

Labor In Limbo: Pushed by the Plan Towards the Mirage  
of the Market

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Introduction

The precipitous, unprecedented sackings of millions and millions of urban industrial workers since the Fifteenth Party Congress of late 1997 have riveted the attention of observers. The picture is of enforced idleness among the workforce, unpaid wages and pensions and steadily escalating numbers of layoffs, accompanied by a mounting drumbeat of strikers on parade along the streets. The usual assumption is that, now that the market and its disciplines have been brought into play, those firms and laborers unable to keep up with the competition just have to go. A second frequently encountered assumption is that these workers are angry and destitute, ripe for uprising. Thus, it appears at first glance that the marketization of industrial output and of labor have produced a situation verging on desperation, both for the redundant workforce and for the state as well.<sup>1</sup>

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<sup>1</sup> Erik Eckholm, "Joblessness: A Perilous Curve on China's Capitalist Road," New York Times (hereafter NYT), January 20, 1998, A1, A8; Matt Forney and Pamela Yatsko, "No More Free Lunch," Far Eastern Economic Review (hereafter FEER), October 16, 1997, 63; Antoine Kernén, "Surviving Reform in Shenyang--New

There is also research on the benefits the state is providing for, and the propaganda the state is presenting to, the furloughed personnel. These efforts appear to be making the process more humane, more palatable.<sup>2</sup> Can both scenarios be simultaneously correct? Are these abruptly jobless people really finding new placements with the aid of governmental programs and preferential policies, or sustained by state payoffs (what's called the basic living allowance)? Or are they mostly left at loose ends on the "market" and ready to rebel? And how much does the market truly drive the process?

I take no issue with the seriousness of the circumstances; nor do I challenge the views that there are bitter ex-employees, some of whom have gone on strike. And neither do I question that the state--both central and local--is concerned and helping. Instead, I provide some alternate images, and offer two observations: The first is that the command apparatus, along with the customary procedures of state planning, have been just as much or even more the pushing force in the layoffs and their alleviation as has the market, though the overall process is full of paradoxes. The second is that many discarded laborers are indeed surviving, if barely, and are neither on the

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Poverty in Pioneer City," China Rights Forum (hereafter CRF), (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, "The Politics of Working-class Transitions in China." Paper prepared for the Conference on "Wealth and Labor in China: Cross-Cutting Approaches of Present Developments," Centre d'Etudes et de Recherches Internationales, December 6-7, 1999, Paris, France (Draft); and Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," The China Quarterly (hereafter, CQ), No. 155 (1999): 44-71.

<sup>2</sup> Mark Blecher, "Strategies of Chinese State Legitimation Among 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; Jean-Louis Rocca, "Three at once": The multidimensional scope of labour crisis in China." Paper prepared for the Conference "Wealth and Labour in China: Cross-cutting Approaches of Present Development," Paris, December 6-7, 1999; Antoine Kernén and Jean-Louis Rocca, "The Reform of State-Owned Enterprises and its Social Consequences in Shenyang and Liaoning" (Ms., 1999); 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.

brink of bursting out in strikes, nor are they relieved very much by governmental largesse. But neither can one conclude that they are absorbed into a labor market.

To begin with, I illustrate paradoxes generated by pretending to proceed in accord with market dictates while instead remaining faithful to prejudices from the time of planning. Next I explore the official explanations for this monumental rush to discharge. I go on to spell out dimensions of it that resemble the methodologies of the supposedly spent command economy, and then highlight the ways in which myths are bolstering the promotion of the market. Finally, I explore survival strategies among some laid-off Wuhan workers struggling to seek their equilibrium as they are jostled between market and plan.

The paper is based on interviews with 30 unemployed workers and a few officials involved in the program of layoffs in Wuhan in late summer 1999; I also consulted numerous journal articles.<sup>3</sup> Wuhan, an old industrial base, where traditional processing industries such as textiles labored with substandard and obsolete equipment; where the state-owned sector was particularly dominant;<sup>4</sup> where economic development slowed down markedly after the mid-1980's, especially in contrast to the coast, in the absence of preferential policies and flourishing foreign trade and investment;<sup>5</sup> and

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<sup>3</sup> Twelve of these people were introduced to me by friends in Wuhan; the other 18 I encountered as my taxi drivers, in markets, working on the sidewalks, or doing janitorial work in my hotel. Those interviews that were prearranged generally lasted at least an hour and a half; those with cab drivers lasted about a half hour and the rest were brief but telling. I also drew on a few books about unemployment, and on over 70 articles appearing in about a dozen national Chinese economic, sociological, and labor journals, mostly from 1998 and 1999.

<sup>4</sup> Even though the state sector's percentage of GVIO has decreased significantly in the 1990's (down to 38.7 percent as of 1997 (Wuhanshi tongjiju, bian [Wuhan City Statistical Bureau, ed.], Wuhan tongji nianjian [Statistical Yearbook of Wuhan, 1998] (Beijing: Zhongguo tongji chubanshe, 1998, 49), as of 1988, in a table of eight cities in the 1989 Wuhan Yearbook, only Xi'an, where the state sector accounted for 81.66 percent of GVIO, surpassed Wuhan's 78 percent. The other cities, Shenyang, Dalian, Harbin, Nanjing, Guangzhou, and Chongqing, ranged from 62 to 77 percent. See Dorothy J. Solinger, "Despite Decentralization: Disadvantages and Dependence in the Inland and Continuing Central Power in Wuhan," CQ, No. 145 (March 1996), 10.

<sup>5</sup> Solinger, op. cit., 1-34.

which became the refuge for hundreds of thousands of peasant workers migrating in from its densely populated surrounding rural areas, experienced the pains of unemployment more than many parts of the country.<sup>6</sup>

Paradoxes in Combining Plan and Market

The September streets of the city of Wuhan on the eve of the PRC's fiftieth anniversary symbolized the first of a string of ironies gracing the ongoing campaign to cut the urban workforce while simultaneously establishing a labor market: This irony is of a China preparing to be sleek, slim, and efficient, streamlining its firms by forcing their workforces into a labor market prepared for international competition. For all the while, policy eschews internal labor market contention. This contrast is apparent upon seeing former city workers freely shining shoes, pedalling pedicabs, and cruising in taxicabs in the thousands along the roads and lanes, while the peasant street merchants (the shoe-repairers, snack stallkeepers, vegetable vendors) were, temporarily--in preparation for the anniversary presentation--nowhere to be found. Hence, one senses instantly that the citizens of Wuhan were meant to patronize laid-off urban workers, but to starve out outside peasants--people who just might, if permitted to, compete for the jobs of the former.<sup>7</sup>

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<sup>6</sup> Si Yuan, Zeng Xiangmin, "Wuhan '98 hongguan zhengce shouxian mubiao--zaijiuye" [Wuhan's '98 macro policy's first objective: reemployment], Wuhan jingji yanjiu [Wuhan economic research] 3/98: 55-58. On p. 55, they present the following material:

	<u>staff/workers(mil)</u>	<u># unemployed</u>	<u>unemployment rate</u>
WH	2.10	228,000	10.86%
BJ	4.61	135,000	2.93
SH	4.57	200,000	4.38
HRB	2.22	200,000	9.01

For more data on the Wuhan economy in the late 1990's, see my "The Impact of Openness on Integration and Control in China: Migrants, Layoffs, Labor Market Formation, and the Antinomies of Market Reform in Guangzhou, Shenyang and Wuhan," paper prepared under a grant from the Smith-Richardson Foundation to the University of California's Institute on Global Conflict and Cooperation for the study, "China and its Provinces." December 1998.

<sup>7</sup> For evidence that this same thing occurred in other cities, see Lorien Holland, "Poor, and Poorer," FEER, October 21, 1999, 26, and "Undesirable, maybe, but vital," Economist, October 16, 1999, 41, showing peasants being thrown out of Beijing and other major cities too for the month leading up to National Day.

Another irony arises from the fact that anniversaries call forth memories; at this one, a policy aimed at attaining modernization through mass mobilization and institutional change is eerily reminiscent of the '50's Great Leap Forward, now roundly recognized as a disaster. For in both cases a movement geared at growth and speedy--thus, necessarily, haphazard--transformation produced widespread hunger (in the former case, of course, famine) and severe deprivation for its target population.<sup>8</sup>

There is a further irony, in a prominent slogan suggested to inspire the populace at this time of celebration: this is the old Mao-era one calling to "Rely on the Working Class Wholeheartedly!"<sup>9</sup> This rhetorical holdover is, clearly, betrayed by the effort to build a modern corporate-based economy that discards laborers, those very individuals who were themselves once enshrined in the former regime--in a most heartless, Darwinian struggle of the fittest.

Too, Chinese people have been tutored for decades in the dictum that there is no unemployment under socialism. Now that formulation is termed a "misunderstanding," as people are told to "Get rid of the old idea of no unemployment under socialism; establish the view that within a certain degree unemployment is a normal phenomenon in a market economy." The recent celebration of China's economy as a "socialist market" one allows the leadership to label the loss of work a phenomenon that is not just capitalist, but common anywhere that resource allocation is mainly carried out by the market mechanism,<sup>10</sup> as it is in China today.

But since the regime retains socialist mentalities and pretensions (as well as deeply rooted concerns for social peace and stability),<sup>11</sup> its

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<sup>8</sup> For top-level leaders allegedly comparing the layoffs to the Leap, see Summary of World Broadcasts (hereafter SWB), FE/3690 G/9, G/11, 11/12/99, from Zheng Ming [Contend] (Hong Kong) (hereafter ZM), 11/1/99.

<sup>9</sup> Erik Eckholm, "China to Let 50 Slogans Bloom (a Bit) and Just 50," NYT, September 15, 1999.

<sup>10</sup> In Jingji ribao [Economic daily] (hereafter JJRB), April 27, 1998.

<sup>11</sup> See, for instance, Deng Baoshan, "Zhengfu, qiye, he xiangang zhigong zai zaijiuye gongcuozhong de cuoyong" [Government, enterprise, and laid-off staff and workers' role in reemployment work], Zhongguo laodong [Chinese Labor] (hereafter ZGLD) 3/99, 11; Li Bao and Xie Yongjin, "Yinxing shiye yu `yinxing jiuye,'" [Hidden unemployment and `hidden employment'], ZGLD 4/99, 46; and Jiang Zemin, early 1998 speech printed in

politicians are not altogether callous. So we find yet another paradox: even as leaders dismiss and marketize, at the same time they strive to reemploy the victims, largely via bureaucratic manipulation. As expressed by a manager of a district labor market exchange: "We set up labor markets, reemployment centers, social welfare and unemployment relief precisely to keep people from reaching the state of starvation."<sup>12</sup> So abandonment of many, many laborers (and the floating population in the cities) is at the same time matched by favors for others among the municipal workforce. Even as some researchers believe that the only way to solve the problem of unemployment is through reliance on market reform and speeding up labor market development, the Workers' Daily calls for state-led reemployment and state-supplied basic livelihood guarantees plus extra official attention and concern.<sup>13</sup>

And another, apparent in a piece on peasants in cities: an author complains that, in a survey of laborers in 926 enterprises in Shiyan city, Hubei, nearly a third of the total employees are [former] peasants. Since only one third of them had obtained a work permit, their presence in the plants was said to "cause the labor departments to lose the ability to execute macrocontrol over the city's employment as peasants and outsiders squeeze out urban employment posts."<sup>14</sup> And in still one more variant of the schizophrenic approach to the market, local governments press banks to provide loans for paying wages and supporting employment, and coerce firms to reabsorb their extra workers, or encourage the firms to force middle-aged workers to retire early (with inadequate pensions), so that these people are compelled to seek a second job. None of these measures will produce new jobs, nor will they reduce the labor supply on the market.<sup>15</sup>

Several particularly powerful lines of propaganda reflect the state's often successful effort to legitimize its market-oriented actions in this campaign: The leadership proclaims the market to be absolutely necessary for

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Gongyun cankao ziliao [Workers' movement reference materials] (hereafter GYCKZL), 3/98, 3.

<sup>12</sup> Interview, September 7, 1999.

<sup>13</sup> Gongren ribao [Workers' Daily], May 6, 1998; and Cai Fang, "Zhuangui shiqi de jiuye zhengce xuanze: jiaozheng zhiduxing niuqu," [Employment policy choice in a period of transition: rectify systemic distortions], Zhongguo renkou kexue [Population Science of China] (hereafter ZRK), 2/99, 5-6.

<sup>14</sup> Yuan Wenwu, "Laodong yonggong heshi neng guifan?" [When can we regularize the use of labor?], Zhongguo jiuye [Chinese Employment] (hereafter ZGJY), 6/98, 43.

<sup>15</sup> Cai, op. cit., 5.

China's forward motion ("laying off is the product of system reform and it is [also] the demand of system reform"; or "without the process of laying off, we can't enter the socialist market economy and state firms can't become part of the modern enterprise system"; it also labels unemployment "a necessary demand of the market economy").

Moreover, it depicts the process as one that is ultimately benevolent-- "in the longterm interest of the working class,"<sup>16</sup> in a constant refrain. But workers with no steady salaries (put into that position, they are told, because of their limited educational backgrounds) are in greater and greater numbers unable to afford the accelerating costs of schooling for their own children, that very future working class in whose longterm interest this campaign is supposedly being waged.

