreover, within the elites, it can be noticed that an 'elite coalition' was formed during late 1990s, which seems to have found a balance between the elite interests and solved the potential major conflicts, especially between political elites and economic elites.

___First the economic reform in China meant shifting towards a liberal, U.S. inspired model of welfare. While China's welfare regime is still evolving, it seems that the government has already however, turned the direction. The liberal model brought about a series of social problems, which were understood as producing instability and thus threatening the current power constellation. Due to this policy shift, many social classes and groups, which were excluded from social security in 1980s and 1990s, have returned into the social security system. One can tentatively conclude that since around 2000 the policy of China's government has been moving towards a new model with stronger corporatist elements. In this system the cost bearing of social insurances has been shifting from the individuals to a shared responsibility of the government, enterprises and individual insurance holders. However, the new contradictions between regions as well as between state sector and private sector.

5. Conclusion: Contradictory frames and open issues

Usually the concept of hybrid regime refers to political system comprising both democratic and authoritarian elements. China is not a hybrid system in this sense. Rather it is traditional communist party state and cadre power system. However, as a comprehensive social system China is a hybrid combining capitalist market economy with communist political regime. In this article, we are

~~inclined to argue that we need new theoretical and methodological perspectives for explaining welfare in these hybrid systems.~~

~~What is the significance of the welfare regime for stability of the political system in hybrid regime?~~

~~We maintain that there is a lack of systematic theoretical work on Russian and Chinese social policy. We need more conceptual specification, more solid empirical evidence and fewer ready-made totalizing answers.~~

Neither Russia nor China is a completely predatory system neglecting the issues of welfare. They have both considerable achievements and vast problems in welfare issues. Their policies have produced both intended and unintended results. In the conditions of economic growth, both countries experienced vast rise in inequality, and inequality in earnings is translated directly into high post-tax-and-transfer inequality (RemingtonRemington_2016, 9). This is the case because of the largely non-redistributive system of taxation and social spending and the preservation of categorical and in-kind rather than cash-based, means-tested benefits. Widespread corruption and diversion of public resources into private gain by state officials makes the formal procedures vulnerable and underlies the role of informal practices.

___ Most analysis of the hybrid regime fails to be clear on explanatory power of the political system in terms of the welfare regime. They seem to suggest almost a direct structural causation from the non-democratic regime to the welfare vulnerability. To write about hybrid welfare is to write about deformation and failure. It may very well be that this is ultimately correct. Democracy can be a value as such, but it seems a more sound sociological approach to separate the analysis of the capacity of the hybrid regime from its evaluation. Consequently, our first thesis is that evaluation and analysis must be separated.

___ Our second point is that in both countries ideological starting points are contradictory. Western analysis of Russian and Chinese social policy tends to emphasize the ideological aspect of social

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policy, in most cases with a straightforward distinction between liberal and statist social policy. This dualism fails to conceptualize the simultaneous and contradictory nature of the ideological frames. The ideological bias also bypasses the institutional implementation, outcomes and reflexive monitoring of the social policy results. Thomas Remington has analyzed the similarities and differences in policy-making processes in Russia and China (Remington 2014, 2015 and 2016). He argues that in the bureaucratically pluralistic political systems, there are multiple centers of initiative and (often informal) veto power with the difference that China gives sub-central entities many more points of access to policy making. In both countries, a major contradiction seems to recur on the part of two coalitions of bureaucratic agencies over the proper balance of economic development and social welfare objectives: a bloc consisting of the 'social' departments (the ministries and agencies concerned with administering social benefits, such as the labor, health, social security and pension bodies) and the 'economic' departments (the ministries of finance and economic development). And each bloc cultivates alliances with outside partners. For example, the social blocs often join with trade unions and the financial-economic bloc with business associations. However, in China, policy making process is much more decentralized than in Russia. This also creates another significant difference, since China has used its decentralization deliberately to test out policy reforms through local experiments (Remington 2014, 9 and Remington 2015). Whether the Western distinction between 'neoliberal' and 'leftist' approaches can really be applied to the analysis of ideological frames in Russia and China requires considerable more empirical analysis.

Our third point is that the legacy argument must be conceptually rigid and empirically specified. A crucial question for the hybrid regime is whether the top-down politics of the elites responds to the bottom-up concerns of the masses. The social contract thesis explained stability in communist autocracies as a consequence of an implicit exchange between the regime and the populace: citizens would remain quiescent as long as the regime provided them with benefits including secure jobs,

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social services, subsidised housing and consumer goods⁴⁶ (Hauslohner, 1987; Bialer, 1980). This thesis has been applied to post-communist hybrid regimes as well⁴⁷ (Cook, 1993, Cook and Dimitrov 2016 Tämä on Europe-Asia Studies lehdessä viime vuonna). Although the social contract thesis has been one of the most sophisticated efforts to explain welfare development in transition, it fails to be rigid enough concerning the legacy, leaving the contradictory nature of approaches, the implementation process and the reflective monitoring of outcomes almost unexplained. In this sense it remains highly structural, leaving the actual agencies untheorized.

Our Previous research also shows that Russian and Chinese social policy has a strong global element, as neoliberal privatisation and deinstitutionalisation policies have been adopted in Russia. China has been more inclined to look examples from European practices⁴⁸ (Marján 2016) In hybrid regimes, social policies and welfare structures emerge out of contradictory and complementary frames. In Russia's case, social policy and welfare structures are a combination of global, managerial trends and the paternalist, statist Soviet legacy (individualisation of risks and strong administrative control).

Hybrid regimes are eager to adopt global managerial public sector techniques and consequently carry through liberally oriented welfare policies/reforms while tending to ignore popular demands. In the Russian case, due to the Soviet legacy, the citizens expect the state to serve as the main provider of social welfare, despite the fact that the state has been constantly withdrawing from its previous social obligations. Such a contradiction makes hybrid regimes vulnerable in terms of popular support.

