

4-27-2004

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Recommended Citation

Lawrence University, "Lawrence University Political Scientist Awarded Fulbright Grant to Study Pension Reforms in China" (2004). *Press Releases*. Paper 308.

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Lawrence University Political Scientist Awarded Fulbright Grant to Study Pension Reforms in China

Posted on: April 27th, 2004 by Rick Peterson

Lawrence University political scientist Mark Frazier has been awarded a \$59,500 grant by the Fulbright Scholar Program to conduct research on pension reform initiatives in China.

Beginning in October, Frazier will spend six months in China investigating different strategies that local government officials are implementing to deal with the financial and political obstacles created by recently enacted pension reforms.

First established in 1951 under Mao Tse-Tung and covering a mere 20,000 retirees who met all the necessary requirements at the time, China's pension program underwent its first major overhaul in 40 years in the early 1990s. The long-standing practice of retired state workers receiving pensions from their place of employment was reformed into a program where the costs of retirement benefits was shifted from the government to individual employers and workers.

“Chinese officials are finding themselves caught between competing forces,” said Frazier, assistant professor of government and the Luce Assistant Professor of East Asian Political Economy at Lawrence. “They are attempting to establish the country's first viable social safety net, while at the same time, they face pressure from international organizations like the World Bank to reduce the government's provision of pension benefits by encouraging people to save for their own retirements.”

Local governments are now facing the financial realities of collecting less in payroll taxes than is necessary to cover the payments to current pension recipients, much less future retirees. In less than 15 years, the number of Chinese retirees eligible for

pension benefits has quadrupled, growing from 10 million in 1990 to 40 million today. The problem is further compounded by the fact there are no pension laws in China, only a series of regulations which create considerable latitude among provincial and municipal authorities in how pensions are administered.

Working with the Shanghai Academy of Social Sciences, Frazier will focus his research on four provincial capitals, including Beijing. Through interviews with officials from the social insurance and pension departments of the Ministry of Labor and Social Security, enterprise managers and individual pensioners, as well as published government documents, Frazier will study the different strategies administrators are using to manage pension regulations and whether pension recipients are in fact receiving their legally entitled benefits.

“When any government makes changes to what it once promised as benefits to retirees, it is a very risky political move. This is why social security reform here is considered the proverbial ‘third rail of American politics,’” said Frazier. “In China, it’s true that the leadership doesn’t have to worry about a voter backlash, but the stakes in pension reform are arguably higher. How the government handles the financial tasks of supporting a rapidly growing elderly population will heavily influence what the Chinese economy looks like in the future, and even what Chinese people demand of their government.

“This is an exceptional and exciting opportunity to conduct research at a crucial stage in China’s economic reforms,” Frazier added. “I owe a great deal of thanks to many colleagues at Lawrence who supported my grant application and who have made it possible for me carry out the research. I’m looking forward to sharing the results with my classes and encouraging students to pursue their own research abroad.”

Frazier, who speaks and reads Mandarin Chinese, joined the Lawrence government department in 2001 in a new faculty position created under a grant from the Henry Luce Foundation. He is the author of the 2002 book, “The Making of the Chinese Industrial Workplace: State, Revolution and Labor Management,” which traces the origins of the “iron rice bowl” of comprehensive cradle-to-grave benefits and lifetime employment in Chinese factories.

A visitor to China a dozen times in the past 10 years, Frazier serves as a senior advisor for the Seattle-based National Bureau of Asian Research. He earned his bachelor’s degree from Princeton University and his Ph.D. in political science from the University of California-Berkeley.