

**Path Dependency in the Transition to Unemployment
and the Formation of a Safety Net in China**

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INTRODUCTION

Over the course of the 1990s and into the twenty-first century, the Chinese state engineered a sudden and enormous reduction in its state-employed urban workforce.¹ This was a move in large part in tune with the play of market forces. Certainly a range of purely economic factors--including mounting losses in state firms, a decline in the employment elasticity of economic growth, a drop in the tariffs on many imports in preparation to join the World Trade Organization, and a growing and glaring disjuncture between the type of jobs becoming available, on the one hand, and the skills of the old proletariat, on the other--fuelled this blood-letting.

But this huge dismissal of manufacturing labor, initiated around 1993, was also a step both triggered and orchestrated by political fiat. Indeed, that a specific "project," or mission, of the state² lay behind the layoffs is evident in their simultaneity, precipitateness, and in the sheer massiveness of the numbers affected, as well as in the fact that they got underway not in a time of recession or retrenchment, but instead in a period of rapid and seemingly successful double-digit growth. This state mission had been gathering force for well over a decade (ever since Deng Xiaoping's reentry into the top Chinese leadership in 1978 and that elite's turn away from political upheaval in favor of a steadily expanding program of rapid modernization and "economic reform"). It was not until about a decade and a half following that major programmatic alteration that its spirit finally came to affect the workers in the state-owned plants.

Over the course of the following two decades the project of modernization came to entail not just a transition from a state-run and Party-planned socialist-style economic system to a capitalist, market economy, and not just an opening to the global market, though surely these processes occurred. As the project unfolded, it also signalled an accompanying transformation in the class base of the ruling Party, and thus of the power distribution in society, along with a rewriting of the official ideology to accommodate this foundational switch. Ordinary workers, whom the state constitution continued to dignify with the label "masters of the country,"³ suffered an immediate and fatal drop in their status, as it plummeted from commanding the highest of respect to suffering practically the lowest.

Moreover, because of the upsurge in urban poverty, inequality and joblessness that this firing fostered, by the mid-1990s, the political elite eventually was forced by a rising tide of progressively more frequent and ever-larger protests to unveil three brand-new programs in the People's Republic: livelihood subsidies for laid-off state workers, unemployment insurance and urban poverty alleviation.⁴ Indeed, Chinese leaders' expressions of apprehension about the near-constant, if so far low-grade instability in the cities recur with great regularity in discussions of social insurance. As a key state planning researcher warned, "Social security and social stability are tightly interlinked."⁵

These qualms resonate with similar fears entertained by the early designers of social insurance in the west, according to the way Hugo Hecló interprets the motives of British policymakers. Speaking of Britain's poor laws, he surmises, "Undoubtedly a key reason for this policy attention lay in the state's concern with poor relief as a tool of social order."⁶ In Hecló's estimation, the move to introducing unemployment insurance between the two world wars was taken according to a similar reckoning: "British policy was responding not to elections but to an indirect popular control expressed through party leaders' anticipations of civil disorder should no such relief be given."⁷

Thus, it is not only communists who design welfare programs to stave off chaos; nor is the existence of the ballot a necessary prod to provisioning even where it

exists. Notwithstanding the longtime disbursement of labor insurance and cradle-to-grave welfare benefits in China's urban enterprises dating back to the early 1950's, these new Chinese programs were unprecedented in the PRC and had to be forged from scratch in the era of reform. In this paper, I review the unprecedented phenomena of urban unemployment and sizable poverty in the cities of the People's Republic and consider the programs devised to handle them. In the course of doing so, I pose the following questions: When such a seemingly fundamental transformation is introduced, such as plan to market, one which apparently would alter incentives, habits, *modi operandi*, mentalities, how could the concept of "path dependence" be useful? What is the place of legacies in China's systemic economic transition?

A Comment on Some Literature

The post-1978 shift of state project in China was marked by two noteworthy elements, both of which pose challenges to comparative theory. In the first place, the switch came about under the aegis of an essentially unaltered regime: the old Chinese Communist Party remained at the helm of an authoritarian state, with no competitors or challengers permitted to enter the scene; neither was the move undertaken in response to any societal demand. When reforms began, the Communist Party had for over 30 years run the cities in the name of and upon the class base of the working class, and, over this period had treated its members distinctly better than it did any other social group in society (barring the political elite itself). And yet, though the distribution of class power in society had undergone no change of its own, powerholders of an unaltered partisan leaning shifted their own preferences and thereby reworked the societal base of the regime.

And secondly, despite the magnitude and the fundamental nature of the alterations launched, legacies remained from the system that went before, keeping the politico-administrative--and even the economic--systems still recognizable as the process unfolded. But at the same time, a set of novel elements marked the metamorphosis as well. A short excursion into some comparative literature will demonstrate the need to analyze the concept of legacy more closely in order to make sense of these developments.

Both of these facets--the lack of a switch in the political leadership despite a metamorphosis in its political base and the ambiguous role of policy legacies--challenge the comparative political economy literature on welfare policy. Granted, much of that literature has been devised with Western democracies as its subject.⁸ Still, it should be possible to address my subject using its concepts, and in doing so ideally to interrogate their portability across regions and political systems.

For the past dozen years or so, much of the best work on welfare policy in the "advanced industrial democracies" has put some varying degree of emphasis on the concept of "path dependence" as an important explanation for the shape that policies produced at time "y" take.⁹ According to this concept, principally drawn from Douglass C. North's important study, Institutions, Institutional Change and Economic Performance,¹⁰ "feedback" from policies designed at time "x" orient later policy makers and targets of these policies to pursue pathways that then go on to structure later policies in a related policy realm. This occurs as the initial program sets up incentives and apportion resources in ways in accord with which proponents and beneficiaries develop commitments, form attachments and expectations, and take on behaviors

which, in turn, tend to "lock in" the main components of the original policy, rendering it difficult to abandon its thrust or to dismantle its benefits.

Another leading theory in the field of political economy ties the fate of social policy in the "advanced capitalist democracies" to the political coloration of the incumbent party and its social base, especially in times of economic threats such as those posed by domestic recession or growing global interdependence. Leftward-leaning parties are prone to be relatively generous, and to moderate cutbacks whereas right-wing ones are more apt to be stingy, readier to scale programs down and back.¹¹

But in spite of the persuasive logic of both of these tenets, it would appear difficult to reconcile the one with the other. If present-day policy flows fairly ineluctably from what has gone before, what place is there for the play of partisan politics and the clout of the current power-holding party? And, given the tendency for new leaders to adopt new policies, what then becomes of path dependency when power changes hands?

In the conclusion to their 2002 book, Evelyne Huber and John Stephens manage to accommodate the seeming incompatibility of these tenets. They achieve this by contending that, while partisan incumbency--and its impact on political choice and preferences--is the "key factor" in the *creation* of social programs, there is also a set of other, presumably secondary factors, including the nature of political institutions (chiefly a matter of whether or not they concentrate power), legacies, the distribution of class power in society, and effects coming from the international economy.¹² As for the specific impact of class power, they mainly credit the push of subordinate groups for an *expansion* of benefits, or else the struggle of beneficiaries to hold onto goods granted in the past.¹³

The problem is that Huber and Stephens' menu of secondary variables does not provide guidance as to how legacies can coexist as a causative factor with a situation of the type we find in contemporary China. There a formerly exalted subordinate group (in class terms the manufacturing working class) has lost not only its wonted benefits but its status as power base as well--and all without a switch in the incumbent ruling party. Moreover, the magnitude of the switch from a state-planned to a market-oriented economy would not appear to pass along policy legacies. Granted, theories such as Huber and Stephens' are designed to explain behavior in "advanced democracies," not socialist one-party regimes. In the following, I address these problems, primarily by attempting to deconstruct the notion of path dependence.

