Labour Market Reform and the Plight of the Laid-off Proletariat

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ABSTRACT The government's projects and claims to succour the workers made redundant by its economic restructuring of the past decade have all run into severe difficulties. Indeed, all three of the state's undertakings directed at the furloughed are burdened by stunning weaknesses that cast enormous doubt upon reports of the opportunities both for the furloughed to find new employment and for them to obtain state assistance. The non-state sector generally has more work for rural migrants or the highly educated than for the laid-off; the Re-employment Project is full of pitfalls; and immense challenges of both resource scarcity and administrative incapacity characterize the national-scale social welfare programme. This article thus sets out the material conditions confronting those who have lost their jobs.

The critical human dimension of the "reform" of state-owned enterprises revolves around the disposition of factory labour. While about one-third of the prior workforce has been considered for some years to be surplus,[1] a multitude of labourers who had been at work until recently have been summarily sacked (loosely labelled "laid-off" [*xiagang*, or, literally, "descended from a post"]) since the mid-1990s,[2] especially after the 15th Party Congress in September 1997.

But accurate data are hard to come by, since government statistics are murky and often presented in a way that suggests that the numbers are not all that large.[3] Regardless of the ambiguities, it is certain that quite precipitously millions of past renowned, now former workers are comprising a sorry – and terribly sizeable – mass of newborn marginals.[4] In

1. Li Bao and Xie Yongjun, " 'Yinxing shiye' yu 'yinxing jiuye'" ("Hidden unemployment and hidden employment"), *Zhongguo laodong* (*Chinese Labour*) (hereafter *ZGLD*), No. 4 (1999), pp. 45–47. They estimate that the hidden unemployed account for 20 to 30% of the workforce, totalling some 20 to 30 million workers, or five to six times the number of the registered unemployed. Many other sources, dating back even before the mass lay-offs of the late 1990s, say the proportion is one-third.

2. Officially, a *xiagang* worker is one who meets all three of the following conditions: s/he began working before the contract system was instituted in 1986 and had a formal, permanent job in the state sector (plus those contract labourers whose contract term is not yet concluded); because of his/her firm's problems in business and operations, has been let go, but has not yet cut off relations with the original firm; and has not yet found other work in society (see Guo Jun, "Guoyou qiye xiagang yu fenliu you he butong?" ("What's the difference between laid-off and diverted workers in the state firms?"), *Zhongguo gongyun* (*Chinese Workers' Movement*) (hereafter *ZGGY*), No. 3 (1999), p. 32, among many other places).

3. I have written of this in "Why we cannot count the 'unemployed'," *The China Quarterly*, No. 167 (September 2001), using data available to me up to the autumn of 2000.

4. Recent unofficial calculations concur that the statistical picture is grim: Chinese economist Hu Angang has figured that as many as 46 million, or, he estimates, one-third of existing jobs were eliminated in the last half decade of the century (China News Digest, GL01–049, 6 July 2001); similarly, a Chinese journalist reported that since the early 1990s, more than half the 80 million or so people who had once worked at state-owned enterprises are thought to have been let go (Jiang Xueqin, "Fighting to organize," *Far Eastern Economic Review*, 6 September 2001, pp. 72–75). And according to a mid-1999 report, some

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the face of this situation, broadcasts, usually from Hong Kong, have been disclosing what seem to be increasingly frequent worker and pensioner street demonstrations and protests.

Yet the casual observer may wonder what the fuss is about. Three sorts of official claims or initiatives, roundly touted in the press, superficially appear to be capable of handling the fallout from the discharges. One of these entails simply trusting to the new labour market that is supposedly emerging from the economic reforms, resting on the hope that the private and/or tertiary (service) sectors can absorb these people. A second effort combines state policy measures with the operation of this incipient market: this is a seemingly generous government-sponsored nation-wide "Re-employment Project" that was launched in 1995. And a third represents a herculean endeavour to entrench modalities of relief borrowed from the practices of foreign states that manage capitalist economies, that is, a new social security net to catch those who have lost their work unit benefits. As a package, these disparate thrusts in the policies aimed at alleviating unemployment – one purely market, one more nearly statist and one social democratic – demonstrate both the ambivalence and the transitional nature of the late socialist state's stance toward its old working class.[5]

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

Granted, the picture is not altogether bleak. For some, the release from a state factory job is welcome; it is even requested. This is the case for younger, well-educated, technically skilled workers, ones with opportunities to acquire new positions. A 38-year-old man who had majored in accounting in a technical middle school whom I interviewed in Wuhan in 1999 departed from his post voluntarily in 1997, a move he explained by saying he "felt [he] could get more chances by leaving the unit." He was working as a manager in a schoolmate's computer company when we met, "definitely making more money than before," while his former firm allegedly held his place, should he wish to return.[6] Another, driving a taxi, was paying his old enterprise 150 *yuan* per month to retain his

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government officials believe the real number of workers who should be counted as unemployed – including all those currently labelled "as waiting for work" but not officially added into the unemployed statistics – could be as high as 100 million (William H. Overholt, "China in the balance," Nomura Strategy Paper, Hong Kong, 12 May 1999).

5. I borrow the term "late socialism" from Li Zhang, "Migration and privatization of space and power in late socialist China," *American Ethnologist*, Vol. 28, No. 1, pp. 179–205.

6. Interview, 8 September 1999.

position, just in case policy should change. He actually wished to be laid off, as of mid-1999, but his enterprise, preferring to avoid giving him the "basic livelihood allowance" (*jiben shenghuofei*, on which more later) due to the laid off, refused to release him from its rolls.[7]

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

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

The purpose of this article is to delineate the severe difficulties that the programme of cutting back the workforce is visiting upon the great majority of its middle-aged, erstwhile members. This is done by illuminat-

7. Interview, 28 August 1999.

8. *Liangbuzhao* is discussed in Jiang Shunxiang, "Shuoshuo 'liangbuzhao' " ("Talking about *liangbuzhao*"), *Lingdao neican* (*Leadership Internal Reference*) (hereafter *LDNC*), No. 11 (1998), pp. 46–47.

9. Interview, 8 September 1999.

10. William Hurst has done a pioneering statistical study that shows a positive inverse correlation between rates of lay-offs and rates of entering "re-employment service centres" (on which more later) at the provincial level, where, he found, much variation exists, based on official data from 1997 (William Hurst, "In search of xiagang: theoretical inadequacies, regional patterns, remedies, and possible future trends," paper presented to the 2001 Annual Meeting of the Association for Asian Studies, Chicago, 24 March 2001). I have also compared the situations of laid-off workers in three cities, as of mid-1998, in "Clashes between reform and opening: labour market formation in three cities," in Bruce Dickson and Chao Chien-min (eds.), *Remaking the Chinese State: Structure, Society, and Strategy* (London: Routledge, 2001), pp. 103–31.

ing the weaknesses in all three of the state's chief undertakings directed at the furloughed. My information goes against the grain of what the Party press publicizes about opportunities in the non-state sector; it also casts a cloud upon reports of the beneficence offered and the possibilities posed by the state's Re-employment Project. And I challenge the hopes being placed in developing a national-scale social welfare programme to replace what was for decades offered by individual work units. This material will serve as background to understanding the practices – the demonstrations and protests that are discussed in the following articles by Yongshun Cai and by Kevin O'Brien and William Hurst – as well as to set out the material conditions to which so many of Marc Blecher's informants, for the array of reasons he sets out, have chosen or been compelled to adapt or submit.[11]

The New Non-State Sector as Refuge?

