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The creation of a new underclass in China and its implications

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1. Ma, Josephine (2004), "Three million took part in surging protests last year," *South China Morning Post*, June 8. This article cites an official publication, *Liaowang* (Outlook), published by Xinhua

ABSTRACT The emergence of a new urban underclass in China is a major challenge confronting the Communist Party, and its potential for fomenting instability has unnerved the Party. A strong case can be made, however, that the members of this emerging group have been cast into their current plight chiefly as a result of the marketization reforms that the regime itself set into motion two and a half decades ago. The group is comprised of recently laid-off workers, underpaid and underprivileged migrant labourers from the countryside, and any others who have fallen into penury with the withdrawal of job and welfare security and the elimination of free health care in the cities, which have accompanied the government's "economic reforms". However, the challenge may not be as great as is often feared, for the same reforms have equipped the leadership with a battery of "weapons" that have the power to mitigate the expression of grievances, including new welfare measures, state-of-the-art surveillance technologies and crowd control equipment.

KEYWORDS Chinese cities / coercion / instability / migration / poverty / protest / underclass / welfare

I. INTRODUCTION

Among the most portentous of the challenges confronting the Chinese Communist Party in the early years of the century is the emergence of a new underclass within the municipalities. The members of this inchoate, largely unmobilized horde are one-time workers lately laid off from their jobs, the underpaid and unprivileged migrant labourers from the countryside, and any others who have recently fallen into penury. Ironically, it is precisely the fundamentally altered agenda put forward by the ruling party after 1978 that, over a couple of decades, has succeeded in producing a poverty-stricken mass among the urban populace, a segment of city-dwelling people who, rather suddenly, must daily depend upon their own ingenuity to scrape together the meagre wherewithal for their own and their families' sustenance. Thus, a paradox at the heart of this threat is that it is the Party's policies themselves that, sometimes inadvertently, other times intentionally, have been the begetters of this particular bogeyman that so haunts the nation's ruling elite.

This perceived menace, in turn, has driven the leaders to devise solutions that, for the most part, have so far tempered the dangers these politicians so fear. The methods the leadership has used to achieve this

can best be conceived as weapons of the current Chinese state: first, a transformed regime alliance, whose creation entailed junking a decades-old Marxist coalition (based upon workers and peasants) and constructing in its stead a compact with capitalists and development-driven local officials; and second, a flexible manipulation of long-employed, but now refurbished, bureaucratic, financial and coercive tools, some of which are put into the service of invigorating the labour market and assisting laid-off workers, others of which involve tactics of terror and intimidation.

Each of these tools derives much of its force from the ample prosperity surrounding the cities of China today. It is fair to say that, thus far, the very economic reforms that have brought about new quandaries of control over the needy have, at the same time, also helped the leadership to summon up remedies adequate for keeping the worst of these quandaries' repercussions at bay.

In this paper, I first demonstrate my claim that the economic reforms are the force that brought about this poverty and marginalization that now so bedevil the Party rulers, and I lay out the background to and the nature of the associated problems. Next, I show how what I am terming "weapons of the state" have been forged or enhanced by the turn to marketization and the affluence this afforded the state, and how these tools are being put to use to quiet the discontented.

II. THREE NEW GROUPS IN THE CITIES: WHERE DID THEY COME FROM?

The three groups in the cities that most worry the Party leaders are the "laid-off" and unemployed former workers, the resident farmers from the countryside who come into the towns in search of work, and the growing numbers of poor people, the latter a conglomeration for the most part of members of the former two. All of these groups were either totally non-existent before the economic reforms that began after 1978, or they expanded significantly in the wake of these reforms.

The Party's near-constant invocation of the dangers of "social instability", and its tireless efforts to remain on top of this peril, are often directed precisely at the three groups noted above – each once a partisan of the previous so-called "worker-peasant alliance" that shored up the regime of the socialist era. Granted, the more than 3 million officially recorded protesters who took to the streets in some 58,000 "mass incidents" in 2003 (including farmers, laid-off workers, teachers and students, among others) – a 6.6 per cent increase from the year before⁽¹⁾ – were expressing their outrage about many things, including cadre corruption, land seizures, high taxes, environmental damage and untreated medical problems.

But the issue that especially haunts the leadership remains the anger of workers and peasants who feel themselves short-changed, as losers in the wake of reform era "reforms". Indeed, "anti-terrorist" exercises were held in autumn 2003 in a number of cities, directed at preventing outbreaks of urban violence at the hands of aroused workers⁽²⁾ – people not receiving their unemployment compensation, their pensions or their living allowances, or those still at work but struggling under the burdens of poor working conditions and unpaid wages.⁽³⁾

The numbers of those whose situation has declined is difficult to

news agency, quoting the Ministry of Public Security. A few years earlier, however, there was a Public Security Ministry report that counted 60,000 large demonstrations in 1998 and more than 100,000 in 1999, an average of 300 per day (Summary of World Broadcasts FE/3780 G/6, March 4, 2000).

2. Lam, Willy Wo-Lap (2003), "Beijing faces winter of discontent," accessible at www.CNN.com, September 30.

3. A few cases include laid-off Sichuanese steelworkers demanding unpaid wages (*China News Digest* GL98–148, 4 November 1998); Hunanese textile workers incensed about being laid-off (*China News Digest* GL99–009, 20 January 1999); and Liaoyang, Liaoning metallurgy workers demonstrating for back pay and against corruption (for example, one report from Reuters, "Thousands of workers protest in NE China, locals say," 18 March 2002).

4. Wang, Shaoguang (2004), "Shunying minxin de bianhua: cong caizheng zijin liuxiang zongguo zhengfu jinqi de zhengce tiaozheng" ("A change that complies with popular sentiments: a recent policy readjustment in the flow of financial funds toward the Chinese government"), Paper presented at the Center for Strategic and International Studies, Washington DC, unpublished manuscript, January 16; also Zhou, Tianyong, a Party school researcher, in "Xingcheng jiuye nan de tizhixing yu zhengcexing zhangai" ("System and policy-type obstacles making employment difficult"), *Neibu Canyue (Internal Consultations)* No 43 (14 November 2003), states that his research reveals that 64.4 million work posts were eliminated from the public (i.e. state and urban collective) sectors from 1996 to the end of 2003. Making sense of Chinese unemployment

statistics is notoriously difficult: see Solinger, Dorothy J (2001), "Why we cannot count the unemployed," *China Quarterly* No 167, September, pages 671–88.

5. See, for instance, Pan, Philip P (2003), "Getting paid in China: matter of life and death," *Washington Post*, 12 February; also Becquelin, Nicholas (2003), "Without residency rights, millions wait in limbo," *South China Morning Post*, 27 February.

6. Communication from the Chinese Academy of Social Sciences scholar Tang Jun, 15 September 2004.

7. He, Xuesong (2002), *Shehuxue shiyexia de zhongguo shehui* (*Chinese Society in Sociological Perspective*), Huadong ligong daxue chubanshe (East China Science and Engineering College Publishing Co), pages 183 and 185.

8. Zhu, Qingfang (2002), "2001 nian chengxiang zhumin shenghuo jiduo chou" ("Worries about the livelihood of urban and rural residents in the year 2001"), *Gaige neican* (*Reform*, internal reference) No 6, pages 30–31.

9. See, for instance, Tang, Jun (2003), "Zhongguo chengshi pinkun yu fanpinkun baogao" ("Report on poverty and anti-poverty in urban China"), Huaxia Publishing House, Beijing, pages 34–35; also Mo, Rong, (2003), "Jiuye: zai tiaozhanzhong guanzhu kunnan qunti" ("Employment: in challenge, pay close attention to the masses in difficulty"), in Ru Xin, Lu Xue and Li Peilin (editors), *Shehui lanpishu: 2003 nian: zhongguo shehui xingshi fenxi yu yuce* (*Social Blue Book: 2003 Analysis and Predictions of China's Social Situation*), Shehui kexue wenxian chubanshe (Social Science Documents Company), Beijing, page 40, citing Asian

calculate with any accuracy. Recent figures for the laid off and unemployed go as high as some 60 million;⁽⁴⁾ and the migrant population is loosely listed as anywhere from 100 to 200 million people, who have left their rural homes in search of work since the 1980s.⁽⁵⁾ Official figures for the "unemployed" refer only to once-workers who register their joblessness and who hail only from no-longer extant firms, owned by the state, which had paid into the unemployment insurance fund set up after 1986 before ceasing to exist. The figures omit those people said to have been "laid off" (*xiagang*), a status used to refer to people who, in theory, were still connected to their firms and in receipt of basic livelihood allowances from these after the mid-1990s. However, even this latter statistic is deeply flawed, as it refers only to the furloughed employees who were once on the payroll of state firms and who had been admitted to a "re-employment service centre",⁽⁶⁾ a privilege that an uncounted number of enterprises either could not afford, or did not bother, to install.

