Labor Market Reform and The Plight of the Laid-Off Proletariat

Dorothy J. Solinger
University of California, Irvine
October 2001
dorjsoli@uci.edu

The critical human dimension of the "reform" of state-owned enterprises revolves around the disposition of factory labor. While about one third of the prior workforce has been considered for some years to be surplus,[1] a multitude of laborers who had been at work until recently have been summarily sacked (loosely labeled "laid-off" [xiagang, or, literally, "descended from a post"]) since the mid-1990's,[2] especially after the Fifteenth Party Congress in September 1997.

---

[1] Li Bao and Xie Yongjun, "`Yinxing shiye' yu `yinxing jiuye'," [Hidden unemployment and hidden employment] work], Zhongguo laodong [Chinese worker] (hereafter ZGLD), 4 (1999), 45-47. They estimate that the hidden unemployed account for 20 to 30 percent of the workforce, totallying some 20 to 30 milllion workers, or five to six times the number of the registered unemployed. Many other sources, dating back even before the mass layoffs of the late 1990's, say the proportion is one third.

[2] Officially, a xiagang worker is one who meets all three of the following 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 whose contract term is not yet concluded); 2) because of his/her firm's problems in business and operations, has been let go, but has not yet cut off relations with the original firm; and 3) has not yet found other work in society (see Guo Jun, "Guoyou qiye xiagang yu fenliu you he butong?" [What's the difference between laid-

But accurate data are hard to come by, since government statistics are murky, and are often presented in a way that could lead one to conclude that the numbers are not all that large.[3] Regardless of the ambiguities, it is certain that quite precipitously millions upon millions of past renowned, now former workers are comprising a sorry--and terribly sizable--mass of newborn marginals.[4] In the face of this situation, broadcasts, usually from Hong Kong, have been disclosing what seem to be increasingly frequent worker and pensioner street demonstrations and protests.

Yet the casual observer may wonder what the fuss is about. For three sorts of official claims or initiatives, roundly touted in the press, superficially appear to be capable of handling the fallout from the discharges. One of these entails simply trusting to the new labor market that is supposedly emerging from the economic reforms--this

---

off and diverted workers in the state firms?] Zhongguo gongyun [Chinese workers' movement] (hereafter ZGGY), 3 (1999), 32, among many other places).

[3] I have written of this in "Why We Cannot Count the `Unemployed,'" China Quarterly (hereafter CQ), 167 (September 2001), using data available to me through the autumn of 2000.

[4] Recent unofficial calculations concur that the statistical picture is grim: Chinese economimst Hu Angang has figured that as many as 46 million, or, he estimates, one third of existing jobs were eliminated in the last half decade of the century (China News Digest, GL01-049, July 6, 2001), similarly, a Chinese journalist reported that since the early 1990's, more than half the 80 million or so people who had once worked at state-owned enterprises are thought to have been let go (Jiang Xueqin, "Fighting to Organize," Far Eastern Economic Review (hereafter FEER), September 6, 2001, 72-75). And according to a mid-1999 report, some government officials believe the real number of workers who should be counted as unemployed--including all those currently labelled "as waiting for work" but not officially added into the unemployed statistics--could be as high as 100 million (William H. Overholt, "China in the Balance," Nomura Strategy Paper, Hong Kong, May 12, 1999).

allegation rests on a hope that the private and/or the tertiary (service) sectors can absorb these people.

A second effort combines state policy measures with the operation of this incipient market--this is a seemingly generous governmentally-sponsored nationwide "Reemployment Project" that was launched in 1995. And a third represents a herculean endeavor to entrench modalities of relief borrowed from the practices of foreign states that manage capitalist economies, i.e., a new social security net to catch those who have lost their work unit benefits. As a package, these disparate thrusts in the policies aimed at alleviating unemployment--one purely market, one more nearly statist, and one social democratic--demonstrate both the ambivalence and also the transitional nature of the late socialist state's stance toward its old working class.[5]

Most unfortunately, however, none of these measures is seeing much success. Even were each of them to be operating as intended, it would be vastly inadequate--both now and probably even into the future--for coping with the scale of the difficulties. As I will explain in this paper, however, not one of them is working as expected. Indeed, the scene on the streets, along with candid Chinese journal reportage and internal documents, belie the sanguine stories that often attend public governmental communications about the private sector, the reemployment program, and a new welfare system, respectively.

Granted, the picture is not altogether bleak. For some, the release from a state factory job is welcome; it is even requested. This is the case for younger, well-educated, technically skilled workers, ones with opportunities to acquire new positions. A 38-year-old man who had majored in accounting in a technical middle school whom I interviewed in Wuhan in 1999 departed from his post voluntarily in 1997, a move he explained by saying he "felt [he] could get more chances

---

[5] I borrow the term "late socialism" from Li Zhang, Migration and Privatization of Space and Power in Late Socialist China," American Ethnologist 28(1): 179-205.

by leaving the unit." He was working as a manager in a schoolmate's computer company when we met, "definitely making more money than before," while his former firm allegedly held his place, should he wish to return.[6] Another, driving a taxi, was paying his old enterprise 150 yuan per month to retain his position, just in case policy should change. He actually wished to be laid off, as of mid-1999, but his enterprise, preferring to avoid giving him the "basic livelihood allowance" [jiben shenghuofei, on which more later] due to the laid off, refused to release him from its rolls.[7]

In both these cases, former workers were taking advantage of a practice called tingxin liuzhi [stop the wages but keep the position] (or, sometimes, liangbuzhao [after the worker has left, neither of the two parties--worker, firm--calls on the other, but the implication is that the worker can return]).[8] Such arrangements were more prevalent in the late 1990's than they became later on, when mounting numbers of people without posts, available for a pittance, made firms less inclined to retain places for the once departed.[9] It is also clear that those dismissed in wealthier regions such as Shanghai have both more job possibilities once on their own, but also more likelihood of receiving stipends and assistance from their previous plant.[10]

---

[6] Interview, September 8, 1999.

[7] Interview, August 28, 1999.

[8] "Liangbuzhao" is discussed in Jiang Shunxiang, "Shuoshuo `liangbuzhao'" [Talking about liangbuzhao] Lingdao neican [Leadership internal reference] (hereafter LDNC) 11 (1998), 46-47.

[9] Interview, September 8, 1999.

[10] William Hurst has done a pioneering statistical study that shows a positive inverse correlation between rates of layoffs and rates of entering "reemployment service centers" ([zaijiuye fuwu zhongxin], on which more later) at the provincial level, where, he found, much variation exists, based on official data from 1997 (William Hurst, "In

Yet despite these positive signs for some, my encounters with laid-off people in Wuhan in 1999 and 2000 and official interviews there in 2000; plus many journal articles and internal documents, when put together, leave little room for optimism. In this article I draw on dozens of articles from labor-related journals and neibu periodicals from the late 1990's and 2000; talks with approximately five dozen xiagang workers in September 1999 and September 2000; and September 2000 interviews at the Wuhan City labor bureau, the central municipal official labor market, several district-level official labor bureaus, the City civil affairs bureau, the City trade union branch, the City General Trade Union's Professional Introduction Service Center, a residents' committee, the City Women's Federation and some of its branches at district and street levels, a district government office, the city Federation of Industry and Commerce, a household management college which trains laid-off workers, and several model enterprises established by laid-off workers with the assistance of the trade unions, the industry and commerce federation, and the women's federation.

My purpose is to delineate the severe difficulties that the program of cutting back the workforce is visiting upon the great majority of its erstwhile, middle-aged members. I will do this by illuminating the weaknesses in all three of the state's chief undertakings directed at the furloughed. My information goes against the grain of what the Party press publicizes about opportunities in the non-state sector; it also casts a cloud upon reports of the beneficence offered and the possibilities posed by the state's Reemployment Project.

Search of Xiagang: Theoretical Inadequacies, Regional Patterns, Remedies, and Possible Future Trends," paper presented to the 2001 Annual Meeting of the Association for Asian Studies, Chicago, March 24, 2001). I have also compared the situations of laid-off workers in three cities, as of mid-1998, in "Clashes Between Reform and Opening: Labor Market Formation in Three Cities," in Remaking the Chinese State: Structure, Society, and Strategy, ed. by Bruce Dickson and Chao Chien-min, (London: Routledge, 2001), 103-31.