During the late 1990s the official media constantly trumpeted the significance of the private sector in providing employment for workers pushed aside by the state sector.[12] Both Premier Zhu Rongji and Minister of Labour and Social Security Zhang Zuoji repeatedly announced that what they variously labelled the non-state sector, the non-public sector, the tertiary sector, or, explicitly, private firms and the service industry, should be the engine that churns out multitudinous job opportunities, now that so much of the old working class has, quite literally, landed on the streets.[13]

But such official formulations aimed at enticing urban residents into the new tertiary or private sectors and praising such work apply to the genuine urban private sector, and not to the laid-off workers. Indeed, there has been much fanfare attending the rebirth of the capitalist class, especially in the last few years. In 1999 the National People's Congress amended the state constitution, proclaiming the private sector a "component part" of the national economy.

According to statistics collected at the end of 1999 by the All-China Federation of Industry and Commerce, 31 million single-owner private companies employing fewer than seven employees each altogether engaged as many as 60 million employees, while firms with more than eight employees totalled 1.5 million, and had another 20 million people on

11. To the extent that my perspective and information differ from those of Marc Blecher, any or all of the following factors may be the cause: whereas Blecher interviewed both employed and laid-off workers, I spoke only with the laid-off; I tended mainly to talk to people toiling on the streets, who are probably worse off than others; Wuhan's situation may be worse than Tianjin's; and my interviews were in 1999, 2000 and 2001, after Blecher's ended. Apparently for street workers employment competition has intensified, as larger numbers lose their original job posts over time.

12. Yi-min Lin and Tian Zhu, "Ownership restructuring in Chinese state industry: an analysis of evidence on initial organizational changes," *The China Quarterly*, No. 166 (June 2001), p. 338.

13. Bill Savadove, "Chinese reform to create big groups, sack millions," Reuters, 10 March 2001 cites Zhang; Summary of World Broadcasts (hereafter SWB), FE/3913, 9 August 2000, G/6–7, from *Sing tao jih pao* [*Xingdao ribao*], 3 August 2000 cites Zhu, for just two examples.

their books. Moreover, private companies of all sizes laid claim to registered capital of more than 2,100 billion *yuan* at that point, and had contributed over 8 per cent of the country's total tax revenues.[14] As of early 2001 the non-state sector was said to be producing 70 per cent of the gross national product, though it controlled only 30 per cent of national assets.[15]

But activity within the "service sector" conceals an array of sub-categories. So when Premier Zhu Rongji called for policies favourable to this industry, it seems he had in mind the development of the information, insurance and financial services, and the software sector, surely very different areas from those that could be populated by the laid-off people. For the shunted-aside old soldiers of socialism, the act of joining in the marketplace that these leaders propose is actually far from a cure. In fact such a project amounts to a big part of their problem, since these middle-aged, under-educated and unskilled workers are totally ill-equipped to prosper in the modern high-tech world. Credit to be directed to private coffers rarely if at all reaches them: a report on the sector admonished that even the more substantial practitioners in the private sector are seriously restrained by a lack of funding channels.[16] In the especially stricken north-east, people attempting to open their own businesses charged that they were unable to obtain any government support for their little ventures, and were being heavily taxed.[17]

The scene in the cities these days is initially quite deceptive. Along the streets, the service sector, starved nearly to death until the early 1980s, seems full of life, packed with business – or at least with salespeople. You can get your shoes shined for two *yuan*[18] by three different peddlers on just one block, buy the same pair of nylons for the same 10 *yuan* five or six times or the same ballpoint pen for two or three *yuan* in the same lane. Or you can choose any one of ten pedicabs to deliver you as far as a couple of miles away, for as little as three to five *yuan*.[19] But, one must ask: can those scrambling about in such a bazaar really expect to support a life? A sympathetic writer in a trade union journal worried thus about the troubles of these workers:

> For a long time, they've been drifting outside the enterprise in a socially marginal situation, especially those in small-scale, scattered, mobile informal departments …

14. Liu Jie, "Non-state firms cry for help," *China Daily Business Weekly*, 10–16 September 2000, p. 2.

15. Fred Hiatt, "For China, the most difficult reforms lie ahead," *Washington Post*, 1 April 2001, p. B07, citing the think-tank of reformer Cao Siyuan. A bit later in the year, Bruce Gilley, "Demand-led growth," *Far Eastern Economic Review*, 19 July 2001, p. 49, asserted that, "Beijing is increasingly reliant on the non-state sector, which now accounts for 75% of gross domestic product if the collective sector and agricultural output is included."

16. SWB FE/3520, 27 April 1999, G/11, from Xinhua (New China News Agency), 26 April 1999.

17. In *South China Morning Post*, 7 June 1999.

18. Since a Chinese *yuan* is equal to about US$.12, this shoe shine would cost about US$.25.

19. Wuhan street interviews, September 1999.

They meet up with many problems and annoyances, but lack any organization's loving care, are without any opportunity to get education or to participate in society.[20]

Besides such self-employed city folk, others among the millions of suddenly informal[21] urban labourers work for wages. One of my Wuhan informants was a woman who, first let go by her own firm, had later been dismissed from a private enterprise when its business deteriorated, and was currently dishwashing at a restaurant for 12 hours per day for 300 *yuan* a month, about US$1 per hour. Another, on her third post-enterprise position, was charged with simply standing at the gates of the idle plant where she had once been gainfully, purposefully employed. A third woman did housework when contacted by the Women's Federation, which could be as rarely as just once a month. When she managed to get this very temporary employment, she was paid by the hour, at the measly rate of 3.2 *yuan*.[22] So in the worst periods this could mean a monthly take of just some 30 *yuan*!

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

Now in a lot of units there's irregular use of labour, obstructing the [laid-off] staff and workers' re-employment. The textile trade's re-employment service centre is entrusted with 10,000 laid-off staff and workers, of whom about 400 have become re-employed … not one of the 100 units that hired them has taken over social security responsibilities for them or signed a formal contract.

Three hired as transport workers for a store's household appliance department were paid only 200 *yuan* after a month, while the store's regular workers' monthly income averaged more than 1,000 *yuan*.

According to relevant regulations, staff and workers have a three-month probation period, in which wages are rather low. But after the three months a clothing enterprise fired those it had taken on. Of all those placed out of the [re-employment] service centre, 44 per cent of the total were soon fired for reasons that had nothing to do with their job performances.[23]

The work described in these sketches is of a type previously performed in cities just by second-class inmigrating peasants.[24] In illustration of the

20. Xue Zhaoyun, "Dui xiagang zhigong zaijiuye xianzhuang di diaocha, sikao yu jianyi" ("Research, reflections, and suggestions about the re-employment situation of laid-off staff and workers"), *Gonghui gongzuo tongxun* (*Bulletin of Trade Union Work*), No. 7 (2000), p. 10.

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

22. Wuhan interviews in the homes of these people, September 1999.

23. *Changjiang ribao* (*Yangtze Daily*) (hereafter *CJRB*), 2 June 1998, p. 2.