The claim of necessity has not gone unchallenged. For countercharges implicitly question the market-drivenness of the movement. As one writer commented,

There have been some strange phenomena in recent years: in 1997 the gross domestic product rose by 8.8 percent, central finance grew at 13 percent, local finance at 12.5 percent, and the population increased at only one percent. In 1998 the economy slowed down but was still at the top of the list worldwide. Normally economic development can completely eliminate unemployment. Here it not only didn't eliminate it but while the numbers of unemployed increased, those laid off also suddenly shot up: in 1997, the 11.5 million layoffs represented an increase of 44 percent.<sup>17</sup>

Furthermore, it is quite unclear that there is sufficient market demand to provide a solution. For the low-skill ends of the private and tertiary sectors, billed as the segment of the market most receptive to the laid-off, are already more than saturated in the large cities such as Wuhan.

Too, massive unemployment has produced insufficient demand in the market, as "people dare not spend money" out of pessimism about their future incomes and in the absence of any guarantees of new jobs. Moreover, as a number of scholars have pointed out, labor market development in China is yet "rather backward." This market is one marked by much instability and turnover, by peasants appropriating workers' jobs, and by workers plunged into downward mobility and being treated as pariahs, as urban "peasants" have been. Why, then, is there so much sudden unemployment?

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Unemployment, its Causes and Cure: the Official Story

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<sup>16</sup> JJRB, April 27, 1998; Deng Baoshan, op. cit., 11; also see Zhu Rongji's speech in Tianjin, from Jingji guanli wenzhai [Economic management digest], in GYCKZL, 3/98, 5.

<sup>17</sup> Wang Aiqun, "Dangqian jiuye xin tedian" [New characteristics of present unemployment], ZGJY 6/98, 29.

## Causes

Despite the rhetorical emphasis on marketization, discussions of the layoffs invariably attribute them to previous state policy decisions, rather than simply to market forces.<sup>18</sup> Some writers note demographic factors; others mention poor enterprise management. Historical causes begin with the planned, command economy. Under that system, labor was allocated by administrative dictat, with no reference whatever to market forces. Various "non-economic" phenomena became attached to that model, such as a value system honoring full employment; the fact that an enterprise's administrative rank was correlated with the number of employees on its books; the welfare role of the firm (which made its workers reluctant to depart even when they were

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<sup>18</sup> The following analysis draws upon these articles and books: Deng Baoshan, op. cit., 11; Zhu Rongji, op. cit.; Li Peilin, Zhongguo gaigebao [China reform news], April 1, 1998, in GYCKZL, 3/98, 11; Hu Angang, Zhongguo jingji shibao [Chinese economic times], in ZYCKZL, 3/98, 12; JJRB, April 27, 1998; GRRB, May 6, 1998; Wang Aiqun, "Dangqian jiuye xin tedian" [New characteristics of the present unemployment], ZGJY, 6/98, 29-30; Yang Yiyong and Li Jianli, "1999 nian wo guo jiuye xingshi yiran shifen yansu" [In 1999 China's employment situation is still extremely serious], Neibu canyue [Internal consultations] (hereafter NBCY), 2/10/99, No. 449, 2-7; Cai, op. cit., 3; Li Peilin, "Zouchu guoyou qiye de renyuan guomihua luoji" [The logic of the excessive intensity of personnel in the state enterprises], Zhongguo renkou kexue [Chinese population science] (hereafter ZRK) 2/99, 7-11; Jun Fu, "Shixi wo guo dangqian de shiye tedian yu jiuye nandian" (Examine and analyze our country's present unemployment's characteristics and the difficulties in employment), Shehuixue [Sociology] (hereafter SHX) 1/97, 26; Ma Rong, "Wo guo jiuye jiegou de bianhua qushi" [The trend of the changes in my country's employment structure], Laodong baozhang tongxun [Labour and Social Security] (hereafter LDBZTX), 4/99, 29; Liu Yongzhu, Disanci shiye gaofeng [The third high tide of unemployment] (Beijing: Zhongguo shiji chubanshe [China book publishers], 1998), 22, 74; Tang Yunchi and Liu Yunhai, eds., Zhuanguizhong de zhennan: zhongguo xiagang wenti zhuizong yu tansuo [Shock in transition: tracking and exploration of China's layoff problem] (Beijing: Zhongguo laodong chubanshe [Chinese labor publishers], 1998), 114-17, 161, 170-171; Guo Qingsong, "Shichang jingji tiaojianxia zhongguo chengzhen shiye renkou wenti" [The problem of China's urban unemployed population under the market-directed economy], Renkou yu jingji [Population and economy] (hereafter RKYJJ), 5/96, 51; and Cheng Xi, "Dangqian wo guo de jiuye yali burong hushi" [My country's present employment pressure is hard to ignore], RKYJJ, 1/99, 59-61.



permitted to do so); and the social role some firms took on by hiring on the basis of personal relationships.<sup>19</sup>

Once the reform era began, these issues were not resolved, while new difficulties emerged that only increased the extent of surplus labor. With economic powers decentralized, localities across China sponsored "blind, duplicated construction." Such activity was no doubt undertaken in part to provide placement for an area's unemployed populace (especially numerous at first, with the return of Cultural Revolution-era sent-down youth to the cities). Many of these projects became the pretext for rampant borrowing, which the firms frequently could not repay, plunging them into debt that in turn threatened workers' wages and pensions. And later, under two state-induced recessions (1988 and after 1993)--instituted to clear up inflation issuing from these practices--stiff curtailment of credit for state firms occasioned significant losses. This again complicated the enterprises' ability to sustain their workforces, which only made even more workers appear to be in excess.<sup>20</sup>

By the time the mid-1990's had arrived, millions of people who had once been placed in the plants out of a concern to secure their livelihood (and to secure the regime's urban support), had little to do on the job; many scholars estimate that up to a third of the workforce or about 30 million laborers could be classified as "hidden unemployed." At the 15th National Party Congress in the fall of 1997, enterprises were urged to cut back their workforces in the name of elevating efficiency. Also, mergers were encouraged while bankruptcy was to become a normal event for loss-sustaining and uncompetitive firms.<sup>21</sup>

The personnel cutting campaign itself further exacerbated job loss. Tens of thousands of small firms precipitously released "to the market," once freed from state oversight, only generated yet more unemployed, although they were still capable of absorbing workers. And many managers, falsely believing that efficiency would rise simply by shedding workers, then neglected developing new products, improving their business management, or opening new

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<sup>19</sup> Li Peilin, "Zouchu."

<sup>20</sup> Cheng, op. cit., 60; Cai, op. cit., 3; Jun, op. cit., 26.

<sup>21</sup> In September 1997, at the Chinese Communist Party's Fifteenth Congress, a program calling for these measures was announced and the results were immediate. For coverage and official statements, see SWB, FE/3023 (September 13, 1997), S1/1, from Chinese Central Television, September 12, and SWB FE/3024 (September 15, 1997), S2/18, from Xinhua [the official Chinese news agency, hereafter XH], September 14, 1997.

markets, all activities that might have engaged their own laid-off employees.<sup>22</sup>

Of course, market competitive forces were certainly present. In addition to these policy-based prods to unemployment, the opening of the Chinese market to foreigners and the relaxation on entry into many sectors for non-state firms did spell lethal rivalry for a large number of state firms.<sup>23</sup> Competition from unencumbered domestic firms, not charged with responsibility for their employees' welfare, and from challengers on the international market,<sup>24</sup> prompted changes in the structure of employment: Some sectors and regions suffered from the market contention and a tumble in their profits forced them to cut their personnel.<sup>25</sup> This process gradually squeezed out the state-owned sector, which, from 1978 to 1997, saw its proportion of GVIO fall from 77.6 percent to a mere 26.5 percent.

Over the same period profits culled in the SOE's dropped while losses ballooned from 4.2 billion yuan to 83.09 billion.<sup>26</sup> Contacts with the global market also enhanced the technological level within Chinese industry and some enterprises were able to intensify the capital component of their investment, prompting them to fire even more workers. And the influx of labor from the countryside allegedly tightened up the metropolitan labor markets.<sup>27</sup> Demographic factors also played a role. These included the pro-natal policy of the Mao years,<sup>28</sup> a recent rise in the labor-age population,<sup>29</sup> and the

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<sup>22</sup> Yang and Li, op. cit., 3-4.

<sup>23</sup> Barry Naughton, "Implications of the State Monopoly over Industry and its Relaxation," Modern China (hereafter MC) 18, 1 (1992): 14-41.

<sup>24</sup> According to Tang and Liu, op. cit., 161, China's foreign trade dependency rate (ratio of trade to GDP) went up from just 12.6 percent in the early 1980's to over 40 percent by the mid-1990's, making the country quite vulnerable to influences and shocks from the world economy.

<sup>25</sup> Ibid., 170-71, 183-84.

<sup>26</sup> Li Peilin, "Zouchu," 7, 8. Ma, op. cit., 29 has slightly different figures. See also Liu Yongzhu, op. cit., 22.

<sup>27</sup> Yang and Li, op. cit., 2; Jun, op. cit., 26; and Guo Qingsong, op. cit., 48.

<sup>28</sup> Jun, op. cit., 26.

<sup>29</sup> Hu Angang, op. cit., 12.

disparity between the country's immense population and its relatively low level of economic development.<sup>30</sup>

The State's Cure: The Reemployment Project<sup>31</sup>

In response to mounting numbers of layoffs, the leadership devised a "Reemployment Project," piloted in 30 cities in 1994. The project was extended nationwide the following year, and pushed continuously thereafter.<sup>32</sup> Its intent betrays the predicament faced by the conflicted regime: it is to "safeguard the workingclass's present and longterm interest,"<sup>33</sup> for, after all, "We can't just push the laid-offs out to society," in the words of President Jiang Zemin.<sup>34</sup> This care is meant to manifest the "superiority of socialist production and the socialist system."<sup>35</sup> Simultaneously, here appears to be a program that can protect the interests of the regime itself. Thus, it is to "set up a buffer zone between the enterprise [which is shedding workers] and society," in the hope of "promot[ing] social stability"; it is also to "reduce the enterprises' burdens while lightening social pressure."<sup>36</sup>

But the idea behind the project is to solve the problem of unemployment and promote the reemployment of those let go at a juncture when the nation's

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<sup>30</sup> Guo Qingsong, op. cit., 49-50.

<sup>31</sup> For some information on this project see 'Chengzhen qiye xiangang zhi Gong zaijiuye zhuangkuang diaocha' ketizu [Investigation of urban enterprises' laid-off staff and workers' reemployment situation' project topic group], "Kunjing yu chulu" [A difficult pass and the way out], from Shehuixue yanjiu [Sociology research] 6/97 (reprinted in Xinhua wengao, shehui [New China draft, society] 3/98, 21-28).

<sup>32</sup> Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhongguo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China's social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), 86.

<sup>33</sup> Tang and Liu, op. cit., 117.

<sup>34</sup> For one example of many, see his March 1998 speech in GYCKZL, 3/98, 3.

<sup>35</sup> Zhang Fengming, no title, in ZGLD, 4/99, 46.

<sup>36</sup> Wuhanshi fangzhi zaijiuye fuwu zhongxin [Wuhan City textile reemployment service center], "Wuhanshi fangzhi zaijiuye fuwu zhongxin yuncuo qingkuang huibao" [A Summary report on the operations situation of the Wuhan City Textile Reemployment Service Center], March 18, 1998, 6.

social security system, labor market, and legal framework are all perilously incomplete and imperfect, and when the number of job posts is clearly insufficient.<sup>37</sup> Thus its provisions make for a curious mix of market and plan. Its content includes the goals of underwriting the basic livelihood needs of the laid-off and setting up "reemployment bases" that provide free training and jobs; collecting and computerizing information on local job markets; providing job introduction organs; and building up new marketplaces, especially night markets where the traders receive preferential policies in taxes and fees. Individual cities have their own additional programs, such as Wuhan's expanding economic development at the district and street levels to establish new positions; and running district- and city-wide reemployment "fairs" and city-wide labor exchanges.<sup>38</sup>

The project, moreover, demands that each firm that has laid off some or all of its workers create a "reemployment service center," to which its xiagang (furloughed) workers are to be entrusted for a period up to three years.<sup>39</sup> The center is to provide a basic living allowance [jiben shenghuofei], again, for up to three years, using funds donated by the enterprise, and, where this is not possible, from the city's financial departments and/or banks, and, if an enterprise has contributed to the fund, from the city's unemployment insurance fund. Where necessary, a donation is to be solicited from the enterprise's management department. Second, the center is also to train the workers for a new occupation, and to help them locate new work posts. And third, the center should contribute to the pension, medical, and social security funds on behalf of each laid-off worker entrusted to it. Other prongs of the project are to use tax incentives to

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<sup>37</sup> Shen Wenming and Ma Runlai, "Zaijiu yezhong de zhengfu xingwei" [The government's behavior in reemployment], ZGLD, 2/99, 19; Lei Peng, "Zhigong peixun yu jiuye cuzin--chengshi fupin de zongyao" [Staff and workers' training and the promotion of reemployment--the important path in subsidizing urban poverty] Laodong neican [Labor internal reference] (hereafter LDNC), 11/98, 30-31.