And I challenge the hopes being placed in developing a national-scale social welfare program to replace what was for decades offered by individual work units. This material will serve as background to understanding the demonstrations and protests that so often reach sources outside the People's Republic and that will be discussed in the following articles.

The New Non-State Sector as Refuge?

Through the latter '90's the official media constantly trumpeted the significance of the private sector in providing employment for workers pushed aside by the state sector.[11] Both Premier Zhu Rongji and Minister of Labor and Social Security Zhang Zuoji repeatedly announced that what they variously labeled the non-state sector, the non-public sector, the tertiary sector, or, explicitly, private firms and the service industry should be the engine that churns out multitudinous job opportunities, now that so much of the old working class has, quite literally, landed on the streets.[12]

But such official formulations aimed at enticing urban residents into the new tertiary or private sectors and praising such work apply to the genuine urban private sector, and not to the laid-off workers. Indeed, there has been much fanfare attending the rebirth of the capitalist class, especially in the last few years. In 1999 the

---

[11] Yi-min Lin and Tian Zhu, "Ownership Restructuring in Chinese State Industry: An Analysis of Evidence on Initial Organizational Changes," CQ, 166 (June 2001), 338.

[12] Bill Savadove, "Chinese Reform to Create Big Groups, Sack Millions," Reuters, March 10, 2001 cites Zhang; Summary of World Broadcasts (hereafter SWB), FE/3913, August 9, 2000, G/6-7, from Sing Tao Jih Pao, August 3, 2000 cites Zhu, for just two examples.

National People's Congress amended the state constitution, proclaiming the private sector a "component part" of the national economy.

According to statistics collected at the end of 1999 by the All-China Federation of Industry and Commerce, 31 million single-owner private companies employing fewer than seven employees each altogether engaged as many as 60 million employees, while firms with more than eight employees totalled 1.5 million, and had another 20 million people on their books. Moreover, private companies of all sizes laid claim to registered capital of more than 2,100 billion yuan in all at that point, and had contributed over eight percent of the country's total tax revenues.[13] As of early 2001 the non-state sector was said to be producing 70 percent of the gross national product, though it controlled only 30 percent of national assets.[14]

But activity within the "service sector" conceals an array of subcategories. So when Premier Zhu Rongji called for policies favorable to this industry, it seems he had in mind the development of the information, insurance, and financial services along with the software sector, surely very different segments of this trade from those that could be populated by the laid-off people.

For the shunted-aside old soldiers of socialism, the act of joining in the marketplace that these leaders propose is actually far from a cure. In fact such a project amounts to a big part of their problem, since these workers--middle-aged, undereducated, and unskilled--are so totally ill-equipped to prosper in the high-tech world of the

---

[13] Liu Jie, "Non-State Firms Cry for Help," China Daily Business Weekly, September 10-16, 2000, 2.

[14] Fred Hiatt, "For China, the Most difficult Reforms Lie Ahead," Washington Post, April 1, 2001, B07, citing the think tank of reformer Cao Siyuan. A bit later in the year, Bruce Gilley, "Demand-Led Growth," FEER, July 19, 2001, 49, asserted that, "Beijing is increasingly reliant on the non-state sector, which now accounts for 75 percent of gross domestic product if the collective sector and agricultural output is included."

present day. Credit to be directed to private coffers rarely if at all reaches their stalls: a report on the sector admonished that even the more substantial practitioners in the private sector are seriously restrained by a lack of funding channels.[15] In the especially stricken northeast, people attempting to open their own businesses charged that they were unable to obtain any government support for their little ventures, and were being heavily taxed.[16]

The scene in the cities these days is initially quite deceptive: Along the streets, the service sector, starved nearly to death until the early 1980's, seems full of life, packed with business--or at least with salespeople. You can get your shoes shined for two yuan[17] by three different peddlers on just one block, buy the same pair of nylons for the same 10 yuan five or six times or the same ballpoint pen for two or three yuan in the same lane. Or you can choose any one of 10 pedicabs to deliver you as far as a couple of miles away, for as little as a piddling three to five yuan.[18] But, one must ask: Can those scrambling about in such a bazaar really expect to support a life? A sympathetic writer in a trade union journal worried thusly about the troubles of these workers:

> For a long time, they've been drifting outside the enterprise in a socially marginal situation, especially those in small-scale, scattered, mobile informal departments..They meet up with many problems and annoyances, but lack any organization's loving care, are without any opportunity to get education or to participate in society.[19]

---

[15] SWB FE/3520, April 27, 1999, G/11, from Xinhua [New China News Agency] (hereafter XH), April 26, 1999.

[16] In South China Morning Post, June 7, 1999.

[17] Since a Chinese yuan is equal to about US$.12, this shoe shine would cost about US$.25.

[18] Wuhan street interviews, September 1999.

[19] Xue Zhaoyun, "Dui xiagang zhigong zaijiuye xianzhuang di diaocha, sikao yu jianyi" [Research, reflections, and suggestions about the reemployment

Besides such self-employed city folk, others among the millions of suddenly informal[20] urban laborers work for wages. One of my Wuhan informants was a woman who, first let go by her own firm, had later been dismissed from a private enterprise when its business deteriorated, and was currently dishwashing at a restaurant for 12 hours per day for 300 yuan a month, about US$1/hour. Another, on her third post-enterprise position, was charged with simply standing at the gates of the idle plant where she had once been gainfully, purposefully employed. A third woman did housework when contacted by the Women's Federation, which could be as rarely as just once a month. When she managed to get this very temporary employment, she was paid by the hour, at the measly rate of 3.2 yuan.[21] So in the worst periods this could mean a monthly take of just some 30 yuan!

This set of sobering vignettes that graced the pages of the city paper of Wuhan in early summer 1998 typifies the lot of those who were doing this second, salaried type of informal work, as the numbers making up the new informal class of furloughed workers escalated steadily:

> Now in a lot of units there's irregular use of labor, obstructing the [laid-off] staff and workers' reemployment..The textile trade's reemployment service center is entrusted with 10,000 laid-off staff and workers, of whom about 400 have become reemployed..not one of the 100 units that hired them has taken over social security reponsibilities for them or signed a formal contract.
>
> Three hired as transport workers for a store's household appliance department were paid only 200 yuan after a month, while the store's regular workers' monthly income averaged more than 1,000 yuan.

---

situation of laid-off staff and workers], Gonghui gongzuo tongxun [Bulletin of trade union work] 7 (2000), 10.

[20] The term informal refers to a a kind of labor in which employment conditions are called "flexible," entailing the absence of any entitlements or benefits, a lack of safety and other humane provisions at the workplace, and denial of job security. These shortfalls in welfare tend to accompany a surge in short-term, temporary jobs having these features, and a marked upswing in very petty projects of brief self-employment.

[21] Wuhan interviews in the homes of these people, September 1999.

> According to relevant regulations, staff and workers have a three month-probation period, in which wages are rather low. But after the three months a clothing enterprise fired those it had taken on. Of all those placed out of the [reemployment] service center, 44 percent of the total were soon fired for reasons that had nothing to do with their job performances.[22]

The work described in these sketches is of a type previously performed in cities just by second-class inmigrating peasants.[23] In illustration of the current collapse of status hierarchies, the term "mingong,"--loosely, a label used to specify casual labor, which in the recent past was employed just to refer to surplus rural workers from the interior--in 1998 was used in a Hong Kong paper to designate the urban-registered laid off and unemployed as well.[24]

But despite appearances, the unregulated economic activity of the xiagang does not, like that of the peasant migrants, represent just a straightforward manifestation of the metamorphosis of the Chinese urban economy, some uncomplicated consequence of that system's steadily deepening marketization. Nor do these sellers--as do the peasants newly in town--merely symbolize one more instance of an "informal economy"

---

[22] Changjiang ribao [Yangzi daily] (hereafter CJRB), June 2, 1998, 2.