24. According to Lora Sabin, in 1987 Beijing, three-quarters of the employees in the city's private sector were from the countryside, and by the early 1990s, half the labour force (including owners and employees) held rural household registrations. See Lora Sabin, "New bosses in the workers' state: the growth of non-state sector employment in China," *The China Quarterly*, No. 140 (1994), pp. 944–970. Also, Shi Xianmin, "Beijing's privately-owned

current collapse of status hierarchies, the term *mingong* – loosely, a label used to specify casual labour, which in the recent past was employed just to refer to surplus rural workers from the interior – in 1998 was used in a Hong Kong paper to designate the urban-registered laid off and unemployed as well.[25]

But despite appearances, the unregulated economic activity of the *xiagang* does not, like that of the peasant migrants, represent just a straightforward manifestation of the metamorphosis of the Chinese urban economy, some uncomplicated consequence of that system's steadily deepening marketization. Nor do these sellers, as do the peasants newly in town, merely symbolize one more instance of an "informal economy" resulting from the widespread process of privatization[26] that is attending the advance of capitalism on a global scale.[27] It is also inappropriate to view their labour as the latest incarnation of the secondary sector of China's longstanding "dual market," as if a market, operating according to principles of supply and demand, had merely become bifurcated along some new fault line.[28]

Yes, these people *are* operating in a kind of secondary labour market. For, as in what is usually branded as the "secondary economy" across the world, they, along with the rural migrants, do hustle to make their living in a sector comprised of marginal and/or denigrated labourers who have been relegated to the least desirable and most unstable work available. But for at least three reasons – their social trajectory, state policies, and the stiff competition many of them face from the migrants – these people

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small businesses: a decade's development," *Social Sciences In China*, Vol. 14, No. 1 (Spring 1993), pp. 161–62. In Wuhan, reportedly, a 1998 investigation of 50 local large-scale private firms, done by the city's Federation of Industry and Commerce, revealed that on average 42% of their combined 6,286 employees were laid-off staff and workers, and in some firms the proportion went as high as 92%. In such firms, "outside" (meaning peasant) labour was used a lot in the recent past. This is in *CJRB*, 14 June 1998.

25. *Ming bao* (*Bright Daily*), 12 February 1998.

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

27. P. Connolly, "The politics of the informal sector: a critique," in N. Redclift and E. Mingione (eds.), *Beyond Employment: Household, Gender and Subsistence* (Oxford: Blackwell, 1985) and Alejandro Portes and John Walton, *Labour Class and the International System* (New York: Academic Press, 1981). Both these works are cited in Michael Pinches, " 'All that we have is our muscle and sweat': the rise of wage labour in a Manila squatter community," in M. Pinches and S. Lakha (eds.), *Wage Labour and Social Change: The Proletariat in Asia and the Pacific* (Clayton: Centre of Southeast Asian Studies, Monash University, 1987), p. 104.

28. Louis Putterman, "Dualism and reform in China," *Economic Development and Cultural Change*, No. 40 (1992), pp. 467–493; and Flemming Christiansen, "The legacy of the mock dual economy: Chinese labour in transition, 1978–1992," *Economy & Society*, Vol. 22, No. 4 (1993), pp. 411–436.

are not a part of the standard "private economy" so common across the "developing" world.[29] Thus we cannot project for them and their enterprises the usual hopes of ascent associated with a true private sector on the make.

To begin with their life course, these laid-off workers have emerged from very different social and political processes from those of others doing business in the cities today. Their paths to the market have been quite distinct from those of the members of the "floating population" – the rural migrants who arrived in urban areas en masse after the early 1980s and who, in their origins and aspirations, much better approximate secondary, private, informal workers elsewhere.[30] Their road into the "business world" has also diverged significantly from that of the members of the new urban private sector, encouraged to go there by the advent of market reforms. Unlike informalities in other places, the furloughed urban people on Chinese streets today are not situated in this niche voluntarily in order to build businesses or to amass capital. The "floating" salespeople and service providers lead lives which, no matter how bitter, have generally improved significantly in material terms as a result of their having joined these markets, whether they came from poverty-stricken rural areas or other, poorer countries.[31] But the *xiagang* merchants are decidedly *downwardly*, not upwardly, mobile.

Ironically enough, in its march towards modernization and economic reform, even as the Chinese leadership has unleashed and encouraged the forces of the market, at the same time it has arrested the full unfolding of some of the chief social processes that generally emerge from marketization elsewhere. Thus in China, instead of the advancing affluence, rising levels of education and embourgeoisment of a large section of the working class that took place in many societies along with economic development – and quite markedly so in its East Asian neighbours, South Korea, Japan and Taiwan – the particular form of marketization of the old Chinese urban economy represents a regression for the *xiagang* workers, who today comprise quite a numerous portion of the urban populace.

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

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

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

31. See Michael J. Piore, *Birds of Passage: Migrant Labor and Industrial Societies* (Cambridge: Cambridge University Press, 1979) for the classic statement of this phenomenon. According to David Stark, the "second economy" is "a broad range of income-gathering activity outside the boundaries of the redistributively coordinated and managed economy" (in "Bending the bars of the iron cage: bureaucratization and informalization in capitalism and socialism," *Sociological Forum*, Vol. 4, No. 4 (1989), pp. 637–664).

Revolution (including, for most, a lengthy stint in the countryside) over a decade or so after 1966, and therefore lack any skills. Study after study more or less replicates the findings of sample research done in 1996 nation-wide by the State Statistical Bureau. That inquiry discovered that as many as 57 per cent of those laid off had been educated only up to junior high level; another 14 per cent had received just a primary school education or even less. Some 70.4 per cent were between the ages of 25 and 44, while another 18.5 per cent were over 45. Women accounted for 64.3 per cent of the sample, though they comprised under half the workforce before the sackings started.[32]

The laid off also have little in common with the entrepreneurs with urban roots who appeared in open markets in the cities from the early 1980s. These businesspeople set out from the start to become capitalists, if often just petty ones. They were young people waiting for their first state jobs, ex-convicts, demobilized soldiers, blue-collar workers from collective firms, administrative functionaries and state purchasing agents, and, especially in more recent times, more powerful, high ranking officials, army officers and state enterprise managers.[33] All were people who had the drive and determination to succeed on a path of upward social advance, the most successful favoured with access to funding and personal relationships that certainly smoothed their roads. These inclinations and advantages do not characterize the laid off struggling to extract the bare wherewithal for their existence.

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

A second factor setting apart the furloughed from the typical informal-sector trader is that the state and its policies have loomed and continue to loom much larger in the fate of the former than for any other group of people in urban markets. For a start, one could make a credible claim that it was largely the state, rather than the market, that produced these curious private-sector workers in the first place. They emerged as the Chinese state abandoned its putative past political partner, the working class, in a step it disingenuously justified as being in labour's own

32. For one example, see Mo Rong, "Dui guoyou qiye zhigong xiagang yu zaijiuye wenti di renshi" ("Thoughts about state enterprises' staff and workers' lay-offs and the question of reemployment"), *ZGLD*, No. 2 (1998), p. 12.

