

***Xiagang* and the Geometry of Urban Political Patronage in China:
Celebrated State (once-) Workers and State Chagrin**

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The lore of the Chinese "laid-off"s' fate is often piteous, sorry, to say the least.¹ Yet despite the generally gloomy perspective, one feature of the policy of *xiagang* had a potentially more sunny aspect: this has to do with the Party elite's bout of unease soon after visiting an onslaught of market capriciousness upon its old putative ally, the urban working class. Large-scale laying off of labor may have finally (after two decades of irresolution) been envisaged as necessary for the forward march of the state and its industrial sway in the world. But it was quickly clear to the authors of the policy that this program wreaked havoc upon the lives of its immediate objects.

¹I personally have contributed a lot to this picture, as in the following articles I wrote in recent years, all of which paint it in very grim shades indeed: "The New Crowd of the Dispossessed: The Shift of the Urban Proletariat from Master to Mendicant," in Peter Hays Gries and Stanley Rosen, eds., *State and society in 21st century China* (New York and London: RoutledgeCurzon, 2004), 50-66; "State and Society in Urban China in the Wake of the 16th Party Congress," *The China Quarterly* (hereafter *CQ*), No. 176 (December 2003), 949-959; "Labor in Limbo: Pushed by the Plan Towards the Mirage of the Market," in Françoise Mengin and Jean-Louis Rocca, eds., *Wealth and Labour: Cross-Cutting Developments of Present Approaches* (New York: St. Martin's, 2002), 31-61; "The Creation of a New Underclass in China and its Implications," *Environment & Urbanization* 18, 1 (April 2006), 177-93; "Labor Market Reform and the Plight of the Laid-Off Proletariat," *CQ*, No. 170 (June 2002), 304-326; "China's Urban Workers and the WTO," *The China Journal*, (January 2003), 61-87; and "Why We Cannot Count the 'Unemployed'," *CQ*, No. 167 (August 2001), 671-688.

Others have also presented the negative side of laid-off workers' situation, including China Kwan Lee, Jean-Louis Rocca, and other authors in the current volume, especially William J. Hurst, Eva Hung and Stephen Chiu, Antoine Kernen, and Yongshun Cai. Some examples are: Antoine Kernen, "Surviving Reform in Shenyang--New Poverty in Pioneer City," *China Rights Forum*, (Summer 1997), 11; Andrew Watson, "Enterprise Reform and Employment Change in Shaanxi Province," paper presented at the annual meeting of the Association for Asian Studies, Washington, D.C., March 28, 1998; Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," *CQ*, No. 155 (1999): 44-71; Mark Blecher, "Strategies of Chinese State Legitimation Aong the Working Class." Paper presented to the Workshop on Strategies of State Legitimation in contemporary China, Center for Chinese Studies, University of California at Berkeley, May 7-9, 1999; Antoine Kernen and Jean-Louis Rocca, "The Reform of State-Owned Enterprises and its Social Consequences in Shenyang and Liaoning" (*China Perspectives*); and Jean-Louis Rocca, "Old Working Class, New Working Class: Reforms, Labour Crisis and the Two Faces of Conflicts in Chinese Urban Areas" (first draft). Paper presented at the Second Annual Conference of the European Union-China Academic Network, January 21-22, 1999, Centro de Estudios de Asia Oriental, Universidad Autonoma de Madrid, Spain.

Though cutbacks began as early as the late 1980s, for the most part these first firings were of personnel in smaller-scale, money-losing plants.² The high tide of shedding from the medium and larger-scale firms took off only with the September 1997 Fifteenth Party Congress. At that meeting, Party General Secretary Jiang Zemin put forward two pertinent injunctions: to “adjust and improve the ownership structure,” and to “accelerate the reform of state-owned enterprises.”³ These orders initiated separations of workers in massive proportions from firms of all sorts, a relentless letting go that went on undiminished for at least the following four years.

The move to mobilize discharges was clearly motivated: as one account phrased it, the process was to have the positive functions of raising labor productivity, motivating activism, raising enterprises’ technical level, cutting wage costs, and “opening a new door for a more rational redeployment of labor resources.”⁴ China was at last fully determined to turn completely “modern” economically, which meant fitting its factories for competing efficiently, profitably, and competitively in the market beyond its borders. And forging fewer, leaner firms--ones employing smaller numbers of workers, the majority of whom were to be younger, better trained, and healthier--appeared to constitute a major step along that pathway.

²In early 1996, a decision was announced to “grasp the large [firms] and let go of the smaller ones”--through sales, leasings and mergers [zhuada fangxiao] (see H. Lyman Miller, “Institutions in Chinese Politics: Trends and Prospects,” in Library of Congress, China’s Future: Implications for US Interests: Conference Report (Washington, D.C., September 1999), 45; Hang-Sheng Cheng, “A Mid-Course Assessment of China’s Economic Reform,” in Joint Economic Committee, Congress of the United States, ed., China’s Economic Future: Challenges to U.S. Policy (Armonk, NY: M.E. Sharpe, 1997), 29; Joseph Fewsmith, “China in 1998: Tacking to Stay the Course,” Asian Survey XXXIX, 1 (1999), 100.)

³For Jiang’s report to the congress, see Summary of World Broadcasts (hereafter SWB) FE/3023 (September 13, 1997), S1/1-S1/10.

⁴Zhang Liangcheng, “Zhengque renshi zhongguo dangqian di shiye wenti” [Accurately understand China’s present unemployment problem], Shehui kexue dongtai [Social science trends] 4 (2000), 45.

But after unleashing the market and its vagaries upon the state's own ventures, the leadership quite rapidly stood aghast at what it had wrought. A hint of that discomfort was already in print by the end of the year: Just as the critical late 1997 Party convention was plunging the industrial cadres in the localities into a veritable frenzy of cashiering, an official newspaper revealed with some abashment, "dismissing and laying off workers is a move against our will taken when we have no way to turn for help, but also an only way to extricate ourselves from predicament."⁵ Not once but several times in the course of my interviews throughout China during the years 1998 to 2002 officials told me, in so many words, "our government thinks we can't let people starve to death;"⁶ or, in the words of a district labor market director: "Our setting up labor markets, reemployment centers, social welfare and unemployment relief is precisely to help people *not* reach a state of starvation."⁷ A female trade union official expressed this view with a tone of special urgency: "*Ni buneng rang ren meiyou fan chi*" [You can't let people go without food to eat].⁸

Within a few months of the decision proclaimed in September the top elite had come to acknowledge explicitly that things had gone too far. In effect, state leaders first activated market forces, but then fell back upon much more familiar administrative procedures in order to put a brake upon those very same forces. For in May of the following year, the Party's top people felt compelled to convoke an emergency assemblage devoted expressly to compensating the millions of its suddenly desperate once-proletarians.⁹

⁵*Ming Pao* [Bright Daily], December 19, 1997, in SWB FE/3107, December 20, 1997, G/7.