[23] According to Lora Sabin, in 1987 Beijing, three quarters of the employees in the city's private sector were from the countryside, and by the early '90's, half the labor force (including owners and employees) held rural household registrations. See Lora Sabin, "New Bosses in the Workers' State: The Growth of Non-State Sector Employment in China," CQ, 140 (1994): 944-70. Also, Shi Xianmin, "Beijing's Privately-Owned Small Businesses: A Decade's Development," Social Sciences In China 14, 1 (Spring 1993), 161-62. In Wuhan, reportedly, a 1998 investigation of 50 local large-scale private firms, done by the city's Federation of Industry and Commerce, revealed that on the average 42 percent of their combined 6,286 employees were laid-off staff and workers, and in some firms the proportion went as high as 92 percent. In such firms, "outside" [meaning peasant] labor was used a lot in the recent past. This is in CJRB, June 14, 1998.

[24] Ming Pao [Bright Daily], February 12, 1998.

resulting from the widespread process of privatization[25] that is attending the advance of capitalism on a global scale.[26] It is also inappropriate to view their labor as the latest incarnation of the secondary sector of China's longstanding "dual market," as if a market, operating according to principles of supply and demand, had merely become bifurcated along some new fault line.[27]

Yes, these people are operating in a kind of secondary labor market. For, as in what is usually branded as the "secondary economy" across the world, these people, along with the rural migrants, do hustle

---

[25] At the same time that employment in state units dropped 19.6 percent between 1995 and 1998, jobs in urban privately and individually-owned enterprises increased by 44.8 percent, according to the figures of economist Hu Angang (as cited in the journal Jingmao daokan [Economic and trade guide], December 30, 1999, in SWB FE/3750, G/10, January 29, 2000; XH announced in late 1997 that between 1991 and 1995, self-employed and private business provided 40 percent of the newly created jobs in cities (SWB FE/3098, G/5, December 10, 1997, from XH, December 9). As for the lately laid off, in particular, a 10-city study of 553 reemployed staff and workers undertaken in 1999 with help from the trade unions found that 77 percent of those queried had switched from state to nonstate firms, half of whom went into the private sector (Xue Zhaoyun, op. cit., 8).

[26] P. Connolly, "The Politics of the Informal Sector: A Critique," in N. Redclift and E. Mingione, eds., Beyond Employment: Household, Gender and Subsistence (Oxford: Blackwell, 1985) and Alejandro Portes and John Walton, Labour Class and the International System (New York: Academic Press, 1981). Both these works are cited in Michael Pinches, "`All that we have is our muscle and sweat': The Rise of Wage Labour in a Manila Squatter Community," in M. Pinches and S. Lakha, eds., Wage Labour and Social Change: The Proletariat in Asia and the Pacific (Clayton: Centre of Southeast Asian Studies, Monash University, 1987), 104.

[27] Louis Putterman, "Dualism and Reform in China," Economic Development and Cultural Change 40 (1992), 467-93; and Flemming Christiansen, "The Legacy of the Mock Dual Economy: Chinese Labour in Transition, 1978-1992," Economy & Society 22, 4 (1993), 411-36.

to make their living in a sector comprised of marginal and/or denigrated laborers who have been relegated to the least desirable and most unstable work available. But for at least three reasons--their social trajectory, state policies, and the stiff competition many of them face from the migrants--these people are not a part of the standard "private economy" so common across the "developing" world.[28] Thus we cannot project for them and their enterprises the usual hopes of ascent associated with a true private sector on the make.

To begin with their life course, these laid-off workers have emerged from very different social and political processes from those of others doing business in the cities today. Their paths to the market have been quite distinct from the routes traveled by the members of the "floating population"--the rural migrants who arrived in urban areas en masse after the early 1980's and who, in their origins and aspirations, much better approximate secondary, private, informal workers elsewhere.[29] Their road into the "business world" has also diverged significantly from the avenues that brought into commerce the members of the new urban private sector, encouraged to go there by the advent of market reforms. Unlike informalites in other places, the furloughed

---

[28] For instance, see Lawrence a. Chickering and Mohamed Salahdine, eds., The Silent Revolution: The Informal Sector in Five Asian and Near Eastern Countries (San Francisco: ICS Press, 1991); Alejandro Portes, Manuel Castells, and Lauren A. Benton, ed., The Informal Economy: Studies in Advanced and Less Developed Countries (Baltimore: The Johns Hopkins University Press, 1989); Hernando de Soto, The Other Path: The Invisible Revolution in the Third World (N.Y.: Harper & Row, 1989); and Saskia Sassen, The Mobility of Labor and Capital: A Study in International Investment and Labor Flow (N.Y.: Cambridge University Press, 1988).

[29] My book, Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market (Berkeley: University of California Press, 1999) treats the case of this group in detail.

urban people on Chinese streets today are not situated in this niche voluntarily in order to build businesses or to amass capital.

The "floating" salespeople and service providers, like informal sector workers elsewhere around the globe, lead lives which, no matter how bitter, have generally improved significantly in material terms as a result of their having joined these markets. This is evident if we compare their new lives in the city with what their existence--whether in poverty-stricken rural areas or in other, poorer countries--was like before they entered the urban secondary economy.[30] But in the case of the xiagang merchants we find people who are decidedly downwardly, not upwardly, mobile, as they move from the plants out to the sidewalks.

Ironically enough, in its march toward modernization and economic reform, even as the Chinese leadership has unleashed and encouraged the forces of the market, at the same time it has arrested the full unfolding of some of the chief social processes that generally emerge from marketization elsewhere. Thus in China, instead of the advancing affluence, rising levels of education, and embourgeoisment of a large section of the working class that took place in many societies along with economic development--and quite markedly so in China's East Asian neighbors, South Korea, Japan and Taiwan--the particular form of marketization of the old Chinese urban economy represents a regression, not an ascent, for the xiagang workers, who today comprise quite a numerous portion of the urban populace.

The overwhelming majority of them were deprived of formal education from having been compelled to quit school and join in the

---

[30] See Michael J. Piore, Birds of Passage: Migrant Labor and Industrial Societies (Cambridge: Cambridge University Press, 1979) for the classic statement of this phenomenon. According to David Stark, the "second economy" is "a broad range of income-gathering activity outside the boundaries of the redistributively coordinated and managed economy" (in "Bending the Bars of the Iron Cage: Bureaucratization and Informalization in Capitalism and Socialism," Sociological Forum 4, 4 (1989), 637-64).

Cultural Revolution (including, for most, a lengthy stint in the countryside) over a decade or so after 1966, and therefore lack any skills. Study after study more or less replicates the findings of sample research done in 1996 nationwide by the State Statistical Bureau. That inquiry discovered that as many as 57 percent of those laid off had been educated only up to junior high level; another 14 percent had received just a primary school education or even less. As many as 70.4 percent were between the ages of 25 and 44, while another 18.5 percent were over 45. Women accounted for a total of 64.3 percent of the sample, though they accounted for under half the workforce before the sackings started.[31]

The laid off also have little in common with the entrepreneurs whose roots are urban who appeared in open markets in the cities beginning in the early 1980's. For these businesspeople set out from the start to become capitalists, if often just petty ones. They were young people waiting for their first state jobs, ex-convicts, demobilized soldiers, blue collar workers from collective firms, administrative functionaries and state purchasing agents, and, especially in more recent times, more powerful, high ranking officials, army officers, and state enterprise managers.[32] All of these were people who had the drive and determination to succeed on a path of

---

[31] For one example, see Ma Rong, "Dui guoyou qiye zhigong xiagang yu zaijiuye wenti di renshi" [Thoughts about state enterprises' staff and workers' layoffs and the question of reemployment] ZGLD 2 (1998), 12.