33. See David L. Wank, *Commodifying Communism: Business, Trust and Politics in a Chinese City* (New York: Cambridge University Press, 1999); Susan Young, *Private Business and Economic Reform in China* (Armonk, NY: M.E. Sharpe, 1995); Ole Bruun, *Business and Bureaucracy in a Chinese City: An Ethnography of Private Business Households in Contemporary China* (Research Monograph 43. Berkeley: Institute for East Asian Studies, University of California, 1993); and Ole Odgaard, "Entrepreneurs and elite formation in rural China," *Australian Journal of Chinese Affairs*, No. 28 (1992), pp. 89–108.

"long-term interest."[34] Just as the sacking campaign was getting under way in earnest, the 1997 May Day editorial in the Party paper, *Renmin ribao*, admonished its readers that: "It's possible benefits of some workers may be temporarily affected. Seen from long-term benefits, the pains are worth enduring."[35] Thus, these one-time workers have found themselves in their present place because state policies snatched their former rice bowl away, and for them there is no other means of survival.

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

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

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

> are even bold enough to try to fool the government which has preferential policies like tax breaks for businesses that hire unemployed workers. First, they recruit laid-off workers to take advantage of the preferential treatment and then fire them within several months, giving various excuses.[36]

Even when they do engage furloughed workers, some firms play on the workers' eagerness to find new jobs, refusing to give them wages equal to regular workers, though they do just the same work.[37] In other words, preferential policies, by gearing the incentives of factory managers only to hiring, not to retaining, furloughed workers, often serve to intensify the mistreatment that informal labour always suffers. Overall, then, it is statist measures, and not economic forces by themselves, that have

34. *Jingji ribao* (*Economic Daily*), 27 April 1998; Deng Baoshan, "Zhengfu, qiye, he xiagang zhigong zai zaijiuye gongzuozhong de zuoyong" ("Government, enterprise, and laid-off staff and workers' role in re-employment work"), *ZGLD*, No. 3 (1999), p. 11; also see Zhu Rongji's speech in Tianjin, from *Jingji guanli wenzhai* (*Economic Management Digest*), in *Gongyun cankao ziliao* (*Workers' Movement Reference Materials*), No. 3 (1998), p. 5.

35. *Renmin ribao* (*People's Daily*), 1 May 1997, in SWB FE/2908, 2 May 1997, G/6.

36. SWB FE/3241, 1 June 1998, G/7, from Xinhua, 29 May 1998.

37. *Ibid*.

engendered the present surge of unemployment, even as new statist policies are being put forward in an often luckless effort to deal with it.

A third factor that separates the *xiagang* entrepreneurs from ordinary informal sector traders is the disadvantage they suffer from the presence in the markets of the rural migrants, people much better placed than they to earn a living informally. Since the urban ex-workers have spent their adult, working lives at factory machines in the cities, most have not had an opportunity to acquire either the brawn or the specialized service skills that are the mark of the farmer or the rural craftsperson. By contrast, the capabilities that peasants developed in their past pursuits enable them when in town to outcompete urbanites in a number of critical trades (but not in all occupations).[38]

In particular, former peasants frequently enter the fields of construction and marketing, both of which are natural outlets for competencies honed in the countryside. As one of my ex-worker informants who was attempting to make his way as a vegetable vendor complained: "Peasants have influenced my business. They can work hard, eat worse food, carry heavier things. They're fierce competition."[39] He could also have mentioned the surely stronger supply lines backing up the business of his rustic rivals.

As for those hoping to do waged work, though state policy demands that let-go, rehired urban workers draw better pay than peasant migrants labouring in city enterprises, and requires that they receive basic welfare benefits that are denied the peasants, the urbanites often still lose out. For many firms prefer to take on the lowest-paid, least-entitled labourers, and especially if they – as ruralites in the metropolis often are – are willing to work under inferior conditions.[40] Even where there have been governmental injunctions to cut back on rural workers, such as regulations dividing jobs into three categories (those for which peasants were not permitted to be hired, those for which they could be hired only if there were an insufficient urban labour supply, and those for which they could

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

39. Interview, 16 September 2000.

40. Beijing daxue Zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu (Beijing University Chinese Economy Research Centre Urban Labour Market Task Group), "Shanghai: chengshi zhigong yu nongcun mingong di fenceng yu ronghe" ("Shanghai: urban staff and workers and rural labour's strata and fusion") *Gaige* (*Reform*), No. 4 (1998), pp. 105–107 discusses this problem. Thanks to Barry Naughton for sending me this article. The authors note that "outside labour"'s average wage as of 1996 was less than half that of an urban migrant's, and that the rural worker's labour productivity was often 50% above that of the urbanite's. Taking into account these issues, along with the welfare paid for locals, the overall cost differential was more than five to one. Additionally, the rural outsiders tended to be younger than the laid-off city workers and more often male, while the percentage of them educated at junior high school level or above was twice as great as that for the laid-off factory workers (among the outsiders, the figure was 12.7%, while it was only 6.7% of the locals).

be hired), the repeated promulgation of these rules suggests that they are not being heeded.[41]

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

The "Re-employment Project" and its Shortfalls

As early as 1994, an experimental programme, the "Re-employment Project," was piloted in 30 cities, and then extended nation-wide the following year. It comprised a monumental effort directed at a sadly overambitious aim: to arrange somehow for the settlement of all the laid-off workers.[42] But there were critical limitations on the entire endeavour from the start: a scarcity of funds; a widespread connection of the unemployed with firms that had either gone bankrupt or were suffering serious losses and deeply in debt[43]; incalculable levels of corruption among local cadres and firm managers, who intervened between policy makers and intended recipients, taking substantial cuts, to put it kindly; and, perhaps most serious, a vast insufficiency in the supply of potential work posts in the economy.[44]

The Re-employment Project was designed as a set of transitional measures to ensure that the basic livelihood of laid-off workers and their opportunities for work could be provided during the time when the country's nascent labour market was still imperfect and the nation's social insurance system incomplete.[45] The project was initially billed as

41. For instance, see Foreign Broadcast Information Service, 23 February 1995, p. 68; 16 March 1995, p. 33; 10 April 1995, p. 46; and 28 June 1995, p. 81 for some of the earlier rulings. See Xiao Lichun, "Shanghai shiye, xiagang renyuan xianzhuang ji fazhan qushi" ("Shanghai unemployment, laid-off personnel's situation and development trend") *Zhongguo renkou kexue* (*Chinese Population Science*), No. 3 (1998), pp. 26–37.

42. 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), p. 86.

43. 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* (*Labour and Social Security Newsletter*) (hereafter *LDBZTX*), No. 1 (1999), p. 10, laid-off workers let go by enterprises losing money represented 67% of all laid-off workers as of the end of 1998.

44. According to Zhang Handong, "Dangqian zaijiuye gongcheng de qi da wuqu" ("Seven big misunderstandings in the present re-employment project"), *LDNC*, No. 7 (1998), p. 27, "to solve the problem of re-employment for the unemployed, the laid-off, and surplus labour, we lack at least 30 million jobs."