⁶This is a quotation from an official at the Gansu Bureau of Labor's social security section, August 14, 2002.

⁷Interview, Jiang'an labor market training office, September 7, 1999.

⁸Interview, October 31, 2001.

⁹For the decision that issued from this meeting, see *Guangming ribao* [Bright Daily] (hereafter *GMRB*), June 23, 1998.

The imperative behind the May 1998 conference has usually been attributed to signs of outrage on city streets among the sacked, especially as some three millions of those let go were found to have been left with no compensation at all.¹⁰ While the politicians' dread of social disorder cannot be denied, a different perspective is also consistent with the facts. This view is that at that mid-1998 forum the cushioning that was announced, in the form of what was to become a nationwide "Reemployment Project," was a sincere effort to make restitution, though just to a privileged portion of the newly unemployed.¹¹ In this chapter I demonstrate that the recompense represented in this project was aimed at fostering and undergirding what amounted to a vanguard portion among the newly ejected, signalling a less than complete abandonment. This elite was comprised of a set of workers whose customary position as beneficiaries of the regime was not to be wholly undone, as these people became the target of a wide range of governmental endeavors to assuage their plight.

I argue that the implementation of the program of *xiagang* was made possible precisely because of the continuing availability of the old patterned, solid geometry of the planned-economic state. According to this pattern, a vertical command structure, on the one hand, combined with horizontal cooperative linkages and a clear division of labor at every level, on the other, both reaching to the base of urban society in the residential committees, which are technically outside the state's bureaucracy.¹² Thus,

¹⁰Linda Wong and Kinglun Ngoc, "Social Policy between Plan and Market: 'Xiagang' (Off-duty Employment) and the Policy of the Reemployment Service Centres in China." *Social Policy and Administration*, 40, 2 (2006), 158-73.

¹¹The "Reemployment Project," first put into effect in Shanghai in 1994, and tried out in other major cities thereafter, was now to be executed across the country. See Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhong-guo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China's social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), p. 86.

¹²For an earlier look at hierarchical relations within the urban industrial bureaucracy and how they operated, see the articles by Barry Naughton and Andrew Walder in David M. Lampton and Kenneth G. Lieberthal, eds., *Bureaucra-*

the hierarchy of command and control intersected at regular spatial intervals with collaborative activities at horizontal levels. The two vectors met at nodes occupied by the most fortunate among the more privileged of the dismissed people.

On the basis of previously-earned goodwill, these specially placed workers were already partners in alliances of patronage with the local state, as it was embodied in the persons of the ex-workers' former unit and industrial bureau cadres. Those favored propagated through their (well publicized) behavior the potential of the market, while also sometimes helping to create new placements for some members of the larger, non-advantaged multitude. In return, officials in the local offices facilitated every move the once-workers took in their efforts to establish new sources of livelihood for themselves. In the process, the state expedited and legitimated through its offices' ample assistance what appeared on the surface to be their laid-off allies' so-called "self-help" strategies [*zimou shenglu*]. The entire setup appears to have run quite smoothly, greased as it was at every point with the oils of *guanxi*.

Restrictions on the Recipients

Right from the start, the regime was unequivocal that all of the measures specified in the May 1998 meeting's document were directed at, and only at, dismissed workers from state-owned enterprises.¹³ As a researcher from the Ministry of Labor and Social Security's Division of Strategy of the Institute for Labor Studies explained the

cy, Politics and Decision Making in Post-Mao China (Berkeley: University Press, 1992). These are Barry Naughton, "Hierarchy and the Bargaining Economy: Government and Enterprise in the Reform Process," pp. 245-81; and Andrew G. Walder, "Local Bargaining Relationships and Urban Industrial Finance," pp. 308-34. As the titles of the chapters indicate, the focus in both is upon intra-bureaucratic relationships and bargaining.

¹³According to an interview with officials of the Industrial-Commercial Bureau in Wuhan, August 19, 1998, Wuhan's municipal document No. 31 in 1996 similarly set forth new regulations on the special treatment being only for workers expelled from large and medium state-owned enterprises.

policy to me soon after that historic meeting, "The government and the enterprises can't solve the problems of all those dismissed. So our main target is those from the state firms."¹⁴ Even without these authoritative words from my informant, it was obvious that the benevolence and the complexity of the measures that were put into effect and the costs incurred meant that millions had to be left out of the schemes. And even among the once state-employed, far from all of those let go from their posts were either counted or compensated.

The overwhelming majority of the discharged workers with whom I spoke were people I met out on the streets, as they hustled to earn a few hundred yuan each month through tiny private ventures in order to keep their families alive.¹⁵ Their situations illustrated the many pitfalls for those among the job-losers who were either not from state firms; were from unfortunate, unprofitable, money-losing state firms; or were personally not well connected. These latter former laborers were the ex-employees of firms that had had money to distribute allowances at first but then had ran out of cash; those who had been let go before the 1998 Reemployment Project--with its orders to succor the sacked--became a serious national program, and who therefore either got only a lump sum from their old employers at the time of their termination or got nothing at all; those who had been supplied with the *zheng*¹⁶ but who never saw its promises fulfilled; or those whose firms had set up a "reemployment service center" [more on these below] that was completely useless to them.

¹⁴Interview, Beijing, August 25, 1998.

¹⁵In my street interviews over the years 1998-2002, I encountered every situation I allude to in this and the next paragraph, at least several times each, if not more often.

¹⁶This is the certificate attesting that a worker has been an employee at a state-owned firm who no longer works at that firm but has not yet found other employment. More on it to come.

