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The Creation of a New Underclass in China and its Implications

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Among the most portentous of the challenges confronting the Chinese Communist Party in the early years of the century is a new underclass within the municipalities. The members of this inchoate, largely unmobilized horde are one-time workers, lately let go from their jobs; the underpaid and unprivileged migrant laborers from the countryside; and any others who have recently fallen into penury. Ironically, it is precisely the fundamentally altered agenda put forward by the ruling party after 1978 that, over a couple of decades, has succeeded in producing a poverty-stricken mass among the urban populace, a segment of city-dwelling people who, rather suddenly, must daily depend upon their own ingenuity to scrape together the meager wherewithal for their own and their families' sustenance. Thus, a paradox at the heart of this threat is that it is the Party's policies themselves that, sometimes inadvertently, other times intentionally, have been the begetters of this particular bogeyman that so haunts the nation's ruling elite.

This perceived menace in turn, has driven the leaders to devise solutions that, for the most part, have so far tamed and tempered the dangers these politicians so fear. The methods the leadership has utilized to achieve this bridling are three, and they can best be conceived as weapons of the current Chinese state: first, a transformed regime alliance, whose creation entailed junking a decades'-old Marxist coalition (based upon workers and peasants) and constructing in its stead a compact with capitalists and development-driven local officials; second, a typical reliance upon the outpourings of the propaganda and statistical organs, if infused with brand-new content; and, third, a flexible manipulation of long-employed, but now refurbished, bureaucratic, financial, and coercive tools, some of which are employed in the service of invigorating the labor market and assisting laid-off workers, others of which involve tactics of terror and intimidation. And each of these tools certainly derives a goodly measure of its force from the ample prosperity surrounding the cities of China today. It is fair to say that, thus far and into at least the near term, the very economic reforms that have called forth new quandaries of control over the needy have at the same time also helped the leadership in summoning up remedies--remedies adequate to keep the worst of these quandaries' repercussions at bay.

In this paper I have three objectives. First I demonstrate my claim that the economic reforms are the force that brought about this poverty and marginalization--in their several forms--that now so bedevil the Party rulers, and I lay out the background to and the nature of the associated problems. My next job is to show how what I am terming "weapons of the state" have been forged or enhanced by the turn to marketization and the affluence this afforded the state, and how these tools are being put to use to quiet the discontented. And last, I will offer a few policy suggestions--possibilities that either have not yet been attempted, or that have not yet yielded optimal effects.

Three New Groups in the Cities: Where did they come from?

The three groups in the cities that most worry the Party leaders are the "laid-off" and unemployed former workers; the resident farmers from the countryside who come into the towns in search of work; and the growing numbers of poor people, the latter of which is a conglomeration for the most part comprised of members of the former two. All of these groups were either totally non-existent before the economic reforms that began after 1978 or else they expanded significantly in the wake of these reforms. As a recent article on changes in social structure in the city of Wuhan explained,

Since reform [the working class] has experienced basic changes. One part got training and moved up to the management stratum; one part is laid off because of enterprise reorganization; another went to the non-public sector to work, and one other part is the migrant workers [*mingong*] who came into the city to work and entered the ranks of industrial workers.¹

The Party's nearly constant invocation of the dangers of "social instability," and its tireless efforts to remain on top of this peril, are often directed precisely at the three sub-components noted just above--each once a partisan of the previous so-called "worker-peasant alliance" that shored up the regime of the socialist era. Granted, the more than three million officially recorded protesters who took to the streets in some 58,000 "mass incidents" in 2003 (including farmers, laid-off workers, teachers and students, among others)--a 6.6 increase from the year before²--were expressing their outrage about many things, including cadre corruption, land seizures, high taxes, environmental damage, and untreated medical problems.

But the issue that especially haunts the leadership remains the anger of workers and peasants who feel themselves short-changed, as losers in the wake of reform era "reforms." Indeed, anti-terrorist exercises were held in autumn 2003 in a number of cities directed at preventing outbreaks of urban violence at the hands of aroused workers³--people not receiving their unemployment compensation, their pensions, or their living allowances, or those still at work but struggling under the burdens of poor working conditions and unpaid wages.⁴ Another typical instance of the regime's response is the charge with "endangering state security" directed against a Hunan labor activist, Zhang Shanguang, for his plan to set up an Association to Protect the Rights and Interests of Laid-Off Workers.⁵

The numbers of those whose situation has declined is difficult to calculate with any accuracy. Recent figures for the laid off and unemployed go as high as some 60 million⁶; and the migrant population is loosely listed as anywhere from 100 to 200 million people who left their rural homes in search of work since the 1980s.⁷ Besides the enormous numbers of people thrown out of work, the rate of re-employing them continuously declined over the years after 1998. For instance, at the end of 1999, the reemployment rate was 42 percent, a drop of ten percentage points from the previous year.⁸ In just another year and a half, at the end of June 2001, the rate had plummeted to

just over 10 percent, a drop of five percentage points from the year before. As of that time, a study of 59 large and medium cities found that, on average for each job-seeker there were just .65 jobs.⁹

As for the poor, they have been estimated to amount to somewhere between 15 and 37 million, depending upon whether income or expenditure is used as the standard for poverty.¹⁰ Another study, though, arrived at related but much more startling figures: the Chinese National Bureau of Statistics, in collaboration with the State Council Research Office and several other agencies, discovered that nationwide 20 to 30 million urban-registered workers had fallen into poverty in recent years, and that, with their family members, they added up to about 40 to 50 million people altogether, or almost 13 percent of the urban population.¹¹ In any event, the statistics showing 30 or even 50 million poverty-stricken urbanites in recent years are far from complete. This is because such figures omit from the count rural migrants living in cities. These often miserable people, who do not hold urban household registration, earn only about half the income that urbanites do on average, according to some studies.¹² Even the official China Daily reported that some "15 to 20 percent of migrant workers in cities live below the poverty line,"¹³ which, if true, could bring the total destitute as high as 70 million, adding together the very highest estimates of the poor among the urban registered populace plus the outsiders.

That not just the political elite but urban society too is concerned about such issues is clear from a series of surveys about "social hot points" that the Horizon Research Company conducted over the years 1999 through 2003 among nearly 4,000 urban residents living in over a dozen cities. The investigation found that unemployment ranked as the number one issue in four out of the five years, while social security was also high on the list, ranking number two in both 2002 and 2003.¹⁴ Reflecting the drop in their quality of life, as many as 28.9 percent of the population surveyed reported dissatisfaction with their lives, again a growing statistic.¹⁵

Laid-Off Workers

A massive discharge of workers began in Chinese cities only in the mid-1990s. For the first time in the cities of the People's Republic, there were widespread instances of people with work ability and a desire to work who were unable to find jobs.¹⁶ It is not accurate to assert that this was fully the fault of the government. Rather, the employment problem had several long-standing roots. First of all, decades of emphasis on full urban employment (or a practicable approximation thereof) under the socialist-era planned economy led in time to vast numbers of surplus urban labor, a phenomenon often referred to in China by the 1990s as "hidden unemployment." From the late 1980s onward the government has claimed that excess labor in the cities amounts to as much as one third of the workers on the job.¹⁷

That legacy of the command economy was compounded by new difficulties in the labor market, as China began to modernize in earnest in and after the 1980s. As industry became progressively more capital-intense, and as foreign imports entered the machinery

market, labor-saving technology started to replace workers.¹⁸ At the same time, a glaring mismatch developed between the low-skill, undereducated workforce that a range of Maoist policies had fostered (not least the anti-intellectualism of the Cultural Revolution) and the state-of-the-art aspirations of the regime. This disjuncture eventuated in an inexorable process of structural unemployment,¹⁹ one ever more in evidence as the 1990s wore on. One indicator of this is that, as Chinese economist Hu Angang has pointed out, some 80 percent of the job loss that had taken place as of late 2001 was in mining, quarrying, manufacturing and construction. This would appear to constitute prima facie evidence that human labor was no longer of much use in such sunset industries.²⁰ With these forces working to crowd out human labor, the employment elasticity of economic growth steadily declined. By the late 1990s the rate was a mere one third of what it had been in the 1980s.²¹

Meanwhile, by the late 1980s and early 1990s, severe competition had appeared for the state enterprises, both from domestic, non-state firms, in which the responsibility the state had long bestowed on the state-run enterprise to provide welfare and other benefits for the staff and labor force was absent, and--as China lowered its tariffs after the late 1980s in preparation for joining the General Agreement on Trade and Tariffs (which, in 1995, became the World Trade Organization)--from imported foreign goods.²² This factor, added to the rising prices for industrial inputs that came with price reform, undermined the business of the state sector, and losses soared. Matching the intensifying drama of heightening firm losses went a progressive incline in the numbers suddenly thrown out of work. Between the end of 1992 and the end of 1998, state and urban collective²³ firms combined let go some 37 million workers, while the old public sector firms alone cut one third of their workforce in that period, an outcome Barry Naughton characterized as the result of specific pressure placed upon the firms.²⁴ The best evidence of this pressure is the quota system devised around 1997 to force factories to dispose of set percentages of their workforces, with their fulfillment thereof used as one basis for evaluating leading cadres' work.²⁵

As for the unemployed, in early 2004 the overseas edition of the People's Daily reported that the leadership hoped that the official registered urban unemployment rate could be held below 4.7 percent that year.²⁶ The rate had already climbed to 4.3 percent in 2003, which itself was an increase of .3 percentage points over 2002, all in all clear sign that the actual numbers are steadily rising year by year.²⁷ Moreover, a study conducted in 1999 by China's official trade union in the late 1990s found that 48.7 percent of the "reemployed" laid-off people it counted were self-employed, while of the other 51.3 percent who had been re-hired, well over half (59 percent) were engaged in temporary, informal work that came without benefits.²⁸

But even as these demand-side, market-driven factors were working to reduce the numbers of workers on the job, official efforts to remake the labor regime--through pilot programs, pronouncements, temporary rulings, regulations and laws permitting and even calling for cutting the workforce--significantly intensified and hastened their influence. The first governmental experiments surrounding the labor system took place almost immediately after the Party's official switch to a focus on rapid modernization in late

1978. As early as 1980, trial schemes in term-limited labor contracting were undertaken in a few key places.²⁹ Three years later the Ministry of Labor announced a set of temporary regulations on contracting labor, to substitute for the life-long tenure of the socialist period.

Though years of debate and indecision followed,³⁰ with unemployment remaining unlegitimized, much less encouraged, throughout the 1980s, nonetheless, state-sponsored industrial reforms starting in the early 1980s--with their emphasis upon money-making and high productivity, and with their granting of new financial and decisional powers to localities, firms, and managers--did render workers' security less certain.³¹ Little by little managers took advantage of their powers and heightened autonomy sometimes to transfer workers, occasionally to let them go, a license that was further enhanced when enterprise leaders were allowed after 1986 to lease the firms that they had been directing.³²

Explicit relevant governmental decisions specifically on labor were slow in taking effect, though they began as early as 1986. In that year, a set of labor-related regulations appeared, including one officially instituting labor contracting.³³ These new rulings put the concept of unemployment squarely on the table, challenging the old doctrine that a work post would last forever. Soon the official unemployment rate crept upward, with a 1988 State Council order granting management responsibility for their enterprises' profits and losses, along with relevant rights and powers.³⁴ The next step came in 1992, along with the sudden thrust forward that both economic growth and market reform received with leader Deng Xiaoping's abrupt post-Tiananmen re-entry onto the decision-making scene. That year several critical labor market decisions appeared, including one specifically permitting management to dismiss labor.³⁵ In the autumn, manifesting the victory of Deng's pro-development stance, the Fourteenth Congress of the Chinese Communist Party meeting assembled, which labeled the economy a "socialist market" one, giving market reforms of all kinds a big boost. Slowly, with the state's imprimatur, firms in trouble had a justification to discharge their staff.

