

CHINA NATIONAL HUMAN DEVELOPMENT REPORT 2016

SOCIAL INNOVATION FOR INCLUSIVE HUMAN DEVELOPMENT

EXECUTIVE SUMMARY

This report is a collaboration between UNDP China and the Development
Research Center of the State Council of China

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FOREWORD

As one of the countries that have achieved rapid development in the area of human development over the past 30 years, China has stepped into the group of countries with high-levels of human development. With key measurement indicators such as income, health and knowledge level, China has achieved noticeable progress. The per capita GDP of China reached US \$7,575 in 2014, which means that the country has entered the group of middle-income countries. The average life expectancy increased from 67.9 in 1987 to 74.8 in 2010, well above the world average life expectancy of 70; and it also achieved universal nine-year compulsory education and has eliminated illiteracy among young and middle-aged citizens in 2011.

Continued public sector reforms coupled with innovations in social policies have contributed to these achievements. Since 1978, when the period of economic reform and opening-up started, China has implemented a series of social policy changes such as land-use right reform, state-owned enterprise reform, household registration system reform, social insurance and medical security system transformation, and the strengthening of governance

autonomy at village level, which have all helped put China on a development path that is fit for the social and economic context.

At the same time, we observe that China's achievements in human development have largely relied on economic growth. Although significant accomplishments are recorded in health and education, these have contributed relatively less compared to that of growth of the economy for the composite index of human development. A further important observation is that during the 35 years of rapid economic development, China has experienced an increase in social inequality. Since the 1980s, income disparities have widened rapidly with the Gini Coefficient reaching 0.469 in 2014, which is high by global standards despite some degree of amelioration in the past six years. Development gaps between urban and rural areas, different regions and social communities have also increased gradually. Due to these disparities, the inclusiveness of China's human development remains a challenge.

For China, moving up to be a middle-income country, the risk of falling into the so-called "middle-income trap" is very real, despite sus-

tained heavy investment in education and infrastructure. Demographic change, and population ageing in particular, might lead to a stagnating or declining economic growth rate, calling for changes in human capital and intergenerational relations. China's economy has stepped into "new normal" status, with the possible consequence of a decreasing fiscal growth rate. This calls for the transformation of social policy-making from scaling up to restructuring, sustainable urbanization and large scale population movement, which can boost development and support the provision of education, healthcare, and the relocation of migrant workers and their families. In addition, China also faces a series of complex challenges, such as increasing income disparities, the deprivation of the rights of vulnerable groups, rising public expectations and awareness of participation, and the risks brought about by informatization.

The purpose of this Human Development Report entitled "Social Innovation for Inclusive Human Development" is mainly to explore possible policy options to help address the upcoming challenges through innovations in social policies and public administration. China's unique national conditions make it difficult to use precedents as reference or to duplicate international experience. Thus this report, based

on experience and lessons, especially the experience of social innovation, makes suggestions to improve human development that is more inclusive with a reduced level of inequality. These suggestions include innovation of policy itself and recommendations for reform of the implementation mechanisms and governance pattern in specific sectors. The ultimate goal is to help the government to: continue the development-oriented social policies towards more inclusiveness and fairness; enhance efficiency by changing orientation and management of public investment; and improve mechanisms and capacity of social participation.

This report is collaboratively produced by UNDP China and Development Research Center of the State Council. It was compiled by a distinguished team of Chinese and international experts. I would like to extend my sincere thanks and warmest congratulations to all the authors for their outstanding work. I would also like to take this opportunity to thank the Peace and Development Foundation, the Royal Norwegian Embassy, Tsinghua Unigroup, Hengchang Litong Investment and Management, and Stora Enso Group for their contributions that have made this report possible, and to the many colleagues in the United Nations System who provided valuable insights and assistance.



Agi Veres

UNDP Resident Representative a.i

PREFACE

Human Development Index (HDI) is a comprehensive indicator system developed by the United Nations Development Programme (UNDP) to measure the level of the social and economic development of a country. Ever since its launch in 1990, Human Development Index has been widely recognized and played an important role in guiding the developing countries to formulate corresponding development strategies.