The rate of re-employment for the enormous numbers of people thrown out of work declined continuously after 1998. For instance, at the end of 1999, the re-employment rate was 42 per cent, a drop of ten percentage points from the previous year.⁽⁷⁾ By the end of June 2001, the rate had plummeted to just over 10 per cent, a drop of five percentage points from the year before. As of that time, a study of 59 large and medium size cities found that, on average, for every 100 job seekers there were just 65 jobs.⁽⁸⁾

As for the urban poor, they have generally been estimated to number somewhere between 15 and 37 million, depending upon whether income or expenditure is used as the standard for poverty.⁽⁹⁾ One study, however, arrived at related, but much more startling, figures: the Chinese National Bureau of Statistics, in collaboration with the State Council Research Office and several other agencies, discovered that, nationwide, 20 to 30 million urban-registered workers had fallen into poverty in recent years and that, with their family members, they added up to about 40 to 50 million people altogether, or almost 13 per cent of the urban population.⁽¹⁰⁾ But even the statistics showing 30 or even 50 million poverty-stricken urbanites in recent years are far from complete. This is because such figures omit from the count rural migrants living in cities, who do not hold urban household registration and who earn only about half the income that urbanites do on average, according to some studies.⁽¹¹⁾ Even the official *China Daily* reported that some ". . . 15 to 20 per cent of migrant workers in cities live below the poverty line",⁽¹²⁾ which, if true, could bring the total number of destitute to as many as 70 million, if the very highest estimates of the poor among the urban-registered populace are added to the outsiders.

Reflecting the drop in their quality of life, as much as 28.9 per cent of the population surveyed in recent years has reported dissatisfaction with their lives, again a growing number.⁽¹³⁾

a. Laid-off workers

A massive discharge of workers began in Chinese cities only in the mid-1990s. For the first time in the cities of the People's Republic, there were widespread instances of people with the ability and desire to work, but who were unable to find jobs. Earlier periods of urban unemployment existed in the PRC in the early 1950s, the mid-1960s, and the late 1970s.

But in each case, the government was able to devise programmes – sometimes distasteful, as in the 1960s rustication movement – that to a large extent disposed of the problem. Besides, in these earlier eras, it was for the most part the never-employed who searched for jobs; in the present era, it is a case of massive dismissals of the labour-age population.

It is not accurate to assert that this was fully the fault of the government. Rather, the employment problem had several long-standing roots. First of all, decades of emphasis on full urban employment (or a practicable approximation thereof) under the socialist-era planned economy led, in time, to vast numbers of surplus urban labourers, a phenomenon often referred to in China by the 1990s as “hidden unemployment”. From the late 1980s onwards, the government has claimed that excess labour in the cities amounts to as much as one-third of the workers on the job.⁽¹⁴⁾

That legacy of the command economy was compounded by new difficulties in the labour market, as China began to modernize in earnest in and after the 1980s. As industry became progressively more capital intensive, and as foreign imports entered the machinery market, labour-saving technology started to replace workers.⁽¹⁵⁾ At the same time, a glaring mismatch developed between the low-skilled, undereducated workforce that a range of Maoist policies had fostered (not least the anti-intellectualism of the Cultural Revolution) and the state of the art aspirations of the regime. This disjuncture led to an inexorable process of structural unemployment,⁽¹⁶⁾ one ever more in evidence as the 1990s wore on. With these forces working to crowd out human labour, the employment elasticity of economic growth steadily declined. By the late 1990s, the growth rate of employment was a mere one-third of what it had been in the 1980s.⁽¹⁷⁾

Meanwhile, by the late 1980s and early 1990s, severe competition had appeared for the state enterprises, both from domestic, non-state firms, which were not responsible for providing welfare and other benefits to the staff and labour force as state enterprises were, and – as China lowered its tariffs after the late 1980s in preparation for joining the General Agreement on Trade and Tariffs (which, in 1995, became the World Trade Organization) – from imported foreign goods.⁽¹⁸⁾ This factor, added to the rising prices for industrial inputs that came with price reform, undermined the business of the state sector, and losses soared. Matching the intensifying drama of heightened firm losses was a progressive rise in the numbers suddenly thrown out of work. Between the end of 1992 and the end of 1998, state and urban collective⁽¹⁹⁾ firms together let go some 37 million workers, while the old public sector firms alone cut one-third of their workforce.⁽²⁰⁾ The best evidence of state pressure behind these losses is a quota system devised around 1997 to force factories to dispose of set percentages of their workforces, the fulfillment of which was one basis for evaluating leading cadres’ work.⁽²¹⁾

As for the unemployed, in early 2004 the overseas edition of the *People’s Daily* reported that the leadership hoped that the official registered urban unemployment rate could be held below 4.7 per cent that year. (This rate officially pertains only to workers dismissed from firms no longer in existence, whether because of merger or bankruptcy, who hold urban residence and who register their joblessness). The rate had already climbed to 4.3 per cent in 2003, which itself was an increase of 0.3 percentage points over 2002, all in all a clear sign that the actual numbers were steadily rising year on year.⁽²²⁾ Moreover, a study conducted in 1999

Development Bank data; also Li Peilin (2003), “Dangqian zhongguo shehui fazhan de rogan wenti he xin qushi” (“Current issues and new trends in social development”), in Ru Xin, Lu Xue and Li Peilin (2003), see above, page 23; and Hussain, Athar et al. (2002), “Urban poverty in the PRC”, Asian Development Bank Project No TAR: PRC 33448, 2002, page 34.

10. Zhonggong zhongyang zuzhibu ketizu (Chinese Central Organization Department Research Group) (2001), “2000–2001 Zhongguo diaocha baogao – xin xingshixia renmin neibu maodun yanjiu” (“2000–2001 Chinese investigation report – research on internal contradictions within the people under the new situation”), Zhongyang bianyi chubanshe (Central Compilation and Translation Press), Beijing, pages 170–71.

11. See, for instance, a report by China’s Development Research Council and the Asian Development Bank cited in Murphy, David (2002), “Urban poverty: nothing more to lose”, *Far Eastern Economic Review*, 7 November; also Wu, Zhongmin (2003), “What is the actual size of China’s impoverished population?”, *Zhongguo jingji shibao*, Internet version, 16 May, translated in Foreign Broadcast Information Service.

12. “Jobs vital to new urban poor”, *China Daily*, 21 May 2003, page 3.

13. See reference 12, page 64. The previous year, 31.1 per cent reported themselves to be “not too satisfied” or “unusually dissatisfied” (25.7 per cent and 5.4 per cent, respectively); reported in Yue, Yuan and Zeng Huizhao (2003), “2002 nian zhongguo jumin shenghuo zhiliang diaocha” (“An investigation of Chinese urban residents’ quality of life in 2002”), in Ru Xin, Lu Xue and Li Peilin (2003), see reference 9, page 140.

14. Bonnin, Michel (2000), "Perspectives on social stability after the fifteenth congress", in Tien, Hung-mao and Yun-han Chu (editors), *China Under Jiang Zemin*, Lynne Rienner, Boulder, Colorado, page 154; also Imai, Hiroshi (2002), "China's growing unemployment problem," Special Report, Pacific Business and Industries, RIM Vol II, No 6, Tokyo, page 30.

15. Bhalla, A S and Qiu, Shufang (2004), *The Employment Impact of China's WTO Accession*, RoutledgeCurzon, London and New York, page 104.

16. Rawski, Thomas G (2002), "Recent developments in China's labor", University of Pittsburgh, page 7.

17. See Hu, Angang (2001), "China's present economic situation and its macro-economic policies", Rand-China Reform Forum conference, Santa Monica, 29-30 November 2001, page 10.

18. Broadman, Harry G (1996), "Reform of China's state-owned enterprises", in Schoepfle, Gregory K (editor), *Changes in China's Labor Market: Implications for the Future*, US Department of Labor, Bureau of International Labor Affairs, Washington DC, pages 4-5; also Naughton, Barry (1999), "The Chinese economy through 2005: domestic developments and their implications for US interests", in Report on the conference on China's Future: Implications for US Interests, Library of Congress, Washington DC, September, page 51; Lampton, David M (2001), *Same Bed, Different Dreams: Managing US-China Relations, 1989-2000*, University of California Press, Berkeley, CA, page 177; and Naughton, Barry (1992), "Implications of the state monopoly over industry and its relaxation," *Modern China* Vol 18, No 1, pages 14-41.

by China's official trade union found that 48.7 per cent of the "re-employed" laid-off people it counted were self-employed, while of the other 51.3 per cent who had been re-hired, well over half (59 per cent) were engaged in temporary, informal work that came without benefits.⁽²³⁾

But even as these demand-side, market-driven factors were working to reduce the numbers of workers on the job, official efforts to recreate the labour regime – through pilot programmes, pronouncements, temporary rulings, regulations and laws permitting, and even calling for, cutting the workforce – significantly intensified and hastened their influence. The first governmental experiments surrounding the labour system took place almost immediately after the Party's official switch to a focus on rapid modernization in late 1978. As early as 1980, trial schemes in term-limited labour contracting were undertaken in a few key places.⁽²⁴⁾

Years of debate and indecision followed,⁽²⁵⁾ with unemployment remaining unlegitimized, much less encouraged, throughout the 1980s. Nonetheless, state-sponsored industrial reforms starting in the early 1980s – with their emphasis upon money-making and high productivity, and with their granting of new financial and decisional powers to localities, firms and managers – did render workers' security less certain.⁽²⁶⁾ Little by little, managers took advantage of their powers and heightened autonomy sometimes to transfer workers, occasionally to let them go, a license that was further enhanced when, after 1986, enterprise leaders were allowed to lease the firms that they had been directing.⁽²⁷⁾

Explicit, relevant governmental decisions specifically on labour were slow to take effect although they began as early as 1986. In that year, a set of labour-related regulations appeared, including one officially instituting labour contracting. These new rulings put the concept of unemployment squarely on the table, challenging the old doctrine that a work post would last forever. Soon, the official unemployment rate crept up, with a 1988 State Council order assigning management responsibility for their enterprises' profits and losses, along with relevant rights and powers.⁽²⁸⁾ The next step came in 1992, when several critical labour market decisions appeared, including one specifically allowing management to dismiss labour.⁽²⁹⁾ In the autumn, the Fourteenth Congress of the Chinese Communist Party meeting labelled the economy a "socialist market", giving market reforms of all kinds a big boost. Slowly, with the state's imprimatur, firms in trouble had a justification to discharge their staff.