[32] See David L. Wank, Commodifying Communism: Business, Trust and Politics in a Chinese City (New York: Cambridge University Press, 1999); Susan Young, Private Business and Economic Reform in China (Armonk, N.Y.: M.E. Sharpe, 1995); Ole Bruun, Business and Bureaucracy in a Chinese City: An Ethnography of Private Business Households in Contemporary China (Research Monograph 43. Berkeley: Institute for East Asian Studies, University of California, 1993); and Ole Odgaard, "Entrepreneurs and Elite Formation in Rural China" Australian Journal of Chinese Affairs 28 (1992), 89-108.

upward social advance, the most successful of whom were favored with access to funding and personal relationships that certainly smoothed their roads. These inclinations and advantages do not characterize the laid off struggling to extract the bare wherewithal for their existence.

So the sidewalk vendors who once manned the factories are, most probably, not among the numbers of the successful salespeople so celebrated by the official press. The media is in fact conflating rhetorically two very different "private" classes, one more akin to a bourgeoning big bourgeoisie, the other to a lumpenproletariat, though both outside the state. And laid-off workers share neither the backgrounds nor the mobility tracks of the more typical tradespeople.

A second factor setting apart the furloughed from the typical informal-sector trader is that the state and its policies have loomed and continue to loom much larger in the fate of the former than they have for any other group of people in urban markets. For a start, one could make a credible claim that it was largely the state, rather than the market, that has produced these curious private-sector workers in the first place. This newly forged segment of the urban populace emerged as the Chinese state abandoned its putative past political partner, the working class, in a step it disingenuously justified as being in labor's own "long-term interest."[33] Just as the sacking campaign was getting underway in force, the 1997 May Day editorial in the Party paper, the People's Daily, admonished its readers that, "It's possible benefits of some workers may be temporarily affected. Seen

---

[33] Jingji ribao [Economic daily] (hereafter JJRB,), April 27, 1998; Deng Baoshan, "Zhengfu, qiye, he xiagang zhigong zai zaijiuye gongcuozhong de cuoyong" [Government, enterprise, and laid-off staff and workers' role in reemployment work], ZGLD 3 (1999), 11; also see Zhu Rongji's speech in Tianjin, from Jingji guanli wenzhai [Economic management digest], in Gongyun cankao ziliao [Workers' movement reference materials] (hereafter GYCKZL) 3 (1998), 5.

from long-term benefits, the pains are worth enduring."[34] Thus, these one-time workers have found themselves in their present place because state policies snatched their former rice bowl away, and for them there is no other means of survival.

The state's involvement in the formation of this portion of the informal sector is distinctive in another way. To a large extent the so-called emerging "labor market" of the laid off lacks demand-driven economic activity. This is the case because, given the enormous proportions of the state's program of enforced dismissals, plus the unspecialized nature of the labor the affected workers have to offer--because of their stunted training histories, an effect of earlier Party policy--their output and sales are by no means a response to market needs.

As compensation for its rejection of the bulk of the old working class, among other steps, the government has promoted a set of "preferential policies" aimed at facilitating and enhancing the income-earning possibilities of the laid-off workers. These measures include reduction or elimination of taxes and fees and free business licenses for their little ventures; a guaranteed plot of turf on the sidewalk or in a market for his/her new informal business; and help from the trade unions, local branches of the Industry and Commerce and Women's Federations, or from their neighborhood committees, in finding jobs and in occupational training. There are also policies meant to entice enterprises that are still in operation to hire the laid off.

But in some ways the effect of these policies is only to encourage behavior that further undermines the situation of the furloughed. For instance, one account speaks of enterprises [which]:

> are even bold enough to try to fool the government which has preferential policies like tax breaks for businessses that hire unemployed workers. First, they recruit laid-off workers to take

---

[34] Renmin ribao [People's Daily] (hereafter RMRB), May 1, 1997, in SWB FE/2908, May 2, 1997, G/6.

> advantage of the preferential treatment and then fire them within several months, giving various excuses.[35]

Even when they do engage furloughed workers, some firms play on the workers' eagerness to find new jobs, refusing to give them wages equal to regular workers, though they all do just the same work.[36] In other words, preferential policies, by gearing the incentives of factory managers only to hiring, but not to retaining, furloughed workers, often serve to intensify the mistreatment that informal labor always suffers. Overall, then, it is statist measures, and not economic forces by themselves, that have engendered the present surge of unemployment, even as new statist policies are being put forward in an often luckless effort to deal with it.

A third factor that separates the xiagang entrepreneurs from ordinary informal sector traders is the disadvantage they suffer from the presence in the markets of the rural migrants, people much better placed than they to earn a living informally. Since the urban ex-workers have spent their adult, working lives at factory machines in the cities, most have not had an opportunity to acquire either the brawn or the specialized service skills that are the mark of the farmer or the rural craftsperson. By contrast, the capabilities that peasants developed in their past pursuits enable them when in town to outcompete urbanites in a number of critical trades (but not in all occupations).[37]

---

[35] SWB FE/3241, June 1, 1998, G/7, from XH, May 29, 1998.

[36] Ibid.

[37] Informants have told me that city rules sometimes do prevent open competition between peasant migrants and urban laid-off workers. This is the case, for instance, in the pedicab trade. Migrants, forbidden by city law from operating in it, wait to work until evening when the police have left the streets to board their vehicles. This enables the xiagang to monopolize the roads during the day, at least. Interview, September 16, 2000.

In particular, former peasants frequently enter the fields of construction and marketing, both of which are natural outlets for competencies honed in the countryside. As one of my ex-worker informants who was attempting to make his way as a vegetable vendor complained,

> Peasants have influenced my business. They can work hard, eat worse food, carry heavier things. They're fierce competition.[38]

He could also have mentioned the surely stronger supply lines backing up the business of his rustic rivals.

As for those hoping to do waged work, though state policy demands that let-go, rehired urban workers draw better pay than peasant migrants laboring in city enterprises, and requires that they receive basic welfare benefits that are denied the peasants, the urbanites often enough still lose out. For many firms prefer to take on the lowest-paid, least-entitled laborers, and especially if they--as ruralites in the metropolis often are--are willing to work under inferior conditions.[39]

---

[38] Interview, September 16, 2000.

[39] Beijing daxue zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu [Beijing University Chinese Economy Research Center Urban Labor Market Task Group], "Shanghai: Chengshi zhigong yu nongcun mingong di fenceng yu ronghe" [Shanghai: Urban staff and workers and rural labor's strata and fusion] Gaige [Reform] 4 (1998), 105-107 discusses this problem. Thanks to Barry Naughton for sending me this article. The authors note that "outside labor"'s average wage as of 1996 was less than half that of an urban migrant's, and that the rural worker's labor productivity was often 50 percent above that of the urbanite's. Taking into account these issues, along with the welfare paid for locals, the overall cost differential was more than five to one. Additionally, the rural outsiders tended to be younger than the laid-off city workers and more often male, while the percentage of them educated at junior high school level or above was twice as great as that for the laid-off factory workers (among the outsiders, the figure was 12.7 percent, while it was only 6.7 percent of the locals).

Even where there have been governmental injunctions to cut back on rural workers--such as regulations dividing jobs into three categories (those for which peasants were not permitted to be hired, those for which they could be hired only if there were an insufficient urban labor supply, and those for which they could be hired), the repeated promulation of these rules suggests that they are not being heeded.[40]

In sum, the dispelled state workers who appear to be joining the ranks of the entrepreneurs are really people on a very different route, put there more by the regime than by the market or their own motivation, and floundering to hold their own in a realm where buyers are not much interested in their wares or their services, an arena occupied much more successfully by their competitors, whether rural or urban.

The "Reemployment Project" and its Shortfalls

As early as 1994, an experimental program, the "Reemployment Project" (REP), was piloted in 30 cities, and then extended nationwide the following year. It comprised a monumental effort directed at a sadly overambitious aim: to somehow arrange for the settlement of all the laid-off workers.[41] But there were critical limitations on the entire endeavor from the start--a scarcity of funds; a widespread

---

[40] For instance, see Foreign Broadcast Information Service (hereafter FBIS), February 23, 1995, 68; March 16, 1995, 33; April 10, 1995, 46; and June 28, 1995, 81 for some of the earlier rulings. See Xiao Lichun, "Shanghai shiye, xiagang renyuan xianzhuang ji fazhan qushi" [Shanghai unemployment, laid-off personnel's situation and development trend] Zhongguo renkou kexue [Chinese population science] (hereafter ZRK) 3 (1998), 26-37.