Since the 1950s, China has been committed to the socialist construction and the great rejuvenation of Chinese nation by actively exploring the comprehensive social and economic development and continuously enhancing the level of human development. In the process of economic development and social transformation, China's human development has experienced some twists and turns, but the overall performance has been remarkable; especially after the reform and opening-up, China has made great progress. Before 1990, China's Human Development Index belonged to the group of low human development level (<0.550), but it entered into the group of high human development level ($0.700 - 0.799$) in 2011. Among the 47 countries in the group of low human de-

velopment level in 1990, China is currently the only one ranking among the group of high human development level.

China's progress and promotion in terms of human development are partially attributable to the international environment of globalization, but to a greater extent, it is because that China has seized the opportunities and continuously reformed and innovated according to its national context. In this regard, China has some important experiences of development worth being concluded and summarized.

First of all, China has unswervingly adhered to the reform and opening-up. The reform and opening-up policy is China's basic state policy. In the process of economic development and social transformation, China has always been faced with the complicated domestic and international conditions as well as numerous difficulties and challenges in development, and only by constantly advancing the reform and opening-up can China promote reform through opening-up and promote development through reform. The achievements made by China in nearly 40 years of development show that the reform and opening-up is the source of vital-

ity for China in economic development and social progress and China's core experience in promoting the level of human development. In China's reform and opening-up, there is only a progressive tense without perfect tense.

Secondly, China has adhered to the concept of people-centred development and continuously improved the people's livelihood. China has insisted in understanding the connotation of the improvement of people's livelihood from the most fundamental and extensive sense and took continuously promoting economic growth, creating sufficient jobs and improving people's well-being as the starting point and objective of economic and social construction. The practice since the reform and opening-up shows the sustained and rapid economic growth has played a key role in China's human development. Remarkable improvements have been made in people's material standard of living, most households have got rid of poverty and lived a fairly comfortable life, and more and more households are heading towards prosperity. At the same time, the role of social policies in promoting China's human development has also been revealed gradually.

Thirdly, China has combined top-level design with local innovations, thus fully mobilizing and giving play to the enthusiasm of both the central government and local governments. In the process of development, China has paid attention to the macro design of development orientation, development concepts and development path, such as the conventional five-year plans for development and all types of unconventional development guidelines, guiding opinions, etc. At the same time, in terms of concrete system and policy design, it has not only paid attention to the central government's top-level design, but also actively encouraged local governments to explore and innovate. This approach can ensure the direction of overall strategy and arouse the enthusiasm and creativity

of local governments and all sectors of society, thus it can better adapt to the uncertainties in the process of social and economic transformation, promote the self-regulation ability and make China's human development more scientific and innovative.

Lastly, China is good at learning and absorbing international experiences and making innovation in accordance with its national context. As a late-development country, China has always attached great importance to learning from international experiences. Especially after the reform and opening-up, China has become an important part of globalization and learned a lot of experiences of development from the international community, particularly from the developed countries; then China has reformed and developed those international experiences with the combination of its own national conditions, thus greatly promoting the transformation and development of China.

There is no doubt that China, during the process of development, also has some lessons that are worth being summarized. For example, outstanding achievements in economic development were made during certain periods after the reform and opening-up, but the development of people's livelihood and other social development were comparatively lagging behind, with the so-called problem of "one leg longer than the other". The overall level of human development has increased faster but with insufficient fairness and inclusiveness. It is also necessary to accumulate more experiences on how to better combine with China's national context while learning and absorbing international experiences. But on the whole, along with the development of society and economy and the increasing emphasis on inclusive growth from all walks of life, these issues are being continuously improved.

Development has not only always been an is-

sue of common concern to all countries in the world, but also one of the issues with the most abundant researches, the most complex content and the most controversial topics in today's world. The "2016 China Human Development Report", which is completed by the Development Research Centre of the State Council in collaboration with UNDP China Country Office, applies the analysis framework of Human Development Index as references, comprehensively reviews and analyzes and systematically summarizes the process of human development and related experiences since the founding of China, especially since the reform and opening-up, from two perspectives, namely people's livelihood and social governance, as well as provides the policy ideas and sugges-

tions on further enhancing the fairness and inclusiveness of China's human development. By analyzing and sorting out China's development process and related experiences, the Report can not only help the world to better understand China, but also help China to recognize its own development process in a more comprehensive and objective manner. China's experiences on human development are important component of the common development and exploration of human society as well as the common wealth in the global human development, which we expect to be used as references by other developing countries in the world in their future human development and to make more positive contributions to the inclusive human development in the world.

A stylized calligraphy signature in black ink, consisting of two characters: '李' (Li) and '伟' (Wei).