<sup>38</sup> N.a., "Guanyu wuhanshi zaijiuye wenti di diaocha bao" [An investigation report on Wuhan City's reemployment question], probably written around mid-1997, 8; and Wang Baoyu, "Zai jiuye gongcheng renzhong dao yun" [Reemployment Project: the burden is heavy and the road is long]. Unpublished manuscript prepared for the Wuhan City People's Congress (Wuhan, 1997), 8-12.

<sup>39</sup> Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" [In reemployment we must go toward marketization] ZGJY, 3/99, 19 calls the center a product of "a special historical stage, a transitional measure which can solve its special contradictions."

encourage enterprises to hire those who have lost their original jobs, and to reduce or eliminate taxes and fees for the unemployed who set up their own businesses.<sup>40</sup>

There are critical limitations on this effort--namely, a scarcity of funds, the widespread dependence of the unemployed upon firms that have either gone bankrupt or that are suffering serious losses and deeply in debt,<sup>41</sup> and the inadequate supply of positions in the economy to employ these people.<sup>42</sup> Nonetheless, a market discourse undergirds the program, as in the statement that, "The problem of unemployment can be solved thorough economic system reform; our reemployment project must go through reform to develop."<sup>43</sup>

Thus, though the story of China's recent surge of layoffs is officially told in terms of the pull of the market--as in the statement that, "The market undoubtedly decides that some will be laid off"<sup>44</sup>--the tale is in fact far more complex than that, both in terms of cause and cure. Indeed, instrumentalities of planning still infuse the overall effort.

#### Planned Unemployment and Immature Marketization

##### The Role of the Plan: Path-dependent Praxis

The transition from state allocation of labor to labor deployment by market demand has been path-dependent. Indeed, two critical features of the Communist Party's historical approach to policy implementation continue to structure its handling of unemployment.<sup>45</sup> These two conventions--executing

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<sup>40</sup> Ibid., 30-31.

<sup>41</sup> According to n.a., "1998 nian qiye xiagang zhigong jiben qingkuang" [The basic situation of the laid-off enterprise staff and workers in 1998] Laodong baozheng tongxun [Labor and social security newsletter] (hereafter LDBZTX), 1/99, 10, laid-off workers let go by enterprises losing money represented 67 percent of all laid-off workers as of the end 1998.

<sup>42</sup> According to Zhang Handong, "Dangqian zaijiuye gongcheng de qi da wuqu" [Seven big misunderstandings in the present reemployment project], LDNC 7/98, 27, "to solve the problem of reemployment for the unemployed, the laid-off, and surplus labor, we lack at least 30 million jobs."

<sup>43</sup> Yang Yiyong, op. cit., 17-18.

<sup>44</sup> Tang and Liu, op. cit., 115.

<sup>45</sup> The material in this section comes from Laodong he baozhang xinxi zhongxin, "Dangqian xiagang zhigong zhuangkuang ji ying yinqi zhuyi de jige wenti" [The situation of the present

policy by means of commands and quotas and handling the working class as a several-layered status hierarchy--enable political leaders to fulfil several objectives: to reduce the drain on the state's resources while honoring an elite within the furloughed workforce. These modes of action mean that the personnel cutting campaign is probably harsher than it need be, while the reemployment project is far more restrictive than the rhetoric surrounding it promises. The reliance on command-economy methodologies means, then, that there is no necessary relationship between who should be cut and who is cut, nor between who needs welfare relief and who gets it.

Commands as cause: the use of quotas

True, the late 1997 intensification of cutbacks was partly driven by the desire of many local governments to divest themselves of deadbeat firms under their ownership.<sup>46</sup>Current History<sup>2\*</sup>ü<sup>\*</sup>», No. 97, no. 620 (1998), 275-76.» But it was also spurred along by habits of compliance with the orders of "upper levels" in the bureaucratic hierarchy. Many sources concur in pointing to commands from above to shed workers. Informants referred to letting people go as a "trend"; "level by level leaders demand the reduction of personnel, no matter what," explained another.

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laid-off staff and workers and several issues that ought to lead to attention], ZGLD 4/99, 18-19; Gongren ribao [Worker's daily] (hereafter GRRB), May 17, 1998; Li Peilin, "Shiye zhidu yu xiangang zhidu ying zhubu bingui" [The systems for unemployment and layoffs should gradually be merged], NBCY, 3/10/99, no. 452, 2; Xue Zhaojun, "Tuoshan chuli xiangang zhigong de laodong guanxi wenti" [Appropriately handle issues of the laid-off staff and workers' labor relations] NBCY, May 12, 1999, No. 461, 20-22; Song Xiaowu, Xiaowu, "Dangqian jiuye he shiye baoxian cunzai de wenti yu duice" [Existing problems in present employment and unemployment insurance and measures to deal with them], NBCY 5/12/99, No. 461, 13-14; Zeng Linghua, "Zaijiuye gongzuo ying yu jiuzheng de jige buliang qingxiang" [Several bad situations that reemployment work should rectify], LDNC, 7/98, 30-31; Ming Ruifeng and Chen Feng, "99 yijidu laodong baozhang xingshi tongji fenxi" [An analysis of statistics on the situation in the first quarter of 1999's labor insurance] LDBZTX, 5/99, 22-23; Liu Yongzhu, op. cit., 19; Zhang Ruiying and Zhang Guoxiang, Gonghui gongzuo tongxun [Trade union work newsletter] 1 & 2/98, in GYCKZL, 3/98, 13-14; Tian Binjnan and Yuan Jianmin, "Shanghai xiangang renyuan de diaocha yanjiu" [Investigation research on Shanghai laid-off personnel], SHX, 2/97, 7-12; Wen Wufeng, "Tiqian tuixiu toushi" [A perspective on early retirement] LDBZTX 1/99, 14; and interviews in Wuhan, August/September 1999.

<sup>46</sup> Barry Naughton, "China's Economy: Buffeted From Within and Without," <sup>2\*</sup>ü<sup>\*</sup>

One source notes that,  
Some enterprises' results are rather good, and they really need not lay off people. There's enough work to do. But still 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 fulfilment] as one basis for evaluating leading cadres' work.<sup>47</sup>

According to another,

To reach the goal of cutting people, some firms raise the [production] quota, so that staff and workers can't finish their tasks. Then, on the pretext that they are unqualified, the firm cancels their labor contracts, or compels them to retire early.<sup>48</sup>

Though one more criticizes the use of quotas to reduce the numbers in a unit as a "deviation," such a caution is a sure sign that the practice is widespread.<sup>49</sup>

Quotas are also employed in determining the number of workers from each firm permitted to enter into the care of the firm's reemployment center. One informant's company had a quota allowing only 30 people to enter the center at one time. Newly laid-off personnel, such as she, had to wait in line until those currently in the center found work, at which point the latter were to break their ties with the center. And not being within the jurisdiction of the center means that a person is not even classified as xiagang, though s/he might be from a state firm and meet all the other specifications. By extension, not having this status means one is not qualified to obtain a xiagang certificate or, in some cases, even to get any living allowance.<sup>50</sup> Quotas clearly serve to limit the numbers of potential beneficiaries and the extent of benefits disbursed, while they could well inflate the numbers sacked.

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<sup>47</sup> Tian and Yuan, op. cit., 11.

<sup>48</sup> Zhang and Zhang, op. cit., 14. Another source, Wang Baoyu, op. cit., 6 states that, "staff and workers are forced to go, and there are no appropriate policy measures to restrain this."

<sup>49</sup> Ming and Chen, op. cit., 22.

<sup>50</sup> Interviews, September 4 and 1, 1999. The worker I interviewed on September 4 got about two thirds of the allowance she would get if she were in the center (140 yuan/month instead of 222).

Curing by categorization: a layering of statuses<sup>51</sup>

The term xiagang is popularly used, quite loosely, to refer to people no longer at work in their original danwei. But the regime and local governments stratify those whose jobs have been terminated into at least seven tiers, each of which receives differential treatment.<sup>52</sup> As one author explained, "between enterprises with different economic results there are very big differences in the livelihood treatment of the laid-off."<sup>53</sup> In a rough sense, these layers eerily parallel the divisions within the socialist-era working class, as described by Andrew Walder in a 1984 article.<sup>54</sup> In fact, those properly labeled xiagang (according to the state's definition) stand in the top two tiers of the hierarchy.

At the very peak are those who were formerly employed in firms that are still relatively healthy. These firms have been favored by decisionmakers with imported equipment, graced with the right to retain foreign exchange and conduct their own foreign trade in recent years, and, lately, have been permitted to form joint ventures with foreign firms. Additionally, this tier

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<sup>51</sup> Watson, op. cit., also has detailed information on this subject, as does Beijing daxue, zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu [Beijing University Chinese Economy Research Center Urban Labor Market Task Group] (hereafter, Beijing University), "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), 99-110

<sup>52</sup> By official definition, a "laid-off" or xiagang worker is one who meets three conditions: 1) those who began working before the contract system was instituted in 1986 whose jobs were formal, permanent ones in the state sector and those contract laborers whose contract term is not yet concluded, 2) who, because of their firm's problems in business and operations have been let go, but who have not yet cut off their relationship with their original firm and 3) who have not yet found other work in society. This is in Guo Jun, "Guoyou qiye xiagang yu fenliu you he butong?" [What's the difference between laid-off and diverted workers in the state firms?] Zhongguo gongyun [Chinese workers' movement] (hereafter ZGGY), 3/99, 32, among many other places.

<sup>53</sup> Li Peilin, "Shiye zhidu," 2.

<sup>54</sup> Andrew G. Walder, "The Remaking of the Chinese Working Class, 1949-1981." Modern China (hereafter MC), 10, 1 (1984): 3-48.



includes firms whose output is perceived as crucial to the national economy.<sup>55</sup> Once-permanent [guding] workers let go from these places<sup>56</sup> either received very high one-time severance grants when they departed<sup>57</sup> or are collecting steady and reasonable monthly "basic living allowances."<sup>58</sup>

Other benefits accruing to them are the right to enter a reemployment center, accompanied by the allocation of a xiagang zheng, or laid-off certificate. This document is supposed to entitle them to the monthly allowance;<sup>59</sup> a range of preferential policies, such as reduction or elimination of fees and taxes; free licenses; a spot on the sidewalk or in a market; and help from the trade unions and local branches of the Women's Federation in finding jobs and sometimes in occupational training. In addition, they will be provided with preferential treatment in taxation and fees should they set up businesses of their own. These workers are eligible for social security and are likely to receive some pension money when they retire, at least for awhile (a function of the health of their former firm).

In the second tier are those released by weaker state firms, that is, enterprises in debt and/or losing money. The state may have decided to let these enterprises wither away. But, since their workers are from the state sector, they are still properly labeled xiagang workers, and so they too are eligible for a certificate; some living allowance, generally at a lower rate

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<sup>55</sup> Interview with official, September 7, 1999.

<sup>56</sup> Tian and Yuan, op. cit., 11.

<sup>57</sup> In my interviews, one cab driver had received 8,000 yuan while another got 20,000 (September 4 and 10, 1999, respectively). Certainly these are not the limits of the extremes. For instance, according to Jiangnan daxue ketizu [Jiangnan University Project Group], "Wuhan shi shishi zaijiuye gongcheng duice yanjiu" [Policy research on Wuhan City's implementation of the reemployment project] (Wuhan, 1998), a 1997 study of over 700 laid-off workers found that some got 1,000 to 2,000 yuan when they were laid off and the majority got nothing from their units.

<sup>58</sup> In mid-1999 Wuhan, the norm was around 220 yuan per month for such people.

<sup>59</sup> One informant, laid off in 1995, only received her certificate in September 1998. Her explanation: "There's so many laid-off people; the country can only afford to pay some people." Interview, September 2, 1999.

(if in fact the firm has any funds for this);<sup>60</sup> and perhaps entry into a reemployment center (again, if the firm has set one up). Being state-connected, they also may be assisted by the mass organizations and enjoy preferential treatment for their own businesses. Once their basic allowance has expired, they may be able to get unemployment insurance--if their firm has contributed to the fund.

As one author lamented, Enterprises with a lot of laid-off workers are mostly those that have either half stopped or completely stopped production. So they cannot submit money into the social insurance fund, raise their payments for their reemployment center, or supply living allowances for their laid-off workers. Usually their ability cannot match up to their ambitions.<sup>61</sup> Similarly, if a firm has not paid into a pension insurance fund for its employees, the pooling area in which it is stationed will not provide for these persons.<sup>62</sup>

Third is a set of ex-employees whose situations do not fit the definition of xiagang. It includes those "diverted" [fenliu] within their firms, or who are in states of neitui or tigian tuixiu.<sup>63</sup> Though they are

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<sup>60</sup> Among my informants, there was much variation in this regard: some received none, some got a minimal amount when the former unit was doing good business, others got what was in Wuhan in summer 1999 the standard 220 yuan per month (interviews on September 1, 7, 11, and 1999). In a September 1997 study based on 2,447 returned questionnaires (of 3,000) undertaken in 580 firms in 10 Hubei cities, only 36.1 percent of the laid-off were receiving their allowances (Hubei sheng zonggonghui shenghuo baozhangbu [Hubei province general trade union livelihood guarantee department], "Yunyong zhengce he falu shouduan, quanli tuijin zaijiuye gongcheng xiang zongshen fazhan" [Utilize policy and legal methods, fully promote the reemployment project to develop in depth]--an investigation of Hubei's laid-off staff and workers], Lilun yuekan [Theory monthly], 2 (1990), 18.