Path Dependence: A Model for Distinguishing Legacies

Here I use the case of China's changing welfare policy to illustrate two separate levels of policy, a deeper one that lays down lasting, strategic underlying operational principles, and a more apparent one that embodies more changeable, tactical elements. The deeper level encompasses the site of the primary locus of responsibility and the general character of the intended beneficiary. On the more tactical level is the activating mechanism, plus the specific responsible entity and beneficiary. I contend that while tactics may be altered, underlying formulas endure. It is the latter that appear to persist despite change in political leadership or even regime type in a nation; it is they that structure the inclinations of policy framers, the behavior of implementers and the expectations and hopes of beneficiaries.

Notwithstanding the enormity of the changes that market reforms brought in China after 1978, there are broad continuities from pre-reform days in the conduct of welfare policy attributable to the first, primary level--but there are novelties as well, and these are visible at the secondary level. Thus, at the first, basic dimension, China under the reign of the Communist Party (since 1949 and up through the present) has depended for the locus of responsibility on a cellular rather than an individual pattern of obligation.¹⁴ Chief beneficiaries have been the better-off (or the better-off among the potential recipients), while a parsimonious, residual policy has been utilized in assisting the poor, an approach that has marginalized the needy, whomever they may be.¹⁵ What has varied over time has been the specific targets of programs, but not their comparative treatment one to the other.

I call these more fundamental and enduring features the ongoing and underlying *principles of provision* in a given political system. My hypothesis would be that it is these programmatic premises that are the aspects of policy from which it is most difficult to deviate over time, regime change, and party turnover. Thus it is the established procedures, routines, and norms in these strategic principles that structure behavior and relationships and that constitute the points of embarkation for the pathways upon which later action becomes dependent.

At the second level of welfare work resides the tactical activating mechanism that altered, along with changed state missions or projects,¹⁶ or, in the case of democratic regimes, with party turnover. Here too the specific locus of responsibility and the specific beneficiaries would also vary. Here my hypothesis is that it is the specific arrangements--detailing the authorized recipients, the approved activating mechanism, and the legitimate responsible entities accompanying the state project or mission (or party platform) that may shift with partisan and power base switches in a regime. In China's case, as noted above, neither the ruling party nor the basic nature of the regime has been altered in the years since 1978; China remains an authoritarian one-party polity.

Still, the particular politicians within the Communist Party as of 1978 and thereafter were ones who had been attacked and sidelined in the upheavals of the Cultural Revolution and who resurfaced after its demise. It was these who officials, born-again, as it were, who set forth an altered state project, upended the class order, and reorganized the management of the economy and all of its ancillary components during the reform era that they initiated in 1978. Their having done so renders the post-1949 rule of the self-same Communist Party in China split nearly down the middle, with one dominant project for its first 29 years in power and quite another one for the subsequent 24.

On the second, more tactical plane of programmatic specifics, for the period from 1952 to 1978, the state plan provided the activating mechanism; over those same years but in an especially exaggerated form from 1969 to 1978, it was the enterprise that stood as the primary locus of responsibility; and employees in state-owned enterprises and in the larger urban collective firms¹⁷ were the proper, officially sanctioned targets for state beneficence, with a residual category termed the "three withouts"¹⁸ in the cities left with a miserly grant of a pittance from the state.¹⁹

The transformation of state mission after 1978, however, spelt the substitution of high productivity and rapid, no-holds-barred, world-class modernization as regime goals for the prior concerns with revolution, equity, and a style of "class conflict" aimed

at benefiting the lower classes (especially the workers). As a result, while one can still discern the old elemental, strategic principles at work, at a tactical level each of the legacies underwent modification.

On that second, programmatic plane, decisionmakers retained the cellular thrust of the previous pathway. But, with the aim of stimulating output by devolving funding and decisional powers to lower levels of administration, leaders placed the locus of responsibility at the municipal level; for welfare policy, this approach in theory shifted the immediate obligation for relief away from the firm and up to the urban level. Still, as we will see, the enterprise retains its critical place in the state's dispensing of benefits, though in new ways.²⁰

Still in accord with the new state project and in the same spirit of enhancing economic growth,²¹ for the most part market forces replaced the plan as the most crucial mechanism for activating behavior. But looking closely, one can find many facets of daily practice even in China's market economy that betray their heritage in the old state plan. And third, the character of the specific targets for relief has shifted quite considerably: it has become the new urban poor, but especially let-go former workers who emerged as a byproduct of market reform and who have sometimes menacingly agitated for state assistance.

The appearance of this group of suddenly indigent urbanites has occasioned the construction of several previously wholly untried institutions to handle its needs. These novel institutions are a scheme to provide for the very rudimentary sustenance of the extremely poor; a bankruptcy law and an unemployment insurance (UI) system to go with it; and a stopgap expedient program to deal with a new classification of people called *xiagang*, or, loosely, "getting off the post," meaning laid off, complete with a Reemployment Program to cushion its subjects, meant to tide them over for a period of three years before they were to pass into full-scale unemployment. Despite the shift in the particular beneficiaries, the marginalization of the disadvantaged left over from the pre-reform period and the tendency to privilege the stronger persists; at the same time brand new groupings among the urban populace have become marginalized.

This distinction between strategic principles and tactics helps to reconcile the notion of path dependencies and legacies on the one hand with the idea that power base and ruling party, ruling coalition, partisan incumbency and political tendency, even class order may undergo change--whether that change is initiated at the top of the political system or struggled for from below--even as the underlying principles of provision embedded within the regime as a whole remain intact. In the remainder of the paper, I sketch the nature of the respective pre-reform and reform era policy frameworks and goals as functions of two differing state missions in China. I then and go on to specify more fully what the new programs for poverty relief and UI entail. As I do so, I will make use of the framework about path dependence and legacies just elaborated.

STATE PROJECTS AND WELFARE IMPLICATIONS IN TWO DISPARATE PERIODS

The Period Before Reforms, 1949-78

As of 1978, when economic reforms were first pioneered in China, workers in state-owned and collective enterprises and institutions amounted to 99.8 percent of the total employed urban workforce, according to a State Council white paper published 24

years later.²² This recent declaration clearly describes a situation quite remote from the one in place at the time when reforms first took off. The difference derives from the vastly disparate state missions at work at the two junctures: The earlier project put mass equality at the head of its priorities, held that the party-state had a right to intervene deeply in private life, and called for a constant level of political mobilization among and ideological indoctrination of the citizenry.²³

The Maoist state relied on administrative methods to assign the occupations of its city-based working class. State orders issued from and were monitored by a strong central authority in control of numerous ministries that handled every aspect of the daily affairs of the populace. This activational mechanism during the period when Mao Zedong held sway was intended to make possible Mao's vision of proper socialism, one which permitted no open unemployment in the cities. Indeed, one Chinese scholar termed that system one where the typical urban working resident possessed employment security, unit security, and status security.²⁴ Such shielding of the workforce was made possible through the mechanisms of the planned economy, whereby local labor departments assigned workers to the firms, and welfare provision came along with one's job,²⁵ and, in the main, no one was fired.