In the following year, the critical Third Plenum of this Central Committee convened in November, an occasion that represented a real turning point. The forum announced a "Decision on Issues Concerning the Establishment of a Socialist Market Economic Structure" that laid out the goal of creating a full-scale market economy, albeit one quaintly yet billed as "socialist."³⁶ At this same time, an attempt to restructure the system of enterprise ownership got underway, entailing the conversion of selected state firms into market-guided bodies, with the aim of establishing a "modern enterprise system."³⁷ Here was another stamp of approval from officialdom on letting workers go.

But the real thrust of that initiative was delayed for several years while the overheating of the economy Deng's new program spurred had first to be brought under control. Soon thereafter, however, China's Labor Law was re-written in 1994, the first in the PRC to sanction firing,³⁸ and in 1995, the old system of life-long employment was officially terminated.³⁹ In these years, 1993 to 1995, and with these new pronouncements, the "hidden unemployment" whose disposal had been undecided for a decade was formally, legally forced out into the open.⁴⁰ Many with jobs suddenly found themselves without them.

Two regime-decreed austerity programs, one from 1988 to 1990 and the second over the years 1993-95, also constituted politically-induced circumstances that produced much attrition in the labor force. Both times the contractions were instigated to squeeze out inflation that had exploded in the wake of over-vigorous growth spurts in the respective previous year or two. During those years, most firms were denied loans⁴¹ and the consequent budget-trimming and plant failures that resulted did their part (along with the more market-driven factors recounted above) in driving out labor.⁴² In 1996 as the number of firms that filed for bankruptcy rose, a full 45 percent of all state firms were dealing with deficits.⁴³ In the first half of that year, state industry for the first time experienced an overall loss,⁴⁴ and by the succeeding year over half the state enterprises were struggling in the red.⁴⁵ When the second contractionary project was said to have cooled down the economy and a "soft landing" proclaimed in 1996, the leaderships' goal of restructuring state firms picked up steam once again.⁴⁶ In still another thrust against surplus labor, early in 1996 a decision was announced to "grasp the large [firms] and let go the smaller ones"--as, through sales, leaseings and mergers [zhuada fangxiao],⁴⁷ giving management a ready excuse to trim their workforces.

But the real effort was yet to come: Labor shedding underwent a genuine leap forward in the aftermath of a national-level convention in September 1997, the Fifteenth Party Congress. The meeting featured two thrusts that each had a truly significant impact on the fate of the state-sector workforce: one was its re-invigoration of the earlier drive to remodel state firms into share and limited liability companies, moves that generally were accompanied by cutting back the payrolls; the other was its explicit authorization for an enormous offensive of worker dismissals under the slogan, "cut the workforce and raise efficiency" [jianyuan zengxiao].⁴⁸

So though undoubtedly economic forces undermined the position of the state sector and its workers over the years, it is just as true that Party-state policies were working in the same direction through the 1990s and beyond, unquestionably magnifying the impact of the market. The upshot is that, by 2004 the regime is facing what is probably an unsolvable dilemma of droves of labor-age people unable to find proper employment: while the government was deeply concerned about managing to find just eight million jobs for the work-able populace last year, about 15 million new job seekers are expected to enter the labor market per year up through the year 2020, including first-time entrants, the unemployed, and migrants entering from the countryside.⁴⁹

Peasant Migrants in the Cities

After conquering the country in 1949 Party leaders almost immediately essayed to keep the cities clear of rural folk.⁵⁰ At first, in the 1950's, their effort was meant to ensure order, keep better track of the populace, and guarantee that the numbers of urbanites would be manageable. As the 1950s wore on, the increasingly stringent ban on peasants entering cities reserved urban resources for the pursuit of heavy industrialization and the city workers who engaged in it while making certain that country people stayed home to produce sufficient quantities of grain to keep city residents adequately fed.⁵¹

But after the disastrous Great Leap Forward of the late 1950's, concerns over food grain shortages and potentially ominous urban hunger led the leadership to take draconian measures: it banished back to the countryside tens of millions of country workers who had somehow slipped into town in the previous decade.⁵² Once repatriated, these farmers languished in field labor for the next 20 years. That period--the early 1960's--saw the start of a rigid enforcement of a system of household registration (the hukou system), which consigned peasant households to the region of their birth and deprived them of rations and of the entitlements of employment, housing, medical care, education, and pensions proffered to city inhabitants should they somehow find their way into the urban areas.

In the early 1980's, however, China's leaders did let the ruralites leave the villages, without, however, permitting these farmers to switch their hukous, nor allowing urban benefits to those who moved into town. At that point, sudden, headlong industrialization that got underway within just a few years of Chairman Mao's 1976 demise, plus frantic building in the cities, combined with the ending of socialist-era-induced starvation for services (with socialist China's urban focus just on heavy industry) carved out a gaping chasm, into which peasant workers--freed from the farms anyway with the termination of their communes by 1982--unceasingly poured.

So even as the economy became steadily more marketized, as planning and rations fell away bit by bit, the cumbrous shadows of the hukou, a wholly state-created, socialist-era institution, was not easily eradicated. Despite the hefty contribution to urban prosperity of the peasant-workers' toil⁵³, many millions of these people remain pariahs--the object of discrimination, harassment, and even violence--once ensconced in town.⁵⁴ In short, while regulations at both central and local governmental levels have in recent years attempted to erase some of the evils of earlier state rulings,⁵⁵ the stamp of the past lives on in inherited habits of bullying on the part of officialdom.

Most menacing for issues of stability and instability is the increasing willingness of migrant workers hired by foreign-invested firms along the coast to protest their working conditions, including 14 to 18 hour workdays with no overtime pay, paltry and un nourishing meals, a rigid workplace regime of enslaving regulations, physical brutality, and the non-receipt of wages.⁵⁶ Indeed, the official paper, the China Daily, openly acknowledged in August 2004 that more than 360 billion yuan in unpaid wages was then owed to migrant workers!⁵⁷ Did the state not mark these people with the denigrating label of being a bearer of "peasant registration" [nongmin hukou], and were its local officials not intent on attracting outside investment by sustaining a pack of low-wage, defenseless labor, the treatment accorded these workers could be improved.

Urban Poverty

The new urban poverty that emerged in the second half of the 1990s--in the midst of striking and ostentatious wealth--is clearly the outcome of specific policies of the central government. In the cities, true, there had always been the disadvantaged after 1949--those an occupation, without offspring or spouses, the disabled, and people not having any stable source of income. But these people generally survived in the shadows and out

of sight, subsisting (though just barely) as members of the "three withouts" on a mere pittance in the form of meager "social relief" from civil affairs departments.⁵⁸

Prior to the '90s, pockets of penury were concentrated either in the rural areas or else in the provinces of the northwest and the southwest.⁵⁹ The finding by the World Bank that China's Gini coefficient grew from 0.36 to 0.44 from 1990 to 2000--or another account that cites estimates as high as 0.5,⁶⁰ startling though the swift incidence of inequality shown in these data may be, do not in themselves expose this new source of disparity.⁶¹ As late as the mid-1990s scholars researching the issue of the indigent focused their investigations on just two issues: either the growing gaps between the more well-to-do municipalities and the progressively poorer countryside⁶² or the steadily enlarging disparities between the eastern seacoast and the inland and far west areas.

Initially, urban economic reforms bred optimism. Ostensibly, life became much better. Even into the late 1990s, per household disposable income increased at an average annual per person rate of 5.7 per cent in real terms in the cities, while the urban wage for staff and workers' wages experienced an average per person annual increase of 15.9 percent during the Ninth Five-Year Plan period (1996 to 2001). And permanent residents' average disposable income climbed up to 6,860 per year, an improvement of 18.88-fold over the year when reform began in 1978.⁶³ By 2004, at the Second Session of the Tenth National People's Congress, Premier Wen Jiabao was able to proclaim that per capita gross domestic product had passed the benchmark of US\$ 1,000, and disposable income per capita of urban residents had risen to 8,472 yuan.⁶⁴

But evolving externalities of these very uplifting improvements began to become manifest in the cities after 1994.⁶⁵ For much of the new urban poverty that surfaced in this period was the immediate product of job loss.⁶⁶ Moreover, since, as noted above, the many millions of peasant migrants now living in the cities tend to be paid on average as little as half what employed urbanites receive, and often do not get paid at all,⁶⁷ poverty among their ranks is the norm.⁶⁸ A multi-stage random-sample survey undertaken in 2001 in the major inland city of Wuhan found that the income differentials between those who had lately gotten rich quickly and the new poor were in the range of 40 to one⁶⁹. On a national scale, half of the country's bank deposits were owned by the richest five percent of the population as of mid-2004.⁷⁰ Another root of the problem of poverty is the ongoing need to upgrade the still-in-formation social welfare system for laid-off and unemployed workers⁷¹--to say nothing of the migrants in urban areas, who have usually been treated as ineligible for any welfare there.⁷²

Startling findings from interview material in a recently published volume reveal the depths of destitution to which today's poorest urbanites succumb. To begin with, the study documents what the very destitute are compelled to consume to stay alive: over half the poor families in three of the survey cities never eat meat, and over 80 percent of their non-staple foods are the very cheapest vegetables, with some informants even professing to subsist on the greens left on the ground to rot at the end of the market day. Others, especially in Lanzhou, lack the funds even to eat vegetables and scrape by just on potatoes and buns. As for medical treatment, as many as 50 to 70 percent could not afford to visit hospitals for treatment. Investigating education, the team uncovered the

unsettling information that while only about seven percent of poor families had ceased to send their children to school in Shanghai, as much as 20 percent fell into this extremity in other cities.⁷³

Here then are three outstanding trouble spots in the cities, brand new because of or exacerbated by state policies as of the late 1990s and beyond. All three, that is, have been summoned to the fore, brought out into the open, and made more severe by the progress of the program of "economic reforms" and marketization. To make such claims is not to aver that the planned economy ought not to have been dismantled or that the pre-1978 near-egalitarianism that marked the urban areas under Maoist-style socialism should have been preserved. It is simply a set of statements backed up by the data I have been able to assemble.

The State's Solutions and the Tools it Uses: The Weapons of the State

Even as it is the Party-state's own economic reforms that must bear the immediate responsibility for the presence in the municipalities of relatively large-scale joblessness, mistreated migrant labor, and resultant indigence, those same reforms have offered the authorities the means to forestall, dull, or quell the associated disaffection among the urban populace. The tools honed by the political elite with the aid of their reforms consist of a new social alliance undergirding their rule; altered stories to be disseminated by the propaganda and statistical organs; and upgraded bureaucratic, financial and coercive capabilities. All of these contrivances aid the leadership in adopting active labor market policies and in bolstering their repressive capabilities. This package of tactics has enabled the authorities and its local counterparts to stay one step ahead of what would amount to serious trouble for themselves.

A Transformed Regime Alliance

Westerners researching the rise of the private sector over the past dozen years have reached the common conclusion that its members have been handily joined in a symbiotic relationship with the Party leaders.⁷⁴ Bruce Dickson has provided data that demonstrate the intensification of this partnership in recent years: while in 1994 workers and farmers still made up as much as nearly two thirds of the membership of the Communist Party, by the end of 2003 they accounted for under half,⁷⁵ even as the Party's organization department put out a document refining the rules for recruiting entrepreneurs in that year, a step authorized in 2001 in a speech by then Party General Secretary Jiang Zemin.