⁴⁶ Hauslohner, P.A. (1987). Gorbachev's Social Contract. *Soviet Economy* 3:1, 54-89., Bialer S. (1980). *Stalin's Successors: Leadership, Stability and Change in the Soviet Union*. New York: Cambridge University Press.

⁴⁷ Cook, L.J. (1993). *The Soviet Social Contract and Why It Failed. Welfare Policy and Workers' Politics from Brezhnev to Yeltsin*. Russian Research Center Studies 86. Cambridge MA.

Cook, L.J. and Dimitrov, Martin K. (2017) *The Social Contract Revisited: Evidence from Communist and State Capitalist Economies*. *Europe-Asia Studies*. Volume 69, issue 1 p.8-26.

⁴⁸ Attila Marján, SOCIAL POLICIES: ARE "EUROPEAN MODELS" VIABLE MODELS FOR CHINA? *PRO PUBLICO BONO – Magyar Közigazgatás*, 2016/2, 80–103.

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Table 4 Phases of Welfare Development in Russia and China

	<u>Russia</u>	<u>China</u>
<u>Phase 1.</u>	<u>1991-1993 Rampant and unrestricted liberalisation without political counter forces. Contradiction between rules and resources.</u>	
<u>Phase 2.</u>	<u>1993-2004 Privatisation, individualisation of risk and cracking of the control of means of social security and social benefits despite of political opposition by both the communists and Yabloko. Since 2000 consolidation of political system around United Russia. Liberalisation ending with monetarisation of the Soviet era benefits.</u>	
<u>Phase 3.</u>	<u>2005-2012 Turn toward statist welfare policy. This is elite-led and motivated by demographic pressure. Rather than addressing the concerns of the majority of people, the shift addressed narrowly selected issues focusing on Russian families, especially those with reproductive potential National Priority Projects, invested the economic growth to social policy but Russian demographers and social policy experts had little influence on those programs.</u>	
<u>Phase 4.</u>	<u>Since 2010 the welfare policy is formulated in a broader context of growing authoritarianism and conservative ideological offensive. However, this does not exclude extra-governmental expertise but provides a restricted place to it.</u>	

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Furthermore, the globalised ideas of public sector reform (New Public Management) force organisations to reconsider their results. States – including Russia – have de-centralised, de-regulated and delegated resource-using powers. At the same time, the effective implementation of public sector reforms requires attention to questions about inclusiveness, transparency⁴⁹ (e.g. Bourgon, 2010), capacity-building⁵⁰ (e.g. Saner, 2011) and accountability⁵¹ (Vesely, 2013; Lindberg, 2013). Our argument is that the relevance of global tendencies to actual practices and outcomes can be shown only by studying the whole process from decision-making to the reflective monitoring of results. In many case we can witness a contradiction between social policy rules and resources. This was very typical in Russia in the 1990's. A hybrid regime provides insufficient levels of accountability and transparency of decision-making processes. We expect that, under these political circumstances, the government will often use independent NGOs, expert groups and interest groups only to legitimise decisions that have already been made.

One of the key findings in sociological studies on contemporary Russia and China has been the role of the informal networks in the governance of the society. These networks, named by Alena Ledeneva as “*sistema*”, are emphatic about the the negative features of the governance, but they are not exclusively dysfunctional. “The network based governance is complex, diffuse, unpredictable

⁴⁹ E.g. Bourgon, J. (2010). The History and Future of Nation-building? Building Capacity for Public Results. *International Review of Administrative Sciences* 76, 197-218.

⁵⁰ E.g. Saner, R. (2001). Globalization and its Impact on Leadership Qualification in Public Administration. *International Review of Administrative Sciences* 67, 649-661.

⁵¹ Vesely, A. (2013). Accountability in Central and Eastern Europe: Concept and Reality. *International Review of Administrative Sciences* 79, 310-327.

Lindberg, S. (2013). Mapping Accountability: Core Concepts and Subtypes. *International Review of Administrative Sciences* 79, 202-226.

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and seemingly unmanageable, but at the same time it serves to glue society together, to distribute resources and to mobilise cadres, to contribute to both stability and change and to ensure its own reproduction.”⁵² (Ledeneva 2013, 2). From this point of view, the key question is, how to modernize the informal networks behind “*sistema*” without losing their functional potential while limiting their dysfunctional implications. None of these questions have been covered in welfare policy analysis so far. Also in this fundamentally significant sense, there is a need to go beyond the limits of the state of the art as it now stands.

Diane A. Davis⁵³ concludes the special issue on informality in *Current sociology* suggesting that spatial order, governance, and citizenship are as likely to be produced through informal practices as formal ones, as well as through their interconnectivity. This conclusion holds true independent of political regime-type or overall economic prosperity. We must take seriously the fact that both formalization and informalization unfold unevenly over space and time, and begin looking for evidence of the ‘formal within the informal’ as well as the ‘informal within the formal’ in all contemporary societies, rich and poor, democratic and otherwise. The task at hand is to move beyond dichotomizing epistemologies that mark studies of cities in the Global North and South or East and West, and begin the search for the patterns of coexistence and even collaboration between formal and informal practices. Although empirical studies in this vein are challenging they might be the biggest leap forward in studying welfare development both in Russia and in China.

⁵² Ledeneva, A. (2013). *Can Russia Modernise? Sistema, Power Networks and Informal Governance*. Cambridge: Cambridge University Press. p.2

⁵³ Diane E Davis. Informality and state theory: Some concluding remarks. *Current Sociology Monograph* 2017, Vol. 65(2) 315–324.

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