The critical Third Plenum of this Central Committee convened in November of the following year, an occasion that represented a real turning point. The forum announced the goal of creating a full-scale market economy, albeit one quaintly still billed as "socialist".⁽³⁰⁾ At this same time, an attempt to restructure the system of enterprise ownership got underway, entailing the conversion of selected state firms into market-guided bodies, with the aim of establishing a "modern enterprise system."⁽³¹⁾ Here was another stamp of approval from officialdom on letting workers go.

China's Labour Law was re-written in 1994, the first in the PRC to sanction firing,⁽³²⁾ and, in 1995, the old system of life-long employment was officially terminated.⁽³³⁾ Between 1993 and 1995, and with these new pronouncements, the "hidden unemployment" whose disposal had been undecided for a decade was formally, legally forced out into the open.⁽³⁴⁾ Many with jobs suddenly found themselves without them.

Two regime-decreed austerity programmes, one from 1988 to 1990 and the second from 1993 to 1995, also constituted politically induced circumstances that resulted in much attrition in the labour force. Both times, the contractions were instigated to squeeze inflation that had exploded in the wake of over-vigorous growth spurts in the respective previous year or two. During those years, most firms were denied loans,⁽³⁵⁾ and the consequent budget trimming and plant failures that resulted did their part (along with the more market-driven factors mentioned above) in driving out labour.⁽³⁶⁾ In 1996, as the number of firms that filed for bankruptcy rose, a full 45 per cent of all state firms were dealing with deficits.⁽³⁷⁾ In the first half of that year, state industry experienced an overall loss for the first time,⁽³⁸⁾ and by the following year, more than half the state enterprises were struggling, already in the red.⁽³⁹⁾ When the second contractionary project was said to have cooled down the economy and a “soft landing” was proclaimed in 1996, the leadership’s goal of restructuring state firms picked up steam once again.⁽⁴⁰⁾ In yet another thrust against surplus labour, early in 1996 a decision was announced to “. . . grasp the large (firms) and let go the smaller ones” – as, through sales, leasing and mergers (*zhuada fangxiao*),⁽⁴¹⁾ management were given a ready excuse to trim their workforces.

But the real effort was yet to come. The shedding of labour underwent a genuine leap forward in the aftermath of the Fifteenth Party Congress in September 1997. The meeting featured two thrusts that each had a truly significant impact on the fate of the state-sector workforce: one was its re-invigoration of the earlier drive to remodel state firms into share and limited liability companies, moves that generally were accompanied by cutting back the payrolls; the other was the explicit authorization for an enormous offensive of worker dismissals under the slogan “cut the workforce and raise efficiency”.⁽⁴²⁾

So, although undoubtedly economic forces undermined the position of the state sector and its workers over the years, it is just as true that Party-state policies were working in the same direction throughout the 1990s and beyond, unquestionably magnifying the impact of the market. The upshot is that, by 2004 the regime was facing what is probably the unsolvable dilemma of droves of labour-age people unable to find proper employment; while the government was deeply concerned about managing to find just 8 million jobs for the work-able populace in 2003, about 15 million new job seekers were expected to enter the labour market each year, through to 2020, including first-time entrants, the unemployed and migrants coming from the countryside.⁽⁴³⁾

b. Peasant migrants in the cities

After conquering the country in 1949, Party leaders almost immediately tried to keep the cities clear of rural folk.⁽⁴⁴⁾ At first, in the 1950s, their efforts were meant to ensure order, keep better track of the populace, and guarantee that the numbers of urbanites would be manageable. As the 1950s wore on, the increasingly stringent ban on peasants entering cities reserved urban resources for heavy industrialization and the city workers who engaged in it, while making certain that country people stayed home to produce sufficient quantities of grain to keep city residents adequately fed.⁽⁴⁵⁾

But after the disastrous Great Leap Forward of the late 1950s,

19. These were enterprises usually comprised of pre-1949 private firms merged in the 1950s and run at the level of the “neighbourhood” under the urban district or ward.

20. See reference 18, Naughton (1999), page 52; also Lardy, Nicholas (2002), *Integrating China into the Global Economy*, The Brookings Institution, Washington DC, page 23, which gives a figure of more than 36 million state workers alone having lost their jobs between 1998 and 2001.

21. Tian, Bingnan and Yuan Jianmin (1997), “Shanghai xiagang ren yuan de diaocha yanjiu” (“Investigation research on Shanghai laid-off personnel”), *Shehuixue (Sociology)* Vol 2, page 11.

22. *Renmin ribao haiwai ban (People’s Daily, overseas edition)* (2004), “Zhongguo jinnian yi zeng jiuye jiubaiwan ren; xiagang shiye ren yuan zaijiuye wubaiwan ren” (“This year China prepares to increase the employed by 9 million people; 5 million laid-off and unemployed people should be reemployed”), 7 January, page 4; also Pottinger, Matt (2004), “In China, 24 million urbanites look for jobs in grim outlook,” *Wall Street Journal*, 10 March.

23. Xue, Zhaoyun (2000), “Dui xiagang zhigong zaijiuye xianzhuang di diaocha, sikao yu jianyi” (“Research, reflections, and suggestions about the reemployment situation of laid-off staff and workers”), *Gonghui gongzuo tongxun (Bulletin of Trade Union Work)* Vol 7, page 8.

24. Experiments occurred in Shanghai and in the four special zones created for foreign investment along China’s southeast coast. See Howard, Pat (1991), “Rice bowls and job security: the urban contract labour system”, *Australian Journal of Chinese Affairs* No 25, January, page 97.

25. White, Gordon (1987), "The changing role of the Chinese state in labour allocation: towards the market?" *Journal of Communist Studies* Vol 3, No 2, June, pages 129–50.

26. Sheehan, Jackie (1998), *Chinese Workers: A New History*, Routledge, London, page 195; also Meng, Xin (2000), *Labour Market Reform in China*, Cambridge University Press, New York, pages 82–83, 113.

27. See reference 26, Sheehan (1998), pages 207–208; also see reference 24, page 102; Lee, Ching Kwan (1999), "From organized dependence to disorganized despotism: changing labour regimes in Chinese factories", *China Quarterly* No 157, page 55; and Solinger, Dorothy J (1991), *China's Transition from Socialism*, M E Sharpe, Armonk, New York, pages 175, 182–183.

28. Walder, Andrew G (1987), "Wage reform and the web of factory interests", *China Quarterly* No 109, pages 22 and 40; also Walder, Andrew G (1991), "Workers, managers and the state: the reform era and the political crisis of 1989", *China Quarterly* No 127, pages 473, 478–79; and Tang, Jun (2001), "Joining the WTO, the employment problem, and how to deal with it", *The Chinese Economy* Vol 34, No 3, May–June, pages 53–54.

29. Davis, Deborah S (1999), "Self-employment in Shanghai: a research note", *China Quarterly* No 157, pages 28–29; also Chen, Feng (2000), "Subsistence crises, managerial corruption and labour protests in China", *China Journal* No 44, July, page 46.

30. See reference 18, Broadman (1996), page 7; also Miller, H Lyman (1999), "Institutions in Chinese politics: trends and prospects", in Report on the conference on

concerns over food grain shortages and potentially ominous urban hunger led the leadership to take draconian measures: it banished back to the countryside tens of millions of country workers who had somehow slipped into town in the previous decade.⁽⁴⁶⁾ Once resettled, these farmers languished in field labour for the next 20 years.

In the early 1980s, however, China's leaders did let the ruralites leave the villages, without, however, allowing these farmers to switch their residence registration (called *hukou*), nor allowing any urban benefits to those who moved into town. At that point, within just a few years of Chairman Mao's demise in 1976, there was sudden, headlong industrialization and frantic building in the cities. This, combined with the lack of services that had occurred during the socialist era (socialist China's urban focus was on heavy industry), carved out a gaping chasm into which peasant workers – freed from the farms as a result of the ending of the communes by 1982 – unceasingly poured.

Even as the economy became steadily more marketized, and as planning and rationing slowly fell away, the shadow of the *hukou*, a wholly state-created, socialist-era institution, was not easily eradicated. Despite the hefty contribution to urban prosperity of the peasant workers' toil,⁽⁴⁷⁾ many millions of these people remain pariahs once in town – the objects of discrimination, harassment and even violence.⁽⁴⁸⁾ In short, while in recent years regulations at both central and local government have attempted to erase some of the evils of earlier state rulings, the stamp of the past lives on in inherited habits of bullying on the part of officialdom.