Many others' firms had "kuataile" [collapsed--which, in practice, often meant that it disappeared into a merger or was bought by a foreign company], so that--for whatever reason (and, allegedly, management speculation was a frequent one)--they had no funds to offer; those whose firm continued to exist, but who were never contacted and so had no idea whether or not it had set up a center; and those "fired," not "laid off," and so ineligible for any help. And the (likely) millions who were relegated to designations other than *xiagang*--labels such as long holiday [*fang changjia*], internal or early retirement [*neitui, tiqian tuixiu*], *liangbuzhao* [neither the firm nor the worker demands anything from the other], or *tingxin liuzhi* [in which the salary had ceased but the position was being held, at least in name]--were neither tallied officially among those "laid off" nor were they treated as those who were.

The key for understanding who could be included and who was not to be served lay in an enterprise-based reporting system. Each enterprise was to report to its city's labor bureau the number of workers it had released. It was important to give an accurate number, since, if a firm failed to report, it would not receive the government's portion of the basic living expenses that were to be provided to the enterprise's no-longer on-the-job employees.¹⁷ At the labor bureau's headquarters, a computer stored the new information it received each month from the firms, showing who in each state firm in the city qualified for the allowance. Each month, before the 10th, the firm applied to the city's Bureau of Finance, which then allocated the funds to the enterprise, in accord with what the Labor Bureau had requested.¹⁸ So the system rested entirely on figures furnished by the firms, which could certainly strategize with their submission

¹⁷Interviews, trade union official, Wuhan, September 13, 2000 and bureaucrat from the social security office under the Wuhan labor bureau, August 21, 2002.

¹⁸Interview, Wuhan Bureau of Labor, October 30, 2001.

of statistics, in the interest of getting more state funds, of meeting certain quotas, or of not revealing any excesses to which it might have gone in dismissing people.

Perhaps as a result of such possible maneuvering, huge discrepancies and inconsistencies attend the published numbers of the "laid-off". Uncertainty about these numbers might result from reading the chapters in the present collection of chapters: Li Peilin and Zhang Yi note 25 million from 1996 to 2000, plus another 14 million in 2002; Yongshun Cai mentions "more than 48 million" from 1995 to 2000, and Mary Gallagher refers to "more than 30 million." Others, officials in China, have put the number as high as 60 million.¹⁹ Even the state-authorized National Bureau of Statistics yearbook for 2003 almost appears rigged to mix up the researcher: it shows that just 5.15 million people remained laid-off at the end of 2001 and that only another 1.62 million fell into that category in 2002. But it also reveals that 40.31 million workers were released from state-owned units, and another 20.05 million had to leave collectively-owned ones over the years 1995 to 2002, summing up to more than 60 million people who left their supposed life-long posts.²⁰

Drawing on state sources, a recent article by John Giles, Albert Park and Fang Cai cites the following data from the 2002 statistical yearbook: a decline of 64.6 million in the total number of workers employed in state and collective firms between 1995 and 2001, 46 million from state firms and 18.6 million from collective ones. Yet the

¹⁹An internal report suggested that the total number of the laid-off and the unemployed combined was closer to 60 million as of mid-2001. Wang Depei, "San min yu erci gaige [Three Types of People and The Second Reform], *Gaige neican* [Reform Internal Reference], No. 7 (2001), p. 25. The economist Hu Angang stated that China had laid off 55 million people from 1995 to mid-2002 (*China News Digest*, 9 July 2002).

²⁰Zhongguo tongjiju renkouhe shehuikeji tongjiju, laodong heshehui baozhangbu guihua caiwusi, bian [compiled by the Department of Population, Social, Science and Technology Statistics of the National Bureau of statistics and the Department of Planning and Finance of the Ministry of Labour and Social Security], *Zhongguo laodong tongji nianjian 2003* [China Labour Statistical Yearbook 2003] (Beijing: Zhongguo tongji chubanshe [Chinese Statistics Press], 2003, 135, 20.

authors also state that regime accounts show 43 million workers officially registered as "laid off" as of the end of 2001, of whom 34 million came from state-sector firms.²¹

This seems to mean that, as of yearend 2001, at least 12 million of those no longer in state sector enterprises, and 9.6 million of those once in collectives, all of whom had been there six years earlier (a total of 21.6 million people) were not officially being counted as having been "laid off." These statistics suggest that serious ambiguities, plus substantial gaps, attended the division into groupings--for the purposes of publicity but also of preferential assistance--of workers no longer in their original slots.

This approach in practice differentiated the components of the old workforce into three sets. At the extremes, some were to be retained within their initial plants for their politics, their power, or their talent, and others were to be relinquished, for their worthlessness in the new, emerging world of profits. Among this latter set, some--if they were fortunate--were granted what was usually a one-time or temporary pittance. In the middle were the genuine, state-firm-affiliated "*xiagang*" workers, many, but not all, of whom did get benefits. The purpose of the largesse was not just to ensure the loyalty of these people to the state and a resultant silence on the streets. The program also enabled these individuals to serve as models to the multitude of their less endowed colleagues.

The cream of this crop was composed of one-time activist workers, who had long since been recognized by their superiors for their energy, leadership, competence, and, presumably, their ability to court their cadres. These ex-workers were in league not just with the leaders of their former firms. More importantly, these were people whom

²¹John Giles, Albert park and Fang Cai, "How Has Economic Restructuring Affected China's Urban Workers," *CQ*, No. 185 (2006), pp. 61-62.

enterprise cadres had in the past recommended to their own industrial bureau supervisors for awards, and who, therefore, had shone beyond the bounds of their own particular workplace. Their potential already recognized, during the period of layoffs they not only attracted copious help from those above them; they also became the local state's auxiliary in finding ways to reemploy the less resourceful.

Over the years 1998 to 2002, I steeped myself in the subject of *xiagang*. During the summers I conducted interviews on this topic with scholars and urban officials in Beijing (1998), Guangzhou (1998), Lanzhou (2002), Shanghai (2002), Shenyang (1998), Zigong (2001), and Wuhan (1998-2002, every year). I was also able to talk with over 100 laid-off individuals during these years, the overwhelming majority of whom were in Wuhan. I also read several hundred journal articles and some books on *xiagang* and reemployment during these years. The material and viewpoints in this chapter are informed by all of this data, but especially by interviews in Wuhan.²² My on-the-spot, nuts-and-bolts discussions with a number of bureaucrats from different offices in different cities and over time lent credibility to what any one of them told me at any one stage.

