

**Path Dependency in the Transition to Unemployment
and the Formation of a Safety Net in China**

Dorothy J. Solinger
University of California, Irvine
dorjsoli@uci.edu

Beginning about a decade ago, the Communist Party of China engineered a huge strategic shift in its stance toward its urban labor force: from being for more than forty

years the party of the proletariat, a party that governed the cities to the greatest extent possible under the rubric of a policy of full, life-time employment, and nearly universal welfare

the party began in the mid-1990s to abandon its working class, and even to go so far as to encourage massive laying workers off in the name of greater efficiency.ⁱ In other countries too--such as in Europe, France under the Socialist Party and, in Latin America, Mexico, under the so-called party of the institutionalized revolution (PRI)--the recent era of globalization and hypercompetition has seen left-wing parties that heretofore had sponsored widespread job holding and benefits for workers began in the 1980s and 1990s to leave workers to their own devices and to reduce state-dispensed social protection programs. In each of these cases the ruling party initiated and implemented shifts that rejected a critical component of its own social base.

Various explanations point to domestic political recombinations and to the world economy, as well as to the simple fact of structural mismatches between the clashing demands of high technological and factory-based production regimes to explain for these developments,ⁱⁱ and surely all of these elements apply in these cases. But regardless of the reasons why, these and other similar cases challenge the widely-employed notion that policy develops along lines of path dependence, that is, other things being equal, that the shape of policies in a particular policy arena produced at time "y" is a function of prior policies in that policy realm introduced at time "x." Do such profound shifts suggest a very limited relevance for the concept of path dependence or even negate its usefulness altogether in some instances?

It could be that path dependence in welfare policy, which has to date generally been employed just in discussing the "advanced capitalist countries"--all of which are democracies--is applicable ONLY to democratic regimes, and indeed, only to some democratic regimes? For, as Paul Pierson has deftly described in the cases of late twentieth century Britain and the U.S., social programs were retained in those places

part because of the value of the votes to those in charge of the state's administrations cast by members of beneficiary groups. Where the public outcries of strong interest groups and the mobilization of coalitions by program supporters can threaten incumbents with potential loss of office, he holds, welfare designs are apt to be retained.ⁱⁱⁱ Thus, perhaps the concept accounts just for political behavior in states in which an electoral calculus motivates politicians, so that in states that are not democratic, where vast leaps in policy that leave client groups behind--such as recently took place in China and in other less than fully democratic nations across the world--are likely, with total policy metamorphosis a real possibility.

And yet, in Chinese welfare policy after the mid-1990s, one can uncover important continuities despite foundational strategic alteration. This paper proposes a model that makes sense of this apparent paradox by delineating two distinct strata on which policy resides: a strategic plane and a separate, tactical one. I will argue that--as the Chinese case exemplifies--even in an authoritarian state, where leaders seemingly rule without accountability, and even when monumental mutation marks state strategy, persisting institutional routines and usages can characterize tactical behavior. It is in these institutional practices that the legacies of path dependence lodge themselves.

This formulation may also serve to adjudicate between two competing views as to the place of past policy at times of leadership transition that can be found in the recent literature on path dependence. According to one specification, "feedback" from policies designed at time "x" orient policy makers and targets of these policies later to pursue pathways that then go on to structure subsequent policies in a related policy realm. This occurs as the initial program establishes incentives and apportions resources in ways in accord with which policy proponents and program beneficiaries develop commitments, form attachments and expectations, and take on behaviors which, in turn, tend to "lock in" the main components of the original policy, rendering it

difficult to abandon its thrust or to dismantle its benefits. Thus, a policy itself, once installed, drives the composition of subsequent programs in the same policy domain.^{iv}

But another leading theory ties the fate of social policy in the “advanced capitalist democracies” to the political coloration of the incumbent party and its social base, especially in times of economic threats such as those posed by domestic recession or growing global interdependence. Additionally, this approach posits, social groups affected by potential policy alteration can have an impact on preventing reductions in programs that serve their interests, either through the threat of their withdrawal of the ballot or by public disturbances.^v

In spite of the persuasive logic of both of these tenets, it would appear difficult to reconcile the one with the other. For if, in the perspective of the first theory, present-day policy flows fairly ineluctably from what has gone before, what place is there for the play of partisan politics and the clout of the current power-holding party, or of its present supporters, that is posited by the second theory? A related but different puzzle crops up when the analyst notes the tendency for new leaders to adopt new policies; what becomes of path dependency and the previous policy platform planks when power changes hands?

Additionally, the standard usage of the concept of path dependence in and of itself offers no explicit guidance as to how one is to explain theoretically in an era of massive transition which elements from the past will be preserved, which jettisoned. The model in this paper represents an effort to illuminate this problem while at the same time addressing the lacuna in studies that at once appeal both to the more transitory political leanings and class bias of the incumbents and also to the persistence of customary practices from the past. In brief, I propose that a distinction can be drawn between shifting strategic policy thrusts and persistent operational tactics.

I use the case of the reform of Chinese social welfare policy to demonstrate that social power base and ruling party or ruling coalition, partisan incumbency and political

tendency, and even the entire class order itself may undergo change even as the underlying tactics of provisioning embedded within this policy regime as a whole remain intact. In the remainder of the paper, I sketch the nature of the respective pre-market and market era Chinese welfare policy frameworks and goals as functions of two differing state missions in China. I then go on to specify more fully what new, post-1992 programs for poverty relief and unemployment insurance (UI) entail. As I do so, I will make use of the framework about path dependence and legacies elaborated below.

THE CHINESE CASE

At the Fourteenth Party Congress of the Chinese Communist Party, held in the autumn of 1992, the Party redefined the nation's economic system as being no longer in any sense state-planned, but instead, a "socialist market economy." A year later would see the birth of specific policies to restructure state enterprises and, culminating at the subsequent Party Congress in 1997, in an official directive to reduce the labor force to stimulate efficiency. These were moves in large part in tune with the play of market forces. A range of purely economic factors--including mounting losses in state firms, a decline in the employment elasticity of economic growth, a drop in the tariffs on many imports in preparation to join the World Trade Organization, and a growing and glaring disjuncture between the type of jobs becoming available, on the one hand, and the skills of the old proletariat, on the other--fuelled this blood-letting.

But what quickly became a colossal dismissal of manufacturing labor was also a step both triggered and orchestrated by political fiat, enabling the observer to analyze its occurrence as a deliberate choice taken by politicians, not purely an economic, but a political phenomenon as well. Indeed, that a specific political "project," or mission, of the state^{vi} lay behind the layoffs is evident in their simultaneity, precipitateness, and in the sheer massiveness of the numbers affected, as well as in the fact that they got

underway not in a time of recession or retrenchment, but instead in a period of rapid and seemingly successful double-digit growth. By the mid-1990s this state mission had been gathering force for well over a decade (ever since Deng Xiaoping's reentry into the top Chinese leadership in 1978 and that elite's turn away from political upheaval in favor of a steadily expanding program of rapid modernization and, in the 1980s, "economic reform").

It was not until about a decade and a half following that major programmatic alteration that its spirit finally came to affect the workers in the state-owned plants. And then, because of the upsurge in urban poverty, inequality and joblessness that this firing fostered, by the mid-1990s, the political elite was forced by a rising tide of progressively more frequent and ever-larger protests to unveil three brand-new programs in the People's Republic: one for laid-off state workers (whose firms still existed), another for the unemployed (whose firms had gone bankrupt or been merged) and a third for the indigent.^{vii} Notwithstanding the longtime disbursement of labor insurance and cradle-to-grave welfare benefits in China's urban enterprises dating back to the early 1950's,^{viii} these new Chinese programs were unprecedented in the PRC and had to be forged from scratch in the era of reform. And yet, despite the magnitude and the fundamental nature of the alterations launched, legacies remained from the system that went before, especially in the form of administrative practices and assumptions. But at the same time, a set of novel elements clearly marked the metamorphosis as well.

At the time of the inception of the mission shift, the Communist Party had for over 30 years run the cities in the name of and upon the class base of the proletariat, and over this period had treated its members distinctly better than it did any other social group in society (barring the political elite itself). And yet, after 1979 when market reforms were initiated (with an invitation to foreign investment and the first tiny steps in chipping away at the centrally-constructed state planning system) on the heels of the repudiation of the ten-year Cultural Revolution, though the distribution of class power in

society had undergone no change of its own, powerholders bent upon reinvigorating the economy and resurrecting the regime's legitimacy shifted their own preferences, as the years went by fundamentally reworking the societal base of the regime.

Notwithstanding the enormity of the strategic changes that economic reforms brought in China after 1978, there are broad continuities as well in the conduct of welfare policy, retained from the days of once-Party Chairman Mao Zedong.