Meanwhile, the 2003 session of the National People's Congress entertained 55 entrepreneurs among its delegates, even as businesspeople are increasingly becoming members of legislatures in the localities and stand as candidates in village elections.⁷⁶ Late in the year the Party's annual plenary convocation issued a decision to revise the governmental constitution so that private property would be protected, and so that the interests of the private sector would be furthered.⁷⁷ At the same time, political cadres in the communities have been evaluated throughout the 1980s and 1990s for pushing

forward economic growth in their areas; attracting foreign investment, an obvious way to attain that goal, is a high priority for them.⁷⁸

One more instance of this alliance is the close bond that exists between arbitration committees (set up to negotiate workers' grievances before their cases are accepted by the courts) and the enterprises in the same jurisdiction. This connection enables the committee members to cooperate with firm management to suppress any disputes with which an enterprise prefers not to deal. The local government can also work to structure the outcome of the negotiation so that the employer is favored, in order to retain the investment entailed.⁷⁹

All of these developments have escalated the significance of factors that keep output on the increase, a shared objective for officialdom and the business community at all levels. Among the chief factors relevant for this discussion are ensuring that labor costs remain low and local peace and order. One representative example among many was a case in which footwear workers went on strike at a factory in the Pearl River Delta, angered over low wages, forced overtime work, verbal abuse and beatings aimed at speeding up production. The local government arrested several of the workers, at the request of the foreign managers.⁸⁰ And it has been the case for at least a decade that local officials have turned a blind eye to malpractices in foreign-invested firms in their regions in an ongoing effort to attract maximal capital.

Similarly, when workers at state-owned plants protest their layoffs or lack of compensation, local authorities have allied with factory leaders to prevent or contain demonstrations. One typical instance occurred when retrenched oil workers in Chongqing tried to bring legal action against their former employers. The city's Police emergency Unit halted their effort to collect funds on the street and tried to arrest the organizers; another happened when riot police were sent to break up protests over corrupt mill managers at a paper mill in Heilongjiang.⁸¹ In short, with the Party's elevation of productivity and high growth it has of necessity made common cause with capitalists, while also providing new incentives for cadres to quash any protest actions that could threaten steady and rising output. In the course of promoting these objectives the old alliance between the Party and the proletariat has gone by the wayside.

New Content for the Propaganda and Statistical Organs Propaganda⁸²

To judge from the media, people remaining without work after being let go have only themselves to blame. According to the Hong Kong paper, Ming Pao, the Ministry of Labor's 1997 national work conference concluded that "the key is to change the employment concept of laid-off workers."⁸³ Thus a speaker at the convention instructed the bureaucrats in attendance that,

We should work hard to educate this group of people to awaken to the fact that the market economy needs competition, competition is bound to lead to bankruptcy and unemployment, enterprises no longer have the iron rice bowl, two-way selection exists between employers and employees, and we should rely on indomitable work for survival.⁸⁴

In a similar vein, an article in a labor journal spoke of a district in Nanjing able to change the "negative, hopeless mentality" of the laid-off and the unemployed with three different tactics, numbers one and two of which were "propaganda and `education,'" and "encouraging models to lead the way."⁸⁵

But perhaps not enough people were convinced by such efforts. For well into the year 2000 the press continued to exhibit a compulsion to edify those its publicists tagged "excess workers," as is apparent in the following extract:

The superiority of socialism should not be manifested in supporting idle and lazy people. We hope to see such a moving scenario: units can survive on the basis of their efficiency; people get rewards on the basis of their capabilities. There will be no place of existence for lazy people. And those who are complacent will, naturally, be removed. If so, the phenomenon of extra personnel, which has put unbearable burdens on government finance, will disappear by itself.⁸⁶

Those who do excel in the new market environment, however, besides being capable and industrious, often have an additional, critical ingredient at the core of their success. Some are chosen to participate in the so-termed "reemployment bases" (such as new firms or night markets) that city districts and local branches of the women's federation or the trade unions set up. These concerns, exclusively established to employ favored people among the laid-off, reduce or waive taxes and fees, and distribute free business licenses. Obviously, all this largesse catapults its recipients upwards to ever greater successes.⁸⁷ In the frank words of a local trade union official, "We discover them, nurture them, and then prop them up [faxian, peiyang, shuli], and we propagate their experiences for other xiagang to study, to let more laid-off people realize reemployment quickly."

In my rather numerous official interviews with successful models--all of whom had been handsomely subsidized and boosted in various ways in their businesses by official organs of one kind or another--it was astounding how much effort and financial support local governmental offices had put into blowing up for mass attention and instruction the projects of discharged darlings.⁸⁸ These state-manufactured "models," also labeled "stars," uniformly admitted to having received, as an owner of an automobile parts and repair plant whose products sold abroad put it, "help with every difficulty."⁸⁹ One in particular had even been visited by then-state President Jiang Zemin to heighten the glamour of the publicity about her success, in the hope of inspiring other, struggling off-post people.⁹⁰

One last aspect of the media is the strict injunctions that prevent its personnel from conveying information on issues the regime marks as sensitive, including accurate figures on unemployment rates and related social security matters, labor unrest and worker protests.⁹¹ Not only foreign researchers must themselves make their own estimate (or conduct their own surveys⁹²), but the internal audience within China has absolutely

no empirical grasp of the true magnitude of this problem--nor, because of the state's measures to keep protest localized--any means of acting upon it in unison even it did.

Statistics

The most egregious use of the statistical apparatus is its counting as "xiagang" or "laid off" just those workers furloughed from state-owned firms who were admitted into a "reemployment service center,"⁹³ thereby grossly diminishing the numbers the regime could announce as having been discharged. This limited official delineation also allows the government to claim (by way of tautology) that a percentage of laid-off workers in the high 90s had received a basic living allowance or had entered a center.⁹⁴

Another instance of statistical manipulation occurs when the cumulative total of persons laid off from state firms between 1998 and 2003 is said to be just over 28 million,⁹⁵ though official statistics show that over 60 million work posts have been eliminated from the state and collective sectors.⁹⁶ Yet one more type of case is represented by the statement that, "By the end of March 2001, 158,300 staff and workers from state, collective, and private enterprises were participating in pension insurance," or that the coverage rates in such types of firms was, respectively, 99, 90, and 30 percent.⁹⁷ The truth behind these numbers was that participating and being covered said nothing about whether or not these employees were able actually to receive their pensions. One commentator in late 2002 noted that the Ministry of Labor and social Security's figures showed then that local governments had taken (so-called "borrowed") 120 yuan from individual pension accounts to make up deficits in state financing.⁹⁸ Another analyst referred to an estimate that unfunded pension liabilities at that point stood at about 50-100 percent of gross domestic product.⁹⁹

Both the media and the statistical apparatuses have been securely under the control of the Party-state since its inception. It is true that both are more open, honest, and realistic today than in the pre-reform era, or even as compared with a decade ago. But both remain ready to be manipulated for the current purposes of the regime, and, with the changed state mission since 1980--and even more so since 1997--that mission is to encourage not only economic growth and modernization, but to persuade firms to let go their less productive, less skilled employees, while urging the jobless to create work for themselves. The regime is also concerned to forge a sense of optimism that those abandoned by their former work units still stand a chance of obtaining welfare benefits. It is also intent upon offering its audience the message that its project of revamping the state social security program is well underway. Though many poor people and laid-off workers are highly skeptical, the fear that participating in protest could eliminate their chances to qualify for funds at some point does have some power.

Bureaucratic, Financial and Coercive tools

With the assistance of a new social class alliance and the ongoing availability of customary, but revamped, media and statistical networks, the Party-state is probably as

efficacious as in the past at promoting its aims; new programs, funding, and coercive technologies also have positioned the bureaucracy to upgrade some mechanisms long in use, even as it implements newer ones. The programs attempt to cater to or conquer the sense of restlessness, betrayal, and disgruntlement among the poor and jobless are surprisingly multifold and many of them have been, if not watertight, still moderately effective. The most critical ones are these: enforcement of a Reemployment Program for the laid-off, paired with a range of active labor market policies; promotion of the law, plus offering the angry recourse to the courts and arbitration; reforms to improve the plight of the migrant population; the beginnings of a social security network; a minimum livelihood guarantee for the poverty-stricken; subsidies to hard-hit areas; what measure of industrial policy the regime can get away with, given its World Trade Organization commitments; and, last but not least, harsh repression of those who protest or otherwise demonstrate their discontent.

As is the case with all of the enhanced modalities of control, the economic reforms themselves have afforded the government new resources for effecting bureaucratic, financial and coercive strategies. These have included the installation of restructured taxation and fiscal systems in 1994 that brought more funds to the central government, upgraded systems for financial supervision, and strengthened market regulatory institutions.¹⁰⁰ The upshot has been that the central state has been exceedingly watchful, focused on modulating and increasing its input whenever the leadership deems this necessary, and that it now has the tools to do so.

The first of the new arrangements is the Reemployment Program, a monumental effort that originated in April 1995 with the ambitious aim of somehow contriving the settlement of the laid-off state-sector workers.¹⁰¹ As one of my interviewees aptly phrased it, "the Reemployment Project is a half-planned-economy method, which has the goal of developing a market."¹⁰² Another referred to its various prongs as "really, just one welfare system replacing another..[a program that is] trying to protect urban residents' original superior position under market conditions."¹⁰³ Shanghai set up the model of the "reemployment service center" that year--which was to provide a caretaker role for an industry's workers, by helping with the disbursal of their basic livelihood allowances, medical insurance and pensions; retraining them; and finding them new employment. Thereafter this system became a key component of the program.

In two different studies, over half of those laid off were able via forms of early retirement to retain their ties with their reemployment center or their firm rather than looking for jobs.¹⁰⁴ In such cases, the project's administrators focused more on nurturing financially and solving the immediate problems of those without work than on placing them in new positions. But at the same time, the project was also touted as one that forced some workers out of the factory, ideally providing them with preferential treatment (such as tax exemptions and reductions, cancellation of licensing, management, sanitation and other fees, provision of market sites and stalls, etc.) if they were to start new businesses. Though each worker was originally meant to receive just three years of special help from this initiative, in 2003 workers once eligible who were continuing to flounder were offered extensions.¹⁰⁵ The central government allocated an impressive total of 77.9 billion yuan in 2004, over 11 percent more than in 2003--which itself was

nearly 20 percent more than in 2002--for laid-off workers and the poor, while localities were also to increase their outlays.¹⁰⁶ Surely this program has nipped discontent in the bud for millions.

In recent years, the focus has been on attempts to create new jobs,¹⁰⁷ to develop labor-intensive industries and small and medium sized firms, to promote the non-public (or private) sector, and to encourage the tertiary sector,¹⁰⁸ plus offering occupational training.¹⁰⁹ Some provinces went so far as to use employment creation as one criterion for evaluating their local officials' work.¹¹⁰ Reportedly, the government has also continued to extend preferential policies to laid-off workers who set up their own businesses, such as exemption from administrative fees and taxes for limited periods and subsidies for interest payment for small-amount loans.¹¹¹ One example of state largesse is the additional 4.7 billion yuan the government allocated for job creation in 2004.¹¹² These policies also mitigate the pain of job loss for their recipients.

