

UCLA

Economic, Social and Legal Issues in China's Transition to a Market Economy

Title

Dramatic Policy Shifts and Methodical Institutional Modifications: Developing an Indicator of Unemployment

Permalink

<https://escholarship.org/uc/item/70w3z1c8>

Authors

Johnston, Michael
Li, Huimin

Publication Date

2000-12-28

3. Dramatic Policy Shifts and Methodical Institutional Modifications:

Developing an Indicator of Unemployment

Michael Johnston
Doctoral Candidate
Department of Sociology
University of California, Los Angeles
Los Angeles, CA 90095
Phone: (310) 825-1313
Email: johnston@ucla.edu

Li Huimin
Director of the Division of Labor and Employment Statistics
Department of Population, Social Science and Technology Statistics
National Bureau of Statistics (NBS)
People's Republic of China

Abstract

Since the initiation of market reforms in 1978, the central government has used the principles of gradualism and experimentation to develop a labor market with Chinese characteristics. We show how these principles have manifested themselves in the development of an unemployment indicator. We find that top leaders of the party state make broad compromises that middle level officials seek to carry out given their inherited situation. Government agencies sometimes vary in their willingness to break with the status quo. In the quest to define and measure unemployment, the National Bureau of Statistics has championed straightforwardness and market transparency.

Acknowledgments

The views expressed in this paper are solely those of the first and second author. In the case of the second author, the expressed views should not be construed as representing the views of the National Bureau of Statistics. M. Francis Johnston thanks God for the opportunity to pursue academic research.

Introduction

This paper explores how China's central government carries out economic reforms. Scholars rightly portray China's economic reforms as gradual, especially in contrast to the big bang

changes of Eastern Europe and Russia (Naughton 1996). This portrayal, however, may be misinterpreted as suggesting that China's economic changes are incremental in a consistent fashion, that economic changes are both constant and steady.¹ This paper strengthening our understanding of economic changes by further specifying that the gradual process of instituting economic reforms is filled with changed trajectories. Rather than being incrementally consistent, the institution process is filled with inconstancies.

This paper deals specifically with the efforts of the central government to develop an indicator of unemployment. Broad compromises in 1984 and 1992 between leaders of the party-state obligated middle level officials to reform the labor system. The dramatic policy shifts of 1984 and 1992 were followed by more methodical changes over the next several years as middle level officials altered the existing institutions to conceptualize and count unemployment with more transparency. After the 1984 reforms, agencies generally agreed about the proper course of reforms. After the 1992 reforms though, agencies have diverged. The Ministry of Labor (now named the Ministry of Labor and Social Security, hereafter, MOLSS) advocates a more nuanced measure of unemployment amenable to state intervention for the purpose of helping some groups of the unemployed, while the State Statistical Bureau (now named the National Bureau of Statistics, hereafter, NBS) advocates a measure more in line with international standards that will foster transparency.

Registered Unemployed: The Origin of a Unique Category

Chinese officials did not use the concept of unemployment until the 1990s. During the planned economy, there was no recognition of any kind of unemployment. In fact, government officials were not confronted with the need to develop an administrative label for urban residents who desired to work but could not obtain a job until the late 1970s, when young urban residents returned from the countryside to urban areas in search of work. Recognizing that the bureaucratic agency responsible for job-assignment that was not fulfilling its duty, government officials labeled these urban residents as "Urban Residents Waiting for Work". Implicit in this category was the thinking that the bureaucratic agency, given time, would assign all eligible urban residents to jobs.

¹ Statistically speaking, it would be extremely difficult to represent time in a regression function with a coefficient.

After an important government meeting in 1984, the MOLSS became responsible for collecting statistics about the number of people waiting for work. At the Communist Party Plenum of 1984, top leaders of the party-state decreed that China should undertake extensive urban reforms. Officials in the MOLSS and the NBS interpreted this to mean, among other things, that the system for collecting statistics on the number of people waiting for work should be formalized. Leaders from the two agencies decided that the MOLSS assumed full and complete responsibility for collecting statistics about the number of people waiting-for-work.