<sup>61</sup> Yang and Li, op. cit., 7. There is a similar statement in Liu Yongzhu, op. cit., 19.

<sup>62</sup> Wuhan Shi fangzhi zaijiuye fuwu zhongxin [Wuhan City Textile Reemployment Service Center], "Wuhan Shi fangzhi zaijiuye fuwu zhongxin yuncuo qingkuang huibao" [A Summary report on the operations situation of the Wuhan City Textile Reemployment Service Center], (Wuhan: 3/18/98), 8.

<sup>63</sup> "Diverted" workers are usually still attached to their firms but have received a new work assignment, including being "exported" elsewhere by the firm (Guo Jun, op. cit., 32); neitui

technically ineligible for xiagang privileges (not having left the firm), if the firm can afford it, they may get some living allowance at a rate of about half their previous salary. Since these workers are not qualified for any of the usual benefits that accrue to the xiagang, if the firm is too feeble financially to distribute these funds, the workers are left wholly on their own. Also part of this set are those from better-off collective firms.<sup>64</sup> They too cannot be called "laid-off" (since they are not from a state firm) and so receive no privileged treatment, even though what has happened to them is just the same as what befell those in the higher levels of the hierarchy. Some of them, at least, might receive social security.<sup>65</sup>

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means retired but still within the firm. According to Song Xiaowu, "Dangqian jiuye he shiye baoxian cunzai de wenti yu duice" [Existing problems in present employment and unemployment insurance and measures to deal with them], NBCY 5/12/99, No. 461, 13-14, "In recent years some areas and sectors are using early retirement to lighten pressure on the firms from excess workers, allowing (or pressuring) people to quit work as much as 10 years early); tiqian tuixiu" means retired early. See Wen Wufeng, "Tiqian tuixiu toushi" [A perspective on early retirement] LDBZTX 1/99, on 14-15, states that in an analysis of statistics on 2,827 "retirees" from "various places," found that 51 percent had retired at ages 39 to 48; another 21 percent between the ages of 29 and 38; and another 1.3 percent even had to leave their jobs at ages younger than 28 in the name of retirement).

<sup>64</sup> If a collective is attached to a major state firm, such as the Wuhan Iron and Steel Company, it may be treated the same way as the state firm (interview, September 1, 1999). According to Song Xiaowu, op. cit., 14, unemployment insurance only covers the urban state workers and some collective-sector workers [emphasis added]. Both Laodong he baozhang xinxi zhongxin, op. cit., 18-19 and Zeng Linghua, op. cit., 30 write of the serious difficulties of those in collective enterprises.

<sup>65</sup> Social security is generally limited to those from state firms and collectives. According to Li and Xie, op. cit., 46, only 10 percent of social security goes to those working in private firms, in town and village enterprises and as individual entrepreneurs. Another source notes that individual operators, those who did not have a stable job the year before and the longterm unemployed cannot receive unemployment insurance; in 1994, only 14 percent of the registered unemployed and those pushed out because their firms were uncompetitive combined (a total of about 13 million people) got relief, in an amount averaging just 333 yuan per year. See Guo Qingsong, op. cit., 50.

Fourth are the registered "unemployed," people whose firms were allowed to go bankrupt. Since their firms have dissolved, their posts have disappeared, so there is no possibility of holding onto ties with the plant (thus, they cannot be xiagang).<sup>66</sup> If their firms have contributed to the unemployment insurance fund in their locality, they may be given some insurance.<sup>67</sup> All the "unemployed," even those properly registered, are always slighted in favor of the "laid-off," an outcome that reflects the state's superior treatment of the more successful firms and its abandonment of the less valuable ones in the first place. Apparently only less than one third of those called "unemployed" collect unemployment insurance, for whatever reason.<sup>68</sup>

Fifth are the personnel from the poorer collectives, the "hidden unemployed,"<sup>69</sup> and the laid-off from "double-stop" firms (those that have

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<sup>66</sup> According to official definition, an "unemployed" worker is one whose firm has gone bankrupt, so the post has disappeared altogether and thus there is no question of holding onto ties with the plant. Of these, only the "registered unemployed" are counted in official statistics. These are those who are over 18 years of age who have an urban household registration, and are registered at the labor departments but have not yet found work. The unemployed also include those who have lost their jobs because of competition, i.e., those whose firms had to cease production, go bankrupt, or become merged with another enterprise, in other words, their firm has closed down who may not have registered, and the "floating unemployed," those who left the rural areas and entered the cities but have not yet found work in the city and yet are unwilling to return to the countryside. (See Guo Qingsong, op. cit., 48).

<sup>67</sup> Even here there are questions. According to Song Xiaowu, op. cit., 14, only 22 percent of the registered unemployed, at most, get unemployment relief. This is presumably because their former firms have not contributed to the till.

<sup>68</sup> Li Peilin, "Zouchu," 12.

<sup>69</sup> The "hidden unemployed" or "excess workers" who those left with little or nothing to do in the firm but generally receive reduced or even no wages but have not been let go (see Liu Yongzhu, op. cit., 75, and Deng Baoshan, op. cit., 13 (defined here as those whose marginal costs exceed their marginal productivity in a firm). Most estimates put this figure at about one third of the total workers in state enterprises, or about 30 million. There are disparities here though, with, for instance, Cheng Xi, op. cit., 60 putting the total figure of urban unemployed and hidden unemployed at about 28 million.

stopped production and stopped issuing wages). These are the people who belong to factories not permitted to go bankrupt<sup>70</sup>--many firms which in actuality have gone bankrupt are not officially recognized as having done so. For that would be too costly, as it would imply that their workers were eligible for unemployment insurance. Thus, though their former workers have no work to do, they cannot apply for unemployment insurance. Those without work who have not registered as unemployed are also in this category. But at least all these people have urban registration; most also still were residing in low-cost housing once granted by their firms, as of September 1999.

The dependence of a furloughed worker's fate upon the financial state of his/her firm was illustrated in some of my interviews. There were some whose firms simply stopped producing or whose business was very poor, but had not declared themselves bankrupt. Such enterprises let their workers go "without a cent, showing no concern," in the words of one of them.<sup>71</sup> As one scholar explained,

Some enterprises in difficulty would like to cut off relations with their workers, but because they find it hard to pay off severance wages and medical insurance, and have not paid in social security fees for them, they can only let them go.<sup>72</sup>

Urban citizens whose plight is miserable enough to qualify for "especially difficult" status [tekun]<sup>73</sup> are on the sixth layer. These people are part of households where both spouses have been let go, where illness or infirmity prevents one or more adults from engaging in labor and where, consequently, the family's total income fails to meet the city's minimum

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<sup>70</sup> One of my informants was from a collective firm and confirmed that, as a collective, her firm could not declare bankruptcy (interview, August 28, 1999). The implication is that the government cannot afford to offer unemployment insurance all around so this procedure relieves it of that responsibility for the workers of collectives.

<sup>71</sup> Interviews, September 1, 1999 and September 11, 1999. According to Hu Angang, Zhongguo jingji shibao [China economic news], March 31, 1998, in GYCKZL, 3/98, 12, sample nationwide statistics show that about 15 million city people in need are not guaranteed their basic livelihood, with the main reason being that their enterprise has stopped work and either ceased to issue any wages or issues them only in part.

<sup>72</sup> Gu Yu, "Xiangang xhigong yinxing jiuye wenti chuyi," [Preliminary opinions on hidden employment among the laif-off staff and workers] ZGJY, 6/98, 27.

<sup>73</sup> For a definition of this term, see Lei Peng, op. cit., 30.

living standard. Such households in Wuhan are entitled to 150 yuan per month, distributed by the city civil affairs bureau, though in Wuhan allegedly only 10 to 20 percent actually go to collect it.<sup>74</sup> This could be because they are ashamed to admit their need for the hand-out, or because there was no unit remaining that could report their status to the local civil affairs office.<sup>75</sup> Moreover, despite the proclaimed intentions of the regime, surely many do not find their most critical needs served under this program.<sup>76</sup>

And seventh and last of all are temporary workers and the peasantry from outside the city bent on eking out a livelihood against the odds in this time of enhanced hostility to outsiders. As one informant remarked, laughing at my question about whether his wife were xiaogang, "She's a peasant. Nobody manages them. They just come and go."<sup>77</sup> Whatever they achieve is the result entirely of their own efforts in the face of prejudice and discrimination. If they wish to avail themselves of a city-managed labor market they must pay a fee, in distinction to the city laid-off and unemployed.<sup>78</sup> They are categorically ineligible for pensions, social security, unemployment insurance, and usually any medical or housing benefits at all.

These blatant variations in official definitions and policy must account for huge undercounts of the jobless and for a vast range in the level of entitlements due to and received among them. One oddity is that the official definitions are not always respected when statistics are offered. One report notes 5.9 "unemployed" people and 10.8 xiaogang at the end of 1998. It then maintains that of the 10.8 xiaogang, 6.9 million were from state firms.<sup>79</sup> And yet the very definition of xiaogang specifies that a xiaogang worker is one from a state firm. Another finds a 9.36 percent rate of real unemployment (where the officially offered one generally hovers around 3 percent) at end 1997, if

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<sup>74</sup> Interview with official, September 12, 1999.

<sup>75</sup> Interview, September 9, 1999; August 28, 1999.

<sup>76</sup> One tekun [especially difficult] laid-off worker from a state-owned asbestos plant was too ill to do any labor and was supposed to receive bingtui [retirement money for illness]. But, inexplicably, the social security office suddenly eliminated this benefit without notice. Interview, August 28, 1999.

<sup>77</sup> Cab driver, September 12, 1999.

<sup>78</sup> Official interview, September 7, 1999.

<sup>79</sup> Mo Rong, "1999 nian wo guo jiuye xingshi fenxi he zhengce jianyi" [Policy suggestions and analysis of my country's 1999 employment situation] ZGLD, 2/99, 11.

xiagang are included.<sup>80</sup> Adding these two types yields a total figure of 17.2 million jobless. Meanwhile Xinhua in spring 1998 claimed that there were about eight million "true urban unemployed."<sup>81</sup>

To obfuscate further, the numbers of urban xiagang not yet employed, not including those diverted [fenliu], were reported as 7.2 million in one source; the same article also claimed that 6.4 million had been diverted [fenliu] and reemployed,<sup>82</sup> for a total of 13.6 xiagang at the end of 1997. But how can this be explained, in light of the frequently given figure of 11.5 million xiagang for the end of 1997?<sup>83</sup> According to a Hong Kong source, in a recent meeting, Minister of Labor and Social Security Zhang Zuoyi admitted over 20 million had been laid off plus another 5.3 million unemployed, even as "official mouthpieces" report 12 million laid off and 3.5 million unemployed.<sup>84</sup> And as a field report from a firm in Sichuan attests, the figures for "unemployed" and "laid off" do not include other idle workers, such as those who underwent fenliu or neitui.<sup>85</sup>

And, while significantly complicating any effort to achieve a true measure of the numbers affected by the mass discharge campaign, the government absolves itself of the responsibility of caring for them all. The hodgepodge of terminology also justifies to the recipients that their respective treatment has a rationale. And, perhaps intentionally and perhaps inadvertently, by splitting up the workers severed from their posts into a myriad of situations, each with its own label, this range of terms and treatments could serve to repress any unified mobilization.<sup>86</sup>

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<sup>80</sup> Chen Huai, "Wo guo jiuye zhengce: mubiao xuanze yu zhengce silu" [Thoughts on my country's employment policy: selection of targets and policy], ZGLD, 6/99, 8.

<sup>81</sup> Xinhua, no date given, but published with a set of pieces connected with a May 1998 meeting on layoffs, in GYCKZL 3/98, 9.

<sup>82</sup> Lei Peng, op. cit., 29, 31.

<sup>83</sup> See Cheng Xi, op. cit., 60, and Chen Huai, op. cit., 8. This is the official figure.

<sup>84</sup> ZM, No. 268 (February 2000), 31.

<sup>85</sup> Robert P. Weller and Jiansheng Li, "From State-Owned Enterprise to Joint Venture: A Case Study of the Crisis in Urban Social Services," The China Journal, No. 43 (Jan. 2000), 92.

<sup>86</sup> Thanks to Thomas Bernstein for this idea.

These two path-dependent throwbacks to the methodologies of the planned economy--causing cutbacks through commands and quotas, and truly succoring only workers from the best state sector firms--contribute in a major way to the discrepancy between a discourse of marketization and a reality of statist execution. These practices also help to account for the great shortfall between a benevolent program to ease dismissed workers into society and onto the labor market and the actuality of suffering for many. The resort to such approaches suggests that policy fulfilment by fiat still obtains in several critical ways.