Li Wei

President
Development Research Centre of
the State Council

ACKNOWLEDGEMENTS

The China National Human Development Report (NHDR) 2016 has been achieved as a result of a collaborative partnership between the United Nations Development Programme (UNDP) China Country Office and the Development Research Centre of the State Council (DRC) of the People's Republic of China (PRC) over a two years period. A large number of partners have contributed to this effort. The successful completion of the report can be attributed to the wisdom, devotion and hard work of every member of the project development team and also stands as an important attempt by China's top think tank and an influential international organization to join forces and make "the stories of China well told."

Since the founding of the PRC, and especially after the reform and opening-up, China has experienced rapid economic growth and has made stark improvements to people's livelihoods. China's Human Development Index (HDI) also grew at an astonishing rate – among the fastest in the world. Nonetheless, the imbalance of socioeconomic development in China remains prominent; income gaps between urban and rural areas, between regions and between groups are widening. Worse still, due to lagging

social policies, issues such as social exclusion and inequality exist in areas such as education, the labour market and social security, weakening social flow between classes. These long-standing issues not only inhibit the sustainable development of China's economy and social development, but also pose a threat to social stability. As a result of these challenges, in recent years (particularly since the new administration came into power), the Chinese government has prioritized social wellbeing at the heart of its programme. More emphasis has been put on fairness and justice and on enhancing social vitality. Against this backdrop, the UNDP China Country Office and DRC chose "Social Innovation for Inclusive Human Development" as the theme of the NHDR 2016. This report teases out basic theories and international experiences of inclusive human development and makes systematic analyses of the history and status quo, problems and challenges, and the ongoing innovation practices and explorations with regard to China's inclusive human development; it then advances the overall picture and outlines key recommendations for promoting the fairness and inclusiveness of human development through social innovations.

The China NHDR 2016 was initiated in Beijing

in December 2014 and followed by a series of research activities. During the entire process, experts and scholars across society have participated extensively in discussions about the framework and the content of the report, and have provided many constructive suggestions that have been taken forward within the report. Zhang Laiming, Yu Keping, Zhan Chengfu, Hao Fuqing, Chen Ningshan and Zhang Lide serve our thanks for making valuable advisory contributions to the NHDR. In the initial phases of this study, UNDP China Country Office and the DRC jointly held a number of workshop, which a number of experts were invited to attend, including Tan Zhonghe, Fang Jin, Xiong Yuegen, Tian Kai, Li Bingqin, Wang Youqiang, Li Zhen, Chu Songyan, JinChenggang, Pan Yi, Li Yingtao, Zhang Shuo, JinSanlin and Zhou Hongyun, who shared opinions and suggestions that provided a theoretical background for our project team. We also extend our appreciation to Professor Zhang Xiulan at Beijing Normal University, who provided the quantitative analytical models for our research. The results provided a strong background for our understanding of the indices that make up the Human Development Index, and predictions of future human development in China.

During this research, Professor Stein Kuhnle, an expert in social development from Bergen University in Norway, provided us with important theoretical and empirical support from an international comparative perspective. We also express sincere thanks to him.

The first draft of the NHDR was completed in June, 2015. Following the first round of editing, we convened a range of consultation meetings with relevant Chinese governmental departments, research experts and several UN bodies in China; this draft was also sent to domestic and international experts for peer review. For their thoughtful and valuable advices, we extend sincere thanks to the following experts

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As with past reports, the successful completion of the NHDR 2016 was only possible as a result of the strong support and guidance of the UNDP China Country Office. We therefore extend sincere thanks to the former UN Resident Coordinator and UNDP Resident Representative in China, and incumbent Chief of Staff & Director, Executive Office of UNDP Headquarters, Alain Noudehou; UNDP Resident Representative a.i. and China Country Director, Agi Veres; former-Deputy Country Director, Patrick Haverman; and former Head of Policy and Partnerships, Hannah Ryder. They have provided constructive inputs toward the accomplishment of the report. In addition, we wish to thank the former UNDP China Country Director and incumbent UNDP Indonesia Country Director, Christophe Bahuet for his support during the initial phases of this project.