Hierarchy, Horizontal Teams, and Nodes

It is important to reiterate that the only people eligible for any of the Reemployment Project's beneficence were those the regime defined as the true "laid-off" people, the genuine "*xiagang zhigong*." Those fully qualified for the label of "xiagang" were the

²²Giles, Park and Cai, *op. cit.*, found that of the five cities in their survey (Fuzhou, Shanghai, Shenyang, Wuhan, and Xi'an), Wuhan had the highest unemployment rate as of November 2001, at 16.8 percent. Shenyang and Xi'an are also usually considered to be cities where this problem is serious. This research suggests that the situation of people on the streets must have been comparatively quite severe in Wuhan.

individuals formally furloughed who had previously labored for and belonged to and, after being “laid off” continued virtually to belong to—at least in name—still operating, still singly standing, still extant plants.²³ Strictly speaking, the term applied just to persons who met all three of the following officially designated conditions: 1) s/he began working before the contract system was instituted in 1986 and had a formal, permanent job in the state sector (plus those contract laborers in state firms whose contract term was not yet concluded); 2) because of his/her firm’s problems in business and operations, had been let go, but had not yet cut off “labor relations” with the original firm [which, of course, ipso facto remained in existence]; and 3) had not yet found other work in society.²⁴

In order to be admitted into a reemployment service center, the person had to be allocated a document [*xiangang zheng*] certifying his or her status as a one-time state firm worker. Only those admitted to a center and in possession of this *zheng* were eligible for the basic livelihood allowance and the preferential policies that were devised to accompany it. This is not to say that all those eligible in these ways received any or all of these benefits, but only that those ineligible were never even meant to get them.²⁵

By late in the year 2001, although in everyday parlance the term “xiangang” had become loosely and colloquially employed to refer to anyone who was no longer working in the job s/he once had filled,²⁶ the label had officially become further limited: in

²³In the words of the head of the social security insurance work office of the Wuhan branch of the All-China Federation of Trade Unions, September 13, 2000, “Collective enterprises have no reemployment service center and get no government subsidy; only state-owned enterprise workers are properly *xiangang*.”

²⁴This is in Guo Jun, “Guoyou qiye xiangang yu fenliu you he butong?” [What’s the difference between laid-off and diverted workers in the state firms?] *Zhongguo gongyun* [Chinese workers’ movement], (March 1999), 32, among many other places.

²⁵Interviews, Wuchang, Wuhan district labor market, September 14, 2000; unemployment insurance and employment section of the social security office of the Bureau of Labor and Social Security, Wuhan, August 21, 2002.

²⁶By 2002, even migrant peasants and demobilized soldiers were using the term to describe themselves, though their positions fit none of the requisite conditions. Interviews on the street, Lanzhou, August 13, 2002.

tautological fashion, the person had to come from a state-owned firm, and had to have been entered into a reemployment service center and received a livelihood allowance [*jiben shenghuofei*], a subsidy for which only those from the state firms were eligible.²⁷ In short, these were individuals among the ousted who had formerly been employed in enterprises that, though not highly profitable, were continuing to perform reasonably well. Those in Beijing--and also those in the municipalities responsible for the counting and the catering--concentrated only on serving this subgroup among the removed. The claims that, "about 95 percent of the workers laid off from state-owned enterprises have gotten their basic livelihood allowance" and that "as of the end of last year, we were able to guarantee a basic subsistence for around 95 percent of the laid-off workers" amount to strong clues to this conclusion about tautology.²⁸

Hierarchy

The upper tip of the pyramid of patronage in every city was the place occupied by the urban Bureau of Labor and Social Security.²⁹ It was here that a plan was devised to restrict certain professions to local people, in an attempt to bar peasants from occupying jobs that the laid-off could fill,³⁰ and that rules were established to charge firms hiring peasants an "adjustment fee," [*tiaojiefei*] the proceeds of which were put into aiding the laid-off.³¹ Here too lists were drawn up and passed down the line--from

²⁷Interview with Wuhan trade union officials, October 31, 2001.

²⁸SWB FE/4032 G/9, December 29, 2000, from Xinhua [New China News Agency, hereafter XH], December 27, 2000 and SWB FE/4062 G/3, February 2, 2001, from XH, January 31, 2001.

²⁹In 1998 the Ministry of Labor in Beijing, and all of its subordinate branch offices at lower levels, had their names switched to the Ministry (or Bureau) of Labor and Social Security. For simplicity's sake, since I am concerned here almost exclusively with the work of the labor portion of this bureaucracy, I will hereafter refer to this unit just as the Bureau of Labor.

³⁰Interview with labor bureau, Shenyang, August 18, 1998.

³¹Interviews, Ministry of Labor, Employment Section, September 1, 1998, Beijing; Labor Employment Section under the Bureau of Labor, Wuhan, September 7, 1998.

city district to street office--telling each mass organization which dismissed workers specially needed help.³² Names of those in hardship also traveled back up this ladder.

While the labor bureau and its subcomponents (or, one might say, field offices) at lower levels were to coordinate every aspect of the work, not only governmental agencies but local branches of mass organs, such as the Federation of Industry and Commerce, the trade unions, and the women's federation, also had to become involved, each working with a hierarchy of its own. Surely graft, plus the tendency of some offices to put their own financial goals ahead of the injunction to ease the plight of the expelled, not to mention the insufficiency of funding for the Project's impressive goals, prevented anything like a total execution of the "Reemployment Project," even for all state-connected previous employees. But interviews and observations attest that much work was undertaken in the service of assisting this particular subclass among the now unemployed.

Also at the city level, labor officials devised sets of targets and quotas to govern a wide range of behaviors involved with the operations of laying off and reemployment. One type of quota determined how many discharged people were to be settled [*anzhi*] into some sort of new position, figures then handed to each bureau or holding company, and thence down to the enterprises for which a given bureau was responsible.³³ Each enterprise also received quotas for the number of layoffs it was to enforce.³⁴ A district labor market director in Wuhan reported that the government had also specified

³²Interview with Industrial-Commercial Bureau, Wuhan, September 15, 2000.