### Market Lapses

While policy execution by planning is well rehearsed, the numbers in need of work are so large and the labor market yet so imperfect that no amount of good faith and no degree of adherence to market prescriptions could meet the goals of at once letting millions go while also smoothing their way into a new occupation or workpost. There are also some serious misconceptions and oversimplified views about the capacity of the market to handle the massive numbers of laid-off people supposedly spilling into it. Thus, one might say that there is a certain mirage-like quality to dreams of reliance on the market to deploy the discarded.

Misperceptions include lack of understanding of the limitations of the private sector; a misjudgment that reemployment centers could serve as the bridge to a job; and inflated expectations about the operation of preferential policies. There are also gross insufficiencies of funding, making it foolish to guarantee that enterprising ex-employees can begin their own businesses or even to survive at a barely acceptable level of subsistence until they do. Moreover, it is difficult to confirm that--or even to measure if--personnel cuts automatically and by themselves lead to greater efficiency in the firms. Below I examine the flaws in the hopes placed in these market solutions.

### The inadequacy of the private sector

Since the market for manufactures has atrophied in recent years with falling domestic demand, some people imagine that, "there is great potential for the tertiary sector," which allegedly supplied 70 percent of new jobs in 1997.<sup>87</sup> Premier Zhu Rongji commented in early 1998 that, "Since many

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<sup>87</sup> Yue Wei, "Zaijiuye tujing you duotiao" [There are many channels for reemployment], ZGLD, 7/99, 14-17. He, like many writers, comments that at that time China's tertiary sectoral employment only amounted to 26.8 percent of the workforce, whereas in developed countries the percentage is 70 to 80 and in other developing countries it is about 40.



industrial products are in excess supply, only the service sector can absorb labor power."<sup>88</sup> And yet, the Ministry of Labor and Social Security was fully aware of the weaknesses of this sector by early 1999, characterizing it as having only "limited development potential."<sup>89</sup>

The former vice chair of the Wuhan City People's Congress's finance and economics committee identified a crucial obstacle: a healthy service sector cannot simply thrive on its own, he explained; rather, it requires an expanding economy in which workers' incomes are rising to create a market for its business. "Speeding up the construction of the tertiary sector in order to solve the reemployment of the laid-off isn't realistic," he opined, "when urban industry is in recession."<sup>90</sup>

Besides the issue of a stagnant market, the individual thinking of setting him/herself up in business often has a low income and no real chance of obtaining a bank loan, and must face high risk and fierce competition. Many private businesses, therefore, have very short life-spans. One provincial labor bureau chief even adjudged that the service sector could at best just provide just a "supplementary income" for the laid-off workforce.<sup>91</sup> Labor journals feature advice columns urging the furloughed to borrow only a small amount of money, and to go into trades where there are fewer competitors.<sup>92</sup>

Despite the wisdom of this admonition, there is little evidence on the streets that it has been heeded. Instead, particular trades in major cities, having become fads, are quickly saturated.<sup>93</sup> In Wuhan this trendiness was literally omnipresent. In the pedicab trade, for instance, where not so long ago drivers could collect three yuan for peddling the shortest-distance trip, a hanggui [rule of the trade] had developed informally by mid-1999 only permitting them to charge two. Similarly, on one sidewalk where three

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<sup>88</sup> Zhu Rongji, op. cit., 6.

<sup>89</sup> Laodong he baozhang xinxi zhongxin, op. cit., 19.

<sup>90</sup> Wang Baoyu, op. cit., 8; Yue Wei, op. cit., 15.

<sup>91</sup> Li Ge, "Zaijiuye zhengce silu di zaitansuo" [A reexploration of thoughts on reemployment policy] ZGLD, 7/99, 8-10.

<sup>92</sup> As, for instance, Liang De, "Xiangang zhigong yao jue" [Laid-off staff and workers getting into business should decide] Zhongguo gongren [Chinese worker] (hereafter ZGGR), 3/99, 21.

<sup>93</sup> He Yingyang, "Zaijiuye buyao `gen feng pao'," [In reemployment one shouldn't run after the wind] ZGGR, 7/99, 19.

different shoe shiners contended for customers, each got only two yuan per shine.<sup>94</sup>

Household labor was also in oversupply by early autumn 1999. Local branches of the Women's Federation were obligated to sign contracts pledging to find work for neighborhood women laid off from state firms. But one woman told me that she was to contact that office just once a month and then wait to be called for a job. By late summer 1999 this meant she was biding her time for up to a month with nothing to do. "More and more people are doing this work," she sighed.<sup>95</sup> Another wore herself out uncomplainingly for more than 10 hours a day at a tiny stall on her husband's university grounds in 1995 and 1996. But as such stalls proliferated, the school administration demanded they all be dismantled. After suffering one or two further layoffs, she sat at home idle, dreaming of driving a taxi. But, she mused realistically, "there are just so many taxis now."<sup>96</sup> A young man trying to retail stationery articles in a small night market stall can only net about 200 yuan per month, since "too many people are doing business."<sup>97</sup>

Landing a post with a private entrepreneur is no less dicey. Most commonly a worker takes a job and then quits it quickly, once s/he finds there is no social security or welfare offered, no contract to be signed, the pay is piddling, and the boss treats him/her with contempt. One interviewee had this experience, relinquishing her post within half a month after being assigned to the storeroom, where she was warned not to steal cell phones.<sup>98</sup>

These examples illustrate all the major trades pursued by the furloughed staff workers of Wuhan. Many do persist in these professions despite their trivial take and uncertain prospects. But one cannot conclude that, just because they are on the streets laboring, their service is one that the market demands.

Reemployment centers' failures to reemploy

Most starkly put, reemployment centers cannot fulfil their functions because, even were they really equipped to nurture the laid-off and foster new skills, the external environment--the "labor market"--lacks the necessary job

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<sup>94</sup> Interviews, August 28 and September 3, 1999.

<sup>95</sup> Interview, August 30, 1999.

<sup>96</sup> Interview, September 6, 1999.

<sup>97</sup> Interview, September 7, 1999.

<sup>98</sup> Bi Jianghao, "Xiangang zhigong weihe wanger quebu?" [Why do laid-off staff and workers flinch?] ZGJY, 6/98, 18; interview, September 1, 1999.

posts.<sup>99</sup> In part, this is because state macroeconomic policy in recent years has focused on fighting inflation, not investing in labor-intensive trades or job-creation. There has also been a serious scarcity in bank credit for the kinds of firms--small or even medium-sized--likely to employ or be started by those who have lost their jobs.<sup>100</sup>

But many centers do not even try to train or place their charges. Perhaps too intimidated by the meager prospects of locating jobs, many personnel expend their time soliciting and disbursing funds, or even just sending rice to the idle as a form of relief.<sup>101</sup> This approach lulls some former workers into a sense of security, as is apparent in warnings in the journals against allowing ex-workers to treat the center as a "blind alley" that one "only enters and never leaves." There are also workers slipping back into their original firms when their stint under the care of the center terminates.<sup>102</sup> When such things occur, centers simply cannot contribute to forging a labor market.

What about the training the centers should be supplying? This varies a great deal: some informants reported that their firms' centers offered helpful training programs, with courses in computer science, accounting, cooking, running small businesses, repair work and other basic skills.<sup>103</sup> Staff at a Wuhan district labor market claimed that people registered there

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<sup>99</sup> Mo Rong, op. cit., 12 and Deng Baoshan, op. cit., 12 both emphasize the need for a healthy, fair and slack labor market to solve the problem of unemployment in a fundamental way.

<sup>100</sup> Zhou Detian and Mao Daiyun, eds., Shengcun youhuan: zhongguo jiuye wenti baogao [Subsistence suffering: A report on issues in Chinese employment] (Shenyang: Shenyang publishing company, 1998), 287-88.

<sup>101</sup> Yang Shouye and Xing Lei, "Xiagangzhi de jiben shenghuofei bixu yao baozhang" [The basic livelihood allowance of laid-off staff must be guaranteed], ZGLD, 7/99, 30; Zhang Zuoyi, "Dangqian zaijiuye gongzuo mianlin de wenti yu duice" [The issues facing present reemployment work and measures to handle them], ZGJY 6/98, 4-5.

<sup>102</sup> Zhang Zuoyi, op. cit., 5; Xue Zhaojun, op. cit., 20; and Luo Chuanyin, "Xiagang tiaozheng laodong guanxi" [Layoffs readjust labor relations], ZGLD, 6/99, 18.

<sup>103</sup> Interviews, August 26, September 4 and 7, 1999.

received two months of full-time free training, conducted at several professional training schools.<sup>104</sup>

Other interviewees said, however, that the center in their firm merely provided a form to fill in but had nothing more to offer.<sup>105</sup> Even where training is available, not everyone eligible chooses to partake, some doubting it could increase their incomes. Others assume they would have to abandon their present work opportunities to participate in the classes.<sup>106</sup> This hesitancy no doubt is heightened when the training on offer is, contrary to regulations, not free, or when it is irrelevant to the positions on the market.<sup>107</sup> A late 1997 report on Wuhan's reemployment project found that, of the nearly 300,000 known laid-off workers in the city, only 16,204 (about five percent) were recorded as having received some training in the first nine months of the year.<sup>108</sup>

One worker admitted that her center had found some jobs for people, but "not good jobs"--just washing floors or cleaning houses;<sup>109</sup> another complained that the center did nothing to help her;<sup>110</sup> and a third had been dismissed by a unit with a center, but felt that even "going there is no use...there's so many laid-off workers...the center couldn't possibly manage to help them all."<sup>111</sup> Many centers failed to pay the medical insurance they were supposed to supply: in a study of over 700 laid-off workers in Wuhan, 56 percent were found to be without it.<sup>112</sup> And in a number of textile firms in difficulty managers were afraid to allow their laid-off staff and workers to enter a

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<sup>104</sup> Interview at the center, September 7, 1999.

<sup>105</sup> Interview, September 1, 1999.

<sup>106</sup> Luo Chuanyin, op. cit., 18; Shen Kangrong, "`Yinxing jiuye' qianxi" [A superficial analysis of hidden employment] SHX, 2/99, 24.

<sup>107</sup> Yue Wei, op. cit., 15.

<sup>108</sup> Wang Baoyu, op. cit., 3.

<sup>109</sup> Interview, September 4, 1999.

<sup>110</sup> Interview, September 1, 1999.

<sup>111</sup> Interview, September 6, 1999.

<sup>112</sup> Jiangnan daxue ketizu, op. cit., 61.

center at all, because the firm could not afford to pay the enterprise share of the center's trusteeship expenses.<sup>113</sup>

Given these many sorts of misses, the steps from a firm into its reemployment center and then onto the open market make for a perilous journey very frequently not preparing one for success at its end point.

#### The precariousness of preferential policies

As noted earlier, the Reemployment Project is to grant job-seekers and employers preferential policies to facilitate the creation of new positions. The policies include reduction and elimination of taxes and fees for those setting up on their own enterprises and for firms that hire specific proportions of laid-off workers; free business licenses; bank loans at low interest; provision of sites and stalls; and "reemployment bases," sites that hire or provide space for large numbers of the recently jobless.<sup>114</sup> If these programs went into effect for all the unemployed, there would be a huge drop in the numbers without a post.

But for many reasons this cannot be the case. In a September 1997 study of 2,447 workers in 580 firms in 10 Hubei cities, of the 567 working in private enterprises, just 13.7 percent enjoyed preferential policies.<sup>115</sup> Among my own informants, one woman noted bitterly that since entering the night market established by her residents' committee, she had had to buy a business license for several hundred yuan. Another had to pay monthly taxes and fees amounting to 65 yuan, despite that policy dictated eliminating these costs.<sup>116</sup>

The most critical problem is that the requisite funding just is not there. Besides, units in charge delay and resist, unwilling to relinquish the

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<sup>113</sup> Wuhan Shi fangzhi, op. cit., 8-9.

<sup>114</sup> See Liu Zhonghua, "Guanyu zaijiuye gongcheng yu laodongli shichang jianshe di sikao" [Thoughts on the Reemployment Project and labor market construction], LDNC 2/98, 41-43; Zhang and Zhang, op. cit., 13; and Beijing daxue, op. cit., 103.

<sup>115</sup> Hubei sheng, op. cit., 19. Just 4.5 percent had obtained loans, one percent had a free license, 2.4 percent had had their income taxes canceled, and 4.1 percent had had their enterprise tax cut or eliminated.

<sup>116</sup> Interviews, September 11 and 7, 1999.

monies they could garner by ignoring the injunctions.<sup>117</sup> Employers sometimes manipulate the rules to their own advantage, as by firing "unemployed" people they have already hired (for which there are no inducements, in accord with the hierarchy of those out of work) and then switch to employing xiagang workers, a move that earns the firm a subsidy. Sometimes these firms engage the lai-off just for a trial period (long enough to collect the incentive money) and then quickly shove them out.<sup>118</sup> Other areas fail to publicize the policies: in one Hubei county, 189 firms had employed 13,496 employees. Of the 9,656 laid off, 95 percent were not aware that they needed to acquire the xiagang zheng to be eligible for the policies.<sup>119</sup>

Workers may choose not to avail themselves of the supposed benefits out of despair. One informant, a member of a household in special difficulty [tekunhu], who was therefore entitled to eight different types of favorable policies set by his district government (no taxes on business, fewer fees, cheaper schooling for his children, some reductions in medical fees, no introduction fee for finding a job, and half-price rent), had not even bothered to apply for the necessary certificate. For he had no money for rent, he was too ill to work, had no children in school, and, because of his illness, could not go into business. Another had also not registered for the certificate, since, clearly depressed, she surmised that, "it can't be of any help."<sup>120</sup> Thus this program promising reemployment via privileged regulations is one beset by many drawbacks.