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As the Chief Editor of the report, I would like to take this opportunity to thank everyone else who offered direct or indirect assistance to ensure the successful completion of this report. Finally, I wish to thank the team of authors for their hard work, including Wang Liejun, Wang Xiongjun and Feng Wenmeng. I also wish to thank Zhang Jiahui, Bao Yajun, Shan Dasheng, Zhang Bingzi, She Yu, Leonard S. Miller, Xu Xiaoxin and Yu Qian for their technical support with the report. Lastly, but not least, I would like to express my appreciation to other staff at the Research Department of Social Development of the DRC for their assistance and support with our daily work at the DRC. The authors assume all responsibility for mistakes in the NHDR 2016.



Gong Sen and Ge Yanfeng

Chief Editors

Development Research Center of
the State Council

CONTENTS OF THE CHINA NATIONAL HUMAN DEVELOPMENT REPORT 2016

Foreword
Preface
Acknowledgements

Abbreviations

Introduction

CHAPTER I **Social innovation and inclusive human development within a global context**

Review of inclusive human development and social innovation from a global perspective
Rethinking and reflecting on inclusive human development
Theoretical explorations into achieving inclusive development
Recent theory exploration and social innovation practices by China

CHAPTER II **Situations and characteristics of human development in China**

China's human development achievements
Characteristics of China's human development: From the HDI angle
Inclusiveness improved but inequality is still prominent

CHAPTER III **Realization of inclusive human development through social innovation – the Chinese experience**

China's experience: social innovations for boosting economic growth and raising inclusiveness
China's experience with improving educational attainment and inclusiveness
China's experience in improving public health and inclusiveness
Expanding political and social participation and enhancing citizen's rights
Characteristics of China's experience

CHAPTER IV

Challenges and recent explorations of inclusive human development in China

Main factors causing a lack of inclusiveness in China
Future trends and major challenges in human development
China's latest explorations and innovations

CHAPTER V **International experiences of inclusive human development**

International experiences adjusting the income distribution – responses to income inequality and poverty reduction
International experiences in the field of education: improving access
International experiences in the field of health: guaranteeing universal access to healthcare and improving macro performance
International experiences in social governance innovation: public participation, the third sector and media supervision
International experience and China

CHAPTER VI **Ideas and recommendations on ways to promote China's inclusive development through social innovation**

Basic framework for China's inclusive humane development in coming decades
Education policy innovations: key recommendations
Healthcare innovations: key recommendations
Eliminating absolute poverty: key recommendations
Innovations to pensions: key recommendations
Innovations to social governance: key recommendations

Bibliography

STATISTICAL ANNEX

The “China National Human Development Report 2016” was jointly authored by the United Nations Development Programme (UNDP) and the Development Research Center of the State Council (DRC). Using the concept of human development, this report comprehensively reviews and systematically analyzes the promotion of inclusive human development via social innovations in China. It also enriches international theoretical research surrounding inclusive development and provides a new analysis of human development in China, helping the world to better understand China.

1. Social innovation: An important approach to achieving inclusive human development

Based on the “Human Development Index,” this report conducts systematic analyses and evaluations toward China’s social and economic development. The index is a comprehensive indicator that has measured levels of economic and social development since its adoption by UNDP in 1990. It consists of the income index, health index and education index and considers these factors in line with three dimensions: economic growth, social progress and political participation. The “inclusiveness” of human development in this report refers to the equal participation of various populations across different regions in economic, social and political development processes; their equal opportunities for development; and the equal distribution of development achievements. “Inclusive human development” stresses that it is not only necessary to enhance the average level of human development, but also to pursue more equal human development, thus narrowing the human development gap between different regions and groups.

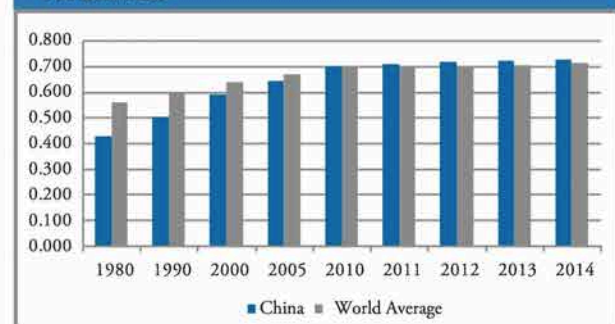
This report concludes that social innovation is an important means for realizing inclusive human development. From the perspective of social innovation, this report focuses on government-led policy and institutional innovations and takes into account various social innovations regarding specific methods and technologies used by non-government actors. The content and form of social innovation can be achieved inde-

pendently, or by emulating the experiences of other countries.