³³Interview with Wuhan planning commission, September 9, 1998.

³⁴Interview with Tang Jun, deputy director of the Social Policy Center of the Institute of Sociology, Chinese Academy of Social Sciences, Hong Kong, November 16, 2001. See also Tian Bingnan and Yuan Jianmin, "Shanghai xiagang ren yuan de diaocha yanjiu" [Investigation research on Shanghai laid-off personnel], *Shehuixue*, [Sociology], February 1997, 11, which states that, "...each year, personnel are forced to leave according to a certain proportion. This occurs because their upper level gives its enterprises a quota for the number to be laid off [and uses its fulfillment] as one basis for evaluating leading cadres' work."

how many dismissed workers his office was to train in a given year.³⁵ According to one sacked worker, the process of assigning statistics for new placements came from levels above the city: “The state [referring to the province and possibly to the central government above that] gave the city a quota for reemploying and then the city allocated a quota to every unit, according to its size.” Quotas allegedly were extended to governing the numbers of laid-off personnel that any given firm was able to succor at any one time, such that one ex-accountant was forced to wait until other former employees at her firm had departed from her firm’s reemployment center, thereby making a space for her. In the meantime, she received only half the basic livelihood allowance she was due.³⁶

The Bureau of Labor had as its charge the paradoxical task of “constructing” a “labor market,” a job it attempted to accomplish by ordering each urban district to form such a “market” under its own aegis--by providing sites for holding training classes,³⁷ installing job introduction booths, and computerizing information about the demand for and local supplies of workers.³⁸ At the labor bureau’s behest and under its organization, job meets were also held at regular intervals, at which employers in need of hands and people looking for work could get together.³⁹ The bureau also promulgated and arranged for “preferential policies” on loans, licenses, and taxes, regulations that were

³⁵Wuchang district labor market interview, September 14, 2000, Wuhan.

³⁶Interview, Wuhan, September 4, 1999.

³⁷According to an interview with an official at the training office of the Jiang’an district labor market in Wuhan, laid-off workers in batches were given two months of full-time daily training (interview, September 7, 1999). Training was aimed at teaching laid-off people to use computers, cook, and make electrical repairs, obviously calling for assistance from other units in town.

³⁸Interviews, Wuhan Planning Commission, September 9, 1998; Shenyang Labor Bureau, August 18, 1998; Jiang’an district labor market, Wuhan, interview on September 7, 1999. I was told about and visited such sites in Wuhan, Lanzhou, and Shenyang in the late 1990s.

³⁹Wuhan City Labor Market interview, September 7, 2000; interview at Wuhan City branch of the ACFTU, September 13, 2000.

passed along to the labor markets at the city district levels, which, in turn, relayed the information to state firms, whose managers went on to inform their departed staff.⁴⁰ Whether or not all of these programs achieved their goals, certainly large numbers of people severed from their posts did benefit from them. The principle of hierarchy is also illustrated by the staffing of the project for reemployment. In Shenyang, for instance, 44 people were assigned to manage this work full time within the bureau of industry and commerce, while at the district level and below several people handled the work on a part-time basis.⁴¹

Horizontal Teams

By 1998 the entire urban bureaucracy, both vertically and horizontally, was primed to execute the various instructions imparted at the May conference that year, geared to guarantee the basic livelihood and reemployment of staff and workers who had been "laid off" from *state-owned enterprises*. The meeting's "special circular" called for "strong and forceful measures" to ensure the realization of the objectives set forth the previous fall, in the Party's Fifteenth Congress state-owned enterprise-reform plan.⁴² Party leaders took the view that a crucial means for executing that plan was to focus on the well-being of the most potent segment of the expelled workforce, those from the large and medium state-owned firms, so that these firms especially could be thrust into a virtuous cycle of development by reducing their long-standing overstaffing, a product of the planned economy.

⁴⁰Interview at Wuchang district, Wuhan labor market, September 14, 2000.

⁴¹Shenyang, August 19, 1998, interview at Industrial-Commercial Bureau.

⁴²See *GMRB*, June 23, 1998, pp. 1,4.

The political elite saw that this aim could be obstructed were social stability disturbed. And, in turn, its members understood that that possibility would be a function of the degree to which discharged people could meet their daily subsistence needs, a mission the meeting's document deemed the "socialist system's intrinsic demand and the Party and government's responsibility." So not only was restraining angry workers on the roads a high priority; the leadership also saw its own role at this juncture as one of fulfilling an obligation.

To make these priorities into a reality, each individual firm was deputed to install a "reemployment service center."⁴³ These centers were entrusted with caring for those "laid off" from the enterprise. Accordingly, the centers were to disburse monthly living allowances, arrange occupational training, provide job introductions, and contribute to each trustee's welfare payments.⁴⁴ In order to achieve these several objectives, far more organs than just the firm itself had to pitch in; indeed, a wide array of local offices all were called upon to coordinate their work around the objective of making the sackings palatable to their victims. The industrial and commercial system had to agree to simplify registration procedures for ex-workers who took up service work, and sometimes even to waive license fees altogether; while the local tax bureaus had to eliminate the business tax, the individual income tax and the collection of administrative fees for three years for the new tiny ventures started up by laid-off people.⁴⁵

⁴³Other work on these centers, besides that of William J. Hurst, are Feng Chen, "The Re-employment Project in Shanghai--Institutional Workings and Consequences for Workers," *China Information* XIV, 2 (2000), 169-193; and Grace O. M. Lee and Malcolm Warner, "Research Report: "The Shanghai Re-employment Model: From Local Experiment to Nation-wide Labour Market Policy, *CQ*, No. 177 (2004), 174-89.

⁴⁴Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" [In reemployment we must go toward marketization] *Zhongguo jiuye* [Chinese employment], 3 (1999), 19 calls the center a product of "a special historical stage, a transitional measure which can solve its special contradictions."

⁴⁵Interview with a section chief at the city's tax office, September 10, 1998.

State commercial banks were told to institute small-scale enterprise credit departments. Localities were to design measures to encourage existing firms to absorb or otherwise arrange placement for their laid-off. Where conditions were appropriate, Reemployment Project funds were to be used for road construction, environmental protection, tree and grass planting, and public works, so as to create new jobs. Even the news media were corralled into serving as information channels for employment information, job advertising, and consultation, in the interest of “constructing” a “labor market.” A principal aim here was to promote the reemployment of the discharged. All of these efforts called for a great deal of teamwork.