Still, there are weaknesses. The principal problem is the continued scarcity of capital devoted to loans for micro business, inappropriateness of job training to the trainees or to market demand, and charges for training that the non-working population cannot afford.¹¹³ It would appear that only about half of those who were dismissed from their posts managed to obtain this beneficial treatment,¹¹⁴ that is, the workers from the larger, wealthier firms. This means that, at a minimum, employees who live together at the biggest, best appointed plants--i.e., those whose high expectations from the state would have been most seriously damaged and those who would find it easiest to organize were they not catered to--have the least cause to stir up trouble.¹¹⁵

Promotion of the law has been a mixed blessing, for labor as well as for the state. True, offering workers legal redress has turned their attention at least temporarily from the streets to the mediation tables and even to adjudication, and so may well have reduced the number of street demonstrations.¹¹⁶ But workers have often found that arbitration has not functioned effectively. Though Article 27 of the 1995 Labor Law promises that, "If a work unit is on the verge of bankruptcy and is ordered to enter into a period of statutory consolidation, or runs into great financial difficulties and it is deemed necessary to lay off workers, it shall explain the situation to the trade union or to all the staff and workers 30 days in advance and solicit their opinions as well as report to the labor administrative department before dismissal is carried out."¹¹⁷ The truth, however, is that this ruling is more often honored in the breach than actually implemented, and such abridgement has been the focus for much labor anger.

Firms are also required to deliver owed wages to workers upon going bankrupt or being taken over, but numerous worker lawsuits have failed to bring such behavior about.¹¹⁸ As workers' consciousness of their own rights increases, they are gradually more and more apt to appeal their grievances to courts of law; indeed, from 1995 to 2001, the number of labor disputes adjudicated by the courts rose from just over 28,000 to nearly 101,000.¹¹⁹ But the outcome is unpredictable, as most judges are still appointed by their local party committees, and therefore their principal goal is to remain in the good graces of the members of these committees.¹²⁰ On the whole, however, the state's provision of a novel outlet for laborers' rage, along with its recognition of and

promotion of workers' rights and interests (at least at the level of rhetoric) it is likely that some untold number of aggrieved on-the-job industrial employees and former employees have spent time and energy seeking legal redress, rather than rushing immediately onto the streets. In this way stability has been to some incalculable extent enhanced.

Reforms for migrant workers have gradually come about since the second half of the 1990s, even if not all migrants have benefited from these measures. The first measure to appear was one easing the regulations for outside labor residing in small towns,¹²¹ followed by another the next year that gave permanent residency rights to a citizen's spouse, parents and children, and allowed successful businesspeople to settle in cities.¹²² In 2000, quotas were eliminated for household registration in small cities and towns, and Ningxia province, for one, abolished urban residency restrictions.¹²³ In 2001, the residents of rural areas were permitted to apply for residence permits in smaller cities and towns if they could prove a legal home and a stable source of income there.¹²⁴ A few years later, Jiangsu province ruled that the separation of rural and urban hukous would be abolished as of the start of 2003.¹²⁵

In the spring of 2002, the State Development Planning Commission ordered that the excessive illegal fees being charged migrants be returned to them.¹²⁶ Early the next year, to some fanfare, the State Council issued a directive stating that rural migrants have a "legal right" to work in cities and prohibiting job discrimination based on residency, while ordering police to provide urban residency documents to any migrant who finds employment.¹²⁷ In September 2004, the city of Wuhan was the next to terminate its temporary residence certificate.¹²⁸ The effectiveness of new regulations, however, must be questioned. A prime case that calls their implementation into doubt occurred over the years 2002 to 2003. In April 2002 Guangdong province enacted a ban on the detention of migrants lacking residency or work permits, provided they had an urban home and a regular job.¹²⁹ But less than a year later, in that province a college student from out of town was beaten to death in detention after failing to produce a temporary residence permit.¹³⁰

Still, there are definitely past-peasants dwelling in the cities that have been made aware of these reforms by the residence committees in the districts in which they live, and have taken advantage of them.¹³¹ City registration has aided some migrant parents in sending their children to school at manageable cost, and might help them to find decent jobs. It ought also to cease the discrimination such incomers have suffered. Perhaps most important, one formerly peasant woman confided to me how her family members now

feel at peace [at least on this account], and have a sense of 'equilibrium in [their] hearts' [xinli pingheng]...People are people..I'm a person, why shouldn't I be the same as other people" [Wo shi ren, wei shenma bu gen bieren yiyang]?¹³²

The first new welfare program to appeared in tandem with the 1986 Regulation on Labor Contracts.¹³³ This was the first Regulations on Unemployment Insurance (UI)

(State Council Document 77), designed to assist contract laborers when their terms were up, if they met the necessary conditions. In that same year a Regulation on Discharging Employees was announced as well.

But none of these decrees had much if any impact at that time.¹³⁴ Since the ruling tied a worker's chances to receive recompense to his/her enterprise's willingness or ability to help finance the fund, the prior custom of binding the employee's fate to his/her former firm continued.¹³⁵ The most significant operative point was that bankrupt firms' workers were to be cared for, if not by their own failed firm, then by their local government.¹³⁶ But it was precisely those firms no longer able to sustain their previous, probably bloated workforces that were unable to afford to contribute to the local UI fund.¹³⁷ Thus a worker's chance to get a benefit when without work remained hinged to the poverty or prosperity of the firm to which s/he had been attached.

With the November 1993 Third Plenum of the Fourteenth Party Central Committee's "Decisions on the Establishment of a Socialist Market Economy," the goal in state firm reform became the creation of a "modern enterprise system," in which firms were to become financially self-sufficient.¹³⁸ A month later, to deal with the rising numbers of workers losing their jobs, revised provisions, entitled "Regulations on Unemployment Insurance for Staff and Workers of State-Owned Enterprises" (Document 110) came out, specifying that benefits go only to state enterprise workers.¹³⁹ With this, the percentage of the workforce covered by UI actually dropped as the proportion of the urban workforce moving to jobs in the non-state and foreign-funded, unprotected sectors climbed upward.¹⁴⁰ There was also a reluctance or outright refusal of managers of more successful firms--or of firms strapped for funds--to give current resources even to other firms in their own city.¹⁴¹

Throughout the 1990s, the rising numbers of workers without an extant work unit--and the number of official bankruptcies (though never large)--overwhelmed the UI fund, already beset by the mounting percentage of loss-making state firms. To address this quandary, an attempt was undertaken in 1999 to expand the funding base for UI, in the State Council's Document No. 258, its "Unemployment Insurance Regulations."¹⁴² That document extended coverage to all urban work units of any ownership type and raised the firm's contribution rate to two percent of the wage bill, while demanding that employees turn over one percent of their wages. While this move may have meant that more people became eligible for UI, the funds that could be raised in a locality were still a direct function of the economic health of its firms. And in 2003, authorities admitted that a number of poorer provinces were collecting less than they paid out.¹⁴³

Pension reform has been underway for over half a decade.¹⁴⁴ In its Articles 44 and 45, the state constitution of 1982 decreed that the state must ensure the livelihood of state enterprise retirees, while the 1995 Labor Law also guarantees that employees should receive pensions, along with other forms social insurance. Though reports sound as if success is being achieved, there are still numerous protests recorded in which pensioners demand funds owed to them that remain in arrears.¹⁴⁵ In the year 2000 the central government created a National Social Security Fund, but it has failed to standardize the program; instead, its monies are disbursed to subsidize areas where many firms are too

indebted to fund their own accounts.¹⁴⁶ This is one instance of a general practice in which the central government underwrites welfare expenses in regions of penury, a form of charity that tends to quiet protesters at least for awhile.

A program entitled the zuidi shenghuo baozhang zhidu [minimum livelihood guarantee system] (in Chinese, colloquially known as the dibao), was initiated in Shanghai to cope with the new-found destitution in 1993, and it spread nationally in the five or six years thereafter, though in the early years there was much local variation.¹⁴⁷ The policy was then formalized in a State Council circular in August 1997, entitled, "On the Establishment of the Urban Residents' Minimum Livelihood Guarantee System," and in the next month that body called on all localities at the urban and county levels nationwide to set up the system.

But by the end of September 1999, though some 500 cities had put it in place, the recipient population amounted to just 2.82 million people. Still, progress had been made: of those being served, only about a fifth were traditional targets of civil affairs relief, with the remainder being the newly poor. Monies allotted had risen substantially as well: in the first nine months of that year, 1.5 billion yuan was allocated for this program, a ten-fold increase over the total of funds that had been spent on relief just seven years before.

In September 1999 the State Council issued its formal and final "Regulations for the Minimum Livelihood Guarantee for Urban Residents," to go into effect on October 1 that year. Moreover, at the time of National Day 1999, in a number of localities the allowance per recipient rose by 30 percent, with more than 80 percent of the increase coming from the central Ministry of Finance.¹⁴⁸ In fact, with the exception of Beijing, Shanghai, Shandong, Jiangsu, Zhejiang, Fujian and Guangdong, all the other provincial-level units received financial subsidies from the central government for the dibao.¹⁴⁹ Nonetheless, even at the end of the year 2000, when the figure served had risen to 3.2 million people, the Ministry of Civil Affairs calculated that somewhat under one quarter of the urban poor as of that time was being helped.¹⁵⁰

During the year 2001, however, there was a massive upswing in the monies that the central government devoted to the program, with the result that the numbers of recipients shot up quickly. Following a steady escalation of the outlay from 2001 onward, recipients numbered over 20 million as of the start of the year 2004,¹⁵¹ and that year as much as 15 billion was budgeted for the program (with the central government contributing a full 60 percent of the funds, to this project originally designed as locality-funded). But the average recipient that year received a mere 56 yuan.¹⁵² It is important to note though, that these increases are felt at the grass roots and indigent urbanites, though fully conscious that the amounts are inadequate, feel grateful for the increments.¹⁵³

Additional central treasury ad hoc allotments have subsidized particularly destitute regions: the central government, for instance, sent special fund transfers to increase reemployment subsidy funds in old industrial districts, where job loss has been especially heavy.¹⁵⁴ In 2001, Liaoning province, the home of the most worker layoffs--and, not inconsequentially, of protests¹⁵⁵--became the site of a three-year experiment in

social security reform, a trial whose accomplishments were trumpeted nationwide despite some lingering problems.¹⁵⁶ In 2004, the government announced its intention to expand the program to the other two hard-hit Northeastern provinces, Jilin and Heilongjiang.¹⁵⁷ In its urgency to undergird the livelihood of the antagonized proletariat in that region, as well as to display a success story, the central government has been contributed as much as 80 percent of the necessary funds for these "experiments."¹⁵⁸

Another tack in mollifying losers has been various forms of protectionism. Arguably, some of China's questionable or blatantly insufficient compliance with its World Trade Organization membership requirements, such as its pre-2004 delays and barriers against imported soybeans and its continuing supportive measures for domestic automobile production, amounted to industrial policies geared to placate farmers and workers in unstable provinces who specialize in these commodities. Indeed, the open door to soybeans came only in the wake of recent central financial welfare fund transfusions into the Northeast, especially to Heilongjiang province.¹⁵⁹

Coercion

Protest in China has spun upward dramatically in recent years.¹⁶⁰ Tens of thousands of incidents occur each year, with the numbers of such events increasing annually up at least through 2000.¹⁶¹ Police reports have shown that larger and better organized demonstrations also appeared as the 1990s wore on, and probably beyond.¹⁶² But as noted above, the regime has become adept at suppressing opposition of any sort, whether it appears on the streets, in the form of petitions, in the media, or even between individuals, as on the telephone or through the Internet. Its power to intimidate and punish may trump all of its other moves to stay ahead and on top of discontent, and these methods surely are the most obvious forms of sustaining and containing the situation of tolerable, generally disconnected, peaceful, relatively small-scale and localized instability that has obtained on the Mainland for a decade and a half.¹⁶³

Cases of outright coercion are legion. Modernization and new sources of income in the state's hands have outfitted riot police with crowd-control equipment, such as tear gas and other non-lethal forms of dispersal,¹⁶⁴ while surveillance technologies such as wire-tapping, plus Internet blockage, have enhanced the ability of the state and its agents to apprehend and silence organizers.¹⁶⁵ The general pattern, extending back to the first outbreaks of worker protest right up to the present, is to arrest, detain, and imprison the leaders at protests while distributing token cash hand-outs or partial back-pay to the masses.¹⁶⁶ While this approach may not quell the anger and frustration many sacked workers experience, it surely serves to frighten most from taking positions of command--or even from participating at all in the ruckus on the roads.