2. China’s experience: Human development in China has made considerable progress, especially to economic development. However, issues remain, including lagging social policies and a lack of inclusiveness.

Since the reform and opening-up in the late 1970s, China has made great strides towards achieving relatively high levels of human development (see Figure 1). In 2014, China’s Human Development Index reached 0.727, ranking 90th among 188 countries (and regions). Once among the 47 countries classed as having a low level of human development, China is now the only country from that group that has achieved a high level of human development.ⁱ

FIGURE 1: CHANGES TO CHINA’S HUMAN DEVELOPMENT INDEX AND THE WORLD AVERAGE



Source: UNDP, *Global Human Development Report 2014*; *Global Human Development Report 2015*ⁱⁱ

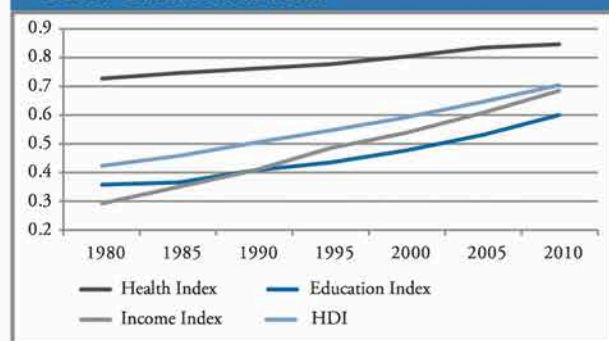
According to this report, China’s rapid economic growth has played a critical role towards its human development progress (see Figure 2). Between 1980 and 2010, China’s income index ranked first in the world, and the contribution of economic growth to the growth of its Human Development Index was 56.26 percent. This reached a peak of 65.53 percent between 1980-1990. Around 660 million impoverished rural people ben-

i Zhang Xiulan et al, Quantitative Review and Prediction of China’s Human Development Index. See Appendix.

ii Available here: <http://hdr.undp.org/en/content/human-development-report-2014>

benefited from this rapid economic growth and were lifted out of poverty.ⁱ Material standards of living for once-deprived groups have improved significantly, and opportunities and choices have greatly expanded.

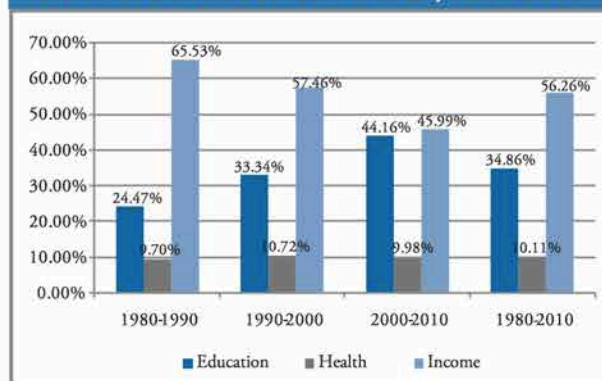
FIGURE 2: CHANGES TO CHINA'S HUMAN DEVELOPMENT INDEX AND ITS COMPONENT INDICES



Source: UNDP Website.ⁱⁱ

This report concludes that the development of social policies in China has been slow, especially before China's reform and opening-up when social policy played a minor role in promoting human development in China. However, its contribution has increased gradually in recent years. When controlling for income, the results of China's Human Development Index show that between 1980 and 2010, China's Human Development Index remained largely the same, i.e. China's health and education indices did not catch up with other countries.ⁱⁱⁱ However, since the start of the 21st century, social policies have played a much more active role in promoting human development in China. The contribution of China's education index to its Human Development Index rose from 24.47 percent between 1980 and 1990 to 44.16 percent, and between 2000 and 2010 it was almost equal to China's income index. China's health index has also improved noticeably since 2000.