The urban labor bureau’s radius for cooperation extended beyond its local area: Hubei province established an office in Shanghai, for example, to take care of workers it sent to Shanghai for employment.⁴⁶ Matching up each administrative work unit [*shiye*] around the city to one *tekunhu* [household in special difficulty], to offer assistance of various kinds--and in some cases each cadre with one laid-off worker--was also a job entailing much synchronization.⁴⁷ Schools and other competent bodies in the community were urged to provide professional training. One institution that I visited, the Wuhan Modern Household Management Academy, was selected by the city Labor Bureau in mid-1999 and approved by the provincial Education Bureau as a “Labor Reemployment Training Base.” Its work required liaising with the organs managing the laid-off within individual workplaces, in order to solicit students; providing enrollees

⁴⁶Interview with Labor Employment Office under the city labor bureau, September 7, 1998.

⁴⁷On August 28, 1998, an old friend took me to visit the four *tekunhu* families for which his administrative unit was responsible. I heard more about this program from another friend who was employed in a Party media unit on August 17, 2002. In his unit, each of the twenty to thirty departments helped one family. On August 21, 2002, a social welfare officer remarked on the program too, explaining that better-off officials were each to help one family. In a different city, Shenyang, I was told by the industrial and commercial bureau on August 19, 1998 that every cadre in the bureau was assisting one laid-off person, and that altogether a hundred expelled workers had been provided with succor just that year.

with instruction in a skill; and then placing the “graduates,” by drawing upon the academy’s president’s old connections with units such as women’s federation offices, restaurants, and even work places in Beijing, Shenzhen, and Hong Kong.⁴⁸

The urban Bureau of Labor in each city was put in command of a small group made up of representatives from about a dozen relevant departments and organizations, which met once or twice a month to map out strategy and nail down the respective roles of the member units, as well as to ensure their joint efforts in installing and activating the Project.⁴⁹ From the perspective of these bureau officials, the fabrication of a labor market required their involvement, and could not be left to chance. Instead, it was to be the product of bureau cooperation with the city’s economic and planning commissions, its finance and tax offices, and its bureau for industry and commerce, among other offices.⁵⁰

Among the members of the labor bureau-led group was the local branch of the trade union federation, another unit that had a central role in the program. Its cadres’ work necessitated a great deal of interaction with other units. For one, they had to contact educational and academic institutions, in order to meet their assignment from above to set up professional training for the *xiagang*.⁵¹ One example of this was the Wuhan unions’ arrangement of college scholarships for the children of the especial-

⁴⁸Interview at the academy, September 10, 2000. In Lanzhou, arrangements had been made to send laid-off workers to the countryside, to Southeast Asia, and to the coast (interview with labor bureau in Lanzhou, August 14, 2002).

⁴⁹Interviews with officials at the Labor Employment Office of the city labor bureau, Wuhan, on September 7, 1998; at the Qiaokou district Women’s Federation, Wuhan, September 12, 2000; and at the Wuhan branch of the trade union federation, September 13, 2000 all of whom mentioned this leadership small group.

⁵⁰Interview, Shenyang labor bureau officials, August 18, 1998.

⁵¹Ng Sek Hong and Olivia Ip, “Unemployment in China and the All-China Federation of Trade Unions,” in Grace O. M. Lee and Malcolm Warner, eds., *Unemployment in China: Economy, human resources and labour markets* (London and New York: Routledge, 2007), p. 77.

ly-poverty-stricken [*tekunhu*] laid-off workers.⁵² Like their colleagues across the country, the unions in that city also developed over a dozen training classes of various sorts, in which they were able to coach as many as 16,000 people per year.

In their provision of no-interest loans to former workers who became self-employed, the branch union office had to acquire funds from the local offices of the Party; in 1999, in Wuhan a million yuan were amassed and donated to more than 20 enterprises and projects. And in organizing citywide job meets [*ganjihui*], union leaders had to cooperate with the labor bureau, as well as to connect with some one thousand units, of which one third were firms with which they had “very close relations.” In the course of managing the meet, cadres notified every district union, industrial bureau, and general company, which in turn informed each state enterprise under its watch, as well as disseminating the details to the news media.⁵³

Most visibly, the union’s local office selected and fostered models, whose ventures (which they endorsed as “reemployment bases” [*zaijiuye jidi*]⁵⁴) they went on to assure of business success. In Shenyang, an exemplary base of this kind, the “Wu-ai Market” [five loves] provided work for as many as 100,000 individuals.⁵⁵ Union officials could do this only by arranging every kind of preferential policy for the infant enterprises; this called for intervention at the banks, the tax offices, and the industrial and

⁵²Interview with trade union officials, Wuhan, August 19, 2002.

⁵³Interview with Wuhan trade union officials, September 13, 2000.

⁵⁴To qualify as a “reemployment base,” a venture had to hire among its employees at least 60 percent who were without work because of having been laid off; have a stable business scope; produce an item or service with a good market; and it must already have have a worksite. Only the ventures initiated by state-owned-enterprise former workers qualified for this distinction. Information from interview with Labor Employment Office of the Wuhan Bureau of Labor, September 7, 1998. As of August 2000, the trade union was managing a total of 37 such bases, several of which I was taken to see on September 13, 2000. The Shenyang Bureau of Labor was also involved in setting up such bases, which required that it work with the unions and the women’s federation at the district levels, as well as with other government departments (interview at Shenyang Bureau of Labor, August 18, 1998).

⁵⁵Interview November 4, 2001 with labor economist Mo Rong, Beijing.

commercial bureaucracy. My best evidence that the people in charge at the unions took these assignments seriously was a conversation I overheard going on behind my back as I rode in the front of a taxi: the union official accompanying me to observe the “bases” he was sponsoring was explaining quite pragmatically to a co-worker (and not at all for my benefit) how training a laid-off worker to become a cook cost at least 380 yuan just to buy the necessary materials.

