China

China is not making any ‘austerity’ cutbacks – quite the opposite. In 2008, China introduced a large stimulus package, which was very effective in protecting China – and indirectly many other countries – from the effects of recession. One result of the stimulus was an increase in borrowing by municipalities, which are now being allowed to raise money by introducing property taxes and issuing bonds.

Further policies announced in 2011 are intended to improve incomes by increasing wages, extending social security, providing affordable housing, and reducing the tax burden on the lower paid.

- a promise to raise average wages by 15% per year and so double average wages by the end of 2015.
- build 35m units of low-income housing over the next five years.
- lift its official poverty line from the current income level of $0.50 a day to $0.63. This would more than triple the number of people officially living in poverty from 27m to 100m, all of whom would be entitled to rudimentary but improving government welfare assistance.
- Raising the income tax threshold by 50%, so about 50m. people will no longer pay income tax
- Introducing a property tax to curb speculation and inflation in house prices, and provide local governments with more secure incomes.

By September 2011 minimum wages had been increased by 22% on average in 21 out of 31 Chinese provinces.

The government is also massively increasing spending on universal healthcare and pensions.

1.1. Healthcare

In healthcare, China is abandoning the failed experiment of a market-based system, and instead developing public healthcare services aimed to cover 90% of the population by 2011. UN ESCAP summarise this under the heading “China’s march towards universal healthcare”.

“Since the 1980s, China has experienced rapid economic development and the marketization of medical services. By the late 1990s, however, the majority of rural and urban residents, children and migrants were still not covered by any health insurance system. Rising out-of-pocket medical expenditure led to a decline in equity and access to health services as well as impoverishment of families.

At the dawn of the new millennium, health financing and health reform were placed on China’s political agenda. In 2003, China launched the New Cooperative Medical System (NCMS), a medical mutual assistance system for the rural population, jointly financed by the central Government, local governments and participants. As of 2008, well over 90 per cent of the rural population in China, over 800 million people, had joined NCMS.

To extend health protection to the urban poor, an Urban Resident Basic Medical Insurance was launched in 2007, targeting mainly urban residents without formal employment. It was initially carried out on a trial basis in 79 cities and aimed to cover all cities by 2010.

In January 2009, the State Council announced its plan to spend more than USD 120 billion over the next three years to strengthen the nation’s health-care system by rapidly expanding insurance coverage, revamping public hospitals and improving access to medical treatment. Its goal was to extend the provision
of medical insurance to 90 per cent of China’s population by 2011 and make “basic health-care services” available to all of China’s 1.3 billion citizens.”

1.2. Pensions

In addition to its existing pension scheme for the urban population, in December 2009 it launched a new basic pension scheme for 700 million rural residents. This aims to offer a universal pension starting at a minimum of CNY 55 (USD 8) per person per month, which is payable to all rural residents aged 60 and above on the condition that her/his family has participated in the new rural pension system.

Sources:

- UN ESCAP 2011 The Promise of Protection
- FT April 20 2011 China to alter taxes in attempt to cut wealth gap
- FT January 27 2011 Chinese cities to pilot property tax
- FT October 25, 2011 China labour costs soar as wages rise 22%