FIGURE 3: CONTRIBUTION OF CHINA'S EDUCATION INDEX, HEALTH INDEX AND INCOME INDEX TO THE GROWTH OF ITS HUMAN DEVELOPMENT INDEX, 1980-2010



Source: Calculated according to data on UNDP Website.^{iv}

This report also reveals that human development in China is being held back by its lack of inclusiveness. Economically, however, household income levels in China have improved significantly. Its income gap, however, has widened, especially since the 1980s when it expanded rapidly. In 2007, the average income of the richest 10 percent of China's population was 18 times larger than the poorest 10 percent of its population.^v The income gap between urban and rural areas and different regions was also large. Although the income gap has narrowed in recent years, degrees of economic inequality in China have remained very high compared with other countries. In terms of health and education, inequality among different groups of Chinese people has decreased, however regional and urban-rural inequality is still fairly significant. Issues concerning public participation also persist.^{vi}

i Available here: <http://www.scio.gov.cn/xwfbh/xwfbfh/wqfbh/2014/20140127/zy30356/Document/1362130/1362130.htm>.

ii Available here: <http://hdr.undp.org/en/content/human-development-index-hdi-table>

iii Calculations using data from the UNDP website (<http://hdr.undp.org/en/content/human-development-index-hdi-table>). See the background report made for this NHDR: Zhang Xiulan (2015), Social Policy Innovation and Human Development: China Experience.

iv Available here: <http://hdr.undp.org/en/content/human-development-index-hdi-table>

v The World Bank & Development Research Center of the State Council of P.R.C. China 2030: Building a Modern, Harmonious and Creative Society. China Financial & Economic Publishing House. P304.

vi Enserink, B. and Koppenjan, J. (2007), Public Participation in China: Sustainable Urbanization and Governance, Management of Environmental Quality: An International Journal, Vol. 18 Issue 4, pp459-474.

FIGURE 4: GINI COEFFICIENT: CHINA'S HOUSEHOLD INCOME GAP, 1981-2015



Source: Data for 1981 to 2002 was calculated by Martin Ravallion and Shaohua Chen from the World Bank in 2004, based on a household survey conducted by the National Bureau of Statistics of China. Data for 2002 was derived from the ALG, a Gini coefficient database for 166 countries covering nearly 60 years built by Branko Milanovic, former chief economist of the World Bank. Data from 2003 to 2014 was based on the Gini coefficient published by the National Bureau of Statistics of China over the 11 years.

3. China's experience shows that social innovation can play an essential role in promoting human and inclusive development.

According to this report, since the reform and opening up, China has stimulated inclusive human development by encouraging the equal development of multiple industrial sectors and the adoption of flexible labour market policies. On one hand, China rigorously controls household registration and facilitates labour migration, which helps to stimulate sustained and rapid economic growth. This has created considerable employment opportunities and lifted many families out of poverty. On the other hand, China provides employment support and social protection to several vulnerable groups (such as those made redundant following the reform of state-owned enterprises (SOEs), rural migrant workers in cities and college students), thus promoting inclusive growth.

In the educational sector, China has made achievements by adopting targeted education policies based on various issues and demands during various periods. During the early years of the People's Republic of China (PRC), when educational levels were low, basic education was popularized through broad mobilization

policies. After the reform and opening up, educational levels were still relatively low, and human resources were in short supply across industries. Against this background, education was given a more prominent status and is now a higher priority for China's government, which aims to use it to promote national economic and social development. China has aimed to "rejuvenate the country through science and education" and has implemented a series of laws and regulations and released important policy documents related to the development of its education sector, with plans to increase education investments and make all-round improvements to levels of education in the near future.

Table 1: Educational attainment of China's population aged 15+ – China and world average (unit: year)

	China	World (146)	Developed Countries (24)	Developing Countries (122)
1950	—	3.17	6.22	2.05
1960	3.42*	3.65	6.81	2.55
1970	—	4.45	7.74	3.39
1980	5.33**	5.29	8.82	4.28
1990	6.40	6.09	9.56	5.22
2000	7.79	6.98	10.65	6.15
2010	9.09	7.76	11.03	7.09

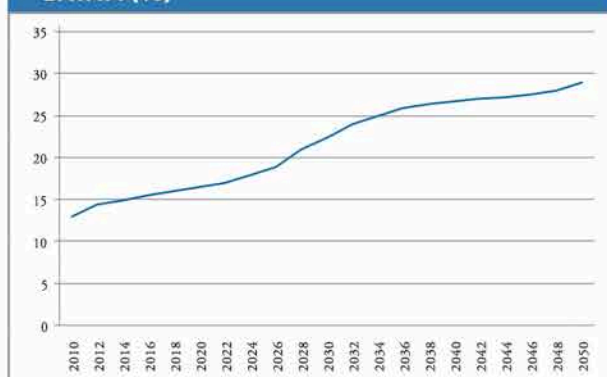
Note: * means data in 1964; ** means data in 1982.