As for the locus of welfare responsibility, it was the work unit. Each employed individual and his/her dependents could count on receiving his or her share of social security from the enterprise in which s/he worked, and work-unit-based social welfare covered the vast majority of the urban population.²⁶ The types of insurance provided, which extended to pensions, medical care, subsidies for hardship, and various allowances, special facilities and privileges, depending on the wealth of the given unit, had no place for UI, since even the concept of unemployment, much less the reality, was taboo.²⁷

Enterprise responsibility for its workforce began in the early 1950s, and, under several different funding arrangements, remained up to 1978 and beyond. From the early 1950s until 1969 (in the midst of the Cultural Revolution) firms had to turn over three percent of their payroll to a labor insurance fund, whose management was shared between the firms and the trade unions. Factory unions then handed over about one third of these contributions to their superior-level union, and as a result there was some minimal redistribution among the enterprisees under the same higher-level union. During the Cultural Revolution, when the unions were disbanded, expenditures for welfare became the sole responsibility of the firms themselves. At that point whatever pooling had been carried out ceased.²⁸

Such paternalistic treatment targeted at the state urban workers surely had its positive points. But these must be pitted against the system's weaknesses and its downside. In linking benevolence to workers' employment status and to that of the ownership of their employer, and in favoring only the formally state-employed, the system was marred by its exclusivity. Though some of the larger collective firms were operated like state-owned ones, smaller collectives and contract, temporary, and peasant workers in the urban firms were shut out. The residents of the countryside had no labor insurance at all.

Another flaw connected to the activating mechanism (the state plan) came from the divisive nature of the bureaucracy. The Ministry of Labor and its lower-level bureaus were charged with supervising the handling of workers in the cities while the Ministry of Civil Affairs and its subordinate agencies at lower echelons dealt with the

residual poor, the "three withouts" mentioned above. This set-up fostered a certain amount of passing the buck as well as duplications and, sometimes, even chaos.²⁹ Although this system managed to nurture and protect most urbanites, the rigidities, waste and inefficiency of the planned economy came under increasing criticism after 1978. As the market steadily extended its sway, a relatively egalitarian arrangement run by political will and centered on one's place of work eventually proved inadequate to a market economy. For the state-plan-dominated arrangement prohibited geographical mobility, while enterprise responsibility became progressively more costly as the numbers in need of pensions grew with time and as more and more firms, falling prey to competition from unfettered rivals in the non-state sector, were overcome by losses.³⁰

The Reform Period, 1978--

According to Linda Wong, what I am calling the state mission behind the new program of economic reform after 1978 drastically altered the underlying paradigm of social policy. The critical changes entailed a substitution of efficiency and competitiveness, and profitability for the prior equality as the mission's dominant values. Inequity, insecurity and a drop in state benefits in the cities were the immediate outcomes.³¹ Workers still at work were now to be compensated in correspondence with their contribution to the productivity of his or her own firm, and not according to a national pay scale based on seniority alone, as they had been in the past.

Another related, novel emphasis was been the championing of workers of "quality" (meaning better educated and more highly skilled) and "flexible" forms of employment, presumably referring to the proper treatment of the unskilled, who are now regularly hired without benefits, for only temporary work and for odd hours.³² And instead of gratis welfare benefits, more and more social services became commodified, on a fee-for-service basis, to match to the new market mentality.³³ The oft-repeated rationale behind slicing off the so-called enterprises' "welfare burden" was to give them more of a chance of keeping pace with the non-state sector; this shift also fit with this altered state mission.

The new hunger for profits threw wrenches into the entire former operating framework. For multitudes of state and collective firms, suffering losses, provided greatly reduced revenue to local governments, even as the job of financing welfare was increasingly bestowed on these same, now less well-heeled administrations in the cities. This development made local administrators favor successful, money-earning firms and their workers even more than they had in the past.³⁴

In line with this turn to the market, the state has essayed for over two decades--though to date far from successfully--to establish a contributory social security system that is independent of the enterprises.³⁵ One other way of unencumbering the state and its firms has been a drive to "socialize" social welfare, which refers to soliciting funds from communities, mass organizations, families and individuals, and overseas benefactors, by appealing to charity.³⁶

Instead of the prior planned allocation of laborers, the momentum lent by economic growth, development and the market have been thought and hoped to be capable of acting as the new mechanism for the provision of employment;³⁷ over time this vision was supplemented by "active labor market policies" to service those losing their jobs.³⁸ Thus, the market rather than the plan was to become the new activating

mechanism and, somewhat paradoxically, rather than trusting it to take off on its own, the state has struggled continuously to set it in motion, as by running job fairs, opening night markets for the laid-off, providing technology necessary to the creation of information networks and sponsoring professional introduction offices.³⁹ As Linda Wong has concluded, "The state role in welfare finance retains its importance."⁴⁰

Decentralization has in theory turned the locus of responsibility away from the enterprise and up to the locality (either a county or a city), though, as we will see, the enterprise's financial status continues to carry much weight for the fortunes of former state employees. And the preferred target of state-provided benefits remains as it was for decades the workers who are tied to the most profitable, largest firms, even if they have in practice lost their jobs there. I proceed now to the details. The material below will illustrate this reflection of a Chinese scholar who wrote after the turn of the century that, as unlike the pre-1978 system as the new one may seem, the "foundations [of the latter] were laid in the previous one."⁴¹

PROGRAMS FOR THE URBAN UNEMPLOYED

The Progression of Policy in Handling the Jobless

Long after the central government began devolving funds and duties to local levels of administration in 1980, and even after enterprises began to be warned that they were to become responsible for their own profits and losses a few years later, the Party remained remarkably queasy about firing its old urban proletariat. This hesitancy can be attributed to the Party's certainty that some degree of social upheaval would follow such a move; the result was to tie the great majority of laborers (despite their redundancy) to their original firms and to charge those firms with succoring them.

With time, as workers were finally let go in large numbers after the mid-1990s, the regime came to divide the issue into one of two separate relevant populations: the "unemployed" and the "laid-off." Though ostensibly only the cohorts of the latter group was, nominally at least, to stay loosely attached to its original enterprises, the fate of the former (the "unemployed") was much affected by the situation of its home plant as well.

Another aspect of the story is this: Although the mechanism that was to activate the disposition of labor was imagined as the market soon after the landmark late 1978 resolution on turning the Party's energies solely toward economic modernization, state labor authorities were immediately saddled with the work of settling large masses of excess workers wanting placement. These were the millions of youth rusticated during the Cultural Revolution who returned from the countryside in droves beginning in late 1978, and the regime quickly took three measures to settle them.

First, it began to permit the establishment of small-scale privately-owned and run stalls and service firms that could sop up the excess; second, it allowed parents employed in state firms to retire early, thereby creating posts for their jobless offspring (the dingti system)⁴²; and third, it authorized the formation of "labor service companies," usually adjuncts to state firms that could either serve their parent firms (as, for instance, by producing needed spare parts), start their own small ventures, or act as training and placement offices.⁴³ The workforce of such companies was to be comprised of the children of the parent factory's workers. Thus, much of the state's early response to surplus labor reeked of the habits of the state plan and its hierarchies: it was clearly the enterprise that remained the responsible party.

