

EQUALIZATION OF BASIC PUBLIC SERVICES IN CHINA

QIAN Jiwei

EAI Background Brief No. 819

Date of Publication: 22 May 2013

Executive Summary

1. Unequal access to public services including compulsory education, public health and primary healthcare, basic social security, employment service and public housing across regions, between rural and urban areas and among different groups is a serious issue in China today.
2. To boost local economic development, the major policy target set in the 1980s, local governments have reduced budget allocated for public service units such as hospitals and schools and user fees are charged.
3. Quantity and quality of public services across regions differ according to local fiscal capacity. Most social programs are only accessible to people of local residential status. There are thousands of social programs depending on occupational, administrative and geographical conditions.
4. Income disparity leads to unequal access to public services since user fees are charged for many public services. Intergovernmental fiscal system is another reason for inequality of basic public service provision. The household registration system has restricted public service access to local residents.
5. The Chinese government has implemented three sets of policies since the 2000s to equalize public services access. First, many social programs have been extended to social groups which were previously excluded.
6. Second, the government has increased expenditure for basic public services provision. Between 2007 and 2011, the Chinese government had spent over RMB12.7 trillion on public services at an annual growth rate of 26%.
7. Third, the fiscal system has been reformed to improve local government's fiscal capacity to finance public services.

8. The reform of the fiscal system would do well to consider the information and incentive structure of local governments and address the fiscal equalization issue. Integrating some of the social programs could also be considered.