45. Wang Dongjin, "Jianchi zhengque fangxiang, fahui xuehui gongneng wei jianshe you Zhongguo tese di laodong he shehui baozhang shiye fuwu" ("Persist in an accurate direction, foster competence in studying, to serve in developing a labour and social security enterprise with Chinese characteristics"), *ZGLD*, No. 4 (2000), p. 5; Shen Wenming and Ma Runlai, "Zaijiuyezhong de zhengfu xingwei" ("The government's behaviour in re-employment"), *ZGLD*, No. 2 (1999), p. 19; Lei Peng, "Zhigong peixun yu jiuye cujin – chengshi fupin de zhongyao" ("Staff and workers' training and the promotion of re-employment – the important path in subsidizing urban poverty"), *LDNC*, No. 11 (1998), pp. 30–31.

resting upon four pillars: a form of unemployment insurance, professional introduction services, retraining and labour service enterprises.[46] Shanghai pioneered a model "re-employment service centre" (*zaijiuye fuwu zhongxin*) which was to caretake or act as "trustee" (*tuoguan*) for furloughed workers for a three-year period from the lay-off date for each. Its activities entailed disbursing "basic livelihood allowances" (*jiben shenghuofei*) to them (monthly grants for three years or a large, one-time settlement)[47]; paying into funds for their medical insurance and pensions; retraining them; and finding them new employment.[48] Such centres subsequently proliferated nation-wide, sometimes at the firm level, other times for a trade as a whole.[49]

Those eligible to be termed *xiagang* according to the official definition[50] are supposed to be (but in practice by no means always are) the target of a set of active labour market policies, taking the form of the so-called "preferential policies" for these workers detailed above, once they produce their laid-off certificate (*xiagangzheng*).[51] One former worker with whom I spoke, laid off in 1995, however, had only received her certificate a full three years thereafter, in September 1998.[52]

Overall, implementation of the preferential policies has been politely termed "not ideal." This is because, one critic explains, "the departments [that could otherwise collect taxes and fees and issue licences] block the way, so it's hard to co-ordinate all the regulations."[53] Another noted that "in most markets the policy is not realized. The problem is the department's own interest [won't be served], the quality of those enforcing the law is low, and supervision is lax."[54]

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

46. Wang Tianxing, "Kunjing yu chulu" ("Difficult straits and the way out"), *Shehuixue yanjiu* (*Sociology Research*), No. 6 (1997) in *Xinhua wengao* (*New China Documents*), No. 3 (1998), p. 25.

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

48. Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" ("In re-employment we must go towards marketization"), *Zhongguo jiuye* (*Chinese Employment*) (hereafter *ZGJY*), No. 3 (1999), p. 19 calls the centre a product of "a special historical stage, a transitional measure which can solve its special contradictions."

49. For instance, in Wuhan in 1998 the entire textile trade entrusted its 10,000 cut-back staff and workers to one service centre. The work of that centre is described in a document handed to me privately in summer 1998 in Wuhan, "Wuhan shi fangzhi zaijiuye fuwu zhongxin yunzuo qingkuang huibao" ("A summary report on the operations situation of the Wuhan City Textile Re-employment Service Centre"), prepared by the centre, Wuhan, 18 March, 1998.

50. See n. 2.

51. Those who meet the criteria for *xiagang* (in n. 2) are qualified to obtain such a certificate.

52. Interview, 2 September 1999.

53. Xue Zhaoyun, "*Research, reflections*," p. 10.

54. Anhuisheng zonggonghui diaoyanshi (Anhui province general trade union investigation and research office), "Anhuisheng zaijiuye qingkuang yanjiu" ("Research on the situation of re-employment in Anhui province"), *ZGGY*, No. 2 (2000), p. 18.

If a firm employs laid-off people amounting to more than 60 per cent of its workforce, it's supposed to get a three-year cut or elimination of its income tax.[55] But any firm absorbing this many laid off can't break even, not to speak of reducing its income tax … Or a laid-off labourer doing individual [*geti*] business should be able to be tax-exempt if his/her monthly business volume does not exceed 400 *yuan*; but doing only 400 *yuan* of business would only produce 50 *yuan* of profit. If their business made so little profit they wouldn't even do it. So in most markets these policies are not realized.[56]

In Wuhan in 1998, the city paper even admitted that, although the city's industrial-commercial bureau claimed that the policy of reducing and exempting fees for the laid off was being implemented, laid-off workers selling in the meat markets had never even heard of such a regulation.[57]

Laid-off workers who have been fortunate enough to receive a *xia-gangzheng* are allegedly eligible for the "basic living allowance." The amount of this allowance varies among cities, but is meant to be uniform within them. Wuhan, for example, publicized a standard payment of 280 *yuan* per month as of autumn 2000,[58] itself hardly enough for eking out an existence. But in my interviews with some 50 laid-off workers toiling on Wuhan streets in September 1999 and 2000, hardly anyone was obtaining the full amount due.[59] The Hubei provincial branch of the official trade union sampled nearly 2,500 workers in ten cities of the province and found that only 36 per cent were getting the allowance.[60]

Though in principle enterprises with laid-off workers, as well as every street committee (*jiedao weiyuanhui*), are charged with setting up a re-employment service centre,[61] one typical former employee of a state plant did not even know whether her unit was running such an agency.[62] Another had been dismissed by a unit with a centre, but felt that "going there is no use … there's so many laid-off workers … the centre couldn't possibly manage to help them all."[63] A former footwear firm labourer, laid off some years earlier, confided in September 2000 that he had supposedly "entered" a re-employment service centre a year and a half before we met, and even signed a contract with the centre. But, he concluded, "entering the centre is useless [*meiyou shenme yong*]." For

55. One place this ruling appears is Xinhua, 14 April 1999, in SWB FE/3509, 15 April 1999, G/5.

56. Anhuisheng, "Research on re-employment," p. 18.

57. *CJRB*, 23 April, 1998, p. 4.

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

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

60. N.a., "Guoyou qiye zhigong fenliu ji xiagang qingkuang di tongji diaocha" ("Statistical investigation of the situation of state-owned enterprise staff and workers' diversion and lay-offs") *ZGLD*, No. 6 (1998), p. 45; and Hubeisheng zonggonghui, p. 18.

61. Interview, Wuchang district labour market, 14 September 2000.

62. Interview at a night market, 9 September 2000.

63. Interview, 6 September 1999.

ever thereafter he had "received no money, got no training, no placement, heard nothing … What the upper levels talk about is completely different from what is done below [*shangmian shuode, xiamian zuode, wanquan butong*]."[64]

An official at the Wuhan branch of the trade unions explained in autumn 2000 that of the 400,000 staff and workers in the city who were "surplus workers" (still stationed in a firm but without any work to do), laid off, or attached to firms that had stopped producing (*tingchan*), just 76,000, or 19 per cent, had even been assigned to a re-employment service centre.[65] On a national scale, a 1997 study of the lay-off, rechannelling (*fenliu*) and re-employment schemes in all state-owned single-venture enterprises discovered that the majority of laid-off workers were not entering a centre, while as many as half were getting no livelihood allowance at all.[66]

And though nearly 30,000 job introduction centres had been set up nationally in the summer of 1997, those in urgent need of work who actually found some through such units comprised fewer than 20 per cent of all unemployed people at that point.[67] Training projects too seem often to miss the mark: instruction was offered without regard to market demand; furthermore, when the requisite official funds don't arrive, the laid off often cannot afford to pay for themselves.[68] One source from late 1997 asserted that an investigation had found that a mere 3.5 per cent of the laid off were participating in training programmes, and most of the others felt that even at half-cost the classes were beyond their ability to pay.[69] In 1999, as many as 4,000 illegal professional job introduction organs were brought to light, while another 500 or so were banned for having seriously contravened regulations.[70]

Besides all this, untold numbers of firms or their re-employment service centres fail to contribute to laid-off workers' insurance funds, despite the demand of official regulations. In early 2000, members of the State Council felt compelled to issue a document ordering the use of legal and administrative "supervision" and mobilizing the power of public opinion (through exposure in the media) against firms that ought to contribute to pension, unemployment and medical insurance funds but

64. Interview, 16 September 2000.

65. Interview, 13 September 2000.

66. N.a., "Statistical investigation," p. 45.

67. SWB FE/2993, 9 August 1997, S1/2, a translation of Bo Qiangzhong, "Employment: a pressing issue at the end of the century," *Renmin luntan* (*People's Forum*), No. 5 (1997), pp. 42–43.