Most menacing for stability is the increasing willingness of migrant workers hired by foreign-invested firms along the coast to protest against their working conditions, which include 14 to 18-hour workdays with no overtime pay, paltry meals lacking in nourishment, a rigid workplace regime of enslaving regulations, physical brutality and the non-receipt of wages.⁽⁴⁹⁾ Indeed, the official paper, the *China Daily*, openly acknowledged in August 2004 that more than 360 billion yuan in unpaid wages was then owed to migrant workers.⁽⁵⁰⁾ If the state did not mark these people with the denigrating label of "peasant registration" (*nongmin hukou*), and were its local officials not intent on attracting outside investment by sustaining access to low-wage, defenceless labour, the treatment accorded these workers could be improved.

c. Urban poverty

The new urban poverty that emerged in the second half of the 1990s – in the midst of striking, ostentatious wealth – is clearly the outcome of specific policies of the central government. In the cities, true, there had always been the disadvantaged after 1949 – those without an occupation, without offspring or spouses, the disabled and people with no stable source of income. But these people generally survived in the shadows and out of sight, subsisting (just barely) as members of the "three withouts", on a mere pittance in the form of meagre "social relief" from civil affairs departments.⁽⁵¹⁾

Prior to the 1990s, pockets of penury were concentrated either in the rural areas or in the provinces of the northwest and the southwest.⁽⁵²⁾ But since 1995, there has been serious urban poverty. The finding by the World Bank that China's Gini coefficient grew from 0.36 to 0.44 between

1990 and 2000 – or another account that cites estimates as high as 0.5,⁽⁵³⁾ do not in themselves expose this new source of disparity, startling though the swift incidence of inequality shown in these data may be.⁽⁵⁴⁾

Initially, urban economic reforms bred optimism. Even into the late 1990s, disposable income increased at an average annual per capita rate of 5.7 per cent in real terms in the cities, while the urban wage for staff and workers experienced an average per capita annual increase of 15.9 per cent during the Ninth Five-Year Plan period (1996 to 2001). And permanent residents' average disposable income rose to 6,860 yuan per year, an 18.88-fold improvement over 1978, when reform began.⁽⁵⁵⁾ By 2004, at the Second Session of the Tenth National People's Congress, Premier Wen Jiabao was able to proclaim that per capita gross domestic product had passed the US\$ 1,000 benchmark, and that per capita disposable income for urban residents had risen to 8,472 yuan.⁽⁵⁶⁾

But evolving externalities of these very uplifting improvements began to manifest themselves in the cities after 1994.⁽⁵⁷⁾ Much of the new urban poverty that surfaced during this period was the immediate product of job losses.⁽⁵⁸⁾ Moreover, since the many millions of peasant migrants now living in the cities tend to be paid on average as little as half what employed urbanites receive, and often do not get paid at all,⁽⁵⁹⁾ poverty among their ranks is the norm.⁽⁶⁰⁾ A multi-stage, random sample survey undertaken in 2001 in the major inland city of Wuhan found that the income differentials between those who had lately become rich quickly and the new poor were in the range of 40:1.⁽⁶¹⁾ On a national scale, as of mid-2004, half of the country's bank deposits were owned by the richest 5 per cent of the population.⁽⁶²⁾ Another root of the problem of poverty is the ongoing need to upgrade the still-in-former social welfare system for laid-off and unemployed workers⁽⁶³⁾ – to say nothing of the migrants in urban areas, who have usually been treated as ineligible for any welfare there.⁽⁶⁴⁾

Startling findings from interview material in a recently published volume reveal the depths of destitution to which today's poorest urbanites succumb. The study documents what the very destitute are compelled to consume to stay alive; over half the poor families in three of the survey cities never eat meat, and over 80 per cent of their non-staple foods are the very cheapest vegetables, with some informants even professing to subsist on the greens left on the ground to rot at the end of market day. Others, especially in Lanzhou, lack the funds even to eat vegetables, and scrape by just on potatoes and buns. Regarding medical treatment, as many as 50 to 70 per cent could not afford to visit a hospital for treatment. And with respect to education, the team uncovered the unsettling information that, while only about 7 per cent of poor families had stopped sending their children to school in Shanghai, as many as 20 per cent fell into this category in other cities.⁽⁶⁵⁾

These three new groups, which constitute trouble spots in the cities, are the result of, or have been exacerbated by, state policies from the late 1990s onwards. All three have been brought out into the open and made more severe by the progress of the programme of "economic reforms" and marketization. To make such claims is not to aver that the planned economy ought not to have been dismantled, or that the pre-1978 near-egalitarianism that marked the urban areas under Maoist-style socialism should have been preserved. It is simply a set of statements backed up by the data I have been able to assemble.

China's Future: Implications for US Interests, Library of Congress, Washington DC, September, page 45.

31. Lin, Yi-min and Tian Zhu (2001), "Ownership restructuring in Chinese state industry: an analysis of evidence on initial organizational changes", *China Quarterly* No 166, June, pages 305, 329–330.

32. See reference 27, Lee, Ching Kwan (1999), page 55.

33. See reference 29, Chen (2000), page 46.

34. Hu, Angang (1998), *Employment and Development*, Liaoning People's Publishing House, page 1; also UNDP (1999), *China: Human Development Report*; and see reference 16, pages 4 and 6.

35. See reference 20, Lardy (2002), pages 17–18; also see reference 30, Miller (1999), page 45; and Li, Xiao-Ming (2000), "China's macroeconomic stabilization policies following the Asian financial crisis: success or failure?", *Asian Survey* Vol 40, No 6, pages 942–945.

36. Naughton, Barry (1996), "China's emergence and prospects as a trading nation", Brookings Paper on Economic Activity No 2, page 294; also Rawski, Thomas G (1999), "China: prospects for full employment", Employment and Training Paper No 47, International Labour Office, Employment and Training Department, Geneva, page 19.

37. West, Loraine A (1997), "The changing effects of economic reform on rural and urban employment", Draft Paper to be presented at the conference on Unintended Social Consequences of Chinese Economic Reform, Harvard School of Public Health and The Fairbank Center for East Asian Studies,

Harvard University, May 23–24 1997, page 6.

38. Rawski, Thomas G (1999), "Reforming China's economy: what have we learned?" *The China Journal* No 41, January, page 144.

39. See reference 26, Meng (2000), page 131.

40. See reference 30, Miller (1999), page 45.

41. Cheng, Hang-Sheng (1997), "A mid-course assessment of China's economic reform", in Joint Economic Committee, Congress of the United States (editors), *China's Economic Future: Challenges to US Policy*, M E Sharpe, Armonk, New York, page 29; also Fewsmith, Joseph (1999), "China in 1998: tacking to stay the course," *Asian Survey* Vol 39, No 1, page 100.

42. See reference 30, Miller (1999), page 45. For coverage and official statements, see Summary of World Broadcasts FE/3023, 13 September 1997, page S1/1, from Chinese Central Television, September 12; also Summary of World Broadcasts FE/3024, 15 September 1997, page S2/8, from Xinhua (New China News Agency, the official Chinese news agency), 14 September.

43. This admission was made by Ma Kai, Minister of the National Development and Reform Commission, and printed in the official *China Daily*, 23 August 2003.

44. Solinger, Dorothy J (1999), *Contesting Citizenship in Urban China: Peasants, Migrants, the State, and the Logic of the Market*, University of California Press, Berkeley, CA, pages 36–39.

45. Cheng, Tiejun and Mark Selden (1994), "The origins and social consequences of China's hukou system", *China Quarterly* No 139, pages 644–68; also Potter, Sulamith

III. THE STATE'S SOLUTIONS AND THE TOOLS IT USES: THE WEAPONS OF THE STATE

The party-state's own economic reforms must bear immediate responsibility for the relatively large-scale joblessness, mistreated migrant labour and resultant indigence present in the municipalities. Those same reforms, meanwhile, have offered the authorities the means to forestall, dull or quell the associated disaffection among the urban populace. The tools honed by the political elite with the aid of their reforms have two components: a new social alliance undergirding their rule; and upgraded bureaucratic, financial and coercive capabilities. Each of these aids the leadership to adopt active labour market policies and bolster the regime's repressive capabilities. I argue that this package of tactics has enabled the authorities and their local counterparts to stay one step ahead of what would otherwise amount to serious trouble for them.

a. A transformed regime alliance

Westerners researching the rise of the private sector over the past dozen years have reached the common conclusion that its members have been handily joined in a symbiotic relationship with the Party leaders.⁽⁶⁶⁾ While in 1994 workers and farmers still made up nearly two-thirds of the membership of the Communist Party, by the end of 2003 they accounted for under half,⁽⁶⁷⁾ even as the Party's organization department put out a document in the same year refining the rules for recruiting entrepreneurs, as authorized in a speech by then Party General-Secretary Jiang Zemin, in 2001.

Business people are increasingly becoming members of the legislature in the localities, and stand as candidates in village elections.⁽⁶⁸⁾ Late in 2003, the Party's annual plenary convocation issued a decision to revise the governmental constitution, so that private property would be protected and the interests of the private sector would be furthered.⁽⁶⁹⁾ At the same time, political cadres in the communities were being evaluated throughout the 1980s and 1990s in terms of their pushing forward economic growth in their areas. Attracting foreign investment, which is an obvious way to reach that goal, is a high priority.⁽⁷⁰⁾

These developments have heightened the importance of factors that keep output on the increase, a shared objective for officialdom and the business community at all levels. Among the chief factors relevant in this discussion are ensuring that labour costs remain low, and local peace and order. One representative example among many was a case where footwear workers, angered over low wages, forced overtime work, verbal abuse and beatings aimed at speeding up production, went on strike at a factory in the Pearl River Delta. The local government arrested several of the workers, at the request of the foreign managers.⁽⁷¹⁾ And it has been the case for at least a decade that local officials have turned a blind eye to malpractices in foreign-invested firms in their regions in an ongoing effort to attract maximal capital.