Attempts to continue to place urban workers as they came of age ran afoul of demographic trends that outstripped the economy's ability to absorb these people.⁴⁴ By the mid-1980s the phenomenon of "surplus" workers began to be recognized officially, as enterprises continued to be compelled to take on workers for whom they had no role;⁴⁵ by the early 1990s it was common knowledge that about one third of employed labor was in excess of need.⁴⁶ But regardless of the futility, inefficiency and waste that this practice occasioned, in most instances firms were effectively prohibited from dismissing their employees through most of the 1980s, and were still handed quotas specifying how many workers they would have to hire.⁴⁷ Not only that, but by 1993, 95 million more jobs had appeared than had existed 13 years before, and top-level leaders were still discouraging layoffs as of the end of 1994, out of a their fear of the potential social unrest mass discharges might occasion.⁴⁸

Even into the 1990s, despite the presence of UI regulations on the books (to be discussed below), firms could still obtain tax exemptions or bank loans for keeping unneeded staff on hand.⁴⁹ The principal approach was to persuade firms to redeploy such people within the same firm, sometimes retraining them, sometimes forming new enterprises attached to the parent firm.⁵⁰ The fantasy remained that no one was really "unemployed," so that people out of work were instead said to be "waiting for a work post" [*daigang*]. It was not until as late as 1994 that the real term itself finally came into the lexicon.⁵¹ Meanwhile, many subterfuges appeared in the early '90's and remained in practice through the decade, by means of which enterprises dropped unwanted workers, but eschewed pronouncing them formally fired from their place of work. Examples of the terms in use included "early retirement," "internal retirement," "long holiday," and the like, which avoided "pushing [such people] out to society" and often involved some continuing minimal compensation.⁵²

Unemployment Insurance

But there were at the same time efforts to formalize and standardize welfare for those who were truly jobless and had no enterprise whatever to succor them. After four years of internal Party debate, the first major step was taken on the road to putting to rest the socialist notion that each [urban] worker would be granted a life-time tenured job.⁵³ A 1986 Regulation on Labor Contracts specified that all new laborers must be hired on limited-term contracts, though, to illustrate how awkward the concept must have seemed, as of mid-1988, a mere eight percent of state industrial workers had signed a contract.⁵⁴ Along with that ruling went the first Regulations on Unemployment Insurance, publicized as State Council Document 77, which was designed to assist contract laborers when their terms were up, so long as 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.⁵⁵

In order to be eligible for UI according to that order, a worker had to have worked for at least one year, and his/her employer had to have contributed to the local UI fund.⁵⁶ At that early juncture, enterprises needed contribute only one percent of their wage bill, and the duration (up to a maximum of 24 months for over five years of service)⁵⁷ and level of benefits depended on one's length of service and on the standard wage. But in that the ruling tied a worker's chances to receive recompense to the his/her enterprise's willingness or ability to help finance the fund, the ruling continued the prior custom of binding the employee's fate to his/her former firm.

Another sticking point was that this benefit was available only to ex-workers who had registered their unemployment and who met one of four conditions: they had to be from a bankrupt firm; be a redundant worker in an insolvent firm on the verge of bankruptcy that was undergoing streamlining; be a contract worker not reappointed at the end of the contract term; or have been let go for disciplinary reasons. Among these conditions, 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.⁵⁸ In years to follow this provision played a major role in limiting the number of bankruptcies that local governments allowed to occur,⁵⁹ resulting in dozens if not hundreds of factories that simply "collapsed" [kuale] unofficially in many cities under the weight of their debts, dispersing their workforce and leaving its members wholly to their own devices.⁶⁰

Clearly, it is precisely those firms no longer able to sustain their previous, probably bloated workforces that are the selfsame ones unable to afford to contribute to the local UI fund.⁶¹ Shockingly, over half the firms in Liaoning province, for example, where firm failures were rampant throughout the 1990s, were unable to contribute either partially or at all to the social security of their workforces.⁶² As an official in charge of restructuring the economy at the national level told two reporters in 1997, "We need a welfare net so state enterprises can go bankrupt, but state enterprises must fund the welfare net."⁶³ Or, as a scholar in China wrote,

Enterprises that can't issue wages have no qualifications to go on and should go bankrupt. But against the background of gradual reform, now it's hard to have a lot of money-losing state firms going bankrupt; it will be hard to have many enterprises' surplus personnel be transformed into being openly unemployed in the short term. So this leads to a situation in which there are some staff and workers living in poverty while they are [supposedly] employed.⁶⁴

Once again, a worker's chance to get a benefit when s/he was practically speaking without work was hinged to the poverty or prosperity of the firm to which s/he had been attached.

By 1993, state enterprise reform took off with more seriousness than it had before, when that November's Third Plenum of the Fourteenth Party Central Committee pronounced the goal in state firm reform to be the creation of a "modern enterprise system" in its "Decisions on the Establishment of a Socialist Market Economy." Significantly, the decision called on firms to become financially self-sufficient.⁶⁵

In December that same year, 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.⁶⁶ As an illustration of this restrictiveness--an instance of the patronizing of the strong and neglect of the weak--in the mid-1990s the percentage of the workforce covered by UI dropped with the climbing proportion of the urban labor force moving to jobs in the non-state, unprotected sector.

A writer in Wuhan reported that in that city as of 2001 more than 70 percent of the growth in urban employment was the result of expansion of non-public economic units, but that the majority of them were neither participating in social security nor contributing the requisite fees for UI and other welfare funds.⁶⁷ Another example showing this tendency to slight the non-state sector was a State council document from

2000 commanding that workers from collective firms that had stopped production some years back and that had no resources to contribute should not be included in UI but should instead qualify for the minimum livelihood guarantee, a program offering lower allowances (see below).⁶⁸

It is also important to note here that being "covered" by UI is by no means tantamount to being a beneficiary. As a popular journal in China explained, "When collecting statistics, labor departments consider all who have "participated" to have contributed; but really because of unemployment or enterprise bankruptcy, though they "participated" in pooling, they didn't actually pay in [quotation marks added]."⁶⁹ In the face of upbeat claims about the numbers getting UI,⁷⁰ an internal report by the State Planning Commission's Macroeconomic Research Institute disclosed that--though the situation did improve somewhat later on--as of the end of 1999, 73 per cent of households where the head was employed were not participating in the program, and only 18 per cent said that they were.⁷¹

Relatedly, in four major cities, just 11 per cent were participating, while among the out-of-work, merely 3 per cent were part of the program. In the private sector, a scant 4 per cent of the employees had been entered into the UI system at that time.⁷² One grim statistic published in early 2001 had it that, "According to calculations, our present social welfare service can only satisfy five per cent of the demand."⁷³ That workers from firms too strapped to contribute to the fund get no insurance may account for a lot of this.⁷⁴

In addition to the ongoing limitation of benefits just to state workers, the revised ruling changed the calculation of the benefit level as well. Instead of the benefit level ranging from 60 to 75 percent of the standard wage as it had been in the 1986 version, now it became 120 to 150 percent of the level of the social relief handed out by the local civil affairs department, a standard regularly terribly low, especially in poor areas (see below). The precise rate for the enterprise contribution was also left to local governments to fix, though it was to be in the range of 0.6 to 1.0 percent of a firm's total wage bill.

The hope of pooling risk at the provincial level was abandoned for lack of success and devolved instead now to the urban or county level, where local authorities were free to decide on the scope and the base of the pool. The difficulty here was the reluctance or outright refusal of managers of more successful firms--or of firms strapped for funds--to give up current resources for the future or for other firms.⁷⁵ As one commentator bemoaned,

The whole market is in surplus and there is fierce competition, so many enterprises try every method to cut costs..some enterprises in difficulty delay and avoid paying [into the insurance fund], just to go on existing.⁷⁶

Again, the hapless jobless worker's plight was to be attached irrevocably to his or her firm as well as to the locality in which the worker resided, condemning him/her to helplessness if that firm defaulted on its obligations.