Overall, increasing responsiveness--if often not in a democratic, policy-oriented manner--has managed to maintain the instability that does exist at a level and within a scope that should not deter foreign investors--provided they are willing to play by the same, unwritten rules of the game of keeping abreast of simmering discontent that are being employed by the Chinese government and its local officials. There are other tactics

to which foreign investors should be in a position to resort as well--such as improving the working conditions in their factories and finding ways to increase the pay--given the smaller scale of the situation with which they have to deal.

Policy Suggestions

Three changes in emphasis in state policy could assist in reducing the problems that lie behind the discontent among the losers in China's process of economic reform and that fuel the instability deriving from this discontent. All of these have been attempted and leaders at the top are well aware of their importance. These are job training, improvement in the taxation system, and more widespread, thorough, well-funded welfare. While the authorities have already undertaken serious efforts to implement all of these initiatives, more funds could be allocated and more fine-tuning could be applied to their execution.

The first, and most essential, reform required for any of the others concerns the taxation system. The portion of the taxation system that regulates the division of receipts between the central and local administrations was successfully revamped ten years ago. But to date the government has not vigorously attempted to standardize, enforce, and monitor workable private and corporate income tax schedules. The ongoing apparent lack of will on the part of the state to find a means of redistributing income is a shocking failure of governance in the face of the inequalities and joblessness extant on the Mainland today.

In the case of job training, more funding needs to be made available so that poverty-stricken, jobless people do not have to foot their own bills for this service. Also, more market research needs to be paired with the provision of training, so that people are prepared to offer the types of skills on demand in their own localities. Moreover, far more restraint must be placed upon tormenting local police and urban management [chengguan]--or indoor space must be provided at very low rentals--so that "unemployed" and "laid-off" people practicing their own skills on the streets are not forced to abandon their professions altogether. There are individuals with aptitude at shoe-making, culinary arts, hair-dressing, and vehicle and other forms of repair who are being systematically made incapable of earning money because of harassment on the sidewalks.

Finally, there is the issue of the government's responsibility to those whom its policies (along with more market-driven forces) have pushed into penury. Things would have worked out much better for these people—and, in turn, produced less instability--had the reforms that now so affect their lives been executed only after some welfare net had been put into place. Indeed, there were proposals to do this in the second half of the 1980s, but they were not heeded.¹⁶⁷ At this stage, more funding needs to be allocated to the welfare and social security programs. As noted above, now over 20 million of the urban people living in the most desperate poverty are being serviced by the dibao program. But the amount of money handed to them is too paltry to enable them to do more than get a basic handle on staying alive. Funds should be made available, perhaps as interest-free micro-credit, for helping poor people begin small businesses or for

furthering their street-level enterprises. This sort of project could assist the poor, the unemployed and the migrants too.

As for foreign investors, the most important step that can be taken to avoid instability and protest is to improve the working conditions of the workers in their plants. For over a decade the worst abuses have been perpetrated at the firms invested by Asian financiers, whether by the investors themselves, or, more frequently, by the subcontractors who manage the firms. Much closer controls must be placed on subcontractors. Corporate responsibility programs that target Western firms need to be enforced in the Asian-run enterprises as well.

True, most of China's problems are nearly inevitable in a country of its size that is undergoing breakneck modernization and that is at the same time in transition from a planned, socialist economy to a free market one. But surely more can be done to meet the demands for social justice that lie at the core of the instability--still controlled but apparently intensifying--that is plaguing the nation.

NOTES

¹ Benwen ketizu [Research group of this journal], "Xin shiqi wuhan shehui jieceng jiegou yanjiu" [Research on Wuhan's social structure in the new period], Changjiang luntan [Yangtze Tribune], 5 (2002), 26.

² Josephine Ma, "Three million took part in surging protests last year," South China Morning Post (hereafter SCMP), June 8, 2004. This article is citing an official publication, "Liaowang" [Outlook], published by Xinhua news agency, quoting the Ministry of Public Security. A few years earlier, however, there was a Public Security Ministry report that counted 60,000 large demonstrations in 1998, followed by over 100,000 in 1999, an average of 300 per day (Summary of World Broadcasts (hereafter SWB) FE/3780 G/6, March 4, 2000).

³ Willy wo-Lap Lam, "Beijing faces winter of discontent," CNN.com, September 30, 2003.

⁴ A few cases include laid-off Sichuanese steelworkers demanding unpaid wages (China News Digest (hereafter CND), No. GL98-148, November 4, 1998); Hunanese textile workers incensed about being laid off (CND, GL, No. GL99-009, January 20, 1999); and Liaoyang, Liaoning metallurgy workers demonstrating for back pay and against corruption (Reuters, "Thousands of Workers Protest in NE China, Locals Say," March 18, 2002 is one report of many).

⁵ "News Update," China Rights Forum (hereafter CRF), Fall 1998, 49.

⁶ Wang Shaoguang, "Shunying minxin de bianhua: cong caizheng zijin liuxiang zongguo zhengfu jinqi de zhengce tiaozheng" [A Change that complies with popular sentiments: a recent policy readjustment in the flow of financial funds toward the Chinese government]. Paper presented to the Center for Strategic and International Studies, Washington, D. C., unpublished manuscript, January 16, 2004, 3; Hu Angang gave a similar figure in a conversation, New York, September 23, 2004; and Zhou Tianyong, a Party School researcher, in his "Xingcheng jiuye nan de tizhixing yu zhengcexing zhangai" (System and policy-type obstacles making employment difficult) Neibu canyue (Internal consultations), No. 43 (November 14, 2003), 8, states that his research reveals that 64.4 million work posts were eliminated from the public (i.e., state and urban collective) sectors from 1996 to the end of 2003. Making sense of Chinese unemployment statistics is notoriously difficult (see Dorothy J. Solinger, "Why We Cannot Count the Unemployed," China Quarterly (hereafter CQ), 167 (September 2001), 671-88.) Official figures for the "unemployed," refer just to once-workers who register their joblessness and who hail only from no-longer extant firms, owned by the state, that had paid into the unemployment insurance fund set up after 1986 before ceasing to exist. This number omits those people said to have been "laid off" [xiagang], a status used to refer to people who, in theory, were still connected to their firms and in receipt of basic livelihood allowances from them after the mid-1990s. In fact, however, even this latter statistic is deeply flawed, as it refers just to the furloughed employees who were once on the payroll of state firms and who had been admitted to a "reemployment service center," (Communication from the Chinese Academy of Social Sciences scholar Tang Jun, September 15, 2004), a privilege that an uncounted multitude of enterprises either could not afford, or managed not to bother, to install.

⁷ For instance, a report in CND GL01-069, November 23, 2001 stated that, "Currently there are over 100 million migrant workers"; but Philip P. Pan, "Getting Paid in China: Matter of Life and Death," Washington Post, February 12, 2003, refers to the "nearly 200 million workers who have left China's impoverished countryside for jobs in the cities." Nicholas Becquelin, "Without residency rights, millions wait in limbo," SCMP, February 27, 2003 states that, "Currently about 150 million are on the move."

Arthur R. Kroeber, "Inequality: Is it a Powder Keg," China Economic Quarterly (hereafter CEQ), Q1 2003, p. 22 quotes an official figure for migrant workers in 2002 of 94 million.

⁸ He Xuesong, Shehuixue shiyexia de zhongguo shehui [Chinese society in sociological perspective] (Shanghai: Huadong ligong daxue chubanshe [East China science and engineering college publishing co., 2002], 183, 185.

⁹ Zhu Qingfang, "2001 nian chengxiang zhumin shenghuo jiduo chou" (Worries about the livelihood of urban and rural residents in the year 2001), Gaige neican (Reform internal reference), No. 6 (2002), 30-31.

¹⁰ According to Tang Jun, both indicators are important, since though income indicates whether a household is financially capable of financing the expenditure, it is more susceptible to error and short-term fluctuations than is expenditure. He reports this in an early version of his recent volume, Zhongguo chengshi pinkun yu fanpinkun baogao [Report on poverty and anti-poverty in urban China] (Beijing: Huaxia publishing house, 2003), 34-35. The figure of 37 million is also given in Mo Rong, "Jiuye: zai tiaozhanzhong guanzhu kunnan qunti" [Employment: In challenge, pay close attention to the masses in difficulty], in Ru Xin, Lu Xueyi, and Li Peilin, eds., Shehui lanpishu: 2003 nian: zhongguo shehui xingshi fenxi yu yuce [Social blue book: 2003 analysis and predictions of China's social situation] (Beijing: shehui kexue wenxian chubanshe [social science documents company], 2003), 40, citing Asian Development Bank data; Li Peilin, "Dangqian zhongguo shehui fazhan de rogan wenti he xin qushi" [Current issues and new trends in social development], in Ru, Lu, and Li et al., op. cit., 23; Tang Jun, "Dibao zhiduzhong de shehui paichi" [Social discrimination in the minimum living guarantee system], paper presented at the Conference on Social Exclusion and Marginality in Chinese Societies, sponsored by the Centre for Social Policy Studies of the Department of Applied Social Sciences, the Hong Kong Polytechnic University and the Social Policy Research Centre, Institute of Sociology, the Chinese Academy of Social Sciences, Hong Kong, November 16-17, 2001, 5; Athar Hussain et al., "Urban Poverty in the PRC" (Asian Development Bank Project No. TAR: PRC 33448, 2002), 34.

¹¹ Zhonggong zhongyang zuzhibu ketizu [Chinese central organization department research group], 2000-2001 Zhongguo diaocha baogao--xin xingshixia renmin neibu maodun yanjiu [2000-2001 Chinese investigation report--research on internal contradictions within the people under the new situation] (Beijing: Zhongyang bianyi chubanshe [Central compilation & translation press], 2001), 170-71. Here the urban population of about 390 is calculated without including peasant migrants residing within it unless they had lived there for at least one year.

¹² A report by China's Development Research Council and the Asian Development Bank cited in David Murphy, "Urban Poverty: Nothing More to Lose," Far Eastern Economic Review (hereafter FEER) November 7, 2002, states that the poverty rate among migrants is 50 percent higher than among urban workers. Other sources are Wu Zhongmin, "What is the actual size of China's impoverished population?" Zhongguo jingji shibao, Internet version, May 16, 2003, translated in Foreign Broadcast Information Service (hereafter FBIS). Also, Hussain, op. cit., 7 states that an investigation of a 1999 data set led him to conclude that the poverty rate among immigrants in 31 cities was at that point on average 50 percent higher than that among the permanent residents.

¹³ "Jobs vital to new urban poor, China Daily (hereafter CD), May 21, 2003, 3.

¹⁴ Yuan Yue and Zeng Huizhao, "2003 nian zhongguo jumin shenghuo zhiliang baogao" [A report on urban residents' quality of life in 2003] in Ru Xin, Lu Xueyi, and Li Peilin, eds., Shehui lanpishu: 2004 nian: zhongguo shehui xingshi fenxi yu yuce [Social blue book: 2004 analysis and predictions of China's

social situation] (Beijing: shehui kexue wenxian chubanshe [social science documents company], 2004), 69.

¹⁵ *Ibid.*, 64. The year before, 31.1 percent reported themselves to be "not too satisfied" or "unusually dissatisfied" (25.7 percent and 5.4 percent, respectively), reported in Yuan Yue and Zeng Huizhao, "2002 nian zhongguo jumin shenghuo zhiliang diaocha" [An investigation of Chinese urban residents' quality of life in 2002], in Ru, Lu, and Li, *Shehui lanpishu: 2003 nian*, 140.

¹⁶ Earlier periods of urban unemployment existed in the PRC, as in the early 1950s, the mid-1960s, and the late 1970s. But in each case the government was able to devise programs--sometimes distasteful ones, as in the 1960s' rustication movement--that to a large extent disposed of the problem. Besides, in these earlier eras, it was for the most part the never-employed who searched for jobs; in the present era it is a case of massive dismissals of the labor-age population.

¹⁷ Michel Bonnin, "Perspectives on Social Stability After the Fifteenth Congress," in Hung-mao Tien and Yun-han Chu, eds. *China Under Jiang Zemin* (Boulder: Lynne Rienner, 2000), 154; Pat Howard, "Rice Bowls and Job Security: the Urban Contract Labour System," *Australian Journal of Chinese Affairs*, No. 25 (January 1991), 102; Imai Hiroshi, Special Report: "China's Growing Unemployment Problem," *Pacific Business and Industries RIM* (Tokyo) II, 6 (2002), 30; Albert Park and Fang Cai, "How has Economic Restructuring Affected China's Urban Workers?" Unpublished paper, October 2003, 2.

¹⁸ A. S. Bhalla and Shufang Qiu, *The Employment Impact of China's WTO Accession* (London and New York: RoutledgeCurzon, 2004), 104.

¹⁹ Thomas G. Rawski, "Recent Developments in China's Labor" (ms., Pittsburgh, 2002), 7.

²⁰ Bhalla and Qiu, *op. cit.*, 104; United Nations Development Program, *China Human Development Report--1999: Transition and the State* (Hong Kong: Oxford University Press, 1999), 61.

²¹ In the 1990s, the elasticity coefficient of employment growth was just 0.106, meaning that for each percentage point of economic growth there was only 0.106 of a percentage point of employment growth. In the 1980s the rate of employment growth was as high as nine per cent annually, but by the second half of the 1990s, during the Ninth Plan period, this had fallen to an average of just 0.9 per cent annually. See Hu Angang, "China's Present Economic Situation and its Macro-Economic Policies" RAND-CHINA REFORMFORUM CONFERENCE, November 29-30, 2001, p. 10.

²² Harry G. Broadman, "Reform of China's State-Owned Enterprises," in Gregory K. Schoepfle, ed., *Changes in China's Labor Market: Implications for the Future* (Washington, D.C.: U.S. Department of Labor, Bureau of International Labor Affairs, 1996), 4-5; Barry Naughton, "The Chinese Economy Through 2005: Domestic Developments and Their Implications for US Interests," in Library of Congress, *China's Future: Implications for US Interests: Conference Report* (Washington, D.C., September 1999), 51; David M. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989-2000* (Berkeley: University of California Press, 2001), 177; Barry Naughton, "Implications of the State Monopoly over Industry and its Relaxation," *Modern China* (hereafter *MC*), 18, 1 (1992), 14-41.

²³ These were enterprises usually comprised of pre-1949 private firms merged in the 1950s and run at the level of the "neighborhood," under the urban district or ward.

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- ²⁴ Naughton, "The Chinese Economy," 52. Nicholas Lardy, Integrating China into the Global Economy (Washington, D. C.: The Brookings Institution, 2002), 23 gives a figure of more than 36 million state workers alone having lost their jobs between 1998 to 2001.
- ²⁵ Tian Bingnan and Yuan Jianmin, "Shanghai xiagang ren yuan de diaocha yanjiu" [Investigation research on Shanghai laid-off personnel], Shehuixue [Sociology], 2, (1997), 11.
- ²⁶ This rate officially pertains only to workers dismissed from firms that are no longer in existence, whether because of merger or bankruptcy, who hold urban residence, and who register their joblessness.
- ²⁷ N.a., "Zhongguo jinnian yi zeng jiuye jiubaiwan ren; xiagang shiye ren yuan zaijiuye wubaiwan ren" (This year China prepares to increase the employed by 9 million people; five million laid off and unemployed people should be reemployed) Renmin ribao haiwaiban [People's Daily, Overseas edition], January 7, 2004, 4 and Matt Pottinger, "In China, 24 Million Urbanites Look for Jobs in Grim Outlook," WSJ, March 10, 2004.
- ²⁸ Xue Zhaoyun, "Dui xiagang zhigong zaijiuye xianzhuang di diaocha, sikao yu jianyi" [Research, reflections, and suggestions about the reemployment situation of laid-off staff and workers], Gonghui gongzuo tongxun [Bulletin of trade union work] 7 (2000), 8. Between 1995 and 2000 the informal sector absorbed 51.2 million workers while the formal one declined by 19.2 million workers. This is in Thomas G. Rawski, "Where Will the Jobs Come From?" CEQ 6, 4 (2002), 41. "China's Employment Situation" states that between 1990 and 2003 46.5 percent of the newly employed took positions in urban individual and private economic entities.
- ²⁹ Experiments occurred in Shanghai and in the four special zones just then created for foreign investment along China's southeast coast (Howard, op. cit., 97).
- ³⁰ Gordon White, "The Changing Role of the Chinese State in Labour Allocation: Towards the Market?" Journal of Communist Studies, 3, 2 (June 1987), 129-50.
- ³¹ Jackie Sheehan, Chinese Workers: A New History (London: Routledge, 1998), 195; Xin Meng, Labour Market Reform in China (New York: Cambridge University Press, 2000), 82, 83, 113.
- ³² Sheehan, op. cit., 207-08; Howard, op. cit., 102; and Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," CQ 155 (1999), 55. Dorothy J. Solinger, China's Transition from Socialism (Armonk, NY: M.E. Sharpe, 1991), 175, 182-3.
- ³³ Labor contracting was singularly stubborn in getting underway. As of 1995, nearly a decade after its birth was decreed, just over a third of the new entrants to state firms were being placed under the system (Meng, op. cit., 82).
- ³⁴ Andrew G. Walder, "Wage Reform and the Web of Factory Interests," CQ 109 (1987), 22, 40; idem., "Workers, Managers and the State: The Reform Era and the Political Crisis of 1989," CQ 127 (1991), 473, 478-79; Tang Jun, "Joining the WTO, the Employment Problem, and How to Deal with It," The Chinese Economy, 34, 3 (May-June 2001), 53-4. The 1986 regulations concerned bankruptcy, labor-contracting within state-owned firms, the discharge of workers who violate discipline and short-term unemployment

insurance. On these, also see Michael Korzec, "Contract Labor, the 'Right to Work' and New Labor Laws in the People's Republic of China," Comparative Economic Studies 30, 2 (1988), 117-19, 131-133.

³⁵ Deborah S. Davis, "Self-employment in Shanghai: A Research Note," CQ 157 (1999): 28-9. See also Feng Chen, "Subsistence Crises, Managerial Corruption and Labour Protests in China," The China Journal (hereafter CJ), No. 44 (July 2000), 46.

³⁶ Boardman, op. cit., 7; H. Lyman Miller, "Institutions in Chinese Politics: Trends and Prospects," in Library of Congress, China's Future: Implications for US Interests: Conference Report (Washington, D.C., September 1999), 45.

³⁷ Yi-min Lin and Tian Zhu, "Ownership Restructuring in Chinese State Industry: an Analysis of Evidence on Initial Organizational Changes," CQ 166 (June 2001), 305, 329-30.

³⁸ Lee, "From Organized Dependence," 55.

³⁹ Chen, op. cit., 46.

⁴⁰ Hu Angang, "Employment and Development," 1; China: Human Development Report; Rawski, "Recent Developments," 4, 6.

⁴¹ Lardy, op. cit., 17-18; Miller, op. cit., 45; Xiao-Ming Li, "China's Macroeconomic Stabilization Policies Following the Asian Financial Crisis: Success or Failure?" Asian Survey (hereafter AS), 40, 6 (2000), 942-45.

⁴² Barry Naughton, "China's Emergence and Prospects as a Trading Nation," Brookings Papers on Economic Activity, 2: 1996, 294. Rawski records an "abrupt decline in the demand for labor" beginning in 1995 to 1996. See Thomas G. Rawski, "China: Prospects for full employment," Geneva: International Labour Office, Employment and Training Department, Employment and Training Papers 47, 1999, 19.

⁴³ Loraine A. West, "The Changing Effects of Economic Reform on Rural and Urban Employment." Paper to be presented at "Unintended Social Consequences of Chinese Economic Reform" conference, Harvard School of Public Health and The Fairbank Center for East Asian Studies, Harvard University, May 23-24, 1997 Draft), 6.

⁴⁴ Thomas G. Rawski, "Reforming China's Economy: What Have We Learned?" CJ, 41 (January 1999), 144.

⁴⁵ Meng, op. cit., 131.

⁴⁶ Miller, op. cit., 45.

⁴⁷ Hang-Sheng Cheng, "A Mid-Course Assessment of China's Economic Reform," in Joint Economic Committee, Congress of the United States, ed., China's Economic Future: Challenges to U.S. Policy (Armonk, NY: M.E. Sharpe, 1997), 29; Joseph Fewsmith, "China in 1998: Tacking to Stay the Course," AS XXXIX, 1 (1999), 100.

⁴⁸ Miller, *op. cit.*, 45. For coverage and official statements, see SWB, FE/3023 (September 13, 1997), p. S1/1, from Chinese Central Television, September 12, and SWB, FE/3024 (September 15, 1997), p. S2/18, from Xinhua [New China News Agency, the official Chinese news agency, hereafter XH], September 14, 1997.

⁴⁹ This admission was made by Ma Kai, Minister of the National Development and Reform Commission, and printed in the official China Daily, August 23, 2003; also see "For workers." "China's Employment Situation" states that between 2001 and 2005 the working-age population is increasing by 13.6 million people per year on average; there are 150 million rural surplus laborers who need to be transferred; and over 11 million unemployed and laid-off persons who need to be employed or reemployed.

⁵⁰ Dorothy J. Solinger, Contesting Citizenship in Urban China (Berkeley: University of California Press, 1999), 36-39.

⁵¹ Tiejun Cheng and Mark Selden, "The Origins and Social Consequences of China's Hukou System," CQ, 139 (1994), 644-68, and Sulamith Heins Potter and Jack M. Potter, China's Peasants: The Anthropology of a Revolution. Cambridge: Cambridge University Press, 1990), 296-310.

⁵² Kam Wing Chan, Cities With Invisible Walls: Reinterpreting Urbanization in Post-1949 China (Hong Kong: Oxford University Press), 76; Wang Feng, "Invisible Walls Within Cities: Migration and the Emergence of a Dual Society in Urban China" (Paper prepared for Conference on Social Consequences of Chinese Economic Reform, Harvard University, May 23-24, 1997), 5-6.

⁵³ Solinger, Contesting Citizenship, Chapter Four.

⁵⁴ For a recent report bearing this out, see Issue No. 2 (2002) of CRF (July 2002), especially the articles "Shutting out the Poorest," pp. 4-13; and Nicolas Becquelin, "Enforcing the Rural-Urban Divide," pp. 22-27.

⁵⁵ See below, section on state solutions.

⁵⁶ For a study exposing these execrable working conditions, see Anita Chan, China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy (Armonk, NY: M.E. Sharpe, 2001) and Dorothy J. Solinger, "The Chinese Work Unit and Transient Labor in the Transition from Socialism," MC, 21, 2 (1995), 155-83.

⁵⁷ Fu Jing, "Zeng: Pay all owed wages to migrant workers," CD, August 24, 2004.

⁵⁸ See Nelson W. S. Chow, The Administration and Financing of Social Security in China (Hong Kong: Centre of Asian Studies, 1988) and Linda Wong, Marginalization and Social Welfare in China (London: Routledge, 1998). These were people without a source of income, without a legal supporter, and without work ability (Kuai Leahao, "Meiyou naru dibao di `huise qunti" [The `grey mass' that hasn't entered into the minimum livelihood system] Nanfang choumo [Southern Weekend], March 29, 2002).

⁵⁹ A prime example of the work on regional disparities is Wang Shaoguang and Hu Angang, The Political Economy of Uneven Development: The Case of China (Armonk, NY: M.E. Sharpe, 1999). See also Kroeber, *op. cit.*

⁶⁰ Zhao Renwei, "Guanyu shouru fenpei gaige rogan wenti de sikao" [Some thoughts on certain problems of income distribution reform], Lingdao canyue [Leadership consultations], No. 30 (October 25, 2003), 9. Zhao says in this internal journal that the low estimate is 0.4 and that 0.45 is a middling estimate.

⁶¹ Kroeber, *op. cit.*, 19. Wang Shaoguang, Hu Angang and Ding Yuanzhu, "Behind China's Wealth Gap," SCMP, October 31, 2002 cites research on income distribution done by the Economic Institute of Nankai University showing that this figure rose from 0.35 to 0.4 from 1988 to 1997 and that, if unpaid taxes and other illegal income were included, the true figure would rise from 0.42 to 0.49.

⁶² For instance, Carl Riskin, Zhao Renwei, Li Shi, eds., China's Retreat From Equality: Income Distribution and Economic Transition (Armonk, NY: M.E. Sharpe, 2001) and Azizur Rahman Kahn and Carl Riskin, Inequality and Poverty in China in the Age of Globalization (Oxford and New York: Oxford University Press, 2001).

⁶³ Reported in CND, September 28, 2002, from Agence France Press.

⁶⁴ "Premier Wen delivers government work report," http://english.peopledaily.com.cn/20040305/eng20040305_136592.s...; "China's Employment Situation and Policies" (Full Text), issued by the Information Office of the State Council, Apr. 26, 2004. http://english.peopledaily.com.cn/200404/26/eng20040426_141553.s...

⁶⁵ Tang Jun, "Dibao zhiduzhong," 1; Yang Yong and Huang Yanfen, "Zhongguo jumin shouru fenpei xin geju" [The new pattern in income distribution among Chinese urbanites] in Ru, Lu, and Li, eds., Shehui lanpishu: 2003 nian, 226-234; Zhang Wanli, "Twenty years of research on stratified social structure in contemporary China," Social Sciences in China, 23, 1 (Spring 2002); Lu Xueyi, Dangdai zhongguo shehui jieceng yanjiu baogao [A research report on China's current social structure] (Beijing: shehui kexue wenxian chubanshe), 2002; and Sun Liping, "90 niandai zhongqi yilai zhongguo shehui jiegou yanbian di xin qushi" [New trends in the evolution of Chinese social structure since the mid-1990s], Dangdai zhongguo yanjiu [Modern China Studies], 9, 3 (2002). Among Western scholars, two rare, recent studies of the emerging urban poverty are Sarah Cook, "From Rice Bowl to Safety Net: Insecurity and Social Protection during China's Transition," Development Policy Review 20, 5 (2002), 615-635 and Hussain, *op. Cit.*

⁶⁶ Wang, Hu and Ding state that an investigation by the China Social Stability Research Unit found that incomes of 38.5 percent of all residents had fallen from the previous year in the sites they studied, mostly because of layoffs. Among the unemployed the incomes of 72.4 percent fell while the incomes of just five percent rose that year. According to Tang Jun, Vice Director of the Social Policy Research Center under the Chinese Academy of Social Sciences, 75 percent of impoverished urban residents are laid-off workers, unemployed people, and employees in troubled enterprises (in "For workers, parting is painful," CD, February 2, 2004).

⁶⁷ Kroeber, *op. cit.*, 22; Pan, "Getting Paid"; Anthony Kuhn, "A High Price to Pay for a Job," FEER, January 22, 2004, 30, says that 72.5 percent of migrant workers are owed pay by their employers, according to government surveys.

⁶⁸ See Wing Thye Woo, Li shi, et al., "The Poverty Challenge for China in the New Millennium," report to the Poverty Reduction Taskforce of the Millennium Development Goals Project of the United Nations, October 2, 2004, 12.

⁶⁹ Benwen ketizu, op. Cit., 34.

⁷⁰ Anthony Kuhn, "The Death of 'Growth at Any cost'," FEER, April 1, 2004, 28-31. Li Peilin, "Zhongguo jingji shehui fazhan di wenti he qushi" [Issues and trends in Chinese economic development] in Ru, Lu, and Li, 2004 nian, 74 states that the 20 percent wealthiest families in the cities own 67 percent of total urban assets.

⁷¹ Jane Duckett, "State self-earned income and welfare provision in China," Provincial China, 7, 1 (April 2002), 1-19 and idem., "China's Social Security Reforms and the Comparative Politics of Market Transition," Journal of Transition Politics and Post-Communist Studies (March 2003) and Dorothy J. Solinger, "'Path Dependency' Reexamined: Chinese Welfare Policy in the Transition to Unemployment," forthcoming, Comparative Politics.

⁷² Yuan Zhigang, "'Liudong renkou' yu shehui baozhang" [The 'floating population' and social security], www.chinaelections.org, July 2, 2003 advocates social security be given to urban migrants. But Wang Fayun and Yang Jianmei, "2003 nian shehui baozhang tixi fazhan yu zhanwang" [Development and prospects of the social security system in 2003] in Ru, Lu, and Li, 2004 nian, 109 reports that in Chengdu and Shanghai initial steps were taken in 2003 to provide comprehensive social security coverage for employed people who did not possess the local hukou.

⁷³ Tang Jun, "Selections from *Report on Poverty and Anti-Poverty in Urban China*," ed. by Dorothy J. Solinger, Chinese Sociology & Anthropology (Winter 2003-4/Spring 2004). This paragraph borrows from my "Editor's Introduction" to that volume.

⁷⁴ Bruce J. Dickson, Red Capitalists in China (Cambridge: Cambridge University Press, 2003); Susan Young, Private Business and Economic Reform in China (Armonk, N.Y.: M.E. Sharpe, 1995); David Wank, Commodifying Communism (New York: Cambridge University Press, 2001); Margaret Pearson, China's New Business Elite (Berkeley: University of California Press, 1997); and Dorothy J. Solinger, "Urban Bureaucrats and the State: The Merger of State and Society," in Arthur Lewis Rosenbaum, ed., State and Society in China (Boulder: Westview Press, 1992), 127-46.

⁷⁵ The drop was from 63 percent to 44 percent. See Bruce J. Dickson, "Beijing's Ambivalent Reformers," Current History, (September 2004), 250, 252.

⁷⁶ Ibid., 251.

⁷⁷ Ibid., 253.

⁷⁸ Ibid., 251; Susan H. Whiting, "The Cadre Evaluation System at the Grass roots: The Paradox of Party Rule," in Barry J. Naughton and Dali L. Yang, Holding China Together (New York: Cambridge University Press, 2004), 101-19.

79 Fu Hualing and D.W. Choy, "From Mediation to Adjudication: Settling Labor Disputes in China," CRF, No. 3 (2004), 20. Nonetheless, the same piece, p. 21, makes the point that laborers have won in a majority of cases, particularly in the eastern part of the country.

80 Communication from China Labor Watch, July 22, 2004; China Labour Action Express No. 49 (2004-09-24), September 24, 2004.

81 "Changsha jobless protest," SWB FE/3395, G/6, November 27, 1998; China Labour E-Bulletin Issue No. 11 (2002-10-17); Christopher Bodeen, "China arrests protesting workers," AP, December 11, 2002. See also idem., "China Activists Face Subversion Charges," AP, January 1, 2003.

82 This section is borrowed from Dorothy J. Solinger, "Economic Informalization by Fiat: China's New Growth Strategy as Solution or Crisis?" in Luigi Tomba, ed., On the Roots of Growth and Crisis: Capitalism, State and Society in East Asia (Rome: Annale Feltrinelli, XXXVI, 2002), 373-417.

83 Ming Pao [Bright News], December 19, 1997, in SWB FE/3107, December 20, 1997, G/7.

84 Ibid.

85 Gong Xiaohong, "Shehui zaijiuye da you kewe" [Social reemployment has a lot of possibility], Laodong baozhang tongxin [Labor and social security bulletin] (hereafter LDBZTX), 2 (2000), 23-24.

86 Fazhi ribao [Legal Daily], May 28, 2000, in SWB FE/3868, June 16, 2000, G/6.

87 Interviews at several such bases, September 13, 2000.

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

89 Interview at the plant, September 13, 2000.

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

91 HRIC with China Labour Bulletin, "Labor and State Secrets," CRF, No. 3 (2004), 23-33.

92 See John Giles, Albert Park, and Juwei Zhang, "What is China's True Unemployment Rate?" Ms. 2004, which used a China Urban Labor Survey, constructed by the authors with the assistance of the Institute for Population and Labor Economics at the Chinese Academy of Social Sciences, working in collaboration with local statistical bureaus.

93 These are units that each state firm that had furloughed workers was to set up after 1998, to provide basic living allowances, job training and job placement for them, and for whom it was to pay in welfare premiums. In fact large numbers of firms could not afford to create such centers or for other reasons did not bother to do so.

⁹⁴ For instance, Laodong he shehui baozhangbu, Guojia tongjiju (Ministry of Labor and Social Security and National Bureau of Statistics), "2002 niandu laodong he shehui baozhang sheye fazhan tongji gongbao" (Statistical report on the development of the year 2002's labor and social security work), LDBZTX, No. 5 (2003) 44 states that "the absolute majority of state firm laid-off staff and workers entered the centers and their basic livelihood is guaranteed.

⁹⁵ "China's Employment Situation."

⁹⁶ See note 6 above.

⁹⁷ Zhou Shushi, Li Weilong, "Lanzhoushi: Chengshi pinkun wenti he fanpinkun duice" [Lanzhou city: The issue of urban poverty and how to deal with it]. Manuscript, Lanzhou, no date [Summer 2002], 5.

⁹⁸ Joe Studwell, "More Free Lunches in China," Asian WSJ, October 7, 2002, A11.

⁹⁹ David Lague, "The Economy: Public Spending Explodes," FEER, January 30, 2003, 26.

¹⁰⁰ Dali L. Yang, "Economic Transformation and State Rebuilding in China," in Naughton and Yang, op. cit., 120-145.

¹⁰¹ Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhongguo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China's social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), 86. Wang Tianxing, "Kunjing yu chulou" [Difficult straits and the way out], Shehuixue yanjiu [Sociology research] 6 (1997) in Xinhua wengao [New China documents] 3 (1998), 25.

¹⁰² Interview with People's University sociologist, Prof. Yao Yuchun, September 1, 1998.

¹⁰³ Beijing daxue zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu [Beijing University Chinese Economy Research Center Urban Labor Market Task Group], "Shanghai: Chengshi zhigong yu nongcun mingong di fengeng yu ronghe" [Shanghai: Urban staff and workers and rural labor's strata and fusion] Gaige [Reform] 4 (1998), 109.

¹⁰⁴ Ibid., 103 shows that the 22.3 percent of the "diverted" [fenliu] who promised to retire early, the 28.85 percent who counted as "exported labor," and the .47 percent taking on "irregular [feizhenggui] employment" within the community kept their ties with their center and got subsidies from it. In a 1997 four-unit study in Shenyang (Li Zhonglu, "Zai jiuye gongcheng di diaocha yu jishi" [An investigation and on the spot report of the Reemployment Project], Gongyun cankao ziliao [Workers' movement reference materials], 11 (1997), 17), 47.8 percent of the staff and workers had been laid off in the four units surveyed.

¹⁰⁵ Laoshebu fa [2003]1 hao [Ministry of Labor and Social Security's 2003 No. 1 document], "2003 nian laodong he shehui baozhang gongzuo yaodian" [Important work points for 2003 in labor and social security], LDBZTX, 3 (2003), 5.

¹⁰⁶ "Premier Wen."

¹⁰⁷ Josephine Ma, "NPC & CPPCC: Unemployment fight looking grim," SCMP, March 10, 2004.

108 "China's Employment Situation" states that between 1990 and 2003 the proportion of those employed in the tertiary sector rose from 18.5 percent to 29.3 percent.

109 For instance, see "Decision on improvement of socialist market economic system issued," http://english.peopledaily.com/cn/200310/21/eng20031021_126546.shtml; Zou Huilin, "Shanghai to allot 60,000 jobs for laid-off workers," CD, January 9, 2004. "China's Employment Situation" states that in the years 1998 to 2000 13 million laid-off workers got training, of whom 65 percent found new jobs.

110 Kuhn, "The Death," 31.

111 "Facilitating re-employment of laid-offs a priority for Chinese government: Minister of Labor and Social Security," news.xinhuanet.com/english/200211/11/content_626291.htm

112 "Premier Wen."

113 Shu Xinwen, "Xiangang zhigong dapan dian" [A large inventory of the laid-off staff and workers], Zhongguo jiu ye [Chinese employment], 7 (2000), 47.

114 See note 96 above.

115 A conversation with Huazhong Keji Daxue [Central China University of Science and Technology] Professor Ci Qinying helped me to come to this formulation, August 28, 2004, Wuhan.

116 Feng Chen, "Legal Mobilization by Trade Unions: The Case of Shanghai," CJ 52 (July 2004), 31-32.

117 China Labour E-Bulletin Issue No. 11 (2002-10-17).

118 One famous example is described in Philip Pan, "Three Chinese Workers: Jail, Betrayal and Fear, Government Stifles Labor Movement," Washington Post, 28 December 2002, A01; Elisabeth Rosenthal, "Workers' Plight Brings New Militancy in China," New York Times, March 10, 2003.

119 Fu and Choy, op. cit.

120 Stanley Lubman, Bird in a Cage (Stanford: Stanford University Press, 1999).

121 SWB FE/2986, G/8, August 1, 1997.

122 Shen Bin, "Residency System to be Overhauled," CD Business Weekly, September 6-13, 1998, 1 and Huasheng yuebao [China Voice Monthly], October, 1998, 78.

123 SWB FE/3928, G3, August 25, 2000; SWB FE 4014 G/5, December 4, 2000.

124 James Kynge, "China to allow more peasants to move," Financial Times, August 30, 2001.

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- 125 Vivien Pik-Kwan Chan, "Jiangsu first to abolish rural-urban divide," SCMP, December 13, 2002.
- 126 SCMP, April 28, 2002.
- 127 Charles Hutzler and Susan V. Lawrence, "China Acts to Lower Obstacles to Urban Migration," WSJ, January 22, 2003. The latter regulation was published in Chinese on the website www.people.com.cn on January 16, 2003.
- 128 www.investchina.com.cn, September 3, 2004, in Chinese. Thanks to Kam Wing Chan for sending me some of these references on residency reforms.
- 129 Calum MacLeod, "Where you are born in China determines your fate," San Francisco Chronicle, June 29, 2002.
- 130 Daniel Kwan, "Powers of police to detain migrants will be scrapped," SMCP, June 19, 2003. This article contains the information that these powers were to be struck down on a national scale.
- 131 Interview, Wuhan, January 11 and 12, 2004.
- 132 Ibid.
- 133 Gordon White, Riding the Tiger: The Politics of Economic Reform in Post-Mao China (Stanford: Stanford University Press, 1993), 138-43, 159.
- 134 Lin Lean Lim and Gyorgy Sziraczki, "Employment, Social Security, and Enterprise Reforms in China," in Schoepfle, op. cit., 51-52.
- 135 Nelson Chow and Xuebin Xu, Socialist Welfare in a Market Economy: Social Security Reforms in Guangzhou, China (Aldershot: Ashgate, 2001), 59-62.
- 136 Article 4 of the 1986 Bankruptcy Law holds that the state will guarantee the basic living needs of bankrupt firms' ex-workers. Thus, a State Council circular of 1997 called on local governments to "pay for the arrangement of employees if a bankrupt enterprise cannot afford the arrangement" (quoted in SWB FE/2899 S1/3, April 22, 1997, from XH, April 20, 1997). Thanks to Stephen Green for alerting me to the provision in the law.
- 137 Wei Yu, "Financing Unemployment and Pension Insurance," in Andrew J. Nathan, Zhaohui Hong, Steven R. Smith, Dilemmas of Reform in Jiang Zemin's China (Boulder: Lynne Rienner, 1999), 130.
- 138 Lee, "From Organized Dependence," 55; Chow and Xu, op. cit., 13.
- 139 Li Hong, CD, February 10, 1992, in FBIS, China Daily Report, February 10, 1992, p. 27 on the 1986 regulations and need for revision. For 1993 set, Herald Translation Service, Chinalaw Web, <http://www.qis.net/chinalaw/prclaw66.htm>.

140 Chow and Xu, *op. cit.*, 60. Hussain, *op. cit.*, 84 notes that the share of employment in non-public sector firms from 1994 to 2000 rose from 21 percent to 54.9 percent, and yet that most of those working in this sector lacked formal labor contracts and were outside the scope of social insurance. Only those in the "public sector," or 83 percent of those classified as "staff and workers," were covered as of 2000.

141 "Zhu Rongji zongli zai guoyou qiye xiagang zhigong jiben shenghuo baozhang he zaijiuye gongzuo huiyishang di zongjie jianghua" [Premier Zhu Rongji's summary speech in the work conference on state-owned staff and workers' basic livelihood guarantee and reemployment work], *LDBZTX*, 3 (1999), pp. 4-7. (January 13, 1999), pp. 6-7.

142 "Shiye baoxian tiaoli" [Unemployment insurance regulation]: Zhonghua renmin gongheguo guowuyuan ling di 258 hao" [PRC State Council Order No. 258], February 3, 1999, *Zhongguo laodong*, 3 (1999), 44-45.

143 Wang and Yang, *op. cit.*, 106.

144 Mark W. Frazier, "China's Pension Reform and its Discontents," *CJ*, No. 51 (January 2004), 97-114.

145 William Hurst and Kevin J. O'Brien, "China's Continuous Pensioners," *CQ*, 170 (June 2002), 345-60.

146 Frazier, *op. cit.*, 103-04.

147 Here again I draw on my "Editor's Introduction" to the English translation of the Tang Jun book on poverty.

148 This material comes from an early draft of the present volume, authored by Tang Jun, and provided to the editor privately.

149 Tang Jun, "The New Situation of Poverty and Antipoverty," report published as a chapter of a book edited by Ru Xin, Lu Xueyi, Li Peilin, et al., *2002 nian: zhongguo shehui xingshi yu yuce (shehui lanpishu)* [Year 2002: Analysis and Forecast of China's Social Situation (Blue Book on Chinese Society)], January 1, 2002. [FBIS Translated Text].

150 Tang Jun, "Dibao zhiduzhong," 9.

151 Premier Wen Jiabao claimed there were 22.35 million urban recipients in early March ("Premier Wen").

152 Wang and Yang, *op. cit.*, 107; Tang Jun, "Jiasu zuidi shenghuo baozhang zhidu di guifanhua yunzuo" [Speed up the standardized operation of the minimal livelihood guarantee system] in Ru, Lu, and Pei, *2004 nian*, 117, 118, 120.

153 Interviews on the streets of Wuhan, November 2001.

154 Zhongfa [2002] 12 hao [Central Document No. 12, 2002]: "Zhonggong zhongyang Guowuyuan guanyu jinyibu zuohao xiagang shiye renyuan zaijiuye gongzuo de tongzhi" [Central Committee and State Council Circular on Progressively Doing Well the Reemployment Work of Laid off and Unemployed Personnel], September 30, 2002, LDBZTX, No. 2 (2003), 7.

155 Murray Scot Tanner, "China Rethinks Unrest," Washington Quarterly, 27, 3 (2004), 140 states that 9,559 incidents occurred there between January 2000 and September 2002, an average of nearly ten per day for nearly three years.

156 Wang and Yang, op. cit., 110-11.

157 Ma, "Unemployment fight."

158 Interview, Tang Jun, Beijing, August 29, 2004.

159 For accounts of non-compliance, see Daniel Goldstein, "U.S. presses soy case as China retains ban," Bloomberg News, August 26, 2003; Peter Wonacott and Phelim Kyne, "In Shift, U.S. Investors Intensify Criticism of China Trade Policies," WSJ, October 6, 2003; Peter S. Goodman, "China Trade Policy's Ripple Effect: Limit on Soybean Imports is Felt Widely Around the Country," Washington Post, November 11, 2003 on soybeans; and Myron A. Brilliant and Jeremie Waterman, "China's WTO Implementation: A Three-Year Assessment," (N. p.: U.S. Chamber of commerce, September, 2004), 20, 21 on autos.

160 See above, note 2.

161 Later nationwide figures are unavailable.

162 See Zhonggong zhongyang zuzhibu, op. cit.

163 Tanner, op. cit. As Tanner points out in ibid., 140, protesters limit their own disruptiveness and their demands in order to avoid the bloodshed that befell organizers and demonstrators in the Tiananmen movement of 1989. But he also makes the argument on pp. 141-42 that linked-up and even violent protests are becoming more common in recent years.

164 SWB FE/3885 G/9 (July 6, 2000) for one reference to such behavior.

165 An excellent review of the state's capabilities in countering the use of the Internet by the disgruntled is Patricia Thornton, "Digital Contention and Political Divides: Popular Protest, State Repression and the Internet in Contemporary China," prepared for the American Political Science Association 2004 Annual Meeting, [Chicago], September 3, 2004.

166 Dorothy J. Solinger, "The Potential for Urban Unrest," in David Shambaugh, ed., Is China Unstable? (Armonk, NY: M.E. Sharpe, 2000), 79-94, for some background; CND, Global News, No. GL99-169, December 20, 1999; Tamora Vidaillet, "China protest enters lull in hopes leaders freed," Reuters, March 22, 2002; David Murphy, "Labour Unrest: Nothing to Celebrate," FEER, April 4, 2002, 32; Rosenthal, op. cit., and Erik Eckholm, "2 Promoters of Worker Protests in China Get Prison Sentences," New York

Times, May 10, 2003, 4 for a few recent cases of many. Also see Pan, "Three Chinese Workers," for a chilling account of how the state has eventually been able to induce dread among the most stalwart of the demonstrators; Chen, op. cit., 45.

167 In his review of Catharine Keyser's book, Professionalizing Research in Post-Mao China in CJ, 52 (July 2004), 162 Wang Xiaolu states that the System Reform Institute's young reformers "argued for the necessity of establishing a social security system to assure stability during the process of marketization and enterprise reform. This was not seriously considered by policy-makers until the mid-1990s..it resulted in serious difficulties for the unemployed and in social instability."