PATH DEPENDENCE: A MODEL FOR DISTINGUISHING LEGACIES

Here I use the case of China's changing welfare policy to illustrate two separate levels of policy, a deeper one where are found persistent, tactical underlying operational practices, and a more apparent one that embodies more mutable, if far more sweeping, strategic elements. The deeper level encompasses the *general nature* of the primary locus of responsibility for benefit provision and the *general character* of the intended beneficiary. On the strategic level is the politically more flexible activating mechanism of policy (such as a planned versus a market-based economy), plus the *specific* responsible entity and the *particular* beneficiary at a given historical juncture that logically accompany the strategic shift.

I contend that while strategies may be altered--however politically contentious this may be, underlying formulas, what might be called the dicta of institutional culture, endure much longer. It is the latter that endure despite change in state project, switches in political leadership or even, perhaps, of regime type in a nation; it is they that structure the inclinations of policy framers, the behavior of implementers and the expectations and sense of desert among beneficiaries.^{ix}

At the tactical, underlying dimension of everyday practice, Chinese welfare policy under the reign of the Communist Party (since 1949 and up through the present) has had three lasting elements: First, it has depended for the locus of responsibility on a *cellular* rather than an individual pattern of obligation^x; second, the principal

beneficiaries have ever been the *better-off among potential recipients*, and third, a parsimonious, residual allocation has been distributed to the truly poor, an approach that has *marginalized the needy*, whomever they may be at any historical moment.^{xi} I call these more enduring features the ongoing and underlying *principles of provision* in a given political system. My hypothesis would be that it is these procedural premises that are the aspects of policy from which it is most difficult to deviate over time, regime change, and party turnover.

It is the established practices, routines, and norms rooted in these tactical principles--through the administrative arrangements that sustain them and the belief structures of policymakers--that structure behavior and relationships and that constitute the points of embarkation for the pathways upon which later action becomes dependent. To illustrate this point beyond the case of China, despite the effects of globalization, marketization, and the ideology of economic liberalism that became pervasive in Western Europe in the 1980s, even through the end of the century the French continued a pattern of the strong state historically rooted in that country, maintaining one of the largest state sectors in Western Europe.^{xii}

At the second level of welfare work resides the strategic choice of economic activating mechanism that alters, along with changed state missions or projects, or, in the case of democratic regimes, with party turnover. Examples of what may vary over time at this strategic level of policy, among possible tactics, are such issues as the *specific locus of responsibility* for provision and the *identity of specific targets* of both major welfare and residual programs. Here my hypothesis is that it is the specific arrangements--such as those detailing the authorized recipients, the approved activating mechanism, and the particular legitimate responsible entities accompanying the state project or mission (or party platform) that may shift with partisan and power base switches in a regime over time.

In China's case neither the ruling party nor the fundamental political nature of the regime has been altered in the years since 1978; China remains an authoritarian one-party polity (if, granted, less authoritarian than during the Mao years). The particular politicians within the Communist Party as of 1978 and thereafter, however, were ones who resurfaced after the Cultural Revolution, having been its chief victims. It was they who rejected the strategies associated with Mao and set forth an altered state project, upended the class order, and reorganized the management of the economy and all of its ancillary components during the "reform era" that they initiated after 1978. Their having done so renders the post-1949 rule of the self-same Communist Party in China split nearly down the middle, with one dominant project for its first 29 years in power (often termed the "Mao years") and quite another one for the subsequent twenty-four (the "reform period").

On the second, strategic plane, for the period from 1952 to 1978, the state plan provided the activating mechanism; over those same years but in an especially exaggerated form from 1969 to 1978, it was the enterprise that stood as the primary, cellular locus of responsibility in the cities; and employees in urban state-owned enterprises and in the larger urban collective firms^{xiii} were the officially sanctioned targets for state beneficence in the cities, while a residual, marginalized category termed the "three withouts"^{xiv} were left with a miserly grant of a pittance from the state.^{xv}

The transformation of state mission (or strategy shift) that began with the Party's Eleventh Central Committee's Third Plenum in late 1978, however, spelt the substitution of high productivity and rapid, no-holds-barred, world-class modernization as regime goals (or "state project") for the prior concerns with revolution, equity, and a style of "class conflict" aimed at benefiting urban workers. As a result, while one can still discern the old tactical principles at work, at a strategic level each of the legacies were meant to undergo modification. Thus, in accord with the new state project and in the spirit of enhancing economic growth,^{xvi} for the most part market forces, as the chief

element on the strategic plane, replaced the plan as the most crucial *mechanism for activating economic behavior*.

A second feature of China's new strategic or programmatic platform was that, while decisionmakers did retain the cellular (as opposed to an individualistic) thrust of previous policy, with the aim of stimulating output by devolving funding and decisional powers to lower levels of administration (in line with the new state project), leaders switched *the relevant cell for responsibility* to the municipal, rather than, as it had been, the enterprise level. For welfare policy, this approach in principle switched the immediate obligation for relief away from the firm as a cog in the machine of the old state plan and up to the urban level, now in some ways a marketing agency. Still, as we will see, the enterprise has continued to be handed its critical role in the state's dispensing of benefits, if in new ways.^{xvii} And third, the character of the *specific target for relief* shifted quite considerably: it became the new urban poor, but especially the let-go former workers (usually those from the more successful, more preferred and privileged among the old state-owned firms) who had been dismissed as a byproduct of market reform and who have sometimes menacingly agitated for state assistance.

The appearance of this group of suddenly indigent urbanites has occasioned the construction of several previously wholly untried institutions to handle its needs. These novel institutions are first, a stopgap, expedient (if relatively generous) program to deal with a new classification of people called *xiagang*, or, loosely, "getting off the post," meaning laid off or furloughed, complete with a Reemployment Program to cushion its subjects, meant to tide them over for a period of three years before they were to pass into full-scale unemployment. The recipients of this program--those who once those who once worked in the best-endowed among the state-owned firms before the 1990s (or their descendants)--turned out to be the winners among the losers.

Secondly, there is a bankruptcy law and a UI system to go with it for those who firms failed and were permitted by the authorities to go through the bankruptcy

procedure or otherwise disappeared (as, in regime-sponsored mergers with more successful firms); and, third, a scheme to provide for the very rudimentary sustenance of the now enlarged segment of the population that consists of the presently marginalized, extremely poor. Despite the shift in the particular beneficiaries, however, both the tendency to privilege the stronger and the marginalization of the disadvantaged--both proclivities left over from the Mao period--persist. But at the same time the strategic shift has meant that brand new groupings among the urban populace have either become relatively much poorer than they were before the reforms (and now are jobless) but are still serviced, if at a low level, or else have become marginalized altogether.

STATE PROJECTS AND WELFARE IMPLICATIONS

IN TWO DISPARATE PERIODS

The Mao Years, 1949-78

As of 1978, when the Mao period came to an end, workers in state-owned and collective enterprises and institutions amounted to 99.8 percent of the total employed urban workforce, according to a State Council White Paper published 24 years later.^{xviii} That statistic reflects the vastly disparate state mission or "project" in place over the years between the 1950s and the end of the 1970s, compared with the one launched in 1978: during the years of the leadership of Mao Zedong, the state put mass equality at the head of the state's social priorities,^{xix} and the activational mechanism, the state plan, was intended to make possible Mao's vision of proper socialism, one that permitted no open unemployment in the cities. In the words of one Chinese scholar, the typical urban working resident--especially, one should add, the worker in a privileged, large state firm--possessed "employment security, unit [i.e., s/he could be ensured of a post at the same work unit over time] security, and status security".^{xx} Such shielding of the workforce was made possible through the mechanisms of the planned economy,

whereby local labor departments assigned workers to the firms, and, in the main, no one was fired.^{xxi}

As for the locus of welfare responsibility, it was the cellular work unit, called in Chinese the danwei. Each employed individual and his/her dependents could count on receiving his or her social security from the enterprise in which s/he worked, and work-unit-based social welfare of one sort or another covered the vast majority of the urban population.^{xxii} The types of insurance provided, which could extend to pensions; medical care; and subsidies for hardship; as well as various allowances, special facilities and privileges, depended on the wealth of the given unit, along with the significance of its output to the leadership. This list had no place for UI, since even the concept of unemployment, much less the reality, was taboo.^{xxiii}

Enterprise responsibility for its workforce began in the early 1950s, and, under several different funding arrangements, remained up to 1978 and beyond. From the early 1950s until 1969 (in the midst of the Cultural Revolution) firms had to turn over three percent of their payroll to a labor insurance fund, whose management was shared between the firms and the trade unions. Factory unions then handed over about one third of these contributions to their superior-level union, and as a result there was some minimal redistribution among the enterprises under the same higher-level union. During the Cultural Revolution, when the unions were disbanded, expenditures for welfare became the responsibility solely of the firms themselves. At that point whatever pooling that had been carried out above the level of the work unit ceased.^{xxiv}

Such paternalistic treatment targeted at state-employed urban workers surely had its positive points. But these must be pitted against the system's weaknesses and its downside. In linking benevolence to workers' employment status and to that of the ownership status of their employer, and in favoring only the formally state-employed, the system was marred by its exclusivity. Though some of the larger collective firms were operated like state-owned ones, smaller collectives and contract, temporary, and

peasant workers in the urban firms were shut out of the welfare system. The residents of the countryside had no labor insurance at all.