Similarly, the womens’ federation also set up training bases, aimed at instructing jobless women to prepare banquets, do sanitation work, repair home computers, and fix broken small appliances. Teaching all of these skills required enlisting the assistance of those in a fair number of pertinent offices outside the federation itself. The same was the case in fulfilling the federation’s mission of establishing a network of job provision, from the city level down to the district, the street, and finally the residents’ committee, at each of which levels a center, a station, a brigade, and a point, respectively, had to do its share. Women were placed by these units in household helper and simple processing jobs,⁵⁶ as well as street cleaning and child minding. The federation also set up registration counters for women within the city and district labor markets, doing which called for cooperation with the labor bureau. Providing for night markets meant working with the industrial and commercial bureau, the transportation bureau, and the public health department, to obtain licenses, stalls, and spots on the street. Helping women to sell flowers at cost, to manufacture small articles of daily use, and to make signboards all demanded good relations with the offices in charge of the requisite materials.⁵⁷

⁵⁶Processing sweaters, for instance, meant getting the materials from the local textile management offices.

⁵⁷Meeting with various level branches of the Wuhan Women’s Federation, September 12, 2000.

The Federation of Industry and Commerce, another “mass organization,” also had its marching orders, duties it could carry out only by interacting with fellow municipal units. This Federation was placed in charge of, among other things, setting up reemployment bases such as restaurants, connecting with state firms to hold its own job meets, and working from a list of names of needy former workers, sent by the city labor bureau, to find placements in the newly forming private sector for those so enumerated.⁵⁸

Those at the nodes

The geometry configured by the pyramids of command, combined with the horizontally cooperative teams centered at city level, turned solid and came to life most dramatically at the nodes where the two networks met. There “reemployment models,” “stars [*mingxing*],” and “model reemployment bases” were made possible, visible and profitable by the concentration of effort and resources that multi-vectored collaboration facilitated. These models and their ventures (actualized in the “bases”) did not spring from nothing. Instead, an urban industrial politics of patronage and alliance, born years before the events of 1998, brought these post-layoff paragons into being.⁵⁹ In what follows I briefly describe and extrapolate from a number of cases that I observed in my 2000 fieldwork/interviews in Wuhan, and from the writing of others who studied this topic.

⁵⁸Interview, Wuhan Industrial and Commercial Federation, September 15, 2000.

⁵⁹Edward Friedman, Paul G. Pickowicz, and Mark Selden, *Revolution, Resistance, and Reform in Village China* (New Haven: Yale University Press, 2005) and *idem.*, with Kay Ann Johnson, *Chinese Village, Socialist State* (New Haven: Yale University Press, 1991) both demonstrate similar patronage alliances in the countryside, during the era of Mao Zedong and after.

In this volume, Kun-chin Lin astutely describes a “reworking of patron-client relations between subgroups of workers and managers,” but his focus is purely within the plant.⁶⁰ William Hurst focuses on “good *guanxi* from the trade union and the party organization [again, looking solely] within the work unit.” Here his interest is in a set of ties that he distinguishes from “*guanxi* outside the firm,” something that, it seems in his account, some individual workers manage to achieve for themselves. It is this latter type of relationship that he considers “the essential determinate of access to capital and market opportunities.” Both these formulations come close to broaching the point I intend to make, but Antoine Kernén’s piece comes even nearer. Kernén makes reference to a “local understanding between bosses of the enterprise and political authorities,” though he neither specifies which “political authorities,” nor does he address the impact of this “understanding” on specific workers.

It is only the chapter by Eva Hung and Stephen Chiu that hints at the phenomenon that I am calling “nodes”: the spots where some individuals and their operations benefited from bonds *both* within *and* beyond the firm. Hung and Chiu quote a person who characterized him/herself as having been “designated a progressive worker in both the factory and the bureau.”⁶¹ This statement indicates a three-way linkage--between a chosen worker, his/her own management, and the industrial bureau supervising his/her enterprise--that formed the foundation for special privilege. Once so singled out for “model” status, the worker in question retained a place of priority, despite discharge.

⁶⁰Andrew G. Walder’s *Communist Neo-Traditionalism* (Berkeley: University of California Press, 1986) was the first to discuss urban patronage politics, but it examines only those within individual plants.

⁶¹Informant from May 2000.

Even the May 1998 document had a pointed stipulation stating that the “various places and levels of party and government to which the circular was delivered “should as much as possible avoid [dismissing] national- and provincial-level labor models,” among other protected personages, such as the disabled. It is likely that those with such an elevated degree of distinction were spared. But, as the Hung/Chiu excerpt above implies, models with lesser status could be let go. Individuals, that is, who were still outstanding (or well connected) enough to be awarded the title of “model,” though at lower echelons than the nation or the province, were not always passed over when the layoffs occurred. These people, already well known to the union and, presumably, to municipal-level bureaucrats (leaders of the bureaus directly above the firms and under the city government), appear to have been picked by their patrons to set up “bases.”

Thus, those who, after discharge, excelled in the new market environment--besides being ingenious and industrious--often had an additional, crucial ingredient at the core of their success. In my official interviews with successful models--all of whom had been handsomely subsidized and boosted in various ways in their businesses by official organs of one kind or another--it was literally astounding how much effort and financial support local governmental offices put into blowing up for mass attention and instruction some discharged darlings.⁶²

As a Wuhan trade union official expressly confessed: “We discover train, and set up [*faxian, peiyang, shuuli*] models, both individual and collective; then we propagate their experiences for other laid-off workers to study.” He went on to explain that

⁶²Various interviews with models supported and showcased by the Wuhan branches of the trade union federation, the women’s federation, and the federation of commerce and industry, September 2000.

the purpose was to “let more laid-offs realize reemployment quickly..most models help other *xiagang*.” As for the selection procedure, he revealed that, “We mainly rely on basic-level cadres (at the district, bureau, company and enterprise levels) to choose them,” uncovering a network of mutual help, patronage, and alliance stringing throughout the city.⁶³ These statements together create the impression that the cases I encountered and, presumably, thousands more like them, operated quite similarly to the exemplars of Mao’s day. The principal differences today are, first, that the models and their mentors are willing to admit openly to the assistance supplied and received; and, second, that the patronage extended during the time of *xiagang* was aimed at priming models for attainment in the market, not, as in the past, at epitomizing ideological rectitude.