Source: Robert J. Barro & Jong-Wha Lee, A New Data Set of Educational Attainment in The World, 1950-2010.¹

Regarding healthcare, this report finds that China has a rich experience with regard to public healthcare, which has significantly improved the health of its citizens. Since the foundation of the PRC, China has made efforts to strengthen its public health system by preventing and controlling infectious and endemic diseases, and by improving the quality and capacity of rural healthcare services. China's efforts have been used as examples by several other low-income countries. After the reform and opening up, there were a number of setbacks to China's health sector. However, in recent years, developments to China's healthcare sector have been taken more seriously. The government has comprehensively strengthened the public healthcare system, es-

¹ Available here: <http://ideas.repec.org/p/nbr/nberwo/15902.html>.

FIGURE 6: PROPORTION OF THE POPULATION AGED 60 AND ABOVE IN CHINA (%)



Source: China Development Research Foundation.¹

This report selects several examples to demonstrate China's progress in a number of social policy areas. In terms of poverty alleviation, a number of policy measures, including targeted poverty reduction, poverty alleviation through characteristic industries and conditional cash transfers (CCT) have been adopted, promoting multi-dimensional poverty reduction in a more targeted manner. In terms of education, the equalization of compulsory education has been vigorously promoted in China by actively adopting enrollment quotas for high-quality senior high schools and junior high schools, balancing the quality of teaching personnel, promoting the mobility of teachers and principals, and other initiatives. The development of preschool education has been perfected and early childhood development in poverty-stricken areas has been promoted. Special enrollment plans in poverty-stricken areas have also been implemented and equal access to higher education has been improved. In terms of health improvements, China has strengthened its medical equipment (both hardware and software) in its hospitals, improved the efficiency of its management systems, and the level of standardized services in health institutions has been boosted. The quality of public hospitals has improved, the health system is better organized, the distribution of responsibilities among personnel has improved and diagnostic and treatment practices have been enhanced. Finally, social governance in China, is shifting away from being largely top-down and government-dominated to encouraging the participation of the whole of society. From mainly relying on government-imposed laws and from an emphasis on "management", China now offers

a combination of governance and services, and addresses both the symptoms and root causes of social issues. At the local level, the country has undertaken investigations to examine relationships between the Party committee, government, society, and the participation of social organizations in grassroots governance, which has provided some valuable experience for other countries with similar governance issues.

5. While China could learn from international experience regarding inclusive human development, its efforts must be based on national conditions and must follow China-specific rules and principles.

International experience shows that social innovations can help to reduce inequality and promote inclusive human development. However, this report believes that it is also important for China to determine its strategies and policy tools to deal with challenges and complexities in line with its own national characteristics. Nevertheless, China can learn a lot from international experience, including:

- Easing income inequality needs the simultaneous adoption of various measures, including addressing the structure of the labour market, establishing a fairer and more sustainable social security system, leveling the income distribution – here, tax and social security systems (and other redistributive measures) can play important roles.
- Poverty reduction should be shifted from an emphasis on economic poverty to all-round poverty alleviation with multiple dimensions – including education, health, housing, public goods, among others.
- Promoting educational equality is an important way for various countries to encourage inclusive and sustainable human development that is also conducive to economic growth and social integration.
- It is necessary to establish a stable health system where services are integrated, to attach great importance to the capacity of local health services,

¹ Available here: <http://www.cdrf.org.cn/plus/view.php?aid=639>

and to improve the health investments.

- Expanding public participation, mobilizing the third sector and enhancing the supervisory role of the media are important ways to improve social governance – as exemplified by international experience.

International experience shows that countries perform according to their own special economic and social contexts. When international experience is referenced, the following should be borne in mind according, to this report:

- Governments should establish a strong policy system that accounts for income, education, healthcare and participation and ensures that the inclusiveness of human development can be improved.
- In order to achieve human development and inclusive growth, it is necessary not only to form a clear concept of development but to develop appropriate policy measures, implementation methods and set concrete goals.
- It is necessary to handle relationships between government, market, society, individuals and families responsibly, and to constantly improve organizational and administrative structures, strengthen policy evaluation mechanisms, and implement a trial-and-error and error-correction system.
- In terms of specific policy design for inclusive human development, it is necessary to take challenges into full consideration. These include national conditions, China's overall low level of economic development, development imbalances between regions and populations, China's rapid industrialization and urbanization, population ageing, and the transformation China's social structure.

In order to learn from international experience and to ensure that its development is in line with its complex and unique national situation, this report concludes that China must continue to experiment and innovate so that it finds its own solutions to human development problems.

6. To improve its human development and inclusiveness, China should design clearer social policy goals and implement innovative reforms more actively.

According to this report, China must reform and innovate its social policies in order to improve its levels of human development and inclusiveness in the coming decade (and beyond). This was also an important component of the concept of “co-construction and sharing”, recommended at the 5th Plenary Session of the 18th Central Committee of the Communist Party of China (CPC).

- Economic growth, equality of opportunity and social coordination will be the three major drivers for China to achieve inclusive human development. It will be necessary for China to achieve these in an integrated and coordinated way.
- The focus of social policies should shift from overall expansion to more be spoke and targeted expansion, and attention should be paid to how the system is constructed and integrated. It will also be necessary to focus on social investment policies such as employment, education and healthcare, and to moderately restrain social consumption policies, including minimum living allowances and public pensions, and to organically combine state-provided social protection with private provision.
- Currently, inequality of opportunity is a prominent issue for social policies in China. In coming decades, it will be necessary to reform the direction and levels of public investment, put effort into improving the inclusiveness and targeting of social policies, enhance investment and efficiency, and to ensure that low-, as well as middle-income groups benefit from these changes.
- In the context of varied governance models, it will be necessary to innovate social governance mechanisms, build cooperative and inclusive relationships between the national government and society, and to achieve win-win results between public and individual interests, as well as between long-term inter-

ests and short-term interests.

Based on the general principles identified, this report considers it necessary to promote several key policies, including:

Education should be strategically prioritized as a social policy for inclusive development. Once education has been provided to all citizens equally at every level of education, there are two basic directions for educational innovation. One is to promote the fairness of education – the key here is to commit to and resolutely push forward reforms that promote educational fairness. The other is to improve the quality of education, and to cultivate a sense of social responsibility among students in the face of social, economic and environmental problems.

Policy innovations in the fields of medicine and healthcare should focus on solving issues of low efficiency and fairness. Here it is crucial to establish a salary system that can correctly motivate medical and healthcare professionals, and to take practical measures to strengthen local hospitals and services and to effectively grade medical provision. It is also vital to promote integration and cohesion within the medical system, and to create a system where all users enjoy equal access to basic medical and health services.

According to the central government's plan, regarding poverty alleviation and social assistance, it will be necessary to implement targeted poverty alleviation and elimination mechanisms, which will improve the sustainability of poverty elimination via local and context-specific measures. At the same time, poverty alleviation policies should consider China's cultural traditions and the uniqueness of its rural societies (which are founded on self-reliance and self-improvement), and strengthen the capacity of China's poverty-stricken populations. It will be important to avoid "blood transfusion"-like poverty alleviation and welfare dependency; instead, goals must be achieved via "blood-generation" poverty alleviation methods.

China's old-age pension system must be designed to prevent welfare dependency primarily upon the State. A basic system should be introduced that encourages integration, improves fairness and guaran-

tees sustainability, mainly aimed at poverty reduction and redistribution. This mechanism must balance rights and obligations. Specific policy choices include reducing the substitution rate of the basic state pension, and increasing the retirement age.

7. Expectations and prospects: Building a social policy system funded by social investment and a compound social governance system will be conducive to the continuous improvement of China's human development and its inclusiveness.

This report believes that in the coming decades, China should be committed to finding solutions to regional inequality and inequality between populations, and also to addressing rapid population ageing, economic slowdowns, structural transformations and other major challenges. At the same time, China has a lot of advantages that will help it to promote and achieve inclusive human development, such as a relatively centralized political system – this means that it can avoid challenges posed by vested interests. China's national economy will continue to grow at a medium- to-high speed, and China's newfound wealth can be used to support incremental reforms, avoiding the need for stock market modifications. The lessons China has learned from other countries can also be used to guide its future development.

Based on China's economic growth, this report expects that China will continue to increase its social expenditure in future. It is also anticipated that China will adjust and optimize its social expenditure structure, support the inclusive development of its education and healthcare systems, and promote the public's ability to innovate, develop and self-manage. In coming years, it is anticipated that China will build a social-investment-based social policy system and an integrated social governance system. Innovations and improvements in these two social realms will contribute to the sustainable development of China's economy, and will promote the continuous improvement of its inclusive human development.