[41] 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 [Social science documents publishers], 1998), 86.

connection of the unemployed with firms that had either gone bankrupt or were suffering serious losses and deeply in debt;[42] incalculable levels of corruption among local cadres and firm managers, who intervened between policymakers and intended recipients, taking substantial cuts, to put it kindly; and, perhaps most serious, a vast insuffiency in the supply of potential work posts in the economy.[43]

The REP was designed as a set of transitional measures to insure that the laid offs' basic livelihood and their opportunities for work could be provided during the time when the country's nascent labor market was admittedly yet imperfect and the nation's social insurance system incomplete.[44] The project was initially billed as resting upon four pillars: a form of unemployment insurance, professional

---

[42] 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 (1999), 10, laid-off workers let go by enterprises losing money represented 67 percent of all laid-off workers as of the end 1998.

[43] According to Zhang Handong, "Dangqian zaijiuye gongcheng de qi da wuqu" [Seven big misunderstandings in the present reemployment project], LDNC 7 (1998), 27, "to solve the problem of reemployment for the unemployed, the laid-off, and surplus labor, we lack at least 30 million jobs."

[44] Wang Dongjin, "Jianchi zhengque fangxiang, fahui xuehui gongneng wei jianshe you zhongguo tese di laodong he shehui baozhang shiye fuwu" [Persist in an accurate direction, foster competence in studying, to serve in developing a labor and social security enterprise with Chinese characteristics], ZGLD, 4 (2000), 5; Shen Wenming and Ma Runlai, "Zaijiuyezhong de zhengfu xingwei" [The government's behavior in reemployment], ZGLD, 2 (1999), 19; Lei Peng, "Zhigong peixun yu jiuye cujin--chengshi fupin de zongyao" [Staff and workers' training and the promotion of reemployment--the important path in subsidizing urban poverty] LDNC, 11 (1998), 30-31.

introduction services, retraining, and labor service enterprises.[45] Shanghai pioneered a model "reemployment service center" [zaijiuye fuwu zhongxin] which was to caretake or act as "trustee" [tuoguan] for furloughed workers for a three-year period from the layoff date for each. Its activities entailed disbursing "basic livelihood allowances" [jiben shenghuofei] to them (monthly grants for three years or a large, one-time settlement)[46]; paying into funds for their medical insurance and pensions; retraining them; and finding them new employment.[47] Such centers subsequently proliferated nationwide, sometimes at the firm level, other times for a trade as a whole.[48]

---

[45] Wang Tianxing, "Kunjing yu chulou" [Difficult straits and the way out], Shehuixue yanjiu [Sociology research] 6 (1997) in Xinhua wengao [New China documents] 3 (1998), 25.

[46] According to a Beijing journal, Dangdai sichao [Contemporary Trends], April 20, 1997, 31-33, severance pay in 1997 could amount to anywhere from 200 to 500 yuan per year, depending on years of service, but the total did not exceed 10,000. As the article noted, however, "Compensation this low is not sufficient for the staff and workers to sustain a basic livelihood in the future." See SWB FE/2957, June 28, 1997, S1/3.

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

[48] For instance, in Wuhan in 1998 the entire textile trade entrusted its 10,000 cut-back staff and workers to one service center. The work of that center is described in a document handed to me privately in summer 1998 in Wuhan, "Wuhan Shi fangzhi zaijiuye fuwu zhongxin yuncuo qingkuang huibao" [A summary report on the operations situation of the Wuhan City Textile Reemployment Service Center], prepared by the center, Wuhan, March 18, 1998.

Those eligible to be termed xiagang according to the official definition[49] are supposed to be (but, in practice, by no means always are) the target of a set of active labor market policies, taking the form of the so-called "preferential policies" for these workers detailed above, once they produce their laid-off certificate [xiagangzheng].[50] One former worker with whom I spoke, laid off in 1995, however, had only received her certificate a full three years thereafter, in September 1998.[51]

Overall, implementation of the preferential policies has been politely termed "not ideal." This is because, one critic explains,

> The departments [that could otherwise collect taxes and fees and issue licenses] block the way, so it's hard to coordinate all the regulations.[52]

Another noted that,

> In most markets the policy is not realized. The problem is the department's own interest [won't be served], the quality of those enforcing the law is low, and supervision is lax.[53]

Or, in the vivid explication of the Anhui branch of the official trade union:

> If a firm employs laid-off people amounting to more than 60 percent of its workforce, it's supposed to get a three-year cut or elimination of its income tax.[54] But any firm absorbing this many laid off can't break even, not to speak of reducing its income tax..Or a laid-off laborer doing individual [geti] business should be able to be tax-exempt if his/her monthly business volume does not exceed 400 yuan; but doing only 400 yuan of business would

---

[49] See note 2.

[50] Those who meet the criteria for xiagang (in note 2) are qualified to obtain such a certificate.

[51] Interview, September 2, 1999.

[52] Xue Zhaoyun, op. cit., 10.

[53] Anhuisheng zonggonghui diaoyanshi [Anhui province general trade union investigation and research office], "Anhuisheng zaijiuye qingkuang yanjiu" [Research on the situation of reemployment in Anhui province], ZGGY, 2 (2000), 18.

[54] One place this ruling appears is XH, April 14, 1999, in SWB FE/3509, April 15, 1999, G/5.

> only produce 50 yuan of profit. If their business made so little profit they wouldn't even do it. So in most markets these policies are not realized.[55]

In Wuhan in 1998, the city paper even admitted that, although the city's industrial-commercial bureau claimed that the policy of reducing and exempting fees for the laid off was being implemented, laid-off workers selling in the meat markets had never even heard of such a regulation.[56]

Laid-off workers who have been fortunate enough to receive a xiagangzheng are allegedly eligible for the "basic living allowance." The amount of these allowances varies among cities, but are meant to be uniform within them. Wuhan, for example, publicized a standard payment of 280 yuan per month as of autumn 2000,[57] itself hardly enough for eking out an existence. But in my own interviews with some 50 laid-off workers toiling on Wuhan streets in September 1999 and 2000, I almost never met anyone who was obtaining the full amount due.[58] The Hubei provincial branch of the official trade union sampled nearly 2,500 workers in 10 cities of the province and found that only 36 percent were getting the allowance.[59]

---

[55] Anhuisheng, op. cit., 18.

[56] CJRB, April 23, 1998, 4.

[57] Interviews, head of social security work section of the Wuhan branch of the All China Federation of Trade Unions, September 13, 2000 and Wuchang district labor market, September 14, 2000.

[58] One ex-worker, on September 9, 2000, told me that she was supposed to be getting 120 yuan per month but only receives 102.30 yuan. Many said they got nothing or got some money for awhile which had since dried up. One, who had obtained a one-time payment of 15,000 yuan upon being let go termed that money "meiyou yong" [useless], because it was so little (interview, September 9, 2000).

[59] N. a., "Guoyou qiye zhigong fenliu ji xiagang qingkuang di tongji diaocha" [Statistical investigation of the situation of state-owned enterprise staff and workers' diversion and layoffs] ZGLD 6 (1998), 45; and Hubeisheng zonggonghui, op. cit., 18.

Though in principle enterprises with laid-off workers, as well as every street committee [jiedao weiyuanhui], are charged with setting up a reemployment service center,[60] one typical former employee of a state plant did not even know whether or not her unit was running such an agency.[61] Another had been dismissed by a unit with a center, but felt that "going there is no use...there's so many laid-off workers...the center couldn't possibly manage to help them all."[62] A former footwear firm laborer, laid off some years earlier, confided in September 2000 that he had supposedly "entered" a reemployment service center a year and a half before we met, and even signed a contract with the center. But, he concluded, "Entering the center is useless [meiyou shemma yong]." For, ever thereafter he had

> received no money, got no training, no placement, heard nothing...What the upper levels talk about is completely different from what is done below [shangmian shuode, xiamian zuode, wanquan butong],

he grumbled.[63]

An official at the Wuhan branch of the trade unions explained in autumn 2000 that of the 400,000 staff and workers in the city who were "surplus workers" [still stationed in a firm but without any work to do], laid off, or attached to firms that had stopped producing [tingchan], just 76,000, or 19 percent, had even been assigned to such a center.[64] On a national scale, a 1997 study of the lay-off, rechanneling [fenliu], and reemployment schemes in all state-owned single-venture enterprises discovered that the majority of laid-off

---

[60] Interview, Wuchang district labor market, September 14, 2000.