Indeed, these state-manufactured “models,” also labeled “stars,” uniformly admitted to having received, as one owner of an automobile parts and repair plant--whose tiny private business had excelled to point where its products were selling abroad at the time we met--“help [from the trade unions, in her case] with every difficulty.”⁶⁴ In another case, at the instructions of the city Labor Bureau, the Federation of Industry and Commerce had sponsored a private restaurant that had become a reemployment base where most of the employees were laid-off workers. In return for the absorption of these hapless laborers (seventy former workers delivered by the district labor bureau’s labor market), city governmental offices had the bank provide a loan; and the district industrial and commercial administration, the trade union and the women’s federation were all called upon to ensure that no income tax and no labor or management

⁶³Interview, September 13, 2000, Wuhan.

⁶⁴Interview at the plant, September 13, 2000.

fees were demanded of the firm. As the eatery expanded, the “government built whatever we needed to have built.” Not surprisingly, the head of the firm was a city-wide Women’s Federation model.

A particularly flagrant case was also a private restaurant run by people who had lost their factory posts, which had become the largest such establishment in all of central south China by the time I visited, able to serve over a thousand guests at one seating! The place had been initiated with a city-government-engineered merger between an old state enamelware plant and another company. There “all the relevant departments [had] assisted with the appropriate procedures.” Empirically, this meant that bureaucratic approval procedures were expedited,⁶⁵ the local press had been told to put out favorable “propaganda,” printing news articles to “introduce” the eatery; and the city government had arranged for pretty scenery in the surrounding environs and turned the street into a specialty-restaurants-only one, aimed at the tourist trade.⁶⁶

A male “star” who ran one of the trade union’s four reemployment bases in Wu-chang had become a manager of a factory manufacturing fire-protection gates and had already hired 126 former laid-off people--all introduced to him by the district trade union’s job introduction center--as of September 2000, when I made his acquaintance. In the early days of his venture, he had some achievement in business, which was discovered by superiors. “All kinds of government departments” then had assisted him in setting up a company. The trade union in particular helped him to connect with other departments, acquiring for him a no-interest loan from the bank, forming for him a

⁶⁵The Qiaokou district government had held a special meeting that all the relevant departments had attended, where they were instructed to facilitate procedures.

⁶⁶Interview at the restaurant, September 8, 2000.

joint-capital [*hez*] company with another firm, and securing a free business license, prestige, and every other kind of preferential policy for him.

Yet one more star, a former workshop leader in her old unit, was introduced to me as a “famous *xiagang* leader.” Her post-plant career had begun as she had organized a group of other laid-off people to do sanitation maintenance work with “a lot of support from the upper levels.” When I met her she was managing a household work agency, again as the recipient of “a lot of support from the upper levels.” The street [*jiedao*] government had given her rent-free office space and a gratis telephone line once she was laid off, and the city Women’s Federation supplied her with air conditioning and got her elected to her residents’ committee. Certainly all of these perquisites depended upon the street office’s and women’s federation’s *guanxi* with a range of other bureaucracies, which, presumably, were also under orders to bolster the opportunities of stars such as my informant. The woman went on to set up a children’s luncheon in a rent-free building, using the fees that parents paid for lunches to fund her (also laid-off) employees’ paychecks.

At the time I saw her, this star had just set up a sanitation company employing 300 laid-off workers; its expenses were met by neighborhood stores and residents.⁶⁷ This capable woman’s previous position as a leader in her unit suggests that she had long possessed the potential for obtaining a point of entree to the new world of business, even despite losing her former position. Still another star had even been visited by state President and Party General Secretary Jiang Zemin. Clearly this recognition amounted to one prong in the publicity about the success possible for laid-off people

⁶⁷Interview, Wuhan, September 12, 2000.

that was meant to inspire other, struggling off-post individuals.⁶⁸ But the subtext here is that no matter how noteworthy, a municipal model could not have attracted the attention of the top personality in the entire country without several intervening layers of patronage having first been set into motion.

The moral of these stories is this: even as an enormous number of workers--including *but by no means limited only to* those people whose positions put them properly into the officially counted category of *xiagang*--were cut off in droves from their once-lifetime posts, models and stars could flourish. Even despite the dislodgings, the political elite did not intend to undo entirely its time-worn alliance with a special segment within its old laboring class (not to mention its ongoing priority for the Party-affiliated, the management, the well-connected and the more educated within the enterprises, who were often able to hold onto their positions).⁶⁹ It was just a special, preferred group among the sacked--those from still extant, state-owned firms of some size--whom the regime considered to be the true *xiagang*, or "laid off"; and there was a tiny segment among these favored former workers who were the chosen targets of a highly restrictive but reasonably effective program of preferential treatment.

Conclusion

The intention behind the entire project, informed as it was by at least some degree of remorse, was just in part to head off resistance. Another crucial objective was

⁶⁸Interview with the Wuhan branch of the Women's Federation, which sponsored this model, September 12, 2000.

⁶⁹See Li and Zhang and Hurst in this volume and Margaret Maurer-Fazio, "In Books One Finds a House of Gold: Education and Labor Market Outcomes in Urban China," *Journal of Contemporary China* (2006) 15, 47, pp. 215-31; also, as one Chinese journal article attests, "Losing one's job is not just because of an individual's own traits. It also happens because of poor interpersonal relations." (Xu Feiqiong, "Zhongguo pinkun wenti yanjiu," *Jingji pinglun* [Economic commentary], 1 (2000), 108).

to jump-start a post-planned-economy labor market.⁷⁰ In this scheme, manufactured “models” were not only backed by those above them--both within and beyond their plants--to put on a good show. They were also charged with forging new enterprises that incorporated substantial numbers of their own confreres. The upshot is that, even as the *xiagang* project threw tens of millions into joblessness and penury, it also honored a bevy of better-off pets.

The urban patronage pyramid and its intersection with official horizontal crews of cadres--all carryovers from the days long before markets were even imagined in the People’s Republic--made all this possible. And the units in this maze (and those who manned them), plus the men and women at the nodes where they meet were, in the view of the top political elite, the potential building blocks--in a transitional phase still underway over two decades after “reform” commenced--that this leadership wished to become the backbone of the new marketplace for labor in the cities.

⁷⁰As sociologist Yao Yuchun, a scholar at People’s University explained to me on September 1, 1998, the Reemployment Project was “a half-planned economic method, whose goal is to develop a labor market.”