68. Shu Xinwen, "Xiagang zhigong dapandian" ("A large inventory of the laid-off staff and workers"), *ZGJY*, No. 7 (2000), p. 47. An official at the Wuhan trade union branch office said (interview, 13 September 2000) that in training a laid-off worker to become a cook, just buying the necessary materials costs at least 380 *yuan*.

69. Li Zhonglu, "Zaijiuye gongcheng di diaocha yu jishi" ("An investigation and on-the-spot report of the Re-employment Project"), *Gongyun cankao ziliao*, No. 11 (1997), p. 18.

70. Laodong he shehui baozhangbu, guihua caiwusi tongjichu (Statistical section of the planning and financial affairs office of the Ministry of Labour and Social Security), "Laodong he shehui baozhang shiye fazhan wushinian tongji fenxi" ("An analysis of 50 years of development in labour and social insurance"), *ZGLD*, No. 1 (2000), p. 52.

that were either outright refusing to do so, falsifying reports, or paying less than they should have been.[71]

The All-China Federation of Trade Unions issued a report in 2000 listing three reasons for all these problems. First, some firms in trouble could not afford to pay their share of their former employees' livelihood allowances, so they simply refrained from informing these people about the policy. Then too, furloughed workers themselves, worrying that their benefits would be terminated at the end of three years if they entered a re-employment centre, just refused to go. And, most glaringly, the majority of local governments have limited financial ability, so many could not shoulder their share of the expenses if all the local laid off were to enter centres. As a result, they attempted to reduce the numbers of takers by setting quotas, leaving multitudes uncovered.[72]

Despite the shortfalls, either out of confidence that the programme was succeeding or from a desire to terminate a hopeless venture, by mid-2000 official announcements appeared that the state would cease to set up new re-employment centres.[73] Further, it was decreed that from 2001, newly released employees would move directly on to the open labour market.[74] For all the reasons that re-employment programmes fall short – whether simply from being based upon wildly inaccurate projections or because of callous malfeasance – the overall outcome has been that millions in the cities who have lost their work and their welfare have no recourse from the state in supporting their subsistence.

Deficiencies in the Programme of Social Insurance

In this extended interim period following the cessation of state planning with its generous welfare benefits for city workers, the installation of a genuine social security system – one altogether separate from the enterprise – is yet under (seemingly indefinite) construction. Officials at the Ministry of Labour went so far as to admit in 1998 that they could not hope to see the completion of a system that could provide for all workers outside their own enterprise before the year 2020, and then "only if Zhu Rongji could remain our Premier"(!)[75] In the immediate aftermath of the

71. Guowuyuan bangongting (State Council Office), "Guanyu jixu zuo hao quebao guoyou qiye xiagang zhigong jiben shenghuo he qiye lituixiu renyuan yanglaojin fafang gongzuo di tongzhi, 9 (2000)" ("Circular number 9 (2000) on continuing to do well guaranteeing state enterprise laid-off state and workers' basic livelihood and enterprise retired personnel's pension issuance work"), *ZGLD*, No. 5 (2000), p. 56.

72. Zhang Yuanchao, "Guoyou qiye teku zhigong shenghuo di zhuangkuang ying yinqi gaodu zhongshi" ("We ought to raise our awareness of the livelihood situation of state-owned firms' staff and workers in special difficulty"), *Zhongguo gongren* (*Chinese Worker*), No. 7 (2000), p. 6. Interviewees I spoke to on 1 and 4 September 1999 attested to the presence of such quotas in their firms.

73. "New social security system draws up its curtain in Liaoning province," *Nanfang zhoumo* (*Southern Daily*), 26 July 2001.

74. Li Jianping, "Wei xiagang zhigong chu 'zhongxin' goujian 'luse tongdao' " ("Construct a 'green passageway' for laid-off staff and workers to exit the 'centres' "), *ZGJY*, No. 6 (2000), p. 22; and interview at Wuhan City Labour Market, 7 September 2000.

75. Interview with several officials from the Ministry's employment section on 1 September 1998.

lay-offs of the late 1990s, a three-pronged system, dubbed the "the three guarantees," was created to serve as stand-in.

But the will of the state to fulfil these guarantees can be questioned. On the one hand, the frightened regime recognizes that if it does not provide for the newly poor, a major, serious conflagration could be brewing. Evidence for this was Premier Zhu Rongji's pressing at a mid-2000 forum for a social insurance system to be set up, terming this "important, necessary and urgent."[76] And yet, at the same time, this very regime has in recent years recast as a "burden" what for decades it had viewed as its responsibility to its workforce.[77] So there are orders from above imploring state firms to "improve the balance between their assets and debts and reduce their social *burdens*."[78] In the same vein, an issue of *Renmin ribao* from late 1999 declared that "to enable the state firms to realize the goal of establishing a modern enterprise system, it is necessary to extricate them from the *burden* of supporting social undertakings"[79] (emphasis added). In any event, regardless of the stated intent of the government to re-formalize laid-off labour by building up a proper, fully-fledged welfare net, there are strong incentives for enterprises – especially the many which are losing money – to neglect workers' welfare. As they do so, they are transforming workers into protesters with some frequency.[80]

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

In the case of the basic living allowance, indebted and effectively bankrupted firms cannot afford the one-third of the funds they are charged with contributing.[81] So it means nothing to say that, for instance,

76. N.a., "Zhu Rongji zongli zai wanshan shehui baozhang tixi zuotanhuishang qiangdiao, zai jinnian shixian 'liangge quebao' di jichushang, jiakuai jianli wanshan di shehui baozhang tixi" ("The Premier emphasizes in the forum on completing a social insurance system, in this year, on the foundation of realizing the 'two guarantees' [pensions and basic living allowances], speed up the establishment of a complete social insurance system"), *ZGLD*, No. 7 (2000), p. 5.

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

78. SWB FE/3651, 28 September 1999, G/3, from Xinhua, 26 September 1999.

79. *Renmin ribao*, 21 September 1999, p. 2, in SWB FE/3661, 9 October 1999, G/6.

80. Feng Chen, "Subsistence crises, managerial corruption and labour protests in China," *The China Journal*, No. 44 (July 2000), pp. 41–63 makes the point that it is only when workers are facing a "subsistence crisis" that they will go to the streets.