[61] Interview at a night market, September 9, 2000.

[62] Interview, September 6, 1999.

[63] Interview, September 16, 2000.

[64] Interview, September 13, 2000.

workers were not entering a reemployment center, while as many as a half were getting no livelihood allowance at all.[65]

And though nearly 30,000 job introduction centers had been set up nationally the summer of 1997, those in urgent need of work who actually found some through such units comprised fewer than 20 percent of all unemployed people at that point.[66] Training projects too seem often to miss the mark: instruction was offered without regard to market demand; furthermore, when the requisite official funds don't arrive, the laid off most often cannot afford to pay for themselves.[67] One source from late 1997 asserted that an investigation had found that a mere 3.5 percent of the laid off were participating in training programs, and most of the others felt that even at half-cost the classes were beyond their ability to pay.[68] In 1999, as many as four thousand illegal professional job introduction organs were brought to light, while another five hundred or so were banned for having seriously contravened regulations.[69]

---

[65] N. a., "Guoyou," op. cit., 45.

[66] SWB FE/2993, August 9, 1997, S1/2, a translation of Bo Qiangzhong, "Employment: A pressing issue at the end of the century," Renmin luntan [People's Forum], 5, (1997), 42-43.

[67] Shu Xinwen, "Xiagang zhigong dapandian" [A large inventory of the laid-off staff and workers], ZGJY 7 (2000), 47. An official at the Wuhan trade union branch office said (interview, September 13, 2000) that in training a laid-off worker to become a cook, just buying the necessary materials costs at least 380 yuan.

[68] Li Zhonglu, "Zaijiuye gongcheng di diaocha yu jishi" [An investigation and on-the-spot report of the Reemployment Project], GYCKZL, 11 (1997), 18.

[69] Laodong he shehui baozhangbu, guihua caiwusi tongjichu [Statistical section of the planning and financial affairs office of the Ministry of Labor and Social Security], "Laodong he shehui baozhang shiye fazhan

Besides all this, some untold numbers of firms or their reemployment service centers fail to contribute to laid-off workers' insurance funds, despite the demand of official regulations. In early 2000, members of the State Council felt compelled to issue a document ordering the use of legal and admininstrative "supervision" and mobilizing the power of public opinion (as, through exposure in the media) against firms that ought to contribute to pension, unemployment and medical insurance funds but that were either outright refusing to do so, were falsifying reports, or were paying less than they should have been.[70]

The All-China Federation of Trade Unions issued a report in 2000 listing three reasons why all these problems in ensuring workers' reemployment were cropping up: First of all, some firms in trouble could not afford to pay their share of their former employees' livelihood allowances, so they simply refrained from even informing these people about the policy. Then too, furloughed workers themselves, worrying that their benefits would be terminated at the end of three years if they entered a reemployment center, just refused to go. And, most glaringly, the majority of local governments have limited financial ability, so many could not shoulder their share of the expenses if all the local laid off were to enter centers. As a result, they attempted

---

wushinian tongji fenxi" [An analysis of 50 years of development in labor and social insurance], ZGLD, 1 (2000), 52.

[70] Guowuyuan bangongting [State Council Office], "Guanyu jixu zuo hao quebao guoyou qiye xiagang zhigong jiben shenghuo he qiye lituixiu renyuan yanglaojin fafang gongzuo di tongzhi, 9 (2000)" [Circular number 9 (2000) on continuing to do well guaranteeing state enterprise laid-off state and workers' basic livlihood and enterprise retired personnel's pension issuance work], ZGLD, 5 (2000), 56.

to reduce the numbers of takers by setting quotas, leaving multitudes uncovered.[71]

Despite the shortfalls, either out of confidence that the program was succeeding or else from a desire to terminate a hopeless venture, by mid-2000, official announcements appeared that beginning that year the state would cease to set up new reemployment centers.[72] Further, it was decreed, with the year 2001, newly released employees would move directly onto the open labor market.[73] For all the reasons that reemployment programs fall short--whether simply from being based upon wildly inaccurate projections or because of callous malfeasance--the overall outcome has been that millions in the cities who have lost their work and their welfare have no recourse from the state in supporting their subsistence.

Deficiencies in the Program of Social Insurance

In this extended interim period following the cessation of state planning with its generous welfare benefits for city workers, the installation of a genuine social security system--one altogether separate from the enterprise--is yet under (seemingly indefinite) construction. Officials at the Ministry of Labor went so far as to

---

[71] Zhang Yuanchao, "Guoyou qiye tekun zhigong shenghuo di zhuangkuang ying yinqi gaodu zhongshi" [We ought to raise our awareness of the livelihood situation of state-owned firms' especially difficult staff and workers], Zhongguo gongren [Chinese worker] 7 (2000), 6. Interviewees I spoke with on September 1 and 4, 1999 attested to the presence of such quotas in their firms.

[72] "New Social Security System Draws Up its Curtain in Liaoning Province," Nanfang zhoumo [Southern Daily], July 26, 2001.

[73] Li Jianping, "Wei xiagang zhigong chu `zhongxin' goujian `luse tongdao'" [Construct a `green passageway' for laid-off staff and workers to exit the `centers'], ZGJY, 6 (2000), 22; and interview at Wuhan city Labor Market, September 7, 2000.

admit in 1998 that they could not hope to see the completion of a system that could provide for all workers outside their own enterprise before the year 2020, and that "only if Zhu Rongji could remain our Premier."(!)[74] In the immediate aftermath of the layoffs of the late 1990's, a three-pronged system, dubbed the "the three guarantees," was created to serve as stand-in.

But the will of the state to fulfil these guarantees can be questioned. On the one hand, the frightened regime recognizes that without its providing for the newly poor, a major, serious conflagration could be brewing. Evidence for this was Premier Zhu Rongji's pressing at a mid-2000 forum for setting up a social insurance system, terming this "important, necessary and urgent."[75]

And yet, at the same time, this very regime has in recent years recast as a "burden" what for decades it had viewed as its responsibility to its workforce.[76] So there are orders from above imploring state firms to "improve the balance between their assets and debts and reduce their social burdens."[77] In this same vein, an issue

---

[74] Interview with several officials from the Ministry's employment section on September 1, 1998.

[75] N.a., "Zhu Rongji zongli zai wanshan shehui baozhang tixi zuotanhuishang qiangdiao, "Zai jinnian shixian `liangge quebao' di jichushang, jiakuai jianli wanshan di shehui baozhang tixi" [The Premier emphasizes in the forum on completing a social insurance system, "In this year, on the foundation of realizing the `two guarantees,' [pensions and basic living allowances], speed up the establishment of a complete social insurance system], ZGLD, 7 (2000), 5.

[76] Economist Hu Angang has noted that non-wage benefits and services accounted for as much as 35 percent of the firms' labor costs before reform. Hu Angang, "Policy suggestions to meet the challenges posed by unemployment," in the State Economic and Trade Commission's journal, Jingmao daokan [Economic and trade guide], December 30, 1999, in SWB FE/3750, January 27, 2000, G/12.

[77] SWB FE/3651, September 28, 1999, G/3, from XH, September 26, 1999.

of the People's Daily from late 1999 declared that, "To enable the state firms to realize the goal of establishing a modern enterprise system, it is necessary to extricate them from the burden of supporting social undertakings."[78] [emphasis added] In any event, regardless of the stated intent of the government to re-formalize laid-off labor by building up a proper, full-fledged welfare net, there are strong incentives for enterprises--especially the many which are losing money--to neglect workers' welfare. As they do so, they are transforming once entitled workers into protesters with some frequency.[79]

The three so-called "guarantees" of the interim system are the basic livelihood allowance already discussed; unemployment insurance (for those deemed "unemployed," according to official reckoning, i.e., those whose firms have disappeared altogether, whether by bankruptcy or from having been merged with or bought off by another one); and a minimum cost of living guarantee (for urban residents whose income falls below a locally determined standard for the most rudimentary existence in that place). But in fact these payments are far from "guaranteed." Arrears are often serious, since enterprises in difficulty cannot furnish their share for the first two insurances, while most urban civil affairs departments are not properly funding or advertising the third one.