#### Funding shortages

Even with the best of intentions, state efforts to construct a labor market while sustaining the castoffs crash on the shoals of the very shallow pool of finances. In addition to funding reemployment centers, firms with

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<sup>117</sup> Qiu Bai, "Zaijiuye youhui zhengce nan zhixing yuanyin qianxi" [A simple analysis of the reasons why the preferential policies are difficult to implement], LDNC, 7/98, 37-8.

<sup>118</sup> Song Xiaowu, op. cit., 18; Shen Kangrong, op. cit., 24; and Zhang Ruiying and Zhang Guoxiang, speech at the 29th meeting of the 8th National People Congress's Standing Committee (12/29/97), in GYCKZL, 3/98, 18.

<sup>119</sup> Cheng Changming, "Hubei Fangxian guoyou qiye xiagang zhigong zhuangkuang diaocha fenxi" [Analysis of an investigation of the situation of state firms' laid-off staff and workers in Fangxian, Hubei], LDNC, 8/98, 35.

<sup>120</sup> Interview, August 28, 1999. As noted above, his bingtui subsidy had inexplicably been cut off (note 70).

laid off workers and their urban governments are responsible for contributing to three kinds of guarantees for the newly out-of-work: the basic livelihood allowances, unemployment insurance payments, and the urban residents' lowest livelihood guarantee [zuidi shenghuo baozhang].<sup>121</sup> But not one of these programs has a truly stable and reliable source of funding.<sup>122</sup>

The Ministry of Finance has made a substantial allocation for basic living allowances. But given that firms that have let go their workers are generally in serious financial straits in the first place--often unable even to pay wages--they usually cannot afford to contribute their share. Huge disparities attend the amounts available among firms and among regions as well. As one article explained,

There are great differences among areas in the level of economic development. If local financial departments are the main units in charge of funding, areas where workers need the guarantees can't get them and places where they don't need funds can't even use up the money they have.<sup>123</sup>

Only a minority of cities had set up special funds for reemployment as of 1998. The main sources for this capital are the unemployment insurance fund and local financial departments. But some localities instead assess a special fee to be collected for this purpose. In recent years nationwide the total outlay represented under 0.1 percent of the country's financial expenditures, while the percent of GDP used this way "was so small that it couldn't be measured."<sup>124</sup>

As local governments have also been charged with producing funds to meet the needs of those in special difficulty [juekun jijin] which draw upon the same capital sources, some areas question whether they need to raise money for the Reemployment Project as well.<sup>125</sup> An odd twist in Wuhan, not likely to be limited to that one city: while the textile trade's reemployment center was short almost half the funds it needed for worker allowances in early 1998,<sup>126</sup>

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<sup>121</sup> Ma Zhanyuan, "Qiye zaijiuye fuwu zhongxin jianshe di san-er-yi" [The three, two, one of the construction of enterprise reemployment service centers], ZGLD, 2/99, 14.

<sup>122</sup> Laodong he baozhang xinxi zhongxin, op. cit., 18; Yang Yiyong, op. cit., 18.

<sup>123</sup> Yang and Li, op. cit., 5; also see Zhang Zuoyi, op. cit., 4.

<sup>124</sup> Zhou and Mao, op. cit., 289.

<sup>125</sup> Ibid., 288-92.

<sup>126</sup> Wuhanshi fangzhi, op. cit., 9-10 states that 19.1 million yuan were needed as of the first quarter of 1998, but only 9.6

the city was spending almost 100 million yuan on the administrative costs and wages in the city's numerous reemployment centers!<sup>127</sup>

Unemployment insurance only came into existence in 1986, so its history of accumulation is relatively short. Moreover, only two percent of the wage fund was drawn to compose this pot until 1998, when three percent became the rule. Too, the pooling level is low, and only a portion of the funds are actually used for the livelihood relief of the unemployed.<sup>128</sup> In 1998, the total intake of the fund nationally was just 6.84 billion yuan, of which 5.196 billion was spent, and reemployment centers received over a quarter (1.46 billion). And, while 79.279 million persons were participating in the fund nationally, only 1.581 million unemployed people got unemployment relief, while another 1.486 million staff and workers in enterprises experiencing difficulty got one-time payments.<sup>129</sup>

Relief for the poor has been startlingly insufficient as well. In 1992, before the numbers of the urban indigent began to mount, only 190,000 or .06 percent of those in need (just over three million in total), got funds averaging a measly 38 yuan per month, a mere one quarter of that year's average urban resident's livelihood income. The funds allocated to that use, 120 million, equalled under .03 percent of the state's financial revenue that year.<sup>130</sup> According to a survey of xiaqiang in dozens of cities in the second

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million was available to take care of the 10,000 workers initially placed under the center's care. By March 1998 the number of laid-off supposedly entrusted to the center had leapt up to 27,000.

<sup>127</sup> Xu Jianxin, "Yinxing jiuye de xianzhuang ji jiejuе duice" [The present conditions of hidden employment and measures to solve it], ZGJY, 3/99, 34.

<sup>128</sup> Other uses include training, medical fees, compensation for the bereaved, pensions, production self-relief, and management fees. For sources on all of this, see Li Peilin, "Zouchu," 12; idem., "Shiye zhidu," 3; and Song Xiaowu, op. cit., 12.

<sup>129</sup> N.a., "1998 laodong he shehui baozhang shiye fazhan niandu tongji gongbao" [Report of annual statistics on the development of the work of 1998's labor and social security] LDBZTX, 7/99, 37.

<sup>130</sup> Liu Yongzhu, op. cit., 18. Chen Huai, op. cit., 9 wrote of about 16 million people either receiving no income or getting less than the minimum wage as of 1997, and Liu Yongzhu, op. cit., 15 states that a late 1995 survey by the All China Federation of Trade Unions concluded that at that time there were not less than 20 million urban poor. It also noted that the State Statistical



half of 1997, 96.3 percent claimed to be living in cities that provided no social relief aid at all!<sup>131</sup>

#### Personnel cuts and efficiency

Since at least early 1997, the mantra of the Chinese leadership has been to "cut personnel, raise efficiency."<sup>132</sup> In a typical formulation, one author held that, "To establish a market economic system we must talk about competition, efficiency; [thus,] layoffs and unemployment are hard to avoid."<sup>133</sup> But just as preferential policies and reemployment centers cannot transform all jobless people into jobholders, neither can the sometimes random chopping away of personnel by itself create efficiency where there was little or none before. As one critic complained,

Some enterprises have been losing money for a long time. If they reduce their laborers, force down their welfare benefits and then say, 'the enterprise has turned around its losses,' is this 'cutting off personnel and raising efficiency'?<sup>134</sup>

Firms given leeway--even orders--to shrink their payrolls do so, but then resort to tactics that do nothing to enhance efficiency, the supposed intention behind the layoffs. These tactics include treating the workers as scapegoats for the inefficiencies of the management; taking this "reform" as one more opportunity for corruption; and using layoffs for revenge against those with whom they've had conflicts. One 1996 Shanghai survey in 1996 showed that,

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Bureau had calculated a figure of 24.28 million urban poor as of 1995 and another 12.42 million people living below the level of urbanites' lowest livelihood (about 1,472 yuan per person per year as of that time).

<sup>131</sup> N. a., "On Their Own," 40. Presumably some of those who gave this response were unaware of existing funds.

<sup>132</sup> At a January 1997 State Council National Work Conference on State Enterprise Staff and Workers' Reemployment, attendees were told that solving their firms' difficulties depended upon enterprise reform, system transformation, cutting staff, normalizing bankruptcies, and encouraging mergers. See Yang Yiyong et al., Shiye chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, 1997), 220.

<sup>133</sup> Li Peilin, in Zhongguo gaige bao.

<sup>134</sup> GRRB, May 6, 1998.

The majority feel angry, thinking that their original unit didn't dismiss them because of the enterprise's development needs or because there were too many staff, but purely because of "so-called economic accounting."<sup>135</sup> Even as front-line production workers are sent packing, leaders bring in their relatives to replace them. Other enterprises that could still absorb labor nonetheless throw out staff and workers when their leaders' squandering and waste is what really caused the unit's losses.<sup>136</sup>

Sudden unemployment in this economy in transition from planning is clearly partially driven and structured by administrative patterns passed down from the past, while a yet nascent labor market can hardly address the needs of the dismissed.

### Survival of the Sacked

#### Traits of the laid-off

To set the scene, we need first to survey the attributes of the abandoned. Studies of the laid-off population show that the majority are female, over 30 or 35, and undereducated. There is some variation in the statistics, however.<sup>137</sup>

Laid-off workers themselves are clear about the obstacle their ages present. As many women over the age of 30 remarked, "Only people under 30 can find work."<sup>138</sup> One would have loved to become a saleswoman, but, at 37, could not hope to be hired because she was "too old."<sup>139</sup> The xiagang workers are

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<sup>135</sup> Ibid., 10.

<sup>136</sup> Guo Peiying, "Zujin zaijiuye shi jiejie xiagang zhigong shenghuo wenti di zhiben zhi lu" [Promoting reemployment is the road for getting to the root of solving laid-off staff and workers' livelihood problems], ZGGY 3/99, 22; Wang Zhangyuan, "Xiagang zhigong zaijiuye gongcuo di wenti yu duice" [Problems and measures for dealing with laid-off staff and workers' reemployment work], ZGGY 5/99, 33; Tian and Yuan, op. cit., 11; and Wang Baoyu, op. cit., 6.

<sup>137</sup> There is some variation, however. A national survey found 43.5 percent were women in 1998 (N.a., "1998 nian," 10); and two surveys in Wuhan found 51.5 percent and 60 percent to be female, respectively (Wang Baoyu, op. cit., 2 and Jiangnan daxue ketizu, op. cit., 56). The first Wuhan survey looked at 577 firms and a total of 127,000 laid-off workers and the second studied 760 workers.

<sup>138</sup> For one example, interview, September 1, 1999. Many female workers expressed this view.

<sup>139</sup> Interview, September 1, 1999.

also keenly aware of the liabilities of their insufficient education, usually the outcome of their having been of school age during the Cultural Revolution. One bemoaned,

All laid-off workers know they've been laid off because of their poor educational background. So I want to be sure my boy gets a good education, so he won't have to suffer like I did.<sup>140</sup>

And a laid-off accountant in her late 30's with a technical school diploma remarked, "I expect to find a job through acquaintances some time...it's hard for me to apply directly--I don't have enough education for that."<sup>141</sup>

The 1995 national urban population one percent sample survey found that 69 percent of the furloughed had just junior high and lower levels of schooling (whereas the figure with this amount among the employed was 63.9 percent).<sup>142</sup> But probably because of the much more massive firings in the next few years, official statistics for 1998 show that just 53.5 percent of those released from their posts had only a junior high education or below.<sup>143</sup> In Wuhan, the figures are in the same general range, with a 1997 survey finding that 52.6 percent of 127,000 laid-off workers had a junior high education or lower.<sup>144</sup>

What attitudes do these people entertain? What work do they do, how do they find it and how long do they stay? What are their levels of income and means of survival financially? The overall impression is that laid-off workers are often struggling in a limbo fashioned from leftover planning-era procedures mixed with myths about what the open market can achieve.

#### Attitudes: tied to the state plan?

Governmental propaganda and even much scholarly literature in China chastise the jobless--those thrown out of work largely because of a sudden change in official policy after years of absolute and unquestioned state provisioning and security--for being "in love with government arrangements" and wanting only to "wait, rely, and demand"; "looking to the government instead of to the market." Such reports also disparage them as too fussy,

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<sup>140</sup> Interview, September 2, 1999.

<sup>141</sup> Interview, September 4, 1999.

<sup>142</sup> Cheng Xi, op. cit., 61.

<sup>143</sup> N.a., "1998 nian," op. cit., 10.

<sup>144</sup> Wang Baoyu, op. cit., 2.

unwilling to do the jobs that peasant migrants do.<sup>145</sup> Their yearning for state-bestowed sustenance has supposedly left them disinclined to venture into the market.

Surely there are people among the laid-off who fit these stereotypes. But, more importantly, there is a clear rationale behind this mindset, one long ingrained by state practice. As one writer pointed out, their not wanting to part from their firms or do service work or set themselves up in business is not just because of a [negative] mentality. [It's because] they are weighing the costs of losing their benefits.<sup>146</sup>

And even though the workers know that the welfare entitlements that graced their lives for decades are disappearing around them, many, even those out of work for years, "still entrust their original work unit and the government with their hopes for reemployment,"<sup>147</sup> no doubt under the illusion that with time these benefits might possibly somehow reappear.