The process adopted by the MOLSS to collect waiting-for-work statistics differs considerably from the sample survey method employed by Western Countries to estimate unemployment. To collect the waiting for work statistics, MOLSS collected statistics from each of the local branches about the number of people "waiting for work" in that locality. The local branches reported these statistics four times a year, once during each season, to the provincial labor bureau. Provincial labor bureaus reported these to the MOLSS. The end of the year statistics (for the previous year) were reported around April and then within twenty days publicly announced. This type of reporting system provided government officials at each level of the reporting chain with the opportunity to lower the reported number of unemployed in their jurisdiction. Some government officials may have undertaken such actions in order to decrease the probability that their superiors would criticize them for poor performance.

The year 1985 was, apparently, the first time that waiting for work was rigorously defined. The year 1985 marks the first appearance of the internal government manual, *Explanations of Important Labour Statistical Indicators*. This manual was devoted to explaining the meanings of several different labor statistics and apparently marks the first time that many indicators were formally defined, including waiting-for-work. The indicator waiting for work was composed of three different elements. First, that the person was within a proscribed working age, which was 16 to 50 for men and 16 to 45 for women. Second, the person had to have the ability and desire to work, even though they were not presently working. Third, the person had to be register with a low-level government office as waiting for a job. Armed with a standardized definition, the MOLSS began to collect statistics on the number of people waiting for work in a formal and systematic manner beginning in 1985.

In response to the compromise among top leaders to reform the urban economy in 1984, middle level officials decided amongst themselves which agency would take responsibility for defining the meaning of waiting for work and collecting the statistics. In designing a statistical system to measure the number of people waiting for work, the MOLSS drew upon their planning experience to separate the people waiting for work into categories that reflected the importance government officials attached to assigning them a job. Those given the most attention were recent graduates (at least 16 years old, but not yet 25 years old) that were ineligible to continue schooling. Young people who had already rejected several jobs over a period of a year or more were given little attention, as were people who refused to continue working at their existing jobs. Although the MOLSS seemed to have a nascent concern with counting the total number of people waiting for work, there was a much more practical concern to document the number of recent graduates waiting for work and focus scarce resources on helping these people.

The Change From Waiting-for-Work to Unemployment

With the distribution of the second Explanation of Important Labour Indicators throughout the government in 1991, the MOLSS refined the definition of waiting for work in order to more precisely distinguish categories of people so as to clarify which categories of people deserved more government help. To begin with, government help was specifically focused upon urban residents when the MOLSS added the explicit criteria that only urban residents could be considered as waiting for work. Moreover, the Indicators manual included an additional waiting for work sub-category for workers who had previously been affiliated with state-run enterprises, but were now without a job (the specified reasons were enterprise bankruptcy, enterprises letting workers go in the face of bankruptcy, enterprises which broke the labor contract, laborers who had quit). People who had lost their jobs through bankruptcy would obviously be given preference over people who left their jobs because of dissatisfaction.

In 1992, top leaders of the party-state decreed that China should institute a labor market, which in turn led to the replacement of waiting for work concept with a concept of unemployed. The forum for the 1992 decree was the famous Third Plenary Session of the 14th Central Committee. After this climatic change, several departments of the central government undertook systematic research on how to improve the waiting-for-work indicator. Participants

of the research meetings reached a consensus that the "waiting for work" indicator was no longer the most useful indicator to understand the situation of jobless people in urban China and advocated that the Chinese government abandon the "waiting for work" indicator and adopt an "unemployment" indicator. The MOLSS adopted this change in terminology a third Important Indicators was distributed throughout the government in October 1994.