According to work by Barry L. Friedman, in 1994, when as many as 1.2 million workers--a figure probably millions below the number of actually displaced workers--by that point, but many more than had previously drawn them, drew UI benefits, suddenly the amount of expenditures for these benefits amounted to the cumulative total of all payments made since 1986.⁷⁷ In the coming years, as the numbers of workers without

a job--and the number of official bankruptcies (though never large)--continued to mount, the UI fund was beset by the rising percentage of loss-making state firms.⁷⁸

In order 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."⁷⁹ That document extended coverage to all work units of any ownership type in the cities and raised the firm's contribution rate to two percent of the wage bill while demanding that employees turn over one percent of their own wages. This time again the locality could set the level of benefits in accord with what it estimated could be raised in its area, with the only proviso being that the level had to be less than the minimum wage standard for that place and more than the standard for poverty relief there, all of which norms were regulated by the city. And once more the amount of the take tied workers to a cellular unit. As Athar Hussain has noted, underlining both the fixity of the bond between unit and beneficiary and the failures of redistribution to date, the curiosity of a national level surplus in the fund coexisted with deficits in the poorer cities, that is, those where high numbers of failing firms had increasingly high unemployment rates but steadily lower tax receipts from their firms.⁸⁰

The Reemployment Project for the "Xiagang"

Every one of the three sets of UI regulations (1986, 1993, and 1999) excluded from the benefits of UI workers who were no longer needed at their original firms but who were still at least nominally affiliated with them from The logic behind this proscription is not at first obvious. What was in fact entailed here was, once again, a preference for the better-off firms, those either healthy enough to continue operating, producing something considered necessary by the authorities, or at least sufficiently in favor with one level of government or another that they could continue to acquire state subsidies.⁸¹

The basic livelihood allowance for laid-off workers connected to such ongoing factories, though barred from obtaining UI, after 1995 under the aegis of another new program instead became eligible for a higher sum, the "basic living allowance," sometimes termed the "basic livelihood guarantee" [jiben shenghuofei or jiben shenghuozhang].⁸² In response to constantly rising numbers of layoffs in the wake first of an official credit squeeze and an accompanying nationwide recession in the mid-1990's, and then of the September 1997 Fifteenth Party Congress's clarion call for cutbacks in both surplus workers and inefficient firms, a "Reemployment Project" was announced. This was a bureaucratically manipulated effort to sustain workers furloughed by those fortunate state firms that still existed. This scheme, launched in Shanghai, was then piloted in 30 cities in 1994 and extended nationwide the following year. The project, conceived as a temporary palliative, existed for the following six years.⁸³

As of mid-1998, as the Asian financial crisis spelt cutbacks in China's exports and a major flood brought about industrial declines in cities along the Yangzi, it was discovered that many firms were neglecting to take care of the workers they let go.⁸⁴ The Party and the State Council convened an momentous meeting that May focused on the problems and allowances of the laid-off workforce. The convention which called in urgent tones for assisting these former employees, and the Project thereupon took

on much more prominence and salience. Zhu Rongji demanded the widespread formation of these centers at the meeting.⁸⁵

The idea of the project was to provide assistance for and promote the reemployment of those furloughed from just the state-owned firms at a juncture when the nation's social security system, labor market, and legal framework were all perilously incomplete and imperfect, and when the number of job posts were clearly inadequate to meet the ever-growing supply of labor.⁸⁶ Its content included the goals of underwriting the basic livelihood needs of the laid-off; collecting and computerizing information on local job markets; providing job introduction organs; setting up "reemployment bases" that were to provide free training and jobs; building up new marketplaces, especially night markets where the traders should have received preferential policies in taxes and fees.

Individual cities had their own additional programs, such as the expansion of economic development at the district and street levels to establish new positions; district- and city-wide reemployment "fairs"; and city-wide labor exchanges.⁸⁷ So once again those who had been employed in the factories favored by the state (at whatever level) were, as a class, to be treated best; one more time do we see localities asked to execute national programs in accord with their own decisions and resources.

As a residents' committee cadre in Wuhan expressed it to members of an investigation team headed by Chinese Academy of Social Science researcher Tang Jun, Here in our residents' committee the residents are mostly people who used to work in collective or neighborhood enterprises. Now those enterprises are all bankrupt, and there are lots of laid-off workers around. They get laid off, so they have no job and can't find another one, which means they have no stable income, and nobody feels secure anymore, which puts every family through a lot of stress. When the people who worked in collective or neighborhood enterprises get laid off, and they don't get any allowance to live on, you wonder why they have to be discriminated against.⁸⁸

Most fundamentally, the project required that each firm that had laid off some or all of its workers create a "reemployment service center," to which its xiagang (furloughed) workers were to be entrusted for a period up to three years.⁸⁹ During that time the center was first of all to supply workers with the living allowance, using funds donated by their enterprise, and, where this was not possible, from the city's financial departments and/or banks, and, if an enterprise had contributed to the fund, from the city's unemployment insurance fund.⁹⁰ Where necessary and possible, a donation was also to be solicited from the enterprise's local management department. The center was, secondly, also to train the workers for a new profession, and to help them locate new work posts. And thirdly, the center was charged with contributing to the pension, medical, and social security funds on behalf of each laid-off worker entrusted to it. A last tenet of the Project was that localities with laid-off workers were to use tax incentives to encourage better-off firms to hire people who had lost their original jobs, and to reduce or eliminate taxes and fees for unemployed people who set up their own businesses.⁹¹

At the height of the movement to put the project and its centers into place in the cities throughout the country, then Premier Zhu Rongji insisted that:

Local finance departments must carve out sufficient funds in their budgets for the basic living allowances for laid-off staff and workers from state firms..The

enterprise must bear responsibility for its laid-off *to the end*, absolutely cannot let them go. If an enterprise has the ability to pay, it definitely must. As for some enterprises in difficulty, we must investigate their ability to bear the burden. Each administrative level will be responsible for its own enterprises. In the case of firms that really have the ability to bear the burden but refuse to pay, their managers who go through education and do not reform must be sacked [italics added].⁹²

But there were critical limitations on this effort--namely, the scarcity of funds committed to it, especially in hard-up localities; the widespread dependence of the laid off upon firms that, though still in existence, were suffering serious losses and deeply in debt;⁹³ and the insufficient supply of positions in the economy to employ these people.⁹⁴ These restrictions were mitigated to some extent in that the central government did offer to subsidize heavily indebted firms in the poorer regions in the name of social stability. One source states that as of the year 2000 these subsidies had reached over 40 billion per annum.⁹⁵

Nelson Chow and Xuebin Xu hold that a majority even of the laid-off formal workers never obtained any of these benefits,⁹⁶ and indeed it is certainly true that many firms lacked the resource capability to form a center. Indeed, official figures claiming that nearly one hundred percent of furloughed workers had received their allowances⁹⁷ are based on a tautology: once it is clear that only those laid-off laborers who had managed to enter centers were counted as being among the officially recognized laid-off, it would certainly seem that just the fortunate among the dismissed were even being tallied.⁹⁸

Workers who were privileged to be admitted into a center were given a "laid-off certificate" [*xiagangzheng*], intended to qualify them for various preferential policies. Dozens of street interviews in Wuhan in the years 1999 to 2002, however, revealed that many laid-off workers never were given this credential or, if they did, found it to be worthless. Still, those from the more prosperous enterprises did benefit from the policies and the full allowances as well, often, as it happened, even if they found an opportunity elsewhere for what was termed "hidden employment."⁹⁹ And, as usual, even those places that did have the wherewithal for setting up centers ran outfits quite disparate one from the next in their ability to service their dismissed workers.¹⁰⁰

As the year 2001 got underway, the Ministry of Labor and Social Security made it clear that the reemployment centers were a time-limited expedient, and that the personnel let go by state firms would no longer enter them. By that point, a major segment of those who had been entrusted to the centers in 1998 had exhausted their allotted three-year term, and would have to face the open labor market. Of these, only a minority would be eligible to rely on UI (for some limited period) should they not succeed in finding work.¹⁰¹ And yet it must be recalled that a movement into the UI system once again threw workless people back into the plight of having their disposal dependent on the financial condition of their former firm.