81. Zhang Yuanchao, "We ought to raise our awareness," p. 6.

at the end of 1999, 90 per cent of the laid off were getting their allowances,[82] since tens of millions of those without jobs do not even qualify for the *xiagang* label for one reason or another[83] – with a very common reason being a firm's lack of funds to pay their allowances! One economist found that in 1997 even for those given an allowance, the average amount they got was equal to a miniscule 15 per cent of the average worker wage, while those unemployed who received compensation got just 7 per cent of the average wage.[84]

Unemployment insurance, though first established in 1986, began to be allocated actively only in 1993, at which time it was aimed just at urban workers in state firms. In 1998, a State Council regulation decreed that the insurance should be extended to the private and other non-state sector firms. The funds are supposed to be granted, at the rate of about 60 to 70 per cent of the previous salary, for the first 12 months if the person had been steadily employed for at least five years, and at 50 per cent of their wage for the second year of unemployment.[85] But an internal report based on a survey by the State Planning Commission's Macroeconomic Research Institute disclosed that as of the end of 1999, 73 per cent of households where the head was employed reported they were not participating in the programme; only 18 per cent said they were, with the others not replying. In four major cities, just 11 per cent were participating, while among the out-of-work, a mere 2.89 per cent were part of the programme. Among those labouring in the private sector, a scant 4 per cent of the employees had been entered into the system as of the end of 1999.[86]

In part the problem here is the low collection rate, since the programme is still primarily enterprise-based.[87] While firms in trouble cannot afford to donate, wealthier ones eschew depleting their own capital for the sake of unknown benefactors.[88] As one commentator bemoaned: "The whole market is in surplus and there is fierce competition, so many enterprises try every method to cut costs … some enterprises in difficulty delay and avoid paying [into the insurance fund], just to go on existing."[89] And

82. N.a., "1998–1999 laodong baozhang tongji baogao" ("Report on 1998–1999 labour insurance statistics"), *LDBZTX*, No. 3 (2000), p. 35.

83. According to the strict requirements specified earlier. See n. 2.

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

85. Michal Korzec, "Contract labor, the 'right to work' and new labor laws in the People's Republic of China," *Comparative Economic Studies*, Vol. 30, No. 2 (1988), p. 138.

86. Guojia jiwei hongguan jingji yanjiuyuan ketizu (State Planning Commission, Macroeconomic Research Group), "Jianli shehui baohu tixi shi wo guo shehui wending de guanjian" ("Establishing a social protection system is the key to our country's social stability"), *Neibu canyue* (*Internal Consultations*), No. 511 (5 May 2000), pp. 10–11.

87. Yang Tuan, "Jianli shehui baozhang xin tixi di tansuo" ("Exploring how to establish a new social insurance system"), *Lingdao canyue* (*Leadership Consultations*), No. 19 (2000), p. 16.

88. Li Shigeng and Gao Ping, "Shiye baoxian zhidu cunzai di wenti he duice" ("Existing issues and how to deal with them in the unemployment insurance system"), *LDBZTX*, No. 6 (2000), p. 32.

89. Yi Wen, "Guoyou qiye di shehui baozhang yu ban shehui wenti" ("State-owned enterprises' social insurance and managing social problems"), *ZGJY*, No. 5 (2000), p. 7.

putting even more strain on a fragile fund, at least to 2000, municipalities were drawing upon these monies for re-employing workers and also for supporting re-employment centres in the city.[90] In any case, accumulated funds are quite scarce to begin with, since the programme only recently got under way.[91] Given these figures, it seems incredible that in 1999 nationally the unemployment insurance fund, which handed out just 8.87 billion *yuan*, carried over a surplus of 2.32 billion.[92] The main reason for the surplus is that so very few of those pushed out of their posts are considered officially "unemployed"; the rest are ineligible for the allocations.[93]

The disbursement of the third plank of the interim social security system, the minimum living standard, depends entirely upon individual city governments, and how much money each allocates to its civil affairs department for this purpose. Often, most who qualify for the funds do not receive it. One writer, noting in a mid-1998 article that 275 cities had established urban residents' lowest livelihood guarantee systems, seemed pleased to announce that over two million people were getting these funds.[94] But in that year, at least 5.3 per cent of the urban population nation-wide, nearly 20 million people, were known to be destitute.[95] One research article stated that in 1998, the urban minimum livelihood allowance nation-wide averaged under 150 *yuan*. Its author noted that a trade union study had revealed the startling information that only 1.7 per cent of the unemployed population was getting relief from the civil affairs departments, another 25 to 35 per cent were getting some compensation from their own units, and the rest had no source of assistance at all.[96] And yet that year the central government claimed that nation-wide as much as 15.9 billion *yuan* had been raised for the basic livelihood insurance of the laid off.[97]

The state shows its concern for (or its fears about) the growing numbers of the urban severely poor, of whom the "laid off" and "unemployed" make up a large proportion. Consequently, it designates

90. Teyue pinglunyuan (Special commentator), "Zhuazhu jiyu, jianli he wanshan shichang tiuye jizhi" ("Grab the opportunity, establish and perfect a market employment mechanism"), *ZGJY*, No. 5 (2000), p. 4.

91. N.a., "Xianji, xiance: jianli Zhongguo tese di jiuye baozhang tixi" ("Offering advice and suggestions: establish an employment insurance system with Chinese characteristics"), *ZGJY*, No. 4 (2000), p. 7.

92. N.a., "Report on 1998–1999," p. 36.

93. Li and Gao, "Existing issues." Also, see Solinger, "Why we cannot count the unemployed."

94. Cui Zhimin, "Zaijiuye, quan shehui guanzhu di huati" ("Re-employment, the topic the whole society is concerned about"), *Zhongguo gongren*, No. 6 (1998), p. 7.

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

96. Zhang Genming, " 'Shiwu' shiqizhong Zhongguo renkou jiuye fazhan taishi yu zhengce mubiao" ("The situation and policy objective in the development of the Chinese population's employment during the period of the 15th Party Congress"), *Gaige*, No. 4 (2000), p. 18.

97. Yang Yiyong *et al*., *Shiye chongjibo* (*The Shock Wave of Unemployment*) (Beijing: Jinri Zhongguo chubanshe, n.d. (probably 1997)), p. 220. The central government donated 47.4%, 24.5% came from local finance departments, and 14% from "society" (meaning here the unemployment insurance fund, charity and mass organizations).

as being in "special difficulty" households (*tekunhu*) in which the per capita average income falls below the local standard "minimum livelihood," and has proclaimed them to be deserving of various kinds of particular care.[98] Households in straits are entitled officially to a grant from the city civil affairs bureau to raise their incomes to the city's minimum standard, as well as to other, special forms of charity.[99] But in fact, many such people fail to receive the funds, perhaps because their residents' committee, which should be taking care of this, fails to do its job. One embittered stall keeper at a local night market disparaged the meagre 100 *yuan* in livelihood allowance that his wife's past employer, an electronics plant, was supplying her as being something "she can use to buy some toilet paper." He added that there was no help coming from the residents' committee, which "can't take care of us" (*guanbuliao women*).[100] According to officials in the Wuhan City Civil Affairs Bureau, a number of people amounting to just 0.5 per cent of the non-agricultural population there was drawing this allowance in September 2000.[101] And yet according to a study of 13 cities conducted in June 1999, where altogether 3.167 million were counted as laid off, an average of 7.5 per cent of the population belonged to this category. Moreover, the study found, in some cities – Qiqihar, Hengyang and Nanchang – the percentage was far higher, at 18, 14 and 12.2 per cent respectively.[102]

The longer-range vision is to create a stand-alone social security network, comprising four separate types of insurance: for pensions, unemployment, medical care and work injury.[103] But obstructing the fulfilment of the state's projections are the refusal or inability of firms to make their contributions to pools, misappropriation of funds, a lack of objective standards in issuing the funds, and problems in transferring insurance after working for many years in a given firm.[104]

Pension reform began as long ago as 1984, and, allegedly, the foundation had been laid by 1998. But the problem, as with other aspects of welfare policy, is that the enterprise remains the basic unit. As of the year 2000, each firm was charged with contributing about 20 per cent of its wage bill to the fund, while insured individual employees had about 8 per cent of their wages deducted.[105] But as the numbers of firms and people

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

99. Amounts designated vary with the city. The 195 *yuan* is an increase of 75 *yuan* per month over the 120 *yuan* granted in Wuhan in March 1996 when the programme started there.