After the conceptual shift, the NBS began to institute a sample survey method of estimating the number of unemployed. Originally, the MOLSS and the NBS were going to jointly experiment with using sample survey techniques to estimate, among other things, the magnitude of unemployment. In 1996 however, the NBS took the lead in establishing a sample survey to estimate a national urban unemployment rate. To implement these surveys, the SSB also used the term "unemployed" but in 1997 developed their own definition of unemployment (almost identical with the ILO's definition): People aged 16 or more who possess the ability to labor, but who have not worked during the entire period of the survey; are looking for a job and can start working within two weeks. Note that this definition contains neither resident permit restrictions nor age restrictions.

According to an interview with a MOLSS official, the MOLSS responded to the NBS initiative in the definition of unemployment by adjusting their definition of unemployment in 1997. Specifically, they abolished the upper age limit for registering as unemployed and changed the regulation requiring a non-agricultural passport to having evidence of being a long-term urban resident. As of 1998 however, the definitional changes were not yet reflected in the statistical yearbook. Moreover, since the MOLSS remains committed to counting the number of unemployed via registration through their branch offices, these definitional changes will be very hard to implement. As a result, there will probably remain a discrepancy between MOLSS's registered unemployed figure and NBS's estimated unemployed figure.

The MOLSS and the NBS reacted very differently to the 1992 decree that China would initiate the development of a labor market. The MOLSS, along with other government agencies, substituted the term unemployed in the place of the term waiting for work. However, the MOLSS opted to retain the traditional method of collecting statistics about the number of unemployed persons. This decision, perhaps, reflected the desire of the MOLSS to continue classifying people according to their eligibility and deservedness of scarce government

resources. In contrast, the NBS not only adopted a change in terminology, but also a definition more consistent with international standards and a method of collecting unemployment statistics more consistent with international conventions. In carrying out the mandate to institute a labor market, the NBS has been more sensitive to international standards and market transparency than the MOLSS.

Xiagang Workers - Not Officially Unemployed

Xiagang workers are those workers who have been furloughed from state-owned enterprises with little chance of recall. Xiagang workers first began to appear in the early to middle 1990s, when party-state officials permitted managers to start shrinking their workforce at state-owned enterprises. The Chinese government does not consider these workers to be unemployed, because state-owned enterprises are responsible for issuing stipends to their xiagang workers.

Statistics about the xiagang workers are collected by the MOLSS. To collect xiagang statistics, the MOLSS relies on their seasonal enterprise survey.² In 1995, officials asked managers supply aggregate data about xiagang workers at their factory, including: How many workers are xiagang? How many of the xiagang workers are female? And how many of the xiagang workers had achieved specified levels of education? These statistics were published in the China Labour Statistical Yearbook, 1996.

In 1996, bureaucratic agencies developed the first definition of xiagang workers and this definition was not specific to ownership sectors. The MOLSS, in conjunction with the NBS, developed a definition of xiagang worker, publicized it, and used this definition to collect statistics through their enterprise survey. The definition is as follows: Xiagang workers refers to those workers who, because of production reasons, have already left their work posts, and already do not do any work at the original work unit, but still maintain their work relation.³ Note that the enterprise ownership (namely, state, collective or other⁴) was not considered

² For this survey, four times a year, managers at every state and collective enterprise are asked to fill out quarterly reports about labor conditions in their enterprise.

³ This definition is explicitly meant to include two types of workers. First, workers on an extended leave of absence. Second, workers waiting for work.

⁴ Other, here, does not refer to private enterprises, but rather stock enterprises, joint ventures and other types of enterprises.

when deciding if a worker was classified as xiagang. To find out about the living situations of xiagang workers, the NBS added a few questions to their own survey. The MOLSS and NBS published these statistics in the China Labour Statistical Yearbook, 1997.