A PROGRAM FOR THE NEWLY POOR IN THE CITIES

The New Urban Poverty

As one of the general editors of the 2003 national Blue Book of the Chinese Society [sic] admitted, the new urban poor numbered somewhere between 15 and 30 million as of the year 2002, depending upon how the estimate was reached.¹⁰² Another study, however, arrived at related but much more startling figures: the National Bureau

of Statistics, in collaboration with the State Council Research Office and several other units, 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.¹⁰³ In between these two estimates, a social policy researcher at the Chinese Academy of Social Sciences explained several years ago that the figure could be as high as 37.1 million poor people--amounting to nearly 10 percent of the urban population--if what is measured is expenditures rather than income.¹⁰⁴

But the statistics showing around 30 or even 50 million poverty-stricken urbanites in recent years are far from complete. This is so because such figures omit from the count rural migrants living in cities, who do not hold urban household registration.¹⁰⁵ The migrants, however, earn only about half the income that urbanites do, according to some surveys.¹⁰⁶ Even the official China Daily admitted that, "the extent of urban poverty could be significantly underestimated, because official statistics usually exclude two groups when calculating the number of destitute city dwellers."¹⁰⁷ China Daily^{2*}ü_ *», May 21, 2003, 3. Besides peasant migrants living in cities, the other excluded group is composed of those living in city outskirts who are not farmers but are counted as such because of where they live. The article goes on to note that "15 to 20 percent of migrant workers in cities live below the poverty line."» And, as with the issue of job layoffs, here again there is a geographic component to the problem: poor people tend to be concentrated in poor regions.¹⁰⁸ As a result, the hope of truly assisting them is quite slim in many areas, since the responsibility to do so has been devolved to their own local administrations, whose resources are frequently quite scant. Undoubtedly, adding peasant migrants resident in cities to the official urban population and to the destitute would make the percent of actual urban dwellers who belong to the poverty-stricken rather higher than 10 percent.¹⁰⁹

A sudden upsurge in the numbers of the urban poor occurred around 1995,¹¹⁰ at the same time that hordes of state manufacturing workers began to suffer dismissal from their posts; indeed, there is a clear correlation between these two phenomena.¹¹¹ Aside from job loss, other factors pushing people into penury also had to do with the market transition: state grain subsidies ceased in 1992, thereby sending up food prices; housing costs rose with the program to privatize apartments; and the charges for both public education and medical care climbed sharply and precipitously as their previous status as near gratuities was altered with the institution of sizable fees for service. There was also at this point a growing trend of indebted firms failing to pay wages or pensions, whether on time or else at all.¹¹²

A New Poverty Relief Program

Well into the reform period a version of social relief left over from pre-reform days remained in place. This system very minimally addressed the basic subsistence needs of aged people without a means of support or livelihood, orphans and the disabled.¹¹³ As late as 1992, this very residual segment of the populace was only receiving .005 percent of the country's gross domestic product, an amount equivalent to a mere .0032 percent of total national expenditure.¹¹⁴ At that point, a pitiful 0.06 percent of the urban population got regular, fixed-sum apportionments from the state nationwide, and the sum they were given amounted to about one quarter of the average urban residents' livelihood expenditures.¹¹⁵

As the numbers of people subsisting in straitened circumstances mounted with the progression of the marketization of the economy, though, it became clear that a broader based, more inclusive system had to be designed. As one Chinese scholar explained, "In sum, no matter whether [we consider] the amount of the relief funds or their target population, the original social relief system, including work unit relief, cannot meet the new social poverty situation."¹¹⁶

As with the basic livelihood guarantee for laid-off staff and workers, a new scheme for the destitute emerged from local experiments, again in Shanghai, as early as 1993.¹¹⁷ The idea behind the plan was twofold: to sever the bond between firms and their indigent staff and ex-staff, since often the very poorest people were attached to enterprises that were doing too poorly to be able to help them, and yet they had nowhere else to turn; and to extend the scope of the eligible population beyond the accustomed marginal groups. In 1994, the Ministry of Civil Affairs was placed in charge of the new system, named the "minimum livelihood guarantee" [zuidi shenghuo baozhang, colloquially, the "dibao"].¹¹⁸

The enabling legislation empowered local governments to handle the program for two reasons: first, prices, the consumption structure and average income all varied considerably among areas; and second, since the funds were to be supplied mainly by the urban governments themselves, it seemed reasonable to allow them to set their own poverty lines in accord with what their jurisdictions could afford.¹¹⁹ The idea was to let urban bureaucracies determine the standard in accord with the amount of money needed to maintain a minimum livelihood in their cities.¹²⁰ Another related feature was that the dibao could not be taken with one if s/he left the area.¹²¹

After the program had been gradually extended to cities across the country, in September 1997 the State Council promulgated a circular, "On Establishing the Dibao System," which set forth the principle that localities at various levels of government must lodge this item in their budgets to be managed as a special account.¹²² In September two years later that same body formalized those notions into its "Regulations for Safeguarding Urban Residents' Subsistence Guarantees," thereby transforming the program into law.¹²³

It was made clear from the outset that the people to be covered must be the holders of permanent household registration in the city, thereby barring migrant rural immigrants from its benefits.¹²⁴ As distinct from the final version of the UI and other welfare programs in the cities, such as old-age insurance and medical insurance, this one is non-contributory; unlike them, also, it is means-tested. It was also emphasized that localities were to manage every dimension of the system, from setting rates to raising funds: thus, one of the State Council's orders stressed, "Various places must formulate an appropriate dibao standard based on local reality in conformity with the place's level of economic development and with what the place can bear financially."¹²⁵

The dibao, publicized as the "third line" or the "final safety net" in a three-pronged welfare arrangement--along with the basic livelihood guarantee for the laid-off and unemployment insurance for those whose firms were gone--became the final shield against poverty and hardship for impecunious urban dwellers in the fall-out from economic reform. As characterized by a street-level cadre in Wuhan,

The minimum living standard scheme is our "third line of defense" for guaranteeing the basic necessities of life to those who live here. The first line of defense is made up of the pension and unemployment insurance systems the

enterprises have set up, while the second is the laid-off workers' basic livelihood guarantee. At present China's first two lines of defense are not holding up too well, what with many enterprises not participating in insurance programs, and many, overburdened by these obligations, unable to pay out the cash they owe under the laid-off workers' basic livelihood guarantee, so setting up the third line of defense has been especially important.¹²⁶

Unlike the other two measures, and also unlike the relief programs that had preceded it, the dibao was meant to service anyone at all whose income did not reach a locally-set standard.¹²⁷ The creators of this benefit had in mind specifically those made indigent by the course of the reforms, such as people in firms not permitted to go bankrupt but who were not being paid or former recipients of UI whose term had come to an end.¹²⁸

While the localities were in theory to be the agents that took on the expenses of the program, in reality, many could not afford to underwrite it entirely on their own. In the final years of the 1990s, the central government took on a growing share of the cost, ranging between 20 and 25 percent.¹²⁹ After 1999, the central government made a practice of meeting a quota of 30 percent of the funds required, as requested by most provinces.¹³⁰

Tang Jun, a researcher specializing on the dibao at the Chinese Academy of Social Sciences noted that, with the exception of seven of China's 31 provincial-level units,¹³¹ all of the others regularly received subsidies from the central government. In the second half of 1999, the total amount allocated for this purpose reached 400 million yuan.¹³² Jane Duckett, citing the economist Hu Angang, reported that the national treasury had raised its allotments for social security as many as five times between 1998 and 2002.¹³³ In early 2002, the central government announced that it had arranged for paying out 86 billion yuan for social security-related purposes for the year ahead,¹³⁴ while further increases were scheduled for 2003.¹³⁵

Yet there were cities where even this was insufficient. Some demanded that in households with a member still at work that member's unit or department must care for the household; in other places urban districts were made to share the financial burden with the city government or solicited contributions from enterprises.¹³⁶ Many localities' inability to finance the program was such that, by the year 2002, the localities nationwide were making only slightly more than half the contributions. In that year the total fund for the program had reached 10.53 billion yuan, nearly double the amount spent in 1991. Of this, 4.6 billion came from the central treasury and 5.93 billion from the local governments (just over 56 percent).¹³⁷