Other reasonable motives for remaining out of work are feelings like those of one of my informants that, "It's because of my self-respect that I don't want to serve others [as a cleaning lady] who may think I'm a thief." She wished she could start a business of her own, but had neither sufficient capital nor the means for leaving a deposit on a loan with a bank ("You need economic power [jingji shili] to get a loan").<sup>148</sup> All this, of course, is a function of long-standing state enterprise provisioning and of state banks' lending habits.

Under the assumption that a wilful choice to eschew the market keeps many out of it, official and academic surveys seem to demonstrate that huge numbers of the jobless either do not want to work or do not need to work--either because another family member is employed (for the time being), for reasons of age or health, or because of household chores. Of the 11.5 million laid off at the end of 1997, 2.56 million (22 percent) supposedly did not want to work or were temporarily not working (as if these two categories could be conflated), while just 37.57 percent were said to be actively looking and had a pressing demand to work.<sup>149</sup> A Wuhan study alleged that the xiagang can be divided into three types: one third are reemployed; one third have gone

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<sup>145</sup> Luo Chuanyin, op. cit., 18 and Zhang Handong, op. cit., 27-28 are just two examples among hundreds.

<sup>146</sup> Deng Baoshan, op. cit., 12.

<sup>147</sup> Tian and Yuan, op. cit., 9.

<sup>148</sup> Interview, September 1, 1999.

<sup>149</sup> Cheng Xi, op. cit., 60; see also Mo Rong, op. cit., 11.

through neitui, tingxin liuzhi, or liangbuzhao;<sup>150</sup> and only one third need help with their reemployment.<sup>151</sup> Similarly, a former social science academy director claimed that, "Sixty percent have work, 30 percent don't want to work, and only 10 percent are in real difficulty."<sup>152</sup>

These data are open to serious question if a 1997 six-month survey of laid-off workers in dozens of cities is accurate. It found that a full 100 percent queried wanted to find work.<sup>153</sup> In my own interviews, not one wanted to be without work, even though some claimed that there was household work that they needed to do, or that their spouse preferred that they not work. Others were temporarily unable to locate work or deeply discouraged, either from looking unsuccessfully or from being repeatedly let go when they clashed with the boss or when the ventures failed.

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<sup>150</sup> Tingxin liuzhi applies to those who have left the firm but retain an indefinite and ongoing tie to it while obtaining income from a new placement elsewhere. "Liangbuzhao" is discussed in Jiang Shunxiang, "Shuoshuo `liangbuzhao'" [Talking about liangbuzhao], LDNC, 11/98, 46-47. It refers to people who have left their firms, and, at the present, neither demand benefits from the firm nor give anything to the firm. But one of my interviewees bearing this label reported that he had to pay his firm 150 yuan a month to hold his place; he would prefer to become "laid off," but his enterprise would not permit him to be, for then the firm would have to allocate a basic living allowance to him (interview with cab driver, August 28, 1999).

<sup>151</sup> N.a., "Guanyu wuhanshi." There are also those on so-called "long holidays" [fang changjia] or who have "retired early" [tiqiantuixiu]. All of these are means of coping with excess labor at lowered cost but without sending them out to society. Many of these terms appear in 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 fengceng yu ronghe" [Shanghai: Urban staff and workers and rural labor's strata and fusion] Gaige [Reform] 4 (1998), 99-110. See also 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.

<sup>152</sup> Interview, September 12, 1999.

<sup>153</sup> N. a., "On Their Own," CRF, Spring 1998, 40. The survey was conducted by a loose network entitled the "Chinese Conscience and Care Action Organization."

Most of these people would have been incorrectly categorized as "not wanting to" or "not needing to work" in governmentally-endorsed studies, which, perhaps, aim at offering a rosy assessment.<sup>154</sup> This would be consistent with state efforts to reduce the drain on state coffers noted above. But at the same time, it also counters depictions of the xiagang workers as all being either absorbed by the market, engaged in protest, totally daunted, or provided for by the state.

An odd blend of faith in the state and--only sometimes--anger at their unit's management is a typical state of mind for the laid-off.<sup>155</sup> According to one study in Wuhan, the respondents tended only to "blame the unit and the government a little: `they don't want us to be laid off..but they can't support us'."<sup>156</sup> As a pragmatic cab driver declared to me, "It's no use being angry--the whole country's being laid off"[!].<sup>157</sup> A former female accountant, seemingly disconsolate, described herself as

very sad, not angry. Who is there to be angry with? I think it's just my fate, not sure whose fault it might have been. Anyway, there's nothing I can do.

At her husband's prompting, she did recognize that it was in the leaders' power to determine who was cut, as he remarked that, "What makes us sad is that the leaders weren't cut too, so we're a little angry that it isn't fair."<sup>158</sup>

Most surprisingly, many of those with whom I spoke appeared to have absorbed governmental rhetoric about their plight and its positive contribution to the national well-being. Two laid-off women reflected over bowls of noodles,

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<sup>154</sup> According to Tian and Yuan, op. cit., 8, in Shanghai in the spring of 1996 a random study of 1,000 laid-off workers showed that 36.5 percent of its sample was not looking for work. The main reasons given were: unclear how to look (27 percent); feel my ability's limited or couldn't find suitable work (26.3 percent); household burdens are too heavy, so don't want to look (9.6 percent). Only 12.6 percent stated that because their family conditions were satisfactory they did not want to look or were not worried about it. These results show that when the survey questions are more specific the outcome is far different from what was claimed above.

<sup>155</sup> Tian and Yuan, op. cit., 9-10.

<sup>156</sup> Jiangnan daxue ketizu, op. cit., 56-57.

<sup>157</sup> Interview, September 2, 1999.

<sup>158</sup> Interview, September 4, 1999.

For China to progress, we have to go through this process, and people will be affected, like us. All developed countries have unemployment. We understand the government and the need to sacrifice for the next generation, for our own kids. People need to get culture and education so the country can get stronger. They eliminate us because the government knows that foreign firms want young, educated people. It's a necessary law of social development to eliminate people.<sup>159</sup>

And a male janitor, mopping the marble pillars of my hotel at 1:30 a.m., bravely proclaimed, with tears in his eyes, "Without reform and opening up, China will remain backward. There's no future for it otherwise."<sup>160</sup>

And yet, despite this nostalgia for state-arranged job allocations, a large number of my informants displayed admirable pluck about working and finding work, as their words reveal:

--If you don't fear fatigue and don't fear bitterness, you can find something to do; if you've no income, you can't be choosy;  
--(On being asked about a suicide case): It was his own character. A lot of people are laid off. They can't all commit suicide!  
--I feel I should work. Of course I'd be upset if I never found a job.  
--Even though there's a lot of people laid off in Wuhan, you can still find something to do...if you still have two hands.  
--Everyone has to eat, even the American President. It's all just a difference in the division of labor.<sup>161</sup>

Echoing their sentiments, a 1997 Wuhan survey of laid-off workers found that 55 percent were willing to become just an ordinary worker, service or salesperson; another 35 percent were prepared to do any kind of work, no matter how dirty or tiring, if only it would enable them to meet their basic expenses.<sup>162</sup> Here then are people deserted by their danwei and by the state, but not resorting to demonstrating. Moreover, those people appear to have been written off by the plan but not to have found a place in the market.

Despite the laudable spunk, when queried about the future, the state of limbo between plan and market into which these people have been cast became painfully plain. Here are some of their replies:

--A sick man denied his bingtui<sup>163</sup> and confined to his home by his disability views "wait[ing] for my pension" as his only future;  
--A couple, both of whom have lost their jobs: "Go forward a step and then see where you are [zou yibu, kan yibu]; don't dare think about it [buganxiang];"  
--A cabbie, asked if it would be okay with him to drive a cab for the rest of his life: "If it's not okay, then what? I'll just have to see what comes up" [buxing zenma ban? hai yao kan jihui]; and

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<sup>159</sup> Interview, September 1, 1999.

<sup>160</sup> Interview, September 11, 1999.

<sup>161</sup> Various interviews, August 30, September 1, 2, 4, and 11.

<sup>162</sup> Jiangnan daxue ketizu, op. cit., 57, 91.

<sup>163</sup> See footnote 70.

--A night market stallkeeper: "Hard to say [buhao shuo]."164  
And yet, as if their problems were all of their own making, the extremely frequent job turnover these xiagang experience has convinced one analyst to oppose any governmental efforts to entice firms to hire them:

Some go to work for several days and then are laid off once again. This is because the new posts are too demanding for them or the wages aren't much higher than they could get in basic livelihood allowances, they feel the conditions are inferior, or it's too far from home.165

If my small sample is representative, the state and many Chinese scholars, failing to understand the complexity of these people's state of mind, quite unfairly berate them for their attachment to their former firms and their inability to find or hold onto new employment in the market.

#### Getting jobs and staying with them: how the "market" works

Many are, in fact, seeking jobs on their own. But can we infer from this that the labor market is working? On one point the official critique of the laid-off workers is absolutely correct: "People only feel they are employed [or, one might say, have a "job" [gongzuo]] if they are in a state enterprise with stable work and full welfare benefits and guarantees."166 Whether currently at work or not, all the once laid off laborers I met considered themselves "xiagang workers." By the same token, I could never convince cabbies that driving their taxis amounted to a "job." Apparently their labor, with its instability and insecurity--no matter what their earnings--was not the equivalent of a genuine "gongzuo."

"Reemployed" is a slippery concept. As evidence that there is no certainty whatever as to the quantity of reemployed people, within one article is the data that by May 1998, 10 percent of the xiagang had "rather stable work," and that as of September that year the reemployment rate was 30 percent.167 And yet another piece, based on figures into mid-1998 states that, "Now the reemployment rate, which in the past was 70 percent, has fallen

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164 Interviews, August 28 and 30, September 4 and 7, 1999.

165 Zhang Handong, op. cit., 28.

166 Liu Guanxue, in Zhongguo laodongbao [Chinese workers' news], May 2, 1998, reprinted in GYCKZL, 3/98, 19.

167 Mo Rong, "1999 nian wo guo jiuye xingshi fenxi he zhengce jianyi" [Policy suggestions and analysis of my country's 1999 employment situation] ZGLD, 2/99, 11, 12 and Laodong he baozhang xinxi zhongxin, "Dangqian xiagang zhigong zhuangkuang ji ying yinqi zhuyi de jige wenti" [The situation of the present laid-off staff and workers and several issues that ought to lead to attention], ZGLD 4/99, 17, from a sample survey.



to less than 50 percent"; still one more cites a figure of 40.1 percent who had realized reemployment in 1997.<sup>168</sup> In one of my interviews, the still securely employed friend of a woman who had been laid off three times found the definition of the term quite simple: "It means that you work and get an income again, even if it's temporary or short term, unstable." But neither I nor her presently jobless companion could calculate whether or not we should count the latter among those with that label.<sup>169</sup>

Besides the flimsiness of "jobs" this material reveals, the nature of many laid-offs' work life is most irregular. A late 1998 Ministry of Labor and Social Security Information Center survey of over 4,000 working-age people in four cities found that, of those furloughed who had found new work, 22 percent were laboring under 30 hours per week; another 59 percent were working 30 to 50 hours; and those at work more than 50 hours per week made up the last 19 percent. The corresponding percentages for those still in their original posts was 2.6, 93.5 and 3.9 percent, respectively. Thus, whereas 41 percent of the xiagang workers worked abnormal hours, only 6.5 percent of the "employed" did so.<sup>170</sup>

Among my sample, there was a temporary cook who made six to eight yuan per day cooking lunch for random and shifting establishments on the strength of friends' introductions. Another 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, or about \$1 US per hour. Another woman, on her third post-enterprise position, was charged with watching the gates at the idle plant where she had once been employed.

Then there was the woman doing housework when contacted by the Women's Federation, sometimes just once a month. When she did get this very temporary employment, she was paid by the hour, at the measly rate of 3.2 yuan (about 40 cents U.S.). A cab driver had finally determined to take up his present profession after running through a full five jobs since his layoff in 1994, including driving a pedicab, serving in a restaurant, running a small stall on the street, and working for a private firm.

Each taxi in the city runs 24 hours per day, usually driven by its owner by day and by his subordinate [daiban] by night, generally for a rental fee of 70 yuan per night. Shoe shiners polish until dark falls, even through the damp chill of the winter--or, admitted one, she simply "couldn't eat." At the night markets, where stall after stall specializes in one or another of a few

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<sup>168</sup> Liu Yongzhu, op. cit., 18; Cheng Xi, op. cit., 60.

<sup>169</sup> Interview, September 6, 1999.

<sup>170</sup> Laodong he shehui baozhang xinxi zhongxin, op. cit., 18.

varieties of goods (stationery, cosmetics, stockings, flashlights, kitchen utensils, knives), salespeople commonly take in only 200 to 300 yuan per month.<sup>171</sup>

In late 1998, the labor ministry's four-city investigation discovered that 41 percent of those out of work had been so from one to three years.<sup>172</sup> Similar data come from Wuhan: a year earlier the study of 760 laid-off persons concluded that, "The absolute majority" of the 360 reemployed among them had spent more than two years looking for work.<sup>173</sup> Given the lack of clarity as to just what "reemployment" and "job" really mean, plus the prevalence of short-term posts, it is difficult to know how to interpret this data. But since these figures imply difficulty in finding new placements, the next question is how people manage it.