In the case of the basic living allowance, indebted and effectively bankrupted firms cannot afford the one third of the funds they are charged with contributing.[80] So it means nothing to say that,

---

[78] RMRB, September 21, 1999, 2, in SWB FE/3661, October 9, 1999, G/6.

[79] Feng Chen, "Subsistence Crises, Managerial Corruption and Labour Protests in China," The China Journal, No. 44 (July 2000), 41-63 makes the point that it is only when workers are facing a "subsistence crisis" that they will go to the streets.

[80] Zhang Yuanchao, op. cit., 6.

for instance, at the end of 1999, 90 percent of the laid off were getting their allowances,[81] since tens of millions of those without jobs do not even qualify for the xiagang label for one reason or another[82]--with a very common reason being a firm's lack of funds to pay their allowances! One economist found that in 1997 even for those given an allowance, the average amount they got per month was equal to a miniscule 15 percent of the average worker wage, while those unemployed who did receive compensation just got seven percent of the average wage.[83]

Unemployment insurance, though first established in 1986, began to be allocated actively only in 1993, at which time it was aimed just at urban workers in state firms. In 1998, a State Council regulation decreed that the insurance should be extended to the private and other non-state sector firms. The funds are supposed to be granted, at the rate of about 60 to 70 percent of the previous salary, for the first 12 months if the person had been steadily employed for at least five years, and at 50 percent of their wage for the second year of unemployment.[84]

But an internal report based on a survey by the State Planning Commission's Macroeconomic Research Institute disclosed that as of the end of 1999, 73 percent of households where the head was employed reported they were not participating in the program; only 18 percent said they were, with the others not replying. In four major cities,

---

[81] N.a., "1998-1999 laodong baozhang tongji baogao" [Report on 1998-1999 labor insurance statistics], LDBZTX, 3 (2000), 35.

[82] According to the strict requirements specified earlier. See note 2.

[83] This is according to Hu Angang, in Zhongguo maoyibao [Chinese Trade Paper] (Beijing), November 2, 1999, in SWB FE/3688, G14, November 10, 1999.

[84] Michael Korzec, "Contract Labor, the `Right to Work' and New Labor Laws in the People's Republic of China," Comparative Economic Studies 30, 2 (1988), 138.

just 11 percent were participating, while among the out-of-work, merely 2.89 percent were part of the program. Among those laboring in the private sector, a scant four percent of the employees had been entered into the system as of the end of 1999.[85]

In part the problem here is the low collection rate, since the program is still primarily enterprise-based.[86] While firms in trouble cannot afford to donate, wealthier ones eschew depleting their own capital for the sake of unknown benefactors.[87] As one commentator bemoaned,

> The whole market is in surplus and there is fierce competition, so many enterprises try every method to cut costs..some enterprises in difficulty delay and avoid paying [into the insurance fund], just to go on existing.[88]

And putting even more strain on a fragile fund, at least up through 2000, municipalities were drawing upon these monies for reemploying workers and also for supporting reemployment centers in the city.[89] At any rate, accumulated funds are quite scarce to begin with,

---

[85] Guojia jiwei hongguan jingji yanjiuyuan ketizu [State Planning Commission, Macroeconomic Research Group], "Jianli shehui baohu tixi shi wo guo shehui wending de guanjian" [Establishing a social protection system is the key to our country's social stability], Neibu canyue [Internal consultations] (hereafter NBCY] 511 (May 5, 2000), 10-11.

[86] Yang Tuan, "Jianli shehui baozhang xin tixi di tansuo" [Exploring how to establish a new social insurance system], Lingdao canyue [Leadership consultations] 19 (2000), 16.

[87] 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.

[88] Yi Wen, "Guoyou qiye di shehui baozhang yu ban shehui wenti" [State-owned enterprises' social insurance and managing social problems], ZGJY, 5 (2000), 7.

[89] Teyue pinglunyuan [Special commentator], "Zhuazhu jiyu, jianli he wanshan shichang jiuye jizhi" [Grab the

since the program only recently got underway.[90] Given these figures, it seems incredible that in 1999 nationally the unemployment insurance fund, which handed out just 8.87 billion yuan, carried over a surplus of 2.32 billion.[91] The main reason for the surplus is that so very few of those pushed out of their posts are considered officially "unemployed"; the rest are ineligible for the allocations.[92]

The disbursement of the third plank of the interim social security system, the minimum living standard, depends entirely upon individual city governments, and how much money each allocates to its civil affairs department for this purpose. Often, most who qualify for the funds do not receive it. One writer, noting in a mid-1998 article that 275 cities had established urban residents' lowest livelihood guarantee systems, seemed pleased to announce that somewhat over two million people were getting these funds.[93] But in that year, at least 5.3 percent of the urban population nationwide, or, roughly, nearly 20 million people, were known to be destitute.[94]

One research article stated that in 1998, the urban minimum livelihood allowance nationwide averaged under 150 yuan. Its author noted that a trade union study had revealed the startling information

---

opportunity, establish and perfect a market employment system], ZGJY 5, 2000, 4.

[90] 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), 7.

[91] N.a., "1998-1999," op. cit., 36.

[92] Li and Gao, op. cit. Also, see my article referenced in note 3.

[93] Cui Zhimin, "Zaijiuye, quan shehui guanzhu di huati" [Reemployment, the topic the whole society is concerned about] ZGGR 6 (1998), 7.

[94] Here I am estimating by taking 5.3 percent of the urban population, which in 1998 constituted approximately 30 percent of China's 1.25 billion people.

that only 1.7 percent of the unemployed population was getting relief from the civil affairs departments, those making up another 25 to 35 percent were getting some compensation from their own units, and the rest had no source of assistance at all.[95] And yet that year the central government claimed that nationwide as much as 15.9 billion yuan had been raised for the basic livelihood insurance of the laid off.[96]

The state shows its concern for (or its fears about) the growing numbers of the urban severely poor, of whom the "laid off" and "unemployed" make up a large proportion. Consequently, it designates as being in "special difficulty" [tekunhu] households in which the per capita average income falls below the local standard "minimum livelihood," and has proclaimed them to be deserving of various kinds of particular care.[97] Households in straits are entitled officially to a grant from the city civil affairs bureau, in order to raise their incomes to the city's minimum standard, as well as to other, special forms of charity.[98]

---

[95] Zhang Genming, "`Shiwu' shiqizhong zhongguo renkou jiuye fazhan taishi yu zhengce mubiao" [The situation and policy objective in the development of the Chinese population's employment during the period of the Fifteenth Party Congress], Gaige 4 (2000), 18.

[96] Yang Yiyong et al., Shiye chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, n.d. (probably 1997)), 220. The central government donated 47.4 percent, 24.5 percent came from local finance departments, and 14 percent from "society" (meaning here the unemployment insurance fund, charity, and mass organizations).

[97] Interview with the city's Civil Affairs Bureau, September 11, 2000. In Wuhan's case this amount was then 195 yuan.

[98] Amounts designated vary with the city. The 195 yuan is an increase of 75 yuan per month over the 120 yuan granted in Wuhan in March 1996 when the program started there.

But in fact, many such people fail to receive the funds, perhaps because their residents' committee, which should be taking care of this, fails to do its job. One embittered stall keeper at a local night market disparaged the meager 100 yuan in livelihood allowance that his wife's past employer, an electronics plant, was supplying her as being something "she can use to buy some toilet paper." He added that there was no help coming from the residents' committee, which "can't take care of us" [guanbuliao women].[99]

According to officials in the Wuhan City Civil Affairs Bureau, a number of people amounting to just 0.5 percent of the non-agricultural population there was drawing this allowance in September 2000.[100] And yet according to a study of 13 cities conducted in June 1999, where altogether 3.167 million were counted as laid off, an average of 7.5 percent of the population belonged to this category. Moreover, the study found, in some cities--Qiqihar, Hengyang, and Nanchang--the percentage was far higher, at 18, 14, and 12.2 percent, respectively.[101]

The longer-range vision is to create a stand-alone social security network, comprised of four separate types of insurance: for pensions, unemployment, medical care, and work injury.[102] But obstructing the fulfilment of the state's projections are the refusal or inability of firms to make their contributions to pools, misappropriation of funds, a lack of objective standards in issuing the funds, and problems in

---

[99] Interview at night market, September 12, 2000.

[100] Civil affairs interview, Wuhan, September 11, 2000.

[101] Zhang Yuanchao, op. cit., 4. There is a more specific set of criteria in Wang Shuijin and Bao Guohua, "Tekun renyuan jiuye nan di jiben duice," [Basic measures for the problems in gaining employment among personnel who are in special difficulty], ZGGY 1 (2000), 25.

[102] Wang Qiusheng, "Yingxiang dangqian zaijiuye di zhuyao wenti" [Important problems influencing reemployment at present], ZGJY, 7 (2000), 31.

transferring one's insurance after working many years in a given firm.[103]

Pension reform began as long ago as 1984, and, allegedly, the foundation had been laid by 1998. But the problem, as with other aspects of welfare policy, is that the enterprise remains the basic unit. As of the year 2000, each firm was charged with contributing about 20 percent of its wage bill to the fund, while an insured individual employee had about eight percent of his/her wages deducted.[104] But as the numbers of firms and people paying into the funds decreased annually even as the numbers of workers retiring continuously increased, by 1998 the money needed nationwide had shot up 41-fold as compared with 1980. And with lower administrative levels watching out for their own interests, the provincial pooling operation--aimed at redistributing among localities, sectors, and departments--has been characterized as "feeble."[105]

A table in one journal article showed that in Wuhan at the end of 1999, an incredibly tiny 1.5 percent of those eligible were participating in the socialized issuance of pensions. This was by far the lowest rate nationwide, but the average was also still rather low, at only 53.8 percent in 28 researched cities.[106] The following description from Henan province brings the problems to life:

---

[103] N.a., "Xianji, xiance," op. cit., 4.

[104] This is a variable figure. For instance, at the Hubei Diesel Engine Factory, the basic pension amounted to 29 percent of the total wage bill, and each worker had five percent of his/her pay deducted for this purpose. Interview, September 8, 2000.

[105] Zhao Zhongheng and Wei Zhikui, "Yanglao baoxian zhidu chuangxin yunxingzhong di san da nanti" [Three big difficulties in blazing a trail in running a pension insurance system], ZGLD, 1 (2000), 12-15.

[106] N.a., "Zhongdian lianxi chengshi yanglaojin shehuihua fafang jindu" [Progress in the keypoint socialized issuance of urban pensions], LDBZTX, 6 (2000), 23. In fact,

> After we began provincial pooling, the localities had first to adjust and balance [the funds] within their own jurisdictions. Then, if there were gaps, they sought further adjustment from the province. But the precondition for balancing among localities is that a locality's collection rate reaches 90 percent. [The problem is that] in the absolute majority of localities at present, this rate is not reached. If one place has a gap, even if the individual collection rate [elsewhere in the locality] is 90 percent, [its officials] compare themselves with other places and don't want to contribute, and so city-level balancing falls through. The result is that the provincial-level adjustment fund can't make it.[107]

A survey querying individual household heads directly about their receipt of pensions yielded replies nearly 20 percentage points lower than those collected by the Ministry of Labor and Social Security, which had obtained its data from enterprises and local governments. Both these latter two entities no doubt had altered the data when reporting their statistics to higher levels, so as to appear to be taking care of their retired workers, when, in fact, they may well have embezzled some of the funds. The former survey, targeting households, discovered that among household heads who were out of work in 1998, just 14.4 percent were participating in pension funds, while nationwide the urban covereage rate in firms of all kinds of ownership was only about 40 percent. Even among people employed in state firms, just 51.79 percent had been able to join, this study found.[108]

And yet, officials in the relevant central government agencies believed (or, at least, stated) that in 1999, 98 percent of the pensions

---

Chongqing, Ningpo, Qiungdao, and Pudong showed 100 percent participation rates which, if true, means that other cities must also have been low, given the overall average, though not so low as Wuhan.

[107] Zhao and Wei, op. cit.

[108] Guojia jiwei hongguan jingji yanjiuyuan ketizu [State Planning Commission, Macroeconomic Research Group], "Jianli shehui baohu tixi shi wo guo shehui wending de guanjian" [Establishing a social protection system is the key to our country's social stability], NBCY, 511 (May 5, 2000), 9-10.

that should have been paid had been,[109] with over 188 billion yuan in pensions having been issued, and 13.5 billion yuan of arrears made good. This report claimed that the localities had raised five billion of this and that central financial organs had contributed the other 8.3 billion, with each retired person getting an increase of 145 yuan per month, on average, over the previous year.[110] Surely these figures can be accurate only if the group eligible for pensions is defined quite narrowly.

The state of medical insurance was quite dismal nationwide as well, as of the year 2000. The survey of household heads just referred to found that among employed people, 73.7 percent were not being covered, while another 8.56 percent failed to answer queries about this topic. Among those out of work, a mere 8.23 percent could boast any hope of obtaining recompense for their medical bills. Overall, just about 14 percent of the urban population enjoyed medical insurance in 1999, this investigation found.[111] The Ministry of Labor and Social Security announced that at the end of 1998, 11 million seriously ill and 788,000 others were taking part in the socialized pooling of medical expenses, a figure which surely seems to be only a very tiny proportion of those who ought to be covered.[112]

---

[109] According to N.a., "1998-1999," op. cit., 35, in 1999, 94.33 million staff and workers were participating in the pension program, an increase of 9.57 million over the year before.

[110] Zhang Zuoji tongzhi zai quanguo laodong he shehui baozhang gongzuo huiyishang di jianghua [Comrade Zhang Zuoji--the minister of labor and social security]'s speech in the national labor and social security work conference], LDBZTX, 1 (2000), 5.

[111] The total was dragged down by the private [ge-ti] firms, since among state and collective firms 21.2 percent and 17.12 percent, respectively, were being covered. Guojia jiwei hongguan jingji, op. cit., 11.

[112] Laodong he shehui baozhangbu, op. cit., 54.

Conclusion

This paper has explored the reasons why the current condition of the past proletariat is not just a matter of some people taking up private sectoral jobs as the economy marketizes; nor is their new niche, as it is promoted and sometimes assisted by the government, a typical second economy. As one of my informants in Wuhan declared,

> The Wuhan economy is completely changed. Almost all the old enterprises have gone bankrupt. It's not announced as bankruptcy, but it really is. The government definitely knows these factories are bankrupt, but has no way to manage them...there's just too many.[113]

The material reviewed above demonstrates that in China today--where rampant economic reforming and enterprise dismantling is decimating a great proportion of the old state sector and the work posts it supplied for decades--a place yet without any sort of proper welfare net to catch the discarded as they are pushed aside--unemployment means much more than being out of work on an individual level. Its prevalence signals that there is yet no really operative labor market for the castoffs, nor are old statist measures, such as the Reemployment Project, capable of substituting effectively. Moreover, the gross inadequacies of the inchoate welfare system demonstrate just how far China remains from instituting even the social ideals of a social democratic regime.

I have explicated the mechanisms by which (mainly in Wuhan, but surely in similar ways elsewhere) formal Chinese workers, dignified and advantaged for decades, became idle or informal ones in the late 1990's; I also exemplified some of the modes in which such informality is being manifested. Certainly the circumstances confronting these laborers can help to clarify why many of them have appeared on the streets--some in an effort to scrape out a meager livelihood, many others to march and scream.

---

[113] Interview, September 16, 2000.