Even still, the increasingly vast disparities between regions, as market forces favored better situated and better endowed areas, imparted great inequities even within the cities themselves (at the district level), not to mention among them.¹³⁸ Not just the amount to be disbursed per household varied, with a national average around 150 yuan per person at the turn of the century,¹³⁹ but the ratio of the dibao norm to the average local wage varied as well: in some cases it went as low as one to five; in others it was closer to one to three.¹⁴⁰ Poor cities resorted to such subterfuges as setting their poverty lines so low as to fail to meet the official goal of guaranteeing a minimum livelihood to the recipients; another was treating people in sufficiently good health to work as if they indeed had the income they would have acquired had they indeed found a job, or refusing to help those eligible for the laid-off workers' basic livelihood guarantee

or for UI, even though these individuals' former workplaces and the UI fund were in fact giving them nothing.¹⁴¹

Over the years progressively larger sums were allocated to this scheme as its geographical spread and affected population increased.¹⁴² By the end of September 1999 (just in time for the promulgation of the new regulations!), the Ministry of Civil Affairs announced that 668 cities and 11,638 urban county governments had installed the system covering all urban residents, and that a nationwide network had thereby been initially established.¹⁴³ After a 30 percent increase in the payment to each recipient in the second half 1999 (very likely extended in order to forestall any possible simmering protest on the occasion of the regime's fiftieth anniversary that fall),¹⁴⁴ of which over 80 percent was to come from the central treasury.

Two years later, a sudden leap forward in disbursements occurred, in response to forceful prodding by Premier Zhu Rongji in the second half of 2001.¹⁴⁵ By 2002, the amount paid out came to .01 percent of gross domestic product and .5 percent of national expenditures, a vast improvement over what had been spent on poverty relief just a decade earlier.¹⁴⁶ In spite of this commitment, a grossly inadequate administrative structure at every level, carried over from the past, continued to struggle to serve the demand.¹⁴⁷

A particularly urgent--and revealing--State Council circular in late 2001 sheds light on the way the program was being operated in the localities, which were, after all, meant to be the site of its management and chief funding, the locus responsibility. The order's injunction to "make the focal point of our work" the families of staff and workers from the enterprises run by the central government, those from collective and town and village enterprises, and laid-off workers caught in the midst of the process of merging the basic livelihood guarantee and UI systems sends a clear signal as to what groups were being systematically excluded from the system's benefits.¹⁴⁸ The circular also provided evidence that several years after the program had begun potential recipients were still being evaluated in terms of their former work units.

Thus, while the impetus behind the program was to provide for the indigent without reference to their personal characteristics or their work histories, some aspects of its implementation definitely biased the outcome. Besides the implication that certain classes of needy residents were being systematically blocked from the benefits, its locality-based framework rendered the program subject to abuse and underfunding. And even as the Ministry of Civil Affairs was able proudly to report at the end of March 2003 that over 21.4 million urban residents were then covered by the dibao,¹⁴⁹ this amounted to just 4.6 percent of the total urban population, as given in the 2000 census, or perhaps just about one third of those deserving the dibao's help.¹⁵⁰

THE NEW SYSTEM: LEGACIES AND DISCONTINUITIES

Above I have related the story of new programs installed to serve as foundational pieces in China's fledgling social security system for the jobless and indigent. I have emphasized these programs' pioneering objectives--especially those measures forged for assisting the unaccustomed victims and losers of the country's uncharted project of economic transformation. These programs, put into place to cope with heretofore unknown and troubling externalities of market reform, were mutually interdependent with the entire venture in system transition. For in the perspective of Chinese policy specialists, they constitute at once essential prerequisites to moving

ahead with marketization, yet at the same time are projects whose own forward steps demand the funding and taxes that only successfully reformed enterprises could underwrite.¹⁵¹ With all these untried elements for China, is it appropriate to speak of legacies and ongoing effects of older, rejected policies and patterns?

Two major facets of the economic restructuring program were clear departures from the past and have had major implications for the attempt to form a national-scale social security system: the first is the decentralization of funding and decisional responsibilities to lower levels of administration while attempting to remove the responsibility for individuals' benefit provision from his or her firm; and the second is the introduction of norms of profit and competition that in turn led to the indebtedness and collapse of untold numbers of state firms. Both of these new policy thrusts have decimated for the needy any modicum of either standardization or reliability of welfare benefits that had once, and for a number of decades, obtained in the cities.

So these discontinuities with the past would appear to bode poorly for path dependency analysis. And yet, as the material above has outlined, enduring behavioral customs--of pitching obligation at the cellular locus of the work unit and of best succoring the strongest--have doggedly lingered just beneath the surface, even for more than 20 years after the regime commenced to suggest that enterprise management throw off the "welfare burden" it had borne for decades, and to promise that the championing of competition, efficiency, and economic results would enable those not blessed by wealth at first soon to follow in their stead.

The enduring role of the unit appears in the laid-off state workers' dependence on their enterprise's capacity to finance their basic livelihood allowance and to form a reemployment center; it is also present in the registered unemployed laborer's inability to collect unemployment insurance unless his/her previous employer had paid in the necessary contributions. And it also creeps in when some cities attempt to force still-on-the-job household members' workplaces to take care of those stuck in dire penury, or when a poor family's destitution is aggravated because the family's abode is situated in an urban district where failed firms are rife and thus where the poverty line is set impossibly low. We see it too in municipalities refusing to service workers from firms with particular ownership structures, and especially in the non-state firms' disinclination to participate in the funds and the pools.

And the continuing proclivity to favor the better endowed is evident in the relatively narrow scope of the coverage of benefits encountered in each new program. This includes bestowal of the basic living allowance and of unemployment insurance just on workers from state-owned firms still in existence, or to people whose plants were permitted to go bankrupt primarily because the firms had the means to provide for their cast-off workers, respectively. Those attached to collective firms, especially the poorer among them, or those whose employment in private or foreign enterprises is casual and temporary fall through the cracks. At best they receive the very minimal sustenance supplied by the *dibao*, an amount averaging the equivalent of twenty U.S. dollars per person per month--and yet which is a benefit that perhaps just one third of the very poorest urbanites are obtaining, as of this writing.

It is not just that the poorest are under-supported. With the growing clout of the well positioned entities--whether they be enterprises, cities or provinces--and the steadily increasing disparity between them and their deprived counterparts, the greater the reluctance of the wealthier to sacrifice their hard-won position to support the less

well-off. As a result, there are ever greater stumbling blocks in the way of building up a pooling system, even within the boundaries of individual cities.¹⁵² The outcome may be a residue of the past, perhaps even an exaggeration of what was done in the past: ad hoc subsidies from the central government rather than redistribution.¹⁵³

The biggest difference from the past turns out to be that those left out and behind are no longer the minority in the cities, but instead comprise "the vast majority"--the workers from firms that have collapsed, the peasant migrants in the cities, the workers from enterprises too indebted to tend to them, and the able-bodied poor unserved by the programs for which they are eligible and so cast aside by the dibao as well. Pitiably, this most numerous portion of the average city's populace is now cast outside the welfare system.¹⁵⁴ Thus, it appears, the pressures, practices and postulates of the market--the new activating mechanism--have so far mainly served to aggravate and exacerbate routines and usages long in place. It is precisely in these underlying procedures, understandings and modes of defining the locus of responsibility and the appropriate beneficiaries that we see the pattern of the past and the persistence of the path leading from it to the present.

ENDNOTES

¹ According to influential economist Hu Angang, between 1995 and 2001, 54 million jobs were terminated. See South China Morning Post, August 10, 2002. China's National Bureau of Statistics has admitted that nearly 31 percent of those employed in the state sector as of end of year 1997 were cut (from 100.4 million to 76.4 million) within the following four years (see Dali L. Yang, "China in 2002: Leadership Transition and the Political Economy of Governance," Asian Survey (hereafter AS), 43:1 (2003), 34.

² On this use of the term, see Alfred Stepan, "State Power and the Strength of Civil Society in the Southern Cone of Latin America," in Peter B. Evans, Dietrich Rueschemeyer & Theda Skocpol, eds., Bringing the State Back In (Cambridge: Cambridge University Press, 1985), 317-43.

³ For the version of the Constitution current as of the turn of the century, see the following website: www.socialism.org/systems/thelawsofchina/amendments.htm or english.peopledaily.com.cn/constitution/constitution.html

⁴ See Jane Duckett, "China's Social Security Reforms and the Comparative Politics of Market Transition,"

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⁵ Yang Yiyong, "Wanshan shehui baozhang tixi shi shehui jinbu di xuyao" [Perfecting the social security system is the demand of social progress], Neibu canyue [Internal consultations], 5 (2/9/2001), (overall number 550), 15. See also Linda Wong, Marginalization and Social Welfare in China (London: Routledge, 1998), 141 calls social stability the paramount concern of the state in the 1990s. Following a bout of huge street demonstrations in a desolate and bankrupted area in the northeast, authorities issued an urgent notice to step up insurance payments "to safeguard social stability" ("China calls for proper handling of sacked workers," Reuters, April 19, 2002); the speech "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], Laodong baozhang tongxun [Labor social security bulletin] 3 (1999), 4-7. (dated January 13, 1999), delivered in early 1999 reveals this perspective in the top leaders' own words: [underpayment of the basic livelihood allowance] is the greatest hidden danger in social stability."

⁶ Hugo Heclo, Modern Social Politics in Britain and Sweden: From Relief to Income Maintenance (New Haven: Yale University Press, 1974). 65.

⁷ *Ibid.*, 91. The creation of unemployment insurance in the U.S. in the 1930s was similarly sparked by demonstrations. See Frances Fox Piven and Richard a. Cloward, Poor People's movements: Why They Succeed, How They Fail (New York: Vintage Books, 1979).

⁸ An exception is Nita Rudra, "Globalization and the Decline of the Welfare State in Less-Developed Countries," International Organization 56, 2 (2002): 411-445.

⁹ A few prominent examples are Evelyne Huber and John D. Stephens, Development and Crisis of the Welfare State: Parties and Policies in Global Markets (Chicago: University of Chicago Press, 2001); Paul Pierson, Dismantling the Welfare State: Reagan, Thatcher, and the Politics of Retrenchment (NY: Cambridge University Press, 1994) and *idem.*, "When Effect Becomes Cause: Policy Feedback and Political Change," World Politics 45, 4 (1993), 595-628; Bo Rothstein and Sven Steinmo, "Restructuring Politics: Institutional Analysis and the Challenges of Modern Welfare States," in Bo Rothstein and Sven Steinmo, eds., Restructuring the Welfare State: Political Institutions and Policy Change (NY: Palgrave Macmillan, 2002), 1-19 and Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for "Keynesian" Responses to the Great Depression in Sweden, Britain, and the United States," in Evans et al., 107-63.

¹⁰ (Cambridge: Cambridge University Press, 1990).

¹¹ Markus M.L. Crepaz, "Global, Constitutional and Partisan Determinants of Redistribution in Fifteen OECD Countries," Comparative Politics 34, 2 (2002), 169-88; Huber and Stephens, *op. cit.*, Manfred G. Schmidt, "The Role of the Parties in Shaping Macroeconomic Policy," in Francis G. Castles, ed., The Impact of Parties: Politics and Policies in Democratic Capitalist States (London and Beverly Hills, CA: SAGE, 1982), 97-176, David R. Cameron, "The Expansion of the Public Economy: A Comparative Analysis," American Political Science Review 72, 4 (1978), 1243-1261, and *idem.*, "Social Democracy, Corporatism, Labour Quiescence and the Representation of Economic Interest in Advanced Capitalist Society," in John H. Goldthorpe, ed., Order and Conflict in Contemporary Capitalism (London: Clarendon Press, 1984), 143-78, Geoffrey Garrett, Partisan Politics in the Global Economy (New York: Cambridge University Press, 1998), Douglas A. Hibbs, "Political Parties and Macroeconomic Policy," The American Political Science Review LXXI, 4 (1977), 1467-1487, Smith, *op. cit.*, Stephan Haggard and Robert R. Kaufman, "Introduction: Institutions and Economic Adjustment," in Stephan Haggard and Robert R. Kaufman, eds., The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State (Princeton: Princeton Univ. Press, 1992), 3-37

and Geoffrey Garrett and Peter Lange, "Institutionalization, Institutions and Political Change," in Robert O. Keohane and Helen V. Milner, eds., op. cit.

¹² Huber and Stephens, op. cit., 314, 331, 332.

¹³ *Ibid.*, 334, 345.

¹⁴ I know of at least four competing explications for the roots of this particular inherited trait: Xiaobo Lu, "Minor Public Economy: Revolutionary Origins of the Danwei," in Xiaobo Lu and Elizabeth J. Perry, eds., Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective (Armonk, NY: M.E. Sharpe, 1997) believes that the tradition of cellularizing welfare grew out of the Chinese Communist Party's pre-1949 experiences in their base areas; Corinna-Barbara Francis, in her manuscript, "Brokered Patterns of Governance in the Chinese Polity," traces this custom back into dynastic history; Mark W. Frazier, The Making of the Chinese Industrial Workplace: State, Revolution, and Labor Management (Cambridge: Cambridge University Press, 2002); and Wen-hsin Yeh, "The Republican Origins of the Danwei: The Case of Shanghai's Bank of China," in Lu and Perry, *op. cit.*, 60-88 finds precedents in the Republican period of Chinese in the 1930s and 1940s.

¹⁵ Charlotte Ikels, review of Nelson W. S. Chow, Socialist Welfare with Chinese Characteristics: The Reform of the Social Security System in China (Hong Kong: Centre of Asian Studies, University of Hong Kpmg, 2000). In Journal of Asian Studies, 61, 3 (August 2002), 1024.

¹⁶ Some might question whether a switch so substantial as one from state planning to the reliance on market forces ought be termed simply a programmatic specific. Surely its impact is considerable, even massive, and the transformation would be nearly impossible to undo. On the other hand, in some ways it is tantamount to an extreme version of the change of political alignment from left to right in multi-party systems. Moreover, the heavy remnant shadow of procedures used under planning--such as targets and quotas, even in a heyday of market practices--justifies this labeling.

¹⁷ These were enterprises usually comprised of a number of pre-1949 private firms merged together after 1956 and run at the level of the "neighborhood," or jiedao, a level of administration just under the urban district.

¹⁸ No means of earning a livelihood, no family, and no work unit to care for the person. This generally meant the sick, the disabled, and the orphaned. See Wong, op. cit., 113.

¹⁹ Here I address only urban China. The countryside was denied almost all forms of state welfare.

²⁰ Writing as late as mid-2000, Chinese Academy of Social Science social policy researcher Yang Tuan commented that, "The [social security] system's operational base is still the enterprise, organ, or non-profit unit." This is in her article, Yang Tuan, "Jianli shehui baozhang xin tixi di tansuo" [Explorations on establishing a new social security system], LDCY 19 (2000) (172), July 5, 2000, 16. Similarly, see Duckett, op. cit., 10, states that the enