

**CHINESE SOCIETY IN 2014:
ADJUSTING TO THE “NEW NORMAL”**

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Executive Summary

1. The year of 2014 witnesses the full-fledged implementation of Xi's agenda of comprehensively deepening reform set in late 2013.
2. Overall, employment and inflation have been stable. Macroeconomic and social stability creates favourable conditions for transition to the "new normal" of economic and social development.
3. On the social front, the much anticipated urbanisation plan was announced in April 2014. It aims to increase China's urban *hukou* population by 100 million by 2020, and better accommodate and integrate migrant workers.
4. The latest *hukou* reform features a tiered approach that relaxes *hukou* restrictions in cities with smaller population. In large cities, a points-for-*hukou* system will become the basis for grading migrant workers and providing public services.
5. The high education sector has also been given a shake-up in 2014. Half of China's locally financed and managed public universities – over 600 out of 1,055 – will be converted to polytechnics to produce more technically trained graduates.
6. China's pension reform has been ongoing since the mid-1990s. Under the Xi leadership, small steps have been taken to integrate some pension programmes, make pension accounts more portable, and use tax exemption to promote enterprise and occupational annuities.
7. The current round of healthcare reform is in its final and most important stage of public hospital reform. The focus in 2014 is on county-level public hospitals.
8. Progress of reforms in the social domain has been uneven across issue areas. Overall, there is a lack of major breakthroughs in either pension or healthcare reform. In general, China's social policy reform is still in "deep water".

9. Misalignment of incentives, interests, resources, institutions and reform sequence is the biggest contributor to substantial gaps between policy design and policy implementation.
10. China is in the transition to the “new normal”, economically and socially. It takes time, vision, will and skills to balance the multiple goals of stabilising growth, adjusting structure, improving livelihoods and deepening reform.