All the information suggests that in spite of the mammoth efforts of local governments, by far the greater part make their arrangements either "on their own" or through personal ties. Two scholars studying 1996 Shanghai found that nearly half (48.5 percent) of those who had gotten jobs had done so with the aid of friends and relatives, 25.5 percent had relied on their own personal relations, 15.7 percent depended on their residents' committee, and 7.3 percent went back to their former unit.<sup>174</sup> In the 1997 Wuhan survey of 360 reemployed, just two percent used governmental assistance and another three percent drew on their neighborhood committee's help. A full 44 percent claimed to have achieved a new position on their own, 40 percent through the help of friends and relatives, 3.6 percent at a talent exchange center, and 21.6 percent at a professional introduction office, with 5.5 percent in an "other" category.<sup>175</sup>

Although these data might conceal some use of advertisements, the typical ad must surely scare off the average laid-off person: it calls for a college graduate, preferably holding a Master's degree, under the age of 30 or 35, with two or more years of work experience. As a news article admitted:

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<sup>171</sup> Discussions of job categories and percentages involved in each found in journals are impossible to interpret since each author tends to lump a different collection of categories together in coming to conclusions. Examples are Wang Aiqun, op. cit., 29; Xu Jianxin, op. cit., 34; n.a., "1998 nian," 11; and Jiangnan daxue ketizu, op. cit., 7, 61.

<sup>172</sup> Laodong he baozhang xinxi zhongxin, op. cit., 20.

<sup>173</sup> Jiangnan daxue ketizu, op. cit., 57.

<sup>174</sup> Tian and Yuan, op. cit., 8.

<sup>175</sup> Table, Jiangnan daxue ketizu, op. cit., no page.

"This won't work for those who couldn't get higher education because of 'historical reasons' and those middle-aged workers who have lost their jobs."<sup>176</sup> Nor will an electronic screen at Wuhan City's central labor market posting job openings suit their needs. For virtually all the jobs are for people under 30, some even for those under 22 years of age.<sup>177</sup>

These considerations lend credence to the assertion of one scholar that, "Fewer than 10 percent of the surplus personnel use the labor market for employment or reemployment."<sup>178</sup> The instability of the work they locate and of the earnings that go with it, combined with the unwillingness of firms to sign contracts or to offer any benefits, all add to the rapidity of quits and firings that the members of the laid-off population repeatedly endure.<sup>179</sup> Here again we find furloughed folk functioning, but neither serviced by the state, ensnarled in strikes, nor in demand on the market.

#### Financial survival

Much writing on the laid-off censures those termed the "hidden employed." One study of 1,000 dismissed workers in eight enterprises reported that over 70 percent belonged to this category, meaning they were still collecting some "basic living allowance" from their former firm while obtaining wages from a job elsewhere.<sup>180</sup> Granted, this behavior apparently obstructs the development of a true labor market and further hamstring the economic recovery of failing firms.

But material on the income and mundane miseries of these people evinces the genuine necessity of such activity for those thrust into the vacuum between the state security of the past and the very inchoate, totally insufficient social security system of the present. Such people are far from

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<sup>176</sup> Jingji cankaobao [Economic reference news], March 24, 1998, reprinted in GYCKZL, 4/98, 16.

<sup>177</sup> Visit to the market, September 4, 1999.

<sup>178</sup> Guo Qingsong, op. cit., 51.

<sup>179</sup> Yan Zhicheng, "Jiejue yinxing jiuye wenti jiujiang nan zai hechu?" [Where after all is the difficulty in solving the problem of hidden employment?] ZGJY, 6/98, 21; Xu Jianxin, op. cit., 34; and Wuhan Shi fangzhi, op. cit., 9 address this issue.

<sup>180</sup> Xu Jianxin, op. cit., 34. Also see Li and Xie, op. cit., Gu Yu, op. cit., 27, and Yang Yiyong, "Ruhe kandai dangqian di shiye wenti?" [How to consider the present issue of unemployment] NBCY 1/27/99, No. 447, 18, which says 60 percent of the registered unemployed are working, as hidden employed.

having the time to demonstrate, but must instead constantly scramble for the wherewithal for subsistence. This they do in a "market" that could clearly do without them.

The 760-respondent survey in 1997 Wuhan revealed that 57 percent of the furloughed received no allowance at all from their firms--a figure very close to the national, official one for that year<sup>181</sup>--and others got as little from them as 20 yuan a month.<sup>182</sup> Twenty-one percent of those "reemployed" were earning a mere 100 to 200 yuan a month and 36 percent between 300 and 500 yuan.<sup>183</sup> Of those who had not become "reemployed," a full 38 percent somehow got hold of less than 100 yuan a month; another 23 percent got 100 to 200, and 16.5 percent 200 to 300.<sup>184</sup> According to this breakdown, over three quarters (77.5 percent) were trying to make do on less than 300 yuan a month for an entire family and 61 percent had under 200 yuan!<sup>185</sup> Far more grim were the findings of a study in Fangxian county, Hubei, where 80 percent had per

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<sup>181</sup> Lei Peng, op. cit., 29. Here it is noted that at the end of 1997 the State Statistical Bureau found that almost half of the laid-off received no income from their original unit.

<sup>182</sup> Jiangnan daxue ketizu, op. cit., 56. Though they refer to a "considerable part" as wealthy, on p. 88 they note that only seven percent were in this situation.

<sup>183</sup> Jiangnan daxue ketizu, op. cit., 79.

<sup>184</sup> Some of these may have obtained these sums by finding their way to the city civil affairs bureau, where they should have been signed up for 150 yuan lowest livelihood allowance per month.

<sup>185</sup> Ibid., 88. I met and spoke at length with a family of four where the mother repaired shoes and ran a small breakfast stall, the father had had a nervous breakdown years ago and was still unable to work, and two small sons were on the verge of being taken out of school because of the terribly low family income of about 500 yuan per month (including 150 from the city civil affairs bureau). A number of studies came up with a majority of laid-off workers whose monthly income was under 200 yuan: In Zhang and Zhang in Gonghui gongcuo tongxun, 13, the percent at that income level is 64.7%; in Jiangnan daxue ketizu, op. cit., 61 percent had a family monthly income under 200 yuan, and in 'Chengzhen qiye,' op. cit., a study of 1,234 persons in 55 cities in 17 provinces, 57.8 percent reported this level; see also Hubei sheng, op. cit., 19, reporting that the average wage among employed in a Hubei study was 363.9 yuan, but only 15.58 among the laid off.

capita incomes below 100 yuan; or a five-province trade union survey of 1.58 million workers from 4,494 enterprises that had stopped or half-stopped production. There 242,000, or 15 percent, were surviving on an average income under 50 yuan!<sup>186</sup>

And whence did such meager intake derive? In Fangxian, Hubei in 1998, 50 percent were relying on the apparently skimpy allowances from their units, 20 percent on income from odd jobs, 10 percent were "resting on their laurels," and just 20 percent had become "reemployed." In Shanghai two years earlier the percentages were quite similar: 60 percent relied mainly on their old work unit, 21 percent on odd jobs, 9.5 percent had found rather stable work, and 8.7 percent were undergoing training.<sup>187</sup> In short, going to work for a second unit to supplement the generally paltry payments from their original enterprises should not be viewed as a covert or even illicit form of behavior. In many cases it is absolutely essential, particularly in the absence as yet of any effective social security and unemployment insurance system.

These poverty-stricken people endure various hardships. In Fangxian, 75 percent of those dismissed had both their young and their elderly depending upon them.<sup>188</sup> Such people cannot "afford to be filial or to raise their children; they can only eat rice and pray to Buddha," quipped one commentator.<sup>189</sup> A study of over 28,000 children in a district of Shijiazhuang, Hebei, found that 30 percent had laid-off parents and that, because of these layoffs, 11 percent of middle school students were thinking of quitting school.<sup>190</sup> The State Statistical Bureau admitted that at the end of 1997, "most laid-off workers were without medical benefits"<sup>191</sup>; even in prosperous Shanghai, researchers reported in 1996 that the allowances

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<sup>186</sup> Cheng Changming, op. cit., 34; Lei Peng, op. cit., 28;

<sup>187</sup> Cheng Changming, op. cit., 34; Tian and Yuan, op. cit., 8. There is a somewhat different breakdown in Jiangnan daxue ketizu, op. cit., 88. See 'Chengzhen qiye,' op. cit., 26 for similar data from research in 55 cities.

<sup>188</sup> Cheng Changming, op. cit., 34.

<sup>189</sup> Tong Jingchen, "Kunnan-lijie-bangzhu," [Difficulty-understand-help], ZGJY, 6/98, 22.

<sup>190</sup> Li Bingliang and Guan Zaiyuan, "Zhongshi zhigong xiangang dui qi zinu di fumian yingxiang," [Pay attention to the negative influence on the sons and daughters of the staff and workers' layoffs] NBCY, 2/3/99, No. 448, 14.

<sup>191</sup> Lei Peng, op. cit., 29.

of the laid-off were so low that there was "no way to squeeze out some money to see a doctor."<sup>192</sup>

My interviews with laid-off people, who were nearly all engaged in some form of income-generating activity and some of whom did receive some allowance from their old firms, is quite consistent with these accounts. My disabled male worker very rarely even eats eggs and is still wearing the clothes from the time he last worked, five years ago.<sup>193</sup> Another man, supporting himself since he was laid off in 1996, got sick in 1998 and had to pay over 2,000 yuan for his medical bills. The factory, using the alibi that "We've got people with more serious illnesses than you," only reimbursed 400 yuan of his costs.<sup>194</sup>

Those with children were compelled to put out 400 to 500 yuan a year for their primary school educations, 700 to 800 for middle school and at least 1,200 for high school<sup>195</sup>; to manage this, they were perforce cutting down on everything else that made up the fabric of their existence. As a middle-aged woman bemoaned with her 18-year-old daughter standing beside her at a night market stall, "Now it takes two people just to raise one child." With no money for schooling beyond her middle school and no jobs for the girl, it was not quite clear why this sacrifice was being made.<sup>196</sup>

Several small incidents in the course of my patronage of the laid-offs' businesses struck me powerfully as a symbol of the grit amidst poverty of these people without "jobs." The first was the extravagant gratitude of a pedicab driver when I paid him six instead of the five yuan he asked for (the equivalent of 12 U.S. cents extra); the second was the evident thrill on the face of a night market stallwoman to whom I gave an extra .20 yuan (or US\$.025) for a pair of scissors for which she asked 1.80 yuan. And third was the shoeshiner who refused to take three yuan when the going rate was two, proclaiming proudly that she "still had to have a conscience."

#### Conclusion

Clearly those laid-off laborers still willing to work for their livelihoods--and there are many, many of these--have sunk from the status of

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<sup>192</sup> Tian and Yuan, op. cit., 8.

<sup>193</sup> Interview, August 28, 1999. See note 97.

<sup>194</sup> Interview, September 2, 1999.

<sup>195</sup> On September 11, 1999 at a night market one woman said she was paying 4,000 yuan per year for her daughter's senior middle school tuition!

<sup>196</sup> Interviews, September 1, 2, and 11, 1999.

the masters of their workplaces, the "leading class" of China, to a social position hardly better than that of the peasants from outside the city seen as trespassing upon the urban turf when they enter town in search of jobs. This steep decline in the workers' standing is in the first place at least in part the product not just of the market, but also of the regime's clinging to certain key facets of the command economy in order to get state goals achieved. That is, it is relying on quotas to kick people out, and concocting a hierarchy among former workers which justifies limiting the number of recipients eligible for entitlements--just as it once depended upon a similar ranking system for those at work.

Meanwhile, state leaders have convinced themselves that they are cobbling together a labor market by passing some interim preferential policies, calling for the construction of reemployment centers, and nurturing a private sector. These measures, they pronounce, should dispose of the problems of the dislocated. The stark inadequacy of such tactics forms the second part of the problem. The overall outcome is that much of Chinese labor is living in a limbo between plan and market, in a world that partakes of the worst of both models, large numbers of them surviving but just barely. Government benefits often fail them, and yet they have neither the time nor the spirit to resist the state. Instead they soldier on, neither striking nor succored.

The final irony in this paper that began with a long list of them is that China's marketizing, proto-capitalist economy is converting the country's less educated, middle-aged city folk into cheap labor and second-class citizens, thereby ever narrowing the camp of those who fully belong. So, at the same time the working class is lionized in rhetoric, its members are in actuality filling the function of the farmers cleaned away to prettify the cities' streets in celebration of "socialist" China's fiftieth anniversary.<sup>197</sup>

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<sup>197</sup> Yue Wei, op. cit., 17 and Bi Jianhao, op. cit., 18 refer to them as "cheap labor"; Zhang Pan, "Zaijiu ye, zenneng jiaota liang tiaochuan" [Reemployment, how can one have a foot in either camp?], ZGJY, 6/98, 31 says, just as had been earlier said of the floating population: "They come when summoned, go when commanded," and are treated as "second-class citizens." For an example of this remark being used to describe the floaters, see "The Impact of the 'Floating Population,' Surplus Labor," from Daxuesheng (University Student) 5, (May 10, 1990), 36-38, translated in Joint Publications Research Service-CAR 90-054 (August 17, 1990), 44.