In 1998, top leaders of the party state modified the definition of xiagang workers to include only those workers from state-owned enterprises. During the 1997 Communist Party Congress, Party Secretary Jiang Zemin and other top leaders declared their intention to deepen the reform of state-owned enterprises over the years 1998, 1999 and 2000. As a result, even more workers are to be laid-off in this period. In order to concentrate limited government resources, several departments⁵ of the central government issued a new definition of xiagang worker in August 1998. This new definition is as follows: People who (1) started working before the implementation of the contract labor system as formal workers at state-owned enterprises or (2) started working after the implementation of the contract labor system and whose labor contracts have not yet expired. Of these people, those whose enterprises, because of production problems, leave their work posts but maintain their labor relationship without finding a new job. This definition is explicitly meant to only include workers from state-owned units.

Government officials recognize that xiagang workers are similar in nature to unemployed workers. However, due to historical reasons, the Chinese government has decided to treat these workers as different from the unemployed. Xiagang workers, especially under the new 1998 definition, refers to those workers who have devoted their lives to building socialism and, due to non-personal reasons, are now in a difficult situation. In recognition of their effort, the MOLSS is providing xiagang workers with higher living subsidies, more complete social welfare benefits and more opportunities for training than unemployed workers (Johnston, Manuscript). In the short term, the MOLSS is resisting market pressures to treat the xiagang workers the same as any other unemployed person.

In the long term however, it seems that the NBS vision of unemployment will be put into practice. Current government plans call for special treatment for xiagang workers for three years from the time of becoming xiagang. Since the current government plans are to carry out large-

⁵ . The units are: the Ministry of Labour, the State Economic and Trade Commission, the Ministry of Finance, the Ministry of Education, the State Statistical Bureau, and the All-Federated Trade Unions.

scale lay-offs from state-owned enterprises during the three years 1998, 1999, and 2000, the special treatment for xiagang workers is scheduled to continue until the year 2002 (Wang 1997). According to the most current plans, history will end in 2002 - there will be no more xiagang category. All jobless workers desiring to work will be considered as "unemployed".

Conclusion

Developing an unemployment indicator has been a process filled with dramatic policy shifts and methodical institutional modifications. In 1984 and then again in 1992, the top leaders of the party state opted for dramatic policy changes. Afterwards, middle level government officials methodically modified institutional practices to conform to what they perceived as the desires of their leaders. In 1984, the MOLSS and the NBS did not differ in their approaches. However, after the 1992 policy shift, the NBS was more concerned with international standards and transparency than the MOLSS. With regard to xiagang workers, the MOLSS is calling for a more nuanced approach that distinguishes xiagang from unemployed, whereas the NBS has sought a more straightforward approach that simply defines the number of people without a job who desire to work as unemployed. The difference in approach between the NBS and the MOLSS over defining and measuring unemployment is not merely about transparency, but also bureaucratic empowerment. In developing a fine-grained classification system that differentiates between categories of unemployed people according to who is more or less entitled to government help, the MOLSS is better positioned with respect to resources. Obviously, with clearly articulated rankings of unemployed people deserving government help, the MOLSS is well placed to argue for a transfer of resources from the central government. Moreover, the MOLSS is also well positioned to budget their scarce resources in ways that society will feel is appropriate. While this bureaucratic concern with the unemployed may have won in the short-term, the long-term trend seems to be that the unemployed will all be lumped together in one transparent category.

Bibliography

Johnston, M. Francis. Friction in the Black Box: Forging Party-State Labor Policy at the Central Level. Manuscript.

Ministry of Labour and State Statistical Bureau. China Labour Statistical Yearbook, 1996. (Beijing, State Statistical Publishing House, October 1996).

Ministry of Labour and State Statistical Bureau. China Labour Statistical Yearbook, 1997. (Beijing, State Statistical Publishing House, October 1997).

Ministry of Labour and State Statistical Bureau. Explanation of Labour Statistical Indicators. (Beijing, State Statistical Publishing House, October 1994).

Naughton, Barry. Growing Out of the Plan. Chinese Economic Reform: 1978-1993 (UK: Cambridge University Press, 1996).

Wang, Aiwen (Ministry of Labour Official). May, 1999. Speech on the Unemployment Project. World Bank Conference on Reemployment Issues. Beijing, China.