100. Interview at night market, 12 September 2000.

101. Civil affairs interview, Wuhan, 11 September 2000.

102. Zhang Yuanchao, "We ought to raise our awareness," p. 4. There is a more specific set of criteria in Wang Shuijin and Bao Guohua, "Tekun renyuan jiuye nan di jiben duice" ("Basic measures for the problems in gaining employment among personnel who are in special difficulty"), *ZGGY*, No. 1 (2000), p. 25.

103. Wang Qiusheng, "Yingxiang dangqian zaijiuye di zhuyao wenti" ("Important problems influencing re-employment at present"), *ZGJY*, No. 7 (2000), p. 31.

104. N.a., "Offering advice and suggestions," p. 4.

105. This is a variable figure. For instance, at the Hubei Diesel Engine Factory, the basic pension amounted to 29% of the total wage bill, and each worker had 5% of his/her pay deducted for this purpose. Interview, 8 September 2000.

paying into the funds decreased annually even as the numbers of workers retiring continuously increased, by 1998 the money needed nation-wide had shot up 41-fold as compared with 1980. And with lower administrative levels watching out for their own interests, the provincial pooling operation – aimed at redistributing among localities, sectors and departments – has been characterized as "feeble."[106]

A table in one journal article showed that in Wuhan at the end of 1999, a tiny 1.5 per cent of those eligible were participating in the socialized issuance of pensions. This was by far the lowest rate nation-wide, but the average was also still low, at only 53.8 per cent in 28 researched cities.[107] The following description from Henan province brings the problems to life:

> After we began provincial pooling, the localities had first to adjust and balance [the funds] within their own jurisdictions. Then, if there were gaps, they sought further adjustment from the province. But the precondition for balancing among localities is that a locality's collection rate reaches 90 per cent. [The problem is that] in the absolute majority of localities at present, this rate is not reached. If one place has a gap, even if the individual collection rate [elsewhere in the locality] is 90 per cent, [its officials] compare themselves with other places and don't want to contribute, and so city-level balancing falls through. The result is that the provincial-level adjustment fund can't make it.[108]

A survey querying individual household heads directly about their receipt of pensions yielded replies nearly 20 percentage points lower than those collected by the Ministry of Labour and Social Security, which had obtained its data from enterprises and local governments. The latter two entities no doubt had altered the data when reporting their statistics to higher levels so as to appear to be taking care of their retired workers, when in fact they may well have embezzled some of the funds. The former survey, targeting households, discovered that among household heads who were out of work in 1998, just 14.4 per cent were participating in pension funds, while nation-wide the urban covereage rate in firms of all kinds of ownership was only about 40 per cent. Even among people employed in state firms, just 51.79 per cent had been able to join, this study found.[109]

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

106. Zhao Zhongheng and Wei Zhikui, "Yanglao baoxian zhidu chuangxin yunxingzhong di san da nanti" ("Three big difficulties in blazing a trail in running a pension insurance system"), *ZGLD*, No. 1 (2000), pp. 12–15.

107. N.a., "Zhongdian lianxi chengshi yanglaojin shehuihua fafang jindu" ("Progress in the keypoint socialized issuance of urban pensions"), *LDBZTX*, No. 6 (2000), p. 23. In fact, Chongqing, Ningpo, Qingdao and Pudong showed 100% participation rates which, if true, means that other cities must also have been low, given the overall average, though not so low as Wuhan.

108. Zhao and Wei, "Three big difficulties."

109. State Planning Commission, "Establishing a social protection system," pp. 9–10.

have been paid had been,[110] with over 188 billion *yuan* in pensions having been issued, and 13.5 billion *yuan* of arrears made good. This report claimed that the localities had raised five billion of this and that central financial organs had contributed the other 8.3 billion, with each retired person getting an increase of 145 *yuan* per month, on average, over the previous year.[111] Surely these figures can be accurate only if the group eligible for pensions is defined quite narrowly.

The state of medical insurance was quite dismal nation-wide as well, as of the year 2000. The survey of household heads just referred to found that among employed people, 73.7 per cent were not being covered, while another 8.56 per cent failed to answer queries about this topic. Among those out of work, a mere 8.23 per cent could boast any hope of obtaining recompense for their medical bills. Overall, about 14 per cent of the urban population enjoyed medical insurance in 1999, this investigation found.[112] The Ministry of Labour and Social Security announced that at the end of 1998, 11 million seriously ill and 788,000 others were taking part in the socialized pooling of medical expenses, a figure which is surely only a tiny proportion of those who ought to be covered.[113]

Conclusion

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

> The Wuhan economy is completely changed. Almost all the old enterprises have gone bankrupt. It's not announced as bankruptcy, but it really is. The government definitely knows these factories are bankrupt, but has no way to manage them … there's just too many.[114]

The material reviewed above demonstrates that in China today – where rampant economic reforming and enterprise dismantling is decimating a great proportion of the old state sector and the work posts it supplied for decades, yet without any sort of proper welfare net to catch the discarded as they are pushed aside — unemployment means much more than being out of work on an individual level. Its prevalence signals that there is yet

110. According to N.a., "Report on 1998–1999," p. 35, in 1999, 94.33 million staff and workers were participating in the pension programme, an increase of 9.57 million over the year before.

111. Zhang Zuoji tongzhi zai quanguo laodong he shehui baozhang gongzuo huiyishang di jianghua (Comrade Zhang Zuoji (the minister of labour and social security)'s speech in the national labour and social security work conference), *LDBZTX*, No. 1 (2000), p. 5.

112. The total was dragged down by the private (*geti*) firms, since among state and collective firms 21.2% and 17.12% respectively were being covered. State Planning Commission, "Establishing a social protection system," p. 11.

113. Statistical section, "An analysis of 50 years," p. 54.

114. Interview, 16 September 2000.

no really operative labour market for the cast-offs, nor are old statist measures, such as the Re-employment Project, capable of substituting effectively. Moreover, the gross inadequacies of the inchoate welfare system demonstrate just how far China remains from instituting even the social ideals of a social democratic regime. I have explicated the mechanisms by which (mainly in Wuhan, but surely in similar ways elsewhere) formal Chinese workers, dignified and advantaged for decades, became idle or informal ones in the late 1990s; I also exemplified some of the modes in which such informality is being manifested. Certainly the circumstances confronting these labourers can help to clarify why many have appeared on the streets – some in an effort to scrape out a meagre livelihood, many others to march and shout.