Another flaw connected to the activating mechanism (the state plan) came from the divisive nature of the bureaucracy. The Ministry of Labor and its lower-level bureaus were charged with supervising the handling of workers in the cities while the Ministry of Civil Affairs and its subordinate agencies at lower echelons dealt with the residual poor, the “three withouts” mentioned above. This set-up fostered a certain amount of passing the buck as well as some duplication and, sometimes, even chaos.^{xxv} Although this system managed to nurture and protect most urbanites, the rigidities, waste and inefficiency of the planned economy came under increasing criticism after 1978. As the market steadily extended its sway, a relatively egalitarian arrangement run by political will and centered on one’s place of work eventually proved inadequate to a market economy. For the state-plan-dominated arrangement prohibited geographical mobility, while enterprise responsibility became progressively more costly as the numbers in need of pensions grew with time and as more and more firms, falling prey to competition from unfettered rivals in the non-state sector or to firms that were foreign funded, were overcome by losses.^{xxvi}

The Reform Period, 1978--

The new state mission after 1978 drastically altered the underlying paradigm of social policy. The critical changes entailed a substitution of efficiency, competitiveness, and profitability for the prior equality as dominant values. Inequity, insecurity and a drop in state benefits in the cities were the eventual outcomes.^{xxvii} Workers still at work were now to be compensated in correspondence with their contribution to the productivity of his or her own firm, and not according to a national pay scale based on seniority alone, as they had been in the past.^{xxviii} And instead of gratis welfare benefits, by the early 1990s, more and more social services had become commodified, on a

fee-for-service basis, to match the new pro-market mentality.^{xxix} The oft-repeated rationale behind sloughing off the enterprises' so-called "welfare burden" was to give them more of a chance of keeping pace with the non-state and foreign sectors of the economy.

The new hunger for profits threw a wrench into the entire former operating framework for the economy. For multitudes of state and collective firms, suffering losses, provided greatly reduced revenue to local governments, even as the job of financing welfare was increasingly transferred to these now less well-heeled urban administrations. This development disposed city officials to favor successful, money-earning firms and their workers even more than they had in the past. In line with this turn to the market, the state has essayed for over two decades--though to date far from successfully--to establish a contributory social security system that is independent from the enterprises.^{xxx}

So, instead of the prior planned allocation of laborers, the momentum lent by economic growth, development and the market have been thought and hoped to be capable of acting as the new mechanism for the provision of employment, in line with the altered strategic mission.^{xxxi} Also in the interest of stimulating growth and with the aim of installing an economic system responsive to supply and demand, since 1980 economic decisions, resources, and receipts were devolved to lower echelons of government, which, in theory at least, was to become the new cellular locus of welfare obligation in the place of the once-plan-subservient enterprise.

NEW WELFARE PROGRAMS FOR THE UNEMPLOYED, THE LAID OFF, AND THE INDIGENT

Unemployment

Long after the central government began devolving funds and duties to local levels of administration in 1980, and even after enterprises began to be warned that

they were to become market actors responsible for their own profits and losses a few years later, all in accord with the switch in strategy, the Party remained remarkably queasy about firing its old urban proletariat. This hesitancy can be attributed in part to concerns about abandoning socialist proletarian principles that were the Party's birthright; it was also a function of the Party's certainty that some degree of social upheaval would follow such a move, given the workers' longterm receipt of state largesse--despite that they did not possess the ballot. The immediate result was thus a path-dependent one: to continue to tie ever more tightly the great majority of laborers (despite their redundancy) to their original firms and to charge those firms with succoring them.

With time, however, by the mid-1990s, the operation of the market led to mounting losses among the state firms, and workers were finally let go in large numbers. Subsequently, the regime came to divide the issue into one of dealing with two separate populations, as implied above: the "unemployed" (those from lesser firms that had been allowed to dissolve) and the "laid-off" or xiagang (workers who, for the most part, hailed from enterprises still in existence). Though ostensibly only the cohorts of the latter group could be loosely attached to their original enterprises, the work unit (for it was only they whose firms still remained), the fate of the former (the "unemployed") came to be much affected by the situation of its home plant as well.

The first of the new welfare programs was the one for the unemployed. After four years of internal Party debate, the first major step was taken on the road to putting to rest the strategic, socialist notion that each [urban] worker was to be granted a life-time tenured job.^{xxxii} A 1986 Regulation on Labor Contracts specified that all new laborers must be hired on limited-term contracts, though, to illustrate how awkward the concept must have seemed, as of mid-1988, a mere eight percent of state industrial workers had signed a contract.^{xxxiii} Along with that ruling went the first Regulations on Unemployment Insurance, publicized as State Council Document 77, which was

designed to assist contract laborers when their terms were up, so long as they met the necessary conditions. In that same year a Regulation on Discharging Employees was announced as well, though none of these decrees had much if any impact at that time.^{xxxiv} Although the strategic shift mandated changed behavior, tactical ties to old practices acted to delay practical alterations.

In order to be eligible for UI according to Document 77, a worker's employer had to have contributed to the local UI fund.^{xxxv} At that early juncture, enterprises needed to contribute only one percent of their wage bill, and the duration (up to a maximum of 24 months for over five years of service)^{xxxvi} and level of benefits depended on one's length of service and on the standard wage. But in that the ruling tied a worker's chances to receive recompense to his/her enterprise's willingness or ability to help finance the fund, the ruling continued the prior custom of binding the employee's fate to his/her former firm.

In addition, this benefit was available only to ex-workers who had registered their unemployment and who met certain restrictive conditions.^{xxxvii} The most significant operative point was that bankrupt firms' workers were to be cared for, if not by their own failed firm, then--emblematic of the strategic shift--by their local government.^{xxxviii} But it was precisely those firms no longer able to sustain their previous, probably bloated workforces that were the selfsame ones unable to afford to contribute to the local UI fund.^{xxxix} Thus a worker's chance to get a benefit when s/he was without 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's "Decisions on the Establishment of a Socialist Market Economy," the goal in state firm reform was announced as the creation of a "modern enterprise system," in which firms were to become financially self-sufficient.^{xl} 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 go only to state enterprise workers.^{xii} As an illustration of this restrictiveness, a new instance of the tactical convention of patronizing of the strong--that is, those who had been employed at the better state-owned firms--and neglect of the weak that had marked welfare policy before the reform era, in the mid-1990s the percentage of the workforce covered by UI dropped with the climbing proportion of the urban labor force moving to jobs in the non-state and foreign-funded, unprotected sectors.^{xlii}

As the UI system got into gear, the hope of pooling risk at the provincial level--a part of the new strategic effort to unburden the firm--had to be abandoned for lack of success and the echelon for the pool was devolved instead to the urban or county level, where local authorities were free to decide on the scope and the base of the pool. The difficulty here was the reluctance or outright refusal of managers of more successful firms--or of firms strapped for funds--to give current resources to other firms in their own city.^{xliii} So the hapless jobless worker’s plight was to be linked irrevocably to a cellular entity, but now not just to his or her firm (condemning him/her to helplessness if that firm defaulted on its obligations), but now also to the locality in which the firm was situated as well.

Throughout the 1990s, as the numbers of workers without an extant work unit--and the number of official bankruptcies (though never large)--continued to mount, the UI fund was beset by the rising percentage of loss-making state firms.^{xliiv} In order to address this quandary, an attempt was undertaken in 1999 to expand the funding base for UI, in the State Council’s Document No. 258, its “Unemployment Insurance Regulations.”^{xlv} That document extended coverage to all work units of any ownership type in the cities and raised the firm’s contribution rate to two percent of the wage bill, while demanding that employees turn over one percent of their own wages. This time again the locality could set the standard for benefit payments in accord with what it

estimated could be raised in its area, with the only proviso being that the standard had to be less than the minimum wage for that place and more than the standard for poverty relief there, all of which norms were regulated by the city. Thus, once more the amount of the funds that could be collected in the locality tied workers to a cellular unit, this time a geographical one.^{xlvi} Still, the funds that could be raised in a locality were a direct function of the economic health of its firms, so the old tactical tie to the firm was, if an indirect one, one that was still present.