Similarly, when workers at state-owned plants protest their layoffs or lack of compensation, local authorities have allied with factory leaders to prevent or contain demonstrations. One typical instance occurred when retrenched oil workers in Chongqing tried to bring legal action against their former employers. The city's police emergency unit halted their

effort to collect funds on the street and tried to arrest the organizers.⁽⁷²⁾ In short, with the Party's elevation of productivity and high growth it has, of necessity, made common cause with capitalists, while also providing new incentives for cadres to quash any protest actions that could threaten steady and rising output. In the course of promoting these objectives, the old alliance between the Party and the proletariat has gone by the wayside.

b. Bureaucratic, financial and coercive tools

With the help of a new social class alliance and the ongoing availability of customary, but revamped, media and statistical networks, the Party-state is probably as efficacious as in the past at promoting its aims. New programmes, funding and coercive technologies also have positioned the bureaucracy to upgrade some mechanisms long in use, even as it implements newer ones. The programmes which attempt to cater to the sense of restlessness, betrayal and disgruntlement among the poor and jobless are surprisingly multifold and many of them have been, if not watertight, still moderately effective. The most critical ones are: enforcement of a re-employment programme for the laid off, paired with a range of active labour market policies; promotion of the law, plus recourse for the angry to the courts and arbitration; reforms to improve the plight of the migrant population; the beginnings of a social security network; a minimum livelihood guarantee for the poverty-stricken; subsidies to hard-hit areas; whatever measure of industrial policy the regime can get away with, given its World Trade Organization commitments; and last, but not least, harsh repression of those who protest or otherwise demonstrate their discontent.

As is the case with all of the enhanced modalities of control, the economic reforms themselves have afforded the government new resources for effecting bureaucratic, financial and coercive strategies. These have included the installation of restructured taxation and fiscal systems in 1994 that brought more funds to the central government, upgraded systems for financial supervision, and strengthened market regulatory institutions.⁽⁷³⁾ The upshot has been that the central state has been exceedingly watchful, focused on modulating and increasing its input whenever the leadership deems this necessary, and which it now has the tools to do.

The first of the new arrangements is the re-employment programme, a monumental effort that originated in April 1995 with the ambitious aim of somehow contriving the settlement of the laid-off state-sector workers.⁽⁷⁴⁾ Shanghai set up the model of the "re-employment service centre" that year, which was to provide a caretaker role for an industry's workers by helping with the disbursal of their basic livelihood allowances, medical insurance and pensions; and by retraining them and finding them new employment. Thereafter, this system became a key component of the programme.

In two different studies, over half of those laid off were able, via forms of early retirement, to retain their ties with their re-employment centre or their firm rather than looking for jobs.⁽⁷⁵⁾ But at the same time, the project was also touted as one that forced some workers out of the factory, ideally providing them with preferential treatment (such as tax exemptions and reductions, cancellation of licensing, management, sanitation

Heins and Jack M Potter (1990), *China's Peasants: The Anthropology of a Revolution*, Cambridge University Press, Cambridge, pages 296–310.

46. Chan, Kam Wing (1994), *Cities With Invisible Walls: Reinterpreting Urbanization in Post-1949 China*, Oxford University Press, Hong Kong, page 76; also Wang, Feng (1997), "Invisible walls within cities: migration and the emergence of a dual society in urban China", Paper prepared for the conference on Social Consequences of Chinese Economic Reform, Harvard University, 23–24 May 1997, pages 5–6.

47. See reference 44, Chapter Four.

48. For a recent report bearing this out, see *China Rights Forum* (2002) No 2, especially the article on "Shutting out the poorest", July, pages 4–13; also see reference 5, Becquelin (2003), pages 22–27.

49. For a study exposing these execrable working conditions, see Chan, Anita (2001), *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy*, M E Sharpe, Armonk, NY; also Solinger, Dorothy J (1995), "The Chinese work unit and transient labour in the transition from socialism," *Modern China* Vol 21, No 2, pages 155–183.

50. Fu, Jing (2004), "Zeng: pay all owed wages to migrant workers", *China Daily*, 24 August.

51. These people had no source of income, no legal support and no possibility to work. See Chow, Nelson W (1988), *The Administration and Financing of Social Security in China*, Centre of Asian Studies, Hong Kong; also Wong, Linda (1998), *Marginalization and Social Welfare in China*, Routledge, London; and Kuai, Lehao (2002), "Meiyu naru

dibao di 'huise qunti'" ("The 'grey mass' that hasn't entered into the minimum livelihood system"), *Nanfang choumo* (*Southern Weekend*), 29 March.

52. For a prime example of the work on regional disparities, see Wang, Shaoguang and Angang Hu (1999), *The Political Economy of Uneven Development: The Case of China*, M E Sharpe, Armonk, NY; also Kroeber, Arthur R (2003), "Inequality: is it a powder keg?", *China Economic Quarterly* Q1.

53. Zhao, Renwei (2003), "Guanyu shouru fenpei gaige rogan wenti de sikao" ("Some thoughts on certain problems of income distribution reform"), *Lingdao canyue* (*Leadership Consultations* No 30, October 25, page 9. Zhao says in this internal journal that the low estimate is 0.4 and that 0.45 is a middling estimate.

54. See reference 52, Kroeber (2003), page 19; also Wang, Shaoguang, Angang Hu and Yuanzhu Ding (2002), "Behind China's wealth gap", *South China Morning Post*, 31 October, who cite research on income distribution done by the Economic Institute of Nankai University, showing that this figure rose from 0.35 to 0.4 from 1988 to 1997 and that, if unpaid taxes and other illegal income were included, the true figure would rise from 0.42 to 0.49.

55. Reported in *China News Digest*, 28 September 2002, from Agence France Press.

56. "Premier Wen delivers government work report" accessed at http://english.peopledaily.com.cn/20040305/eng20040305_136592.s; also "China's employment situation and policies" (full text), issued by the Information Office of the State Council, 26 April 2004, accessed at http://english.peopledaily.com.cn/200404/26/eng20040426_141553.s

and other fees, provision of market sites and stalls, etc.) if they were to start new businesses. Although each worker was originally meant to receive just three years of special help from this initiative, in 2003, workers once eligible who continued to flounder were offered extensions.⁽⁷⁶⁾ The central government allocated an impressive 77.9 billion yuan in 2004, over 11 per cent more than in 2003 – which itself was nearly 20 per cent more than in 2002 – for laid-off workers and the poor, while localities were also to increase their outlays.⁽⁷⁷⁾ This programme has nipped discontent in the bud for millions.

In recent years, the focus has been on attempts to create new jobs,⁽⁷⁸⁾ to develop labour-intensive industries and small and medium-sized firms, to promote the non-public (or private) sector, and to encourage the tertiary sector,⁽⁷⁹⁾ plus offering occupational training.⁽⁸⁰⁾ Some provinces went so far as to use employment creation as one criterion for evaluating their local officials' work.⁽⁸¹⁾ Reportedly, the government has also continued to extend preferential policies to laid-off workers who set up their own businesses, such as exemption from administrative fees and taxes for limited periods, and subsidies for interest payments on small loans.⁽⁸²⁾ One example of state largesse is the additional 4.7 billion yuan the government allocated for job creation in 2004.⁽⁸³⁾ These policies also mitigate the pain of job loss for their recipients.

Still, there are weaknesses. The principal problem is the continued scarcity of capital devoted to loans for micro-businesses, the inappropriateness of job training either for the trainees or for market demand, and training charges that the non-working population cannot afford.⁽⁸⁴⁾ It would appear that only about half of those who were dismissed from their posts managed to obtain this beneficial treatment,⁽⁸⁵⁾ that is, the workers from the larger, wealthier firms. This means that, at minimum, employees who live together at the biggest, best-appointed plants – i.e., those whose high expectations from the state would have been most seriously damaged and those who would find it easiest to organize were they not catered to – have the least cause to stir up trouble.⁽⁸⁶⁾

Promotion of the law has been a mixed blessing, for labour as well as for the state. True, offering workers legal redress has turned their attention at least temporarily from the streets to the mediation tables and even to adjudication, and so may well have reduced the number of street demonstrations.⁽⁸⁷⁾ But workers have often found that arbitration has not functioned effectively. Although Article 27 of the 1995 Labour Law promises that:

"If a work unit is on the verge of bankruptcy and is ordered to enter into a period of statutory consolidation, or runs into great financial difficulties and it is deemed necessary to lay off workers, it shall explain the situation to the trade union or to all the staff and workers 30 days in advance and solicit their opinions as well as report to the labour administrative department before dismissal is carried out."⁽⁸⁸⁾

The truth, however, is that despite the existence of this rule, it is rarely honoured, and such abridgement has been the focus for much labour anger.

Firms are also required to pay owed wages to workers upon going bankrupt or being taken over, but numerous worker lawsuits have failed to enforce this.⁽⁸⁹⁾ As workers' consciousness of their own rights increases,

they are gradually more and more apt to take their grievances to a court of law; indeed, between 1995 and 2001, the number of labour disputes adjudicated by the courts rose from just over 28,000 to nearly 101,000.⁽⁹⁰⁾ But outcomes are unpredictable, as most judges are still appointed by their local Party committees, and therefore their principal goal is to remain in the good graces of the members of these committees.⁽⁹¹⁾ On the whole, however, the state's provision of a novel outlet for labourers' anger, along with its recognition and promotion of workers' rights and interests (at least at the level of rhetoric) has had some effect. It is likely that many aggrieved on-the-job industrial employees and former employees have spent time and energy seeking legal redress, rather than rushing immediately onto the streets. In this way, stability has been enhanced.

Reforms for migrant workers have gradually come about since the second half of the 1990s, even if not all migrants have benefited from the measures. The first measure to emerge was one easing the regulations for outside labour residing in small towns,⁽⁹²⁾ followed by another the next year that gave permanent residency rights to a citizen's spouse, parents and children, and allowed successful business people to settle in cities.⁽⁹³⁾ In 2000, quotas were eliminated for household registration in small cities and towns, and Ningxia province, for one, abolished urban residency restrictions.⁽⁹⁴⁾ In 2001, the residents of rural areas were allowed to apply for residence permits in smaller cities and towns if they could prove they had a legal home and a stable source of income there.⁽⁹⁵⁾ A few years later, Jiangsu province ruled that the separation of rural and urban *hukous* would be abolished as of the start of 2003.⁽⁹⁶⁾

In the spring of 2002, the State Development Planning Commission ordered that the excessive illegal fees being charged migrants be returned to them.⁽⁹⁷⁾ Early the next year, to some fanfare, the State Council issued a directive stating that rural migrants have a "legal right" to work in cities, and prohibiting job discrimination based on residency, while ordering police to provide urban residency documents to any migrant who finds employment.⁽⁹⁸⁾ The effectiveness of new regulations, however, must be questioned. A prime case that puts their implementation into doubt occurred over 2002 and 2003. In April 2002, Guangdong province enacted a ban on the detention of migrants who lacked residency or work permits, provided they had an urban home and a regular job.⁽⁹⁹⁾ But less than a year later, a college student from out of town was beaten to death while in detention, after failing to produce a temporary residency permit.⁽¹⁰⁰⁾

Still, there are definitely past-peasants living in the cities, who have been made aware of these reforms by the residence committees in the districts in which they live and who have taken advantage of them.⁽¹⁰¹⁾ City registration has aided some migrant parents in sending their children to school at manageable cost, and might help them to find decent jobs. It ought also to halt the discrimination such incomers have suffered. Perhaps most important, one former peasant woman confided to me that her family members now:

"... feel at peace (at least on this account), and have a sense of 'equilibrium in (their) hearts' (*xinli pingheng*) ... People are people ... I'm a person, why shouldn't I be the same as other people (*Wo shi ren, wei shenma bu gen bieren yiyang?*)"⁽¹⁰²⁾

57. Tang, Jun (2001), "Dibao zhiduzhong de shehui paichi" ("Social discrimination in the minimum living guarantee system"), Paper presented at the conference on Social Exclusion and Marginality in Chinese Societies, Hong Kong, 16–17 November 2001, page 1; also Yang, Yong and Huang, Yanfen (2003), "Zhongguo jumin shouru fenpei xin geju" ("The new pattern in income distribution among Chinese urbanites") in Ru Xin, Lu Xue and Li Peilin (editors), see reference 9, pages 226–234; Zhang, Wanli (2002), "Twenty years of research on stratified social structure in contemporary China", *Social Sciences in China* Vol 23, No 1, Spring; Lu Xue (2002), "Dangdai zhongguo shehui jieceng yanjiu baogao" ("A research report on China's current social structure"), *Shehui kexue wenxian chubanshe*, Beijing; and Sun, Liping (2002), "90 niandai zhongqi yilai zhongguo shehui jigou yanbian di xin qushi" ("New trends in the evolution of Chinese social structure since the mid-1990s"), *Dangdai zhongguo yanjiu (Modern China Studies)* Vol 9, No 3. Among Western scholars, two rare, recent studies of the emerging urban poverty are Cook, Sarah (2002), "From rice bowl to safety net: insecurity and social protection during China's transition", *Development Policy Review* Vol 20, No 5, pages 615–635; and see reference 9, Hussain et al. (2002).

58. See reference 54, Wang, Hu and Ding (2002); also Tang, Jun, quoted in 2004, "For workers, parting is painful", *China Daily*, 2 February.

59. See reference 52, Kroeber (2003), page 22; also see reference 5, Pan (2003); and Kuhn, Anthony (2004), "A high price to pay for a job", *Far Eastern Economic Review*, 22 January, page 30, who says that, according to government surveys, 72.5 per cent of migrant workers are owed pay by their employers.

60. Woo, Wing Thye, Li Shi et al. (2004), "The poverty challenge for China in the new millennium", Report to the Poverty Reduction Taskforce of the Millennium Development Goals Project of the United Nations, 2 October, page 12.

61. Benwen ketizu (the research group for the document) (2002), "Xin shiqi wuhan shehui jiecheng jigou yanjiu" ("Research on Wuhan's social structure in the new period"), *Changjiang luntan* (*Yangtze Tribune*) No 5, page 34.

62. Kuhn, Anthony (2004), "The death of 'growth at any cost'", *Far Eastern Economic Review*, 1 April, pages 28–31; also Li Peilin (2004), "Zhongguo jingji shehui fazhan de wenti he qushi" ("Issues and trends in Chinese economic development"), in Ru Xin, Lu Xue and Li Peilin (editors), *2004 nian: Zhongguo shehui xingshi fenxi yu yuce*, *Shehui kexue wenxian chubanshe*, Beijing, page 74, states that the wealthiest 20 per cent of families in the cities own 67 per cent of total urban assets.

63. Duckett, Jane (2002), "State self-earned income and welfare provision in China", *Provincial China* Vol 7, No 1, April, pages 1–19; also Duckett, Jane (2003), "China's social security reforms and the comparative politics of market transition", *Journal of Transition Politics and Post-Communist Studies* Vol 19, No 1, March, pages 80–101; and Solinger, Dorothy J (2005), "Path Dependency' re-examined: Chinese welfare policy in the transition to unemployment", *Comparative Politics* Vol 38, No 1, October, pages 83–101.

64. Yuan, Zhigang (2003), "Liudong renkou' yu shehui baozhang" ("The 'floating population' and social security"), accessible at www.chinaelections.org, July 2, advocates social security be given to urban migrants. But

The first new welfare programme appeared in tandem with the 1986 Regulation on Labour Contracts.⁽¹⁰³⁾ This was the first Regulation on Unemployment Insurance (UI) (State Council Document 77), designed to assist contract labourers when their terms were up, if they met the necessary conditions. In that same year, a Regulation on Discharging Employees was also announced.

But none of these decrees had much, if any, impact at the time.⁽¹⁰⁴⁾ Since the ruling tied a worker's chances of receiving recompense to his/her enterprise's willingness or ability to help finance the fund, the previous custom of binding the employee's fate to his/her former firm continued.⁽¹⁰⁵⁾ The most significant operative point was that bankrupt firms' workers were to be cared for, if not by their own failed firm, then by their local government.⁽¹⁰⁶⁾ But it was precisely those firms no longer able to sustain their previous, probably bloated, workforces that were unable to afford to contribute to the local UI fund.⁽¹⁰⁷⁾ Thus a worker's chance to receive any benefit when out of work remained hinged to the poverty or prosperity of the firm to which s/he had been attached.

With the November 1993 Third Plenum of the Fourteenth Party Central Committee, the goal for state firm reform was the creation of a "modern enterprise system", in which firms were to become financially self-sufficient.⁽¹⁰⁸⁾ A month later, to deal with the rising numbers of workers losing their jobs, revised provisions, entitled Regulations on Unemployment Insurance for Staff and Workers of State-Owned Enterprises (Document 110), came out, specifying that benefits should go only to state enterprise workers.⁽¹⁰⁹⁾ With this, the percentage of the workforce covered by UI actually dropped as the proportion of the urban workforce moving to jobs in the non-state and foreign-funded, unprotected sectors rose.⁽¹¹⁰⁾ There was also a reluctance or outright refusal by managers of more successful firms – or of firms strapped for funds – to give current resources even to other firms in their own city.⁽¹¹¹⁾

Throughout the 1990s, the rising numbers of workers without an extant work unit – and the extent of official bankruptcies (although never large) – overwhelmed the UI fund, already beset by the growing number of loss-making state firms. To address this quandary, in 1999 an attempt was made to expand the funding base for UI. A State Council document extended coverage to all urban work units of any ownership type, and raised the firm's contribution rate to 2 per cent of the wage bill, while demanding that employees turn over 1 per cent of their wages.⁽¹¹²⁾ While this move may have meant that more people became eligible for UI, the funds that could be raised in a locality were still a direct function of the economic health of its firms. And in 2003, authorities admitted that a number of poorer provinces were collecting less than they paid out.⁽¹¹³⁾

In the year 2000, the central government created a National Social Security Fund, but it has failed to standardize the programme; instead, its monies are disbursed to subsidize areas where many firms are too indebted to fund their own accounts.⁽¹¹⁴⁾ This is one instance of a general practice in which the central government underwrites welfare expenses in regions of penury, a form of charity that tends to quiet protesters at least for a while.

A programme entitled the Minimum Livelihood Guarantee System (in Chinese, colloquially known as the *dibao*) was initiated in 1993 to

cope with the new-found destitution in Shanghai, which spread in the following years, although with much local variation.⁽¹¹⁵⁾ The policy was formalized in 1997, and all cities nationwide were called upon to set up the system. But by the end of September 1999, although some 500 cities had put it in place, the recipient population amounted to just 2.82 million people. Still, progress had been made: of those being served, only about one-fifth were traditional targets of civil affairs relief, with the remainder being the newly poor. Monies allotted had risen substantially as well: in the first nine months of that year, 1.5 billion yuan was allocated for this programme, a ten-fold increase over the funds that had been spent on relief just seven years previously.

In September 1999, the State Council issued its formal and final Regulations for the Minimum Livelihood Guarantee for Urban Residents, to go into effect on October 1 that year. Moreover, in that autumn, the allowance per recipient rose by 30 per cent in a number of localities, with more than 80 per cent of the increase coming from the central Ministry of Finance.⁽¹¹⁶⁾ In fact, with a few exceptions, all of China's provincial-level units received financial subsidies from the central government for the *dibao*.⁽¹¹⁷⁾ Nonetheless, even at the end of the year 2000, when the figure served had risen to 3.2 million people, the Ministry of Civil Affairs calculated that somewhat less than one-quarter of the urban poor at that time were being helped.⁽¹¹⁸⁾

From 2001, however, there was a massive upswing in the monies that the central government devoted to the programme, and recipients numbered more than 20 million by early 2004.⁽¹¹⁹⁾ That year, as much as 15 billion yuan was budgeted for the programme (with the central government contributing a full 60 per cent of the funds, this to a project that was originally designed to be locality-funded). But the average recipient that year received a mere 56 yuan.⁽¹²⁰⁾ It is important to note, though, that these increases are felt at the grassroots, and indigent urbanites, although fully conscious that the amounts are inadequate, feel grateful for the increments.⁽¹²¹⁾

Additional central treasury ad hoc allotments have subsidized particularly destitute regions where job losses have been especially heavy.⁽¹²²⁾ In 2001, Liaoning province, the home of the most worker lay offs – and, not inconsequentially, of protests⁽¹²³⁾ – became the site of a three-year experiment in social security reform, a trial whose accomplishments were trumpeted nationwide despite some lingering problems.⁽¹²⁴⁾ In 2004, the government announced its intention to expand the programme to the other two hard-hit northeastern provinces, Jilin and Heilongjiang.⁽¹²⁵⁾ In its urgency to undergird the livelihood of the antagonized proletariat in that region, as well as to display a success story, the central government contributed as much as 80 per cent of the necessary funds for these “experiments”.⁽¹²⁶⁾

Another tack in mollifying losers has been various forms of protectionism. Arguably, some of China's questionable or blatantly insufficient compliance with its World Trade Organization membership requirements have amounted to industrial policies geared to placate farmers and workers in unstable provinces. Examples include its pre-2004 delays and barriers to imported soybeans, and its continuing supporting measures for domestic automobile production. Indeed, the open door to soybeans came only in the wake of fund transfusions to the northeast, where soybeans are the specialty.⁽¹²⁷⁾

Wang, Fayun and Yang Jianmei (2004), “2003 nian shehui baozhang tixi fazhan yu zhanwang” (“Development and prospects of the social security system in 2003”), in Ru Xin, Lu Xue and Li Peilin (2004), see reference 62, page 109, report that in Chengdu and Shanghai, initial steps were taken in 2003 to provide comprehensive social security coverage for employed people who did not possess the local *hukou*.

65. Tang, Jun (2004), “Selections from report on poverty and anti-poverty in urban China”, in Dorothy J Solinger (editor), *Chinese Sociology and Anthropology*, Winter 2003/Spring 2004. This paragraph borrows from my Editor's Introduction to that volume.

66. Dickson, Bruce J (2003), *Red Capitalists in China*, Cambridge University Press, UK; also Young, Susan (1995), *Private Business and Economic Reform in China*, M E Sharpe, Armonk, NY; Wank, David (2001), *Commodifying Communism*, Cambridge University Press, NY; Pearson, Margaret (1997), *China's New Business Elite*, University of California Press, Berkeley; and Solinger, Dorothy J (1992), “Urban bureaucrats and the state: the merger of state and society”, in Rosenbaum, Arthur Lewis (editor), *State and Society in China*, Westview Press, Boulder, Colorado, pages 127–146.

67. The drop was from 63 per cent to 44 per cent. See Dickson, Bruce J (2004), “Beijing's ambivalent reformers”, *Current History*, September, pages 250 and 252.

68. See reference 67, page 251.

69. See reference 67, page 253.

70. See reference 67, page 251; also Whiting, Susan H (2004), “The cadre evaluation

system at the grass roots: the paradox of party rule", in Naughton, Barry J and Yang, Dali L, *Holding China Together*, Cambridge University Press, NY, pages 101–119.

71. Communication from China Labor Watch, 22 July 2004; also *China Labour Action Express* No 49, 24 September 2004.

72. "Changsha jobless protest", Summary of World Broadcasts FE/3395, G/6, 27 November 1998; also China Labour E-Bulletin Issue No 11, 17 October 2002; Bodeen, Christopher (2002), "China arrests protesting workers", Associated Press, 11 December; and Bodeen, Christopher (2003), "China activists face subversion charges", Associated Press, 1 January.

73. Yang, Dali L (2004), "Economic transformation and state rebuilding in China", in Naughton, Barry J and Dali L Yang, *Holding China Together*, Cambridge University Press, NY, pages 120–145.

74. Ru Xin, Lu Xue and Dan Tianlun (editors) (1998), *1998 nian: zhongguo shehui xingshi fenxi yu yuce* (1998: *Analysis and Prediction of China's Social Situation*), Shehui kexue wenxian chubanshe, Beijing, page 86; also Wang, Tianxing (1997), "Kunjing yu chulou" ("Difficult straits and the way out"), *Shehuixue yanjiu* (*Sociology Research*) Vol 6 in *Xinhua wengao* (*New China Documents*) Vol 3 (1998), page 25.

75. Beijing daxue zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu (Beijing University Chinese Economy Research Center Urban Labor Market Task Group) (1998), "Shanghai: Chengshi zhigong yu nongcun mingong di fenceng yu ronghe" ("Shanghai: urban staff and workers and rural labor's strata and fusion"), *Gaige* (*Reform*) Vol 4, page 103 shows

c. Coercion

Protest in China has risen dramatically in recent years.⁽¹²⁸⁾ Tens of thousands of incidents occur each year, with the numbers of such events increasing annually through to the year 2005.⁽¹²⁹⁾ Police reports have shown that larger and better-organized demonstrations occurred throughout the 1990s, and probably beyond.⁽¹³⁰⁾ But as noted above, the regime has become adept at suppressing opposition of any sort, whether it appears on the streets, in the form of petitions, in the media, or even between individuals, as on the telephone or through the Internet. Its power to intimidate and punish may trump all of its other moves to stay on top of discontent. These methods surely are the most obvious ways of sustaining and containing the situation of tolerable, generally disconnected, peaceful, relatively small-scale and localized instances of instability that have obtained on the mainland for a decade and a half.⁽¹³¹⁾

Cases of outright coercion are legion. Modernization and new sources of income in the state's hands have made it possible to outfit riot police with crowd-control equipment, such as tear gas and other non-lethal forms of dispersal,⁽¹³²⁾ while surveillance technologies, such as wire-tapping and Internet blockage have enhanced the ability of the state and its agents to apprehend and silence organizers.⁽¹³³⁾ The general pattern, extending back to the first outbreaks of worker protest right up to the present, is to arrest, detain and imprison the leaders at protests, while distributing token cash hand-outs or partial back-pay to the masses.⁽¹³⁴⁾ While this approach may not quell the anger and frustration experienced by many sacked workers, it surely serves to frighten most from taking positions of command – or even from participating at all in the ruckus on the roads.

Overall, increasing responsiveness – if often not democratic or policy-oriented – has managed to maintain the instability that does exist, at a level and within a scope that may sustain the regime for years to come. True, most of China's problems are nearly inevitable in a country of its size that is undergoing breakneck modernization and that is, simultaneously, in transition from a planned, socialist economy to a free market one. But surely more can be done to meet the demands for social justice that lie at the core of the instability – still controlled but apparently intensifying – that is plaguing the nation.

that the 22.3 per cent of "diverted" (*fenliu*) who promised to retire early, the 28.85 per cent who counted as "exported labour" and the 0.47 per cent taking on "irregular (*feizhengui*) employment" within the community kept their ties with their centre and got subsidies from it.

76. Laodong baozhang tungxun (Labor security bulletin) (2003), "2003 nian laodong he shehui baozhang gongzuo yaodian" ("Important work points for 2003 in labour and social security"), *Laoshebu fa* (2003)1 hao (Ministry of Labour and Social Security's 2003 No 1 document) (2003), LDBZTX No 3, page 5.

77. See reference 56, http://english.peopledaily.com.cn/20040305/eng20040305_136592.s.

78. Ma, Josephine (2004), "NPC and CPPCC: unemployment fight looking grim" *South China Morning Post*, 10 March.

79. "China's employment situation and policies" states that between 1990 and 2003 the proportion of those employed in the tertiary sector rose from 18.5 per cent to 29.3 per cent. See reference 56, http://english.peopledaily.com.cn/20040426/eng20040426_141553.s

80. For instance, see "Decision on improvement of socialist market economic system issued", accessed at http://english.peopledaily.com.cn/200310/21/eng20031021_126546.shtml; also Zou, Huilin (2004), "Shanghai to allot 60,000 jobs for laid-off workers," *China Daily*, 9 January.

81. See reference 62, Kuhn (2004).

82. "Facilitating re-employment of laid-offs a priority for Chinese government: Minister of Labour and Social Security", accessed at news.xinhuanet.com/english/200211/11/content_626291.htm.

83. See reference 56, http://english.peopledaily.com.cn/20040305/eng20040305_136592.s.

84. Shu, Xinwen (2000), "Xiagan zhigong dapan dian" ("A large inventory of the laid-off staff and workers"), *Zhongguo jiu ye* (*Chinese Employment*) Vol 7, page 47.

85. See reference 4.

86. A conversation with Professor Ci Qinying from Huazhong Keji Daxue (Central China University of Science and

Technology) helped me to come to this formulation, 28 August 2004, Wuhan.

87. Chen, Feng (2004), "Legal mobilization by trade unions: the case of Shanghai", *China Journal* No 52, July, pages 31–32.

88. See reference 72, China Labour E-Bulletin (2002).

89. One famous example is described in Pan, Philip (2002), "Three Chinese workers: jail, betrayal and fear, government stifles labor movement", *Washington Post*, 28 December, A01; also Rosenthal, Elisabeth (2003), "Workers' plight brings new militancy in China", *New York Times*, 10 March.

90. Fu, Hualing and D W Choy (2004), "From mediation to adjudication: settling labour disputes in China", *China Rights Forum* No 3, page 20.

91. Lubman, Standley (1999), *Bird in a Cage*, Stanford University Press, Stanford, CA.

92. Summary of World Broadcasts FE/2986, G/8, 1 August 1997.

93. Shen, Bin (1998), "Residency system to be overhauled", *China Daily Business Weekly*, 6–13 September, page 1; also *Huasheng yuebao* (*China Voice Monthly*) October 1998, page 78.

94. Summary of World Broadcasts FE/3928, G/3, 25 August 2000; also Summary of World Broadcasts FE 4014 G/5, 4 December 2000.

95. Kyngé, James (2001), "China to allow more peasants to move," *Financial Times*, 30 August.

96. Chan, Vivien Pik-Kwan (2002), "Jiangsu first to abolish rural-urban divide," *South China Morning Post*, 13 December.

97. *South China Morning Post*, 28 April 2002.

98. Hutzler, Charles and Lawrence, Susan V (2003), "China acts to lower obstacles to urban migration", *Wall Street Journal*, 22 January. The latter regulation was published in Chinese on the website www.people.com.cn on 16 January 2003.

99. MacLeod, Calum (2002), "Where you are born in China determines your fate", *San Francisco Chronicle*, 29 June.

100. Kwan, Daniel (2003), "Powers of police to detain migrants will be scrapped," *South China Morning Post*, 19 June. This article contains the information that these powers were to be struck down on a national scale.

101. Interview with former peasant woman, now a city resident, Wuhan, 11–12 January 2004.

102. See reference 101.

103. White, Gordon (1993), *Riding the Tiger: The Politics of Economic Reform in Post-Mao China*, Stanford University Press, Stanford, CA, pages 138–143 and 159.

104. Lim, Lin Lean and Gyorgy Sziraczki (1996), "Employment, social security and enterprise reforms in China", in Schoepfle, see reference 18, pages 51–52.

105. Chow, Nelson and Xuebin Xu (2001), *Socialist Welfare in a Market Economy: Social Security Reforms in Guangzhou, China*, Ashgate, Aldershot, pages 59–62.

106. Article 4 of the 1986 Bankruptcy Law holds that the state will guarantee the basic living needs of bankrupt firms' ex-workers. Thus, a State Council circular of 1997 called on local governments to "... pay for the arrangement of employees if a bankrupt enterprise cannot afford the arrangement" (quoted in Summary of World Broadcasts FE/2899 S1/3, 22 April 1997, from New China News Agency). Thanks to Stephen Green for alerting me to this provision in the law.

107. Yu, Wei (1999), "Financing unemployment and pension insurance", in Nathan, Andrew J, Zhaohui Hong and Steven R Smith, *Dilemmas of Reform in Jiang Zemin's China*, Lynne Rienner, Boulder, Colorado, page 130.

108. See reference 27, Lee (1999), page 55; also see reference 105, page 13.

109. Li, Hong (1992), *China Daily*, 10 February, in Foreign Broadcast Information Service China Daily Report, page 27, on the 1986 regulations and need for revision. For 1993, see Herald Translation Service, Chinalaw web at <http://www.qis.net/chinalaw/prclaw66.htm>.

110. See reference 105, page 60; also see reference 9, Hussain et al. (2002), page 84.

111. LDBZTX (1999), "Zhu Rongji zongli zai guoyou qiye xiagang zhigong jiben shenghuo baozhang he zaijiuye gongzuo huiyishang di zongjie jianghua" ("Premier Zhu Rongji's summary speech in the work conference on state-owned staff and workers' basic livelihood guarantee and reemployment work") (1999), Vol 3, 13 January, pages 4–7.
112. "Shiye baoxian tiaoli: Zhonghua renmin gongheguo guowuyuan ling di 258 hao" ("Unemployment insurance regulation: PRC State Council Order No 258") (1999), *Zhongguo laodong* Vol 3, 3 February, pages 44–45.
113. See reference 64, Wang and Yang (2004), page 106.
114. Frazier, Mark W (2004), "China's pension reform and its discontents", *The China Journal* No 51, pages 103–104.
115. Here again, I draw on my Editor's Introduction to the English translation of the Tang Jun book on poverty. See reference 65.
116. This material comes from an early draft of the present volume, authored by Tang Jun, and provided to the editor privately. See note 115.
117. Tang, Jun (2002), "The new situation of poverty and antipoverty," Report published as a chapter of a book edited by Ru Xin, Lu Xue, Li Peilin et al. (2002), *2002 nian: zhongguo shehui xingshi yu yuce (shehui lanpishu) (Year 2002: Analysis and Forecast of China's Social Situation (Blue Book on Chinese Society))*, January 1 (Foreign Broadcast Information Service translated text).
118. See reference 57, Tang (2001), page 9.
119. Premier Wen claimed that there were 22.35 million urban recipients in early March. See reference 56, http://english.peopledaily.com.cn/20040305/eng20040305_136592.s.
120. See reference 64, Wang and Yang (2004), page 107; also Tang, Jun (2004), "Jiasu zuidi shenghuo baozhang zhidu di guifanhua yunzuo" ("Speed up the standardized operation of the minimal livelihood guarantee system"), in Ru Xin, Lu Xue and Li Peilin (2004), see reference 64, pages 117–118 and 120.
121. Interviews on the streets of Wuhan, November 2001.
122. LDBZTX (2002), "Zhonggong zhongyang Guowuyuan guanyu jinyibu zuohao xiagang shiye ren yuan zaijiuye gongzuo de tongzhi" ("Central Committee and State Council circular on progressively doing well, the reemployment work of laid-off and unemployed personnel"), *Zhongfa* (2002) 12 hao (Central Document No 12, 2002), LDBZTX No 2, 20 september, page 7.
123. Tanner, Murray Scot (2004), "China rethinks unrest", *Washington Quarterly* Vol 27, No 3, page 140. The author states that 9,559 incidents occurred there between January 2000 and September 2002, an average of nearly ten per day for nearly three years.
124. See reference 64, Wang and Yang (2004), pages 110–111.
125. See reference 78.
126. Interview with Tang Jun in Beijing, 29 August 2004.
127. For accounts of non-compliance concerning soybeans, see Goldstein, Daniel (2003), "US presses soy case as China retains ban", *Bloomberg News*, 26 August; also Wonacott, Peter and Kyne, Phelim (2003), "In shift, US investors intensify criticism of China trade policies", *Wall Street Journal*, 6 October; and Goodman, Peter S (2003), "China trade policy's ripple effect: limit on soybean imports is felt widely around the country", *Washington Post*, 11 November. For autos, see Brilliant, Myron A and Jeremie Waterman (2004), "China's WTO implementation: a three-year assessment", (US Chamber of Commerce, September, unpublished), pages 20–21.
128. See reference 2.
129. McGregor, Richard (2006), "Data show social unrest on the rise in China", *Financial Times*, 19 January.
130. See reference 10.
131. See reference 123, page 140. As Tanner points out, protesters limit their own disruptiveness and their demands in order to avoid the bloodshed that befell organizers and demonstrators in the Tiananmen movement of 1989. But he also makes the argument (pages 141–42) that linked-up and even violent protests have become more common in recent years.
132. Summary of World Broadcasts FE/3885 G/9 (July 6, 2000) for one reference to such behaviour.
133. Regarding the use of the Internet, see Thornton, Patricia (2004), "Digital contention and political divides: popular protest, state repression and the Internet in contemporary China", prepared for the American Political Science Association Annual Meeting, Chicago, 3 September 2004.
134. Solinger, Dorothy J (2000), "The potential for urban unrest", in Shambaugh, David (editor), *Is China Unstable?* M E Sharpe, Armonk, NY, pages 79–94, for some background; also *China News Digest*, Global News No GL99–169, 20 December; Vidaillet, Tamora (2002), "China protest enters lull in hopes leaders freed," *Reuters*, 22 March; Murphy, David (2002), "Labour unrest: nothing to celebrate", *Far Eastern Economic Review*, 4 April, page 32; see reference 89, Rosenthal (2003); and Eckholm, Erik (2003), "Two promoters of worker protests in China get prison sentences" *New York Times*, 10 May, page 4 for a few recent cases of many. See reference 89, Pan (2002) for a chilling account of how the state has eventually been able to induce dread among the most stalwart of the demonstrators; also see reference 29, Chen (2000), page 45.