The Reemployment Project for the "Xiagang"

Every one of the three sets of UI regulations (1986, 1993, and 1999) excluded from obtaining the benefits of UI the so-called "laid off," or *xiagang* [or off-post] workers, those who were no longer needed at their original firms (which, however, often still existed), but who were still at least nominally affiliated with these enterprises. This separation of the discharged into two distinct categories--the "unemployed" and the "laid-off"--came to amount once again to the customary practice of treating preferentially the better-off firms and their employees, those healthy enough to continue operating, those producing something considered necessary by the authorities, and those at least sufficiently in favor with one level of government or another that they could continue to acquire state subsidies.^{xlvii} For the laid-off workers soon became eligible for a sum higher than UI (meant for workers once employed at firms that had been dissolved), entitled the "basic living allowance," sometimes termed the "basic livelihood guarantee" [*jiben shenghuofei* or *jiben shenghuo baozhang*].^{xlviii}

These payoffs were part of a program designed and widely promoted in the second half of the 1990s that came about in response to constantly rising numbers of layoffs, in the wake of an official credit squeeze and an accompanying nationwide recession. Labeled the "Reemployment Project," this was a bureaucratically manipulated effort to sustain workers furloughed by fortunate, mostly still functioning

state firms and conceived as a temporary palliative.^{xlix} The project's content included the goals of underwriting the basic livelihood needs of the laid-off; collecting and computerizing information on local job markets; providing job introduction organs; setting up "reemployment bases" that were to provide free training and jobs; and building new marketplaces where traders were to receive preferential policies in taxes and fees. Thus in one more, path dependent way those who had been employed in the factories favored by the state were, as a class, to be treated best.

The project also called on each firm that had laid off some or all of its workers to create a "reemployment service center," to which its *xiagang* workers were to be entrusted for a period up to three years.ⁱ During that time the center was first of all to supply workers with a living allowance, using funds donated by their enterprise, and, where this was not possible, from the city's financial departments and/or banks, and, if an enterprise had contributed to the UI fund, from that fund too.ⁱⁱ Where necessary and possible, a donation was also to be solicited from the enterprise's local management department. The center was, secondly, also to train the workers for a new profession, and to help them locate new work posts. And thirdly, the center was charged with contributing to the pension, medical, and social security funds on behalf of each laid-off worker entrusted to it.ⁱⁱⁱ It is obvious from this list of charges that only flourishing firms could have met the obligations assigned.

At the height of the movement to put the project and its centers into place in the cities throughout the country, then-Premier Zhu Rongji insisted in terms that clearly were dependent upon thinking and institutional practices from the past that:

The enterprise must bear responsibility for its laid-off to the end, absolutely cannot let them go. If an enterprise has the ability to pay, it definitely must. As for some enterprises in difficulty, we must investigate their ability to bear the burden. Each administrative level will be responsible for its own enterprises. In the case of firms that

really have the ability to bear the burden but refuse to pay, their managers who go through education and do not reform must be sacked.^{liii}

But the altered regime mission and strategy of marketization placed critical limitations on this effort--namely, the scarcity of funds available to it, especially in hard-up localities, plus the widespread dependence of the laid off upon firms that, though still in existence, were suffering serious losses and deeply in debt.^{liv} One study of China's welfare reforms holds that a majority even of the laid-off formal workers never obtained any of these benefits,^{lv} and indeed it is certainly true that many firms lacked the resource capability to form a center. Workers who were privileged to be admitted into a center were given a "laid-off certificate" [xiagangzheng], intended to qualify them for various preferential policies. Dozens of street interviews in Wuhan in the years 1999 to 2002, however, revealed that many laid-off workers were never given this credential or, if they were, found it to be worthless. Still, those from the more prosperous enterprises did benefit from the policies and the full allowances as well. And, as usual, even those places that did have the wherewithal for setting up centers ran outfits quite disparate one from the next in their ability to service their dismissed workers.^{lvi}

As the year 2001 got underway, the Ministry of Labor and Social Security made it clear that the reemployment centers were a time-limited expedient, and that the personnel let go by state firms would no longer enter them. By that point, a major segment of those who had been entrusted to the centers in 1998 had exhausted their allotted three-year terms in them, and would have to face the open labor market. Of these, only a select set would become eligible to rely on UI should they not succeed in finding work.^{lvii} For a movement into the UI system once again threw workless people back into the plight of having their disposal dependent on the financial condition and the priorities--and thus their ability and/or willingness to contribute to the fund--of their former firms.

A Program for the New Indigent

A sudden upsurge in the numbers of the urban poor occurred around 1995,^{lxiii} at the same time that masses of state manufacturing workers began to suffer dismissal from their posts; indeed, there is a clear correlation between these two phenomena.^{lix} One source has estimated that the new urban poor numbered somewhere between 15 and 30 million as of the year 2002, depending upon how the count was conducted.^{lx} Another study, however, arrived at much more startling figures: this one 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 percent of the urban population.^{lxi} As with the issue of job layoffs, here again there is a geographic component to the problem, which became especially salient as market reforms rendered some areas poor when their firms declined: poor people tend to be concentrated in poor regions.^{lxii} As a result, the hope of truly assisting them is quite slim in many areas, since the responsibility to do so has been devolved to their own local administrations, whose resources are frequently quite scant.

As the numbers of people subsisting in straitened circumstances rose with the progression of the marketization of the economy, though, it became clear that a broad based, inclusive system had to be designed for them. The idea behind the plan was twofold: to sever the bond between firms and their indigent staff and ex-staff, since often the very poorest people were attached to enterprises that were doing too poorly to help them, and yet they had nowhere else to turn; and to extend the scope of the eligible population beyond the accustomed marginal, "three without" groups. In 1994, the Ministry of Civil Affairs was placed in charge of the new system, named the "minimum livelihood guarantee" [*zuidi shenghuo baozhang*, colloquially, the "*dibao*"].^{lxiii} In September 1997, after the program had been gradually extended to cities across the

country, the State Council promulgated a circular, "On Establishing the *Dibao* System," which set forth the principle that localities at various levels of government must lodge this item in their budgets to be managed as a special account.^{lxiv} In September two years later that same body formalized those notions with its "Regulations for Safeguarding Urban Residents' Subsistence Guarantees," thereby transforming the program into law.^{lxv}

The enabling legislation empowered local governments to handle the program, and there were two reasons: first, prices, the consumption structure and average income all varied considerably among areas; and second, since the funds were to be supplied mainly by the urban governments themselves, it seemed reasonable to allow them to set their own poverty lines in accord with what their jurisdictions could afford.^{lxvi} The idea was to let urban bureaucracies determine the standard of relief in accord with the amount of money needed to maintain a minimum livelihood in their cities.^{lxvii} It was emphasized that localities were to manage every dimension of the system, from setting rates to raising funds.^{lxviii} From the outset the people to be covered had to be holders of permanent household registration in the city (that is, born there), thereby barring migrant rural immigrants--people whose households were registered in their countryside homelands--from its benefits.^{lxix} A related feature was that the *dibao* could not be taken with one if s/he left the area.^{lxx}

As distinct from the final version of the UI and other welfare programs in the cities, such as old-age insurance and medical insurance, this one is non-contributory; also unlike them, it is means-tested. Publicized as the "third line" or the "final safety net" in the three-pronged welfare arrangement--along with the basic livelihood guarantee for the laid-off and unemployment insurance for those whose firms were gone--the *dibao* became the final shield against poverty and hardship for impecunious urban dwellers in the fall-out from economic reform. Unlike the other two measures, and also unlike the relief programs that had preceded it, the *dibao* was meant to ignore

one's work unit, but instead to service anyone at all whose income did not reach a locally-set standard.^{lxxi} The China Quarterly, 2*ü**No. 159 (Sept. 1999): 684-699.

2*ü**2*ü**

Although the localities were in theory to be the agents underwriting the program, in reality, many could not afford to finance it entirely on their own. In the final years of the 1990s, the central government took on a growing share of the cost, and, after 1999, even making a practice of meeting a quota of 30 percent of the funds required, as requested by most provinces.^{lxxii} No doubt alarmed at the growing extent of urban poverty, the national treasury raised its allotments for social security as many as five times between 1998 and 2002.^{lxxiii} Many localities' inability to finance the program was such that, by the year 2002, the localities nationwide were making only slightly more than half the contributions.^{lxxiv}

Yet there were cities where even this was insufficient; as a result, falling back upon tried and tested bureaucratic practice, some of such urban administrations demanded that in households with a member still at work that member's work unit or department must care for the household; in other places urban districts (sections into which all cities are subdivided) were made to share the financial burden with the city government, or else contributions were solicited from the city's better-endowed enterprises.^{lxxv} In other cases poor cities resorted to such subterfuges as setting their poverty lines so low as to fail to meet the official goal of guaranteeing a minimum livelihood to the recipients; another expedient was treating people in sufficiently good health to work as if they indeed had the amount of income they would have acquired had they in fact found a job, though they actually had no employment. Yet other cities refused to help those eligible either for the laid-off workers' basic livelihood guarantee or for UI, even when such individuals' former workplaces and the UI fund were giving them nothing at all.^{lxxvi}

In 2001, a sudden leap forward in disbursements occurred, perhaps in anticipation of protests by the indigent as China prepared to accede to the World Trade Organization.^{lxxvii} By 2002, the amount paid out nationwide came to 0.01 percent of gross domestic product and 0.5 percent of national expenditures, a vast improvement over what had been spent on poverty relief just a decade earlier.^{lxxviii} In spite of this national-level commitment, a grossly inadequate administrative structure at every level, carried over from the past, continued to struggle to service the demand.^{lxxix}

A particularly urgent--and revealing--State Council circular in late 2001 shed light on the way the program was being operated in the localities, one that reveals continuing habits of thinking in terms of workplaces in managing disbursements. The order's injunction, to "make the focal points of our work," among others, the families of staff and workers from enterprises owned by the central (as opposed to the local) government and those from collective and town and village enterprises (i.e., not state-owned) that happened to be situated within a city's jurisdiction sent a clear signal about what groups were being systematically excluded from the system's benefits.^{lxxx} Thus this circular provides evidence that several years after the program had begun potential recipients were still being evaluated and assisted in terms of their former work units.

The upshot was that, while the impetus behind the program was to provide for the indigent without reference to their personal characteristics or their previous places of employment, some aspects of its implementation clearly biased the outcome. Besides that non-locally registered needy residents (i.e., the migrants) were systematically blocked from the benefits, the *dibad's* locality-based--and, indirectly, still enterprise-based--framework rendered the program subject to abuse and underfunding.

LEGACIES AND DISCONTINUITIES

Brand new social welfare programs were installed in the 1990s to serve as foundational pieces in China's fledgling urban social security system for the suddenly jobless and indigent in the cities, projects forged for assisting the victims and losers of the country's ambitious project of economic transformation. Given the emergence of these novel sorts of groups in the urban "People's Republic," and of wholly untried designs to service these people--especially as the projects are being instituted as components of a mammoth and foundational transition from a planned to a market economy--is it appropriate to speak of legacies and ongoing effects of older, rejected policies and patterns? Is there really a place for the notion of "path dependency?"

Two major facets of the economic restructuring program, both situated on what I call the strategic plane, were clear departures from the past and have had major implications for the attempt to form a national-scale social security system: the first is the decentralization of funding and decisional responsibilities to lower levels of administration the better to coordinate the supply and demand that govern markets, while attempting to remove the responsibility for individuals' benefit provision from the cellular unit of his or her firm; and the second is the introduction of norms of profit and competition that in turn led to the indebtedness and collapse of untold numbers of urban state firms. Both of these new policy thrusts have decimated for the needy any modicum of either the standardization or the reliability of welfare benefits that had once, and for a number of decades, obtained in the cities.

On the surface of it, these stark discontinuities with the past would appear to bode poorly for path dependency analysis. And yet, as the material above has outlined, enduring behavioral customs--on the plane of tactical provisioning conventions and practices--of pitching obligation at the cellular locus of the work unit and of best succoring the strongest--have doggedly lingered just beneath the surface, even for more than 20 years after the regime commenced to prescribe that enterprise management throw off the "welfare burden" it had borne for decades.

The enduring role of the cellular unit (on the tactical plane) appeared in the laid-off state workers' dependence on their enterprises' capacity to finance their basic livelihood allowance and to form a reemployment center; it is also present in many truly unemployed laborers' inability to collect unemployment insurance unless his/her previous employer was both willing and able to pay the necessary contributions to the fund. And the appeal to the cellular work unit also creeps in with regard to the *dibao* when some cities attempt to force still-on-the-job household members' workplaces to take care of those stuck in dire penury, or when a poor family's destitution is aggravated because the family's abode is situated in an urban district where failed firms are rife and thus where the poverty line is set impossibly low. We see it too in municipalities refusing to service workers from firms with particular ownership structures, and especially in the non-state firms' disinclination to participate in the various new welfare funds and pools, thereby rendering some newly responsible urban units incapable of taking on the tasks assigned them.

And the continuing proclivity to favor the better-endowed--the other tenet on the tactical, underlying plane--is evident in the relatively narrow scope of the coverage of benefits encountered in each new program. This includes bestowal of the basic living allowance and of unemployment insurance, respectively, just on workers from state-owned firms still in existence, or to people whose plants were permitted to go bankrupt primarily because the firms had the means to provide for their cast-off workers. Those people attached to collective firms, especially to the poorer among such enterprises, or those whose employment in private or foreign enterprises is casual and temporary, fall through the cracks. At best they receive the very minimal sustenance supplied by the *dibao*, an amount averaging the equivalent of less than twenty U.S. dollars per household per month--and yet which is a benefit that perhaps as little as half the very poorest urbanites are obtaining, as of this writing.^{lxxxix}

It is not just that the poorest are under-supported. With the growing clout of the well positioned cellular entities--whether they be enterprises, cities or provinces--and the steadily increasing disparity between them and their deprived counterparts, the greater the reluctance of the wealthier to sacrifice their superior positions to support the less well-off. As a result, there are ever greater stumbling blocks in the way of building up a pooling system, even within the boundaries of individual cities.^{lxxxii} The outcome for the poorer areas has so far been one that appears to be largely a residue of the past, perhaps even an exaggeration of what was done in the past: ad hoc subsidies from the central government rather than redistribution.^{lxxxiii}

The biggest difference from the past turns out to be that the mass of those left out and behind--the marginalized most needy--is no longer a tiny minority in the cities. It instead constitutes a sizable proportion of the populace in many places, comprising as it does the workers from firms that have collapsed, the peasant migrants in the cities, the workers from enterprises that are too indebted to tend to them, and the able-bodied poor, who, though eligible for caring programs, are somehow unserved by them and who consequently are pushed aside in some cities by the *dibad's* managers as well. Pitiably, this so numerous portion of the average city's citizenry is now cast outside the welfare system altogether.^{lxxxiv}

Thus, it appears, the pressures, practices and postulates of the market--the new strategic activating mechanism--have so far mainly served to aggravate and exacerbate administrative routines and usages long in place. It is precisely in these underlying procedures, understandings and modes of defining the locus of responsibility and the appropriate beneficiaries that we see the pattern of the past and the persistence of the path leading from it to the present.

ENDNOTES

ⁱAccording to influential economist Hu Angang, between 1995 and 2001, 54 million jobs were terminated. See South China Morning Post, August 10, 2002. China's National Bureau of Statistics has admitted that nearly 31 percent of those employed in the state sector as of end of year 1997 were cut (from 100.4 million to 76.4 million) within the following four years (see Dali L. Yang, "China in 2002: Leadership Transition and the Political Economy of Governance," Asian Survey (hereafter AS), 43:1 (2003), 34.

ⁱⁱOn the first, see W. Rand Smith, The Left's Dirty Job: The Politics of Industrial Restructuring in France and Spain (Pittsburgh, University of Pittsburgh Press, 1998); for the second, there is Katherine McFate, Roger Lawson, William Julius Wilson, eds., Poverty, Inequality and the Future of Social Policy (New York: Russell Sage Foundation, 1995); and for the third, Dani Rodrik, Has Globalization Gone Too Far? (Washington, D.C.: Institute for International Economics, 1997). See also Robert R. Kaufman and Alex Segura-Ubierno, "Globalization, Domestic Politics, and Social Spending in Latin America: A Time-series Cross-section Analysis, 1973-97," World Politics 53 (2001), 553-87.

ⁱⁱⁱPierson, op. cit., 6-18, 181-82.

^{iv}A few prominent examples are Evelyne Huber and John D. Stephens, Development and Crisis of the Welfare State: Parties and Policies in Global Markets (Chicago: University of Chicago Press, 2001); Pierson, op. cit., and idem., dem., "When Effect Becomes Cause: Policy Feedback and Political Change," World Politics 45, 4 (1993), 595-628; Bo Rothstein and Sven Steinmo, "Restructuring Politics: Institutional Analysis and the Challenges of Modern Welfare States," in Bo Rothstein and Sven Steinmo, eds., Restructuring the Welfare State: Political Institutions and Policy Change (NY: Palgrave Macmillan, 2002), 1-19; and Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for "Keynesian" Responses to the Great Depression in Sweden, Britain, and the United States," in Peter B. Evans, Dietrich Rueschmeyer & Theda Skocpol, eds., Bringing the State Back In (Cambridge: Cambridge University Press, 1985), 107-63.

^vMarkus M.L. Crepaz, "Global, Constitutional and Partisan Determinants of Redistribution in Fifteen OECD Countries," Comparative Politics 34, 2 (2002), 169-88; Huber and Stephens, op. cit., Manfred G. Schmidt, "The Role of the Parties in Shaping Macroeconomic Policy," in Francis G. Castles, ed., The Impact of Parties: Politics and Policies in Democracies Capitalist States (London and Beverly Hills, CA: SAGE, 1982), 97-176, David R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," American Political Science Review 72, 4

(1978), 1243-1261, and *idem.*, “Social Democracy, Corporatism, Labour Quiescence and the Representation of Economic Interest in Advanced Capitalist Society,” in John H. Goldthorpe, ed., Order and Conflict in Contemporary Capitalism (London: Clarendon Press, 1984), 143-78, Geoffrey Garrett, Partisan Politics in the Global Economy (New York: Cambridge University Press, 1998), Douglas A. Hibbs, “Political Parties and Macroeconomic Policy,” The American Political Science Review LXXI, 4 (1977), 1467-1487; Smith, *op. cit.*, Stephan Haggard and Robert R. Kaufman, “Introduction: Institutions and Economic Adjustment,” in Stephan Haggard and Robert R. Kaufman, eds., The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State (Princeton: Princeton Univ. Press, 1992), 3-37 and Geoffrey Garrett and Peter Lange, “Institutionalization, Institutions and Political Change,” in Robert O. Keohane and Helen V. Milner, eds., *op. cit.*

^{vi}On this use of the term “state project” or mission, see Alfred Stepan, “State Power and the Strength of Civil Society in the Southern Cone of Latin America,” in Evans, *op. cit.*, 317-43.

^{vii}See Jane Duckett, “China’s Social Security Reforms and the Comparative Politics of Market Transition,” Journal of Transition Politics and Post-Communist Studies (March 2003).

^{viii}Welfare was granted at varying levels of service, with workers in the larger, favored state-owned firms in key industrial sectors faring best. For past good treatment of profitable enterprises, see Andrew G. Walder, “Property Rights and Stratification in Socialist Redistributive Economies,” American Sociological Review 57 (August 1992), 524-39.

^{ix}A notable example is Chris Howell’s insistence that, regardless of the party in power (which, in France, has sometimes been right-wing, other times on the left in the years after 1968), since 1968 all governments of any political cast have “sought to respond to the threat posed by the events of 1968.” See Chris Howell, Regulating Labor: The State and Industrial Relations Reform in Postwar France (Princeton, NJ: Princeton University Press, 1992), 209.

^xThere have been at least four competing explications for the roots of this particular inherited trait: Xiaobo Lu, “Minor Public Economy: Revolutionary Origins of the Danwei,” in Xiaobo Lu and Elizabeth J. Perry, eds., Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective (Armonk, NY: M.E. Sharpe, 1997) believes that the tradition of cellularizing welfare grew out of the Chinese Communist Party’s pre-1949 experiences in their base areas; Corinna-Barbara Francis, in her manuscript, “Brokered Patterns of Governance in the Chinese Polity,” traces this custom back into dynastic history; Mark W. Frazier, The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management (Cambridge: Cambridge University Press, 2002); and Wen-hsin Yeh, “The Republican Origins of the Danwei: The Case of Shanghai’s Bank of China,” in Lu and Perry, *op. cit.*, 60-88 finds precedents in the Republican period of Chinese in the 1930s and 1940s.

^{xi}Charlotte Ikels, review of Nelson W. S. Chow, Socialist Welfare with Chinese Characteristics: The Reform of the Social Security System in China (Hong Kong: Centre of Asian Studies, University of Hong Kong, 2000). In Journal of Asian Studies, 61, 3 (August 2002), 1024.

^{xii}Vivien A. Schmidt, “Values and Discourse in the Politics of Adjustment,” in Fritz W. Scharpf and Vivien A. Schmidt, eds., Welfare and work in the open economy: From Vulnerability to Competitiveness (Oxford: Oxford University Press, 2000) (vol. 1), 269-70, 293; Jonah D. Levy, “Directing Adjustment: The Politics of Welfare Reform in France,” in *ibid.* (vol. 2) ;

Vivien A. Schmidt, From State to Market? The transformation of French business and government (Cambridge: Cambridge University Press, 1996), 193; and Philip H. Gordon and Sophie Meunier, The French Challenge: Adapting to Globalization (Washington, D. C.: The Brookings Institution Press, 2001), 8-9, 16.

^{xiii}These were enterprises usually comprised of a number of pre-1949 private firms merged together after 1956 and run at the level of the “neighborhood,” or *jiedao*, a level of administration just under the urban district.

^{xiv}No means of earning a livelihood, no family, and no work unit to care for the person. This generally meant the sick, the disabled, and the orphaned. See Linda Wong, Marginalization and Social Welfare in China (London: Routledge, 1998), 113.

^{xv}In a private communication Linda Wong, a Hong Kong-based specialist on the Chinese welfare system, wrote that the population labeled “three withouts” was around three million as of 1990, at a time when the total urban population was about three hundred million.

^{xvi}In my 1993 book, China’s Transition from Socialism (M. E. Sharpe, 1993), 3, I wrote of reform as:

..merely a means, a set of tools to be manipulated in the service of a few fundamental and overarching statist ends: the modernization, invigoration, and enhanced efficiency of the national economy.

^{xvii}Writing as late as mid-2000, Chinese Academy of Social Science social policy researcher Yang Tuan commented that, “The [social security] system’s operational base is still the enterprise, organ, or non-profit unit.” See Yang Tuan, “Jianli shehui baozhang xin tixi di tansuo” [Explorations on establishing a new social security system], LDCY 19 (2000) (172), July 5, 2000, 16. Similarly, see Duckett, *op. cit.*, 10, states that the enterprises remained the main funders as of 2002, though the programs were administered by local governments.

^{xviii}State Council, “White Paper on Employment, Social Security.” Asian Wall Street Journal, April 29, 2002, 8.

^{xix}Wong, *op. cit.*, 67-68.

^{xx}Gong Li, Kuashiji nanti: jiu ye yu shehui baozhang [A difficult issue straddling the century: employment and social security] (Kunming: Yunnan renmin chubanshe [Yunnan people’s publishing], 2000), 196.

^{xxi}Sarah Cook, “From rice bowl to safety net: Insecurity and social protection during China’s transition.” Ms., Beijing, November 2001, 7.

^{xxii}Athar Hussain et al. “Urban Poverty in the PRC.” Asian Development Bank Project No. TAR: PRC 33448. 2002, 154.

^{xxiii}Wong, *op. cit.*, 66. Some exceptions are discussed in Elizabeth J. Perry and Li Xun, Proletarian Power (Boulder, CO: Westview Press, 1997).

^{xxiv}Nelson W.S. Chow, The Administration and Financing of Social Security in China (Hong Kong: Centre of Asian Studies, 1988), 53.

^{xxv}Shang, *op. cit.*, 270-71.

^{xxvi}See Elisabeth J. Croll, "Social Welfare Reform: Trends and Tensions," China Quarterly, No. 159 (Sept. 1999), 692.

^{xxvii}Ibid., 685.

^{xxviii}State Council, *op. cit.*, 36.

^{xxix}Wong, *op. cit.*, 67-69, 155. Also see Sarah Cook, "Politics, policy processes and the poor: Responding to poverty in China's cities," report on a research project, "The political and social dynamics of poverty in China," undertaken as part of the DFID funded IDS Poverty research Programme," December 2000, 1; Croll, *op. cit.*, 694-95, and Nelson Chow and Xuebin Xu, Socialist Welfare in a Market Economy: Social Security Refomrs in Guangzhou, China (Aldershot: Ashgate, 2001), 56.

^{xxx}State Council, *op. cit.*, 20. Also, Tang Jun, "The Report of Poverty and Anti-Poverty in Urban China--The Poverty Problems in Urban China and the Program of Minimum Living Standard" (Ms., Beijing, 2002), 18, notes that Zhu Rongji called for this in April 2000 while in Liaoning province, and the Fifth Plenum of the Party's Fifteenth Congress held that October expressed this goal more fully.

^{xxxi}The first thoughts on building a labor market trace back to the late 1970s, according to Leonard J. Hausman and Barry J. Friedman, "Employment Creation: New and Old Methods." Unpublished ms. (n.p., n.d.), 42. For a review of early debates on this, see Gordon White, "The Politics of Economic Reform in Chinese Industry: The Introduction of the Labour Contract System," The China Quarterly, No. 111 (September 1987): 365-89 and *idem.*, "The Changing Role of the Chinese State in Labour Allocation: Towards the Market?" Journal of Communist Studies, 3, 2 (June 1987). Also in the interest of stimulating growth and with the aim of installing an economic system responsive to the immediate producers and consumers, since 1980 economic decisions, resources and receipts were devolved to lower echelons of government. Along with this centering of financial and fiscal responsibility in lower-level governments, in theory the locus of obligation has been assigned away from the plan-subservient enterprise and up to the locality (either a county or a city). I proceed now to the details of the specific new programs.

xxxii

Gordon White, Riding the Tiger: The Politics of Economic Reform in Post-Mao China (Stanford: Stanford University Press, 1993), 138-43, 159.

xxxiii

Ibid., 140.

xxxiv

Lim and Sziraczki, *op. cit.*, 51-52.

xxxv

The factual information that follows in this and the next five paragraphs is drawn from Chow and Xu, *op. cit.*, 59-62, unless specified otherwise.

xxxvi

As Hussain, *op. cit.*, 94 points out, this maximum benefit came to require 10 years of paid-in contributions by both the firm and the beneficiary in later versions of the regulations, a condition met by almost no candidate recipients. For most of those eligible in terms of the regulations' other stipulations had not been working steadily for one firm for that long a period.

xxxvii The conditions were these: they had to be from a bankrupt firm; be a redundant worker in an insolvent firm on the verge of bankruptcy that was undergoing streamlining; be a contract worker not reappointed at the end of the contract term; or have been let go for disciplinary reasons.

xxxviii

Clarifying the promise in Article 4 of the bankruptcy law of 1986, which holds that the state will arrange guarantee the basic living needs of workers of bankrupt firms, 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." Thanks to Stephen Green for alerting me to the provision in the law; the circular is quoted in Summary of World Broadcasts FE/2899 S1/3, April 22, 1997, from Xinhua [New China News Agency] (hereafter XH), April 20, 1997.

xxxix

Wei Yu, "Financing Unemployment and Pension Insurance," in Andrew J. Nathan, Zhaohui Hong, Steven R. Smith, Dilemmas of Reform in Jiang Zemin's China (Boulder: Lynne Rienner, 1999), 130.

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Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," The China Quarterly (hereafter CQ), No. 157 (1999), 55; Chow and Xu, *op. cit.*, 13.

xli

See article by Li Hong, China Daily, February 10, 1992, reprinted in Foreign Broadcast Information Service, China Daily Report (hereafter FBIS), February 10, 1992, 27 on the 1986 regulations and the need for revision. For the 1993 set, see Herald Translation Service, Chinalaw Web, <http://www.qis.net/chinalaw/prclaw66.htm>.

xlii

Chow and Xu, *op. cit.*, 60. Hussain, *op. cit.*, 84 notes that the share of employment in non-public sector firms over the years 1994 to 2000 rose from just 21 percent to a high of 54.9 percent, and yet that most of those working in this sector lacked formal labor contracts and were outside the scope of social insurance. It is just those in the "public sector," whose members accounted for 83 percent of those classified as "staff and workers" who were covered as of 2000.

xliii

Then Premier Zhu Rongji touches on some of these flaws in "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], Laodong baozhang tongxun [Labor social security bulletin] 3 (1999), 4-7. (dated January 13, 1999), 6-7, as does Lee (1999), 48; and Li Shigeng and Gao Ping, "Shiye baoxian zhidu cunzai di wenti he duice" [Existing issues and how to deal with them in the unemployment insurance system], LDBZTX 6 (2000), 32.

^{xliv}In 1996, 45 percent of state firms were running at a loss; this was the first year in which the state firms as a group lost more money than they earned. See West, op. ----cit., 7.

xlv

See "Shiye baoxian tiaoli" [Unemployment insurance regulation]: Zhonghua renmin gongheguo guowuyuan ling di 258 hao [PRC State Council Order No. 258], February 3, 1999, ZGLD 3, 1999: 44-45.

xlvi

Hussain, op. cit., 98.

^{xlvii}The following several paragraphs are slight revisions of material in my article, "Labor in Limbo: Pushed by the Plan Towards the Mirage of the Market," in Francoise Mengin and Jean-Louis Rocca, eds., Politics of China: Moving Frontiers (New York: Palgrave, 2002).

xlviii

Hu Angang, "Creative Destruction of Restructuring: China's Urban Unemployment and Social Security (1993-2000)." n.p., n.d., 16-17 notes that in 1999 the ratio of the average living allowance for laid-off workers was 18.5 percent of that of employed workers, while the UI received by the registered unemployed population only amounted to 14.1 percent of employed workers' wages that year.

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"Nationwide employment project to be launched," FBIS, January 25, 1994, 69, from XH, January, 24, 1994; 'Chengzhen qiye xiagang zhigong zaijiuye zhuangkuang diaocha' ketizu ['Investigation of urban enterprises' laid-off staff and workers' reemployment situation' project topic group], "Kunjing yu chulu" [A difficult pass and the way out], from Shehuixue yanjiu [Sociology research] 6/97 (reprinted in Xinhua wengao, shehui [New China draft, society] 3/98, 21-28); and Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhongguo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China's social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), 86. In the year 2000, the State Council set up an "economic special project research office," and the Ministry of Labor and Social Security issued a schedule on taking the following five years to close down the reemployment centers and diverting all laid-off people to directly enter the labor market, receiving UI if necessary. This is in Tang Jun, op. cit., 18.

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Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" [In reemployment we must go toward marketization] ZGJY, March, 1999, 19 calls the center a product of "a special historical stage, a transitional measure which can solve its special contradictions."

li

The three-thirds formula for financing the project is laid down in JJRB, May 18, 1998. Initially the hope was that the local budget would arrange for one third of the funds, the enterprise itself would pay another third, and social donations (including funds from the unemployment insurance pot) the remaining third. Later it became apparent that many local governments were forced (or chose) to turn to the central treasury for help, and many firms were unable to or refused to put in their share. As of June 2002, 93.4 billion yuan had been collected for the allowances since 1998. Of this enterprises raised 23.3 percent, society 19.3 percent (of which, 17.2 percent came from the UI fund) and state financial departments contributed 57.4 percent. See Yang Jianmin, Shi Hanbing, and Lu Ting,

“Zhongguo shehui baozhang shiye fazhan zhuangkuang” [The situation of China’s social security enterprise], in Ru Xin, Lu Xueyi, and Li Peilin, Shehui lanpishu: 2003 nian: zhongguo shehui xingshi fenxi yu yuce [Social blue book: 2003 analysis and predictions of China’s social situation] (Beijing: shehui kexue wenxian chubanshe [social science documents company], 2003), 49.

lii

Ibid., 30-31.

liii

“Zhu Rongji zongli,” *op. cit.*, 5.

liv

According to n.a., “1998 nian qiye xiagang zhigong jiben qingkuang” [The basic situation of the laid-off enterprise staff and workers in 1998] Laodong baozheng tongxun [Labor and social security newsletter] (hereafter LDBZTX), 1/99, 10, laid-off workers let go by enterprises losing money represented 67 percent of all laid-off workers as of the end 1998.

lv

Chow and Xu, *op. cit.*, 63. In his manuscript on protests by laid-off workers, Cai Yongshun, *op. cit.*, states that 67 percent of the 724 of them interviewed in his project received no livelihood allowance.

lvi

Hussain, *op. cit.*, 89.

^{lvii}Wang Dongjin, “Shehui baozhang zhidu gaige de zhongdian” [Critical points on the reform of the social security system], Gaige neican [Reform internal reference] 10 (2001), 5; n.a., “2001 nian laodong he shehui baozhang gongzuo yaodian” [The gist of the labor and social security for the year 2001], Laodong baozhang tongxun [Labor social security bulletin], 2 (2001), 9; Zhang Zuoji, “Guanyu shehui baozhang tixi jianshe di youguan wenti” [Some relevant issues in the construction of the social insurance system], Laodong baozhang tongxun [Labor social security bulletin] 7 (2001), 9-10; and Yang Shengwen, “Kexi de yibu: cong beijing deng bashengshi xiagang zhigong lingqu shiye baoxianjin renshu chaoguo jin zhongxin renshu kan chu zhongxin gongcuo” [A heartening step: look at the work of exiting the center from Beijing and eight provinces and cities’ numbers of laid-off staff and workers getting unemployment insurance money has surpassed the numbers entering the center], Laodong baozhang tongxun [Labor social security bulletin] 9 (2001), 27-31.

lviii

In that year, 41 percent of urban households saw an income decline; the same year, to the State Statistical Bureau defined a family living in poverty as one with an income under 5,000 yuan per annum (Wong (1998), 124). At this time per capita income was 6,392 yuan per year, which meant that the average household of just over three members must have had an average of nearly 20,000 yuan per year in 1998 (Chow and Xu, *op. cit.*, 1).

lix

Cook (2000), 5. Aside from job loss, other factors pushing people into penury also had to do with the market transition: state grain subsidies ceased in 1992,

thereby sending up food prices; housing costs rose with the program to privatize apartments; and the charges for both public education and medical care climbed sharply and precipitously as their previous status as near gratuities was altered with the institution of sizable fees for service. There was also at this point a growing trend of indebted firms failing to pay wages or pensions, whether on time or else at all. See Song Xiaowu, Zhongguo shehui baozhang zhidu gaige [The reform of China's social security system] (Beijing: Qinghua daxue chubanshe, 2001), 137-38, which reports that the new urban poor population is concentrated among these people: those who worked in state firms that are losing money, have ceased production, or went bankrupt; retired people's families where the support coefficient is high; those who became poor when they fell ill, owing to the high costs of medical care; and those whose term of receiving UI has ended.

lx

Li Peilin, "Dangqian zhongguo shehui fazhan de rogan wenti he xin qushi" [Current issues and new trends in social development], in Ru Xin, Lu Xueyi, and Li Peilin, eds., Shehui lanpishu: 2003 nian: zhongguo shehui xingshi fenxi yu yuce [Social blue book: 2003 analysis and predictions of China's social situation] (Beijing: shehui kexue wenxian chubanshe [social science documents company], 2003), 23. Wong (1998) also estimates the total at around 30 million, as of 1997.

lxi

Zhonggong zhongyang zuzhibu ketizu [Chinese central organization department research group], 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], (Beijing: Zhongyang bianyi chubanshe [Central Compilation & Translation Press], 2001), 170-71. Here the urban population of about 390 million is calculated without including peasant migrants residing within it unless they had lived there for at least one year.

lxii Cook (2001), 4.

lxiii

Wong (1998), 124.

lxiv

Song Xiaowu, op. cit.,, 149-150.

lxv

Tang Jun, "The New Situation of Poverty and Antipoverty," report published as a chapter of book edited by Ru Xin, Lu Xueyi, Li Peilin, et al., "2002 nian: zhongguo shehui xingshi yu yuce (shehui lanpishu): [Year 2002: Analysis and Forecast of China's Social Situatiuon (Blue Book on Chinese Society)], January 1, 2002. [FBIS Translated Text].

lxvi

Tang Jun (2001), 2.

lxvii

Song Xiaowu, op. cit., 148.

lxviii

"Guowuyuan bangongting fabu tongzhi: Jiaqiang chengshi jumin zuidi shenghuo baozhang gongzuo" [The State Council Office announces a circular: Strengthen

urban residents' minimum livelihood guarantee work], Renmin ribao haiwaiban [People's Daily Overseas Edition], November 19, 2001 (from Xinhua, November 17, 2001).

^{lxi}SWB, FE/3016, September 5, 1997, G/6, from XH, September 3, 1997. From 1960 until the early 1980s the government prohibited people from the countryside from entering the cities and barred any who might come from obtaining benefits accorded urban residents. In many ways the system persists, despite some recent reforms. See my book, Contesting Citizenship in Urban China (Berkeley: University of California Press, 1999).

^{lxx}

Hussain, *op. cit.*, 54-56.

^{lxxi}

The dibao is discussed in these terms in Cook (2000) and Elisabeth J. Croll, "Social Welfare Reform: Trends and Tensions," ^{2*ü**2*ü**}

^{lxxii}

Hussain, *op. cit.*, 70. It is unclear if this figure includes ad hoc subsidies to regions and firms in special difficulty or whether it pertains only to a fixed arrangement entailing dividing up shares between administrative levels. See also "Circular from the State Council General Office on Further Enhancing Work on the Minimum Livelihood Guarantee for Urban Residents," Xinhua November 17, 2001, in FBIS-CHI-2001-1117; and Tang Jun (2002). Tang Jun, a researcher specializing on the *dibao* at the Chinese Academy of Social Sciences, noted that, with the exception of Shanghai, Beijing, Shandong, Jiangsu, Zhejiang, Fujian and Guangzhou, all of the other provincial-level units regularly received subsidies from the central government. In the second half of 1999, the total amount allocated for this purpose reached 400 million yuan (see Tang Jun (2002)).

^{lxxiii}

Duckett (2003), *ms. copy*, 13, based on a statement made by Hu Angang which was cited in the South China Morning Post, August 10, 2002. For a few announcements of these increases, see SWB FE/3903, July 27, 2000, G/8, from XH, July 26, 2000; Information Office of the State Council of the People's Republic of China, "Labor and Social Security in China." Pamphlet, Beijing, April 2002; SWB FE/3721, December 18, 1999, G/5, from Zhongguo Jingji shibao [Chinese economic news], December 6, 1999; SWB FE/4092, March 11, 2001, G/5, from XH, March 10, 2001. In early 2002, the central government announced that it had arranged for paying out 86 billion yuan for social security-related purposes for the year ahead (Feng Lei, Bao Shenghua, Chen Mengyang, "Liaoning shebao gaige chongguan" [Liaoning's social security reform's important period], Liaowang [Outlook], 11 (2002), 26), while further increases were scheduled for 2003 (James Kynge, "Beijing budget shifts emphasis to help the poor," Financial Times, March 7, 2003).

^{lxxiv}In that year the total fund for the program had reached 10.53 billion yuan, nearly double the amount spent in 1991. Of this, 4.6 billion came from the central treasury and 5.93 billion from the local governments (just over 56 percent) (Xinhuanet, 7/19/2002, Beijing.) Thanks to Jane Duckett for giving me this citation.

^{lxxv}

Song Xiaowu, *op. cit.*, 143-44.

^{lxxvi}

ÔBian yingde shouru wei shiji shouru; dibao shouru keshi zhengce zuochu tiaozhengö [Change the income owed into real income; readjust the verification policy of the minimum livelihood guarantee], Xinhuanet 2002-10-24 (http://news.xinhinnet.com/newscenter/2002-10/24/content_607113.htm). Also,

Cook (2000), 8 and Kuai Lehao, "Meiyou naru dibao di æhuisse quntiÆ" [The ægrey massÆ that hasnÆt entered into the minimum livelihood system] Nanfang choumo [Southern Weekend], March 29, 2002. Thanks to Wang Shaoguang for sending me this article.

lxxvii

Tang Jun, "The Report of Poverty," 17; Tang Jun (2003), 243-44; "Touru 54.2yi: woguo yi you 1000duo wan ren xiangshou zuidi shenghuo baozhang" [Invested 5.42 billion: our country already has more than 10 million people enjoying minimum livelihood guarantee], Xinhua 02/24/02.

^{lxxviii}Tang Jun (2003), 245. In 1992, a pitiful 0.06 percent of the urban population got regular, fixed-sum apportionments from the state nationwide. The funds they were given amounted to about one quarter of the average urban residents' livelihood expenditures. This very residual segment of the populace was only receiving .005 percent of the country's gross domestic product, an amount equivalent to a mere .0032 percent of total national expenditure. Tang Jun (2003), 245.

Song Xiaowu, op. cit., 137-38.

^{lxxix}

Hussain, op. cit., 78.

lxxx

"Circular from the State Council General Office on Further Enhancing Work on the Minimum Livelihood Guarantee for Urban Residents," XH 11/17/01, in FBIS-CHI-2001-1117.

^{lxxx}According to Li Peilin, "Quanmian jianshe xiaokang shehui di sige guanjian wenti" [Four issues in fully establishing a well-off society], Lingdao canyue [Leadership consultations], No. 10 (2003), 5, the number of recipients in early 2003 had reached about 20 million.

^{lxxxii}

N.a., "Xianji, xiance: Jianli zhongguo tese di jiuye baozhang tixi" [Offering advice and suggestions: Establish an employment insurance system with Chinese characteristics], ZGJY, 4 (2000), 4-9; Yi Wen, op. cit., 7; and Chen Zhongyi, "Shiye baoxianfei zhengjiao you ôshi nan" [10 difficulties in collecting unemployment insurance fees], Laodong baozhang tongxun [Labor social security bulletin] 5 (2001), 32, for a few examples of many treating these issues.

lxxxiii

Mark W. Frazier, "The Unfunded Mandate of Heaven: The Center, the Cities, and the Politics of Pension Reform in China." Paper presented at the Annual Meeting of the American Political Science Association, Boston, August 29, 2002, 20-23 discusses these problems with regard to establishing provincial-level pooling of pension funds.

^{lxxxiv}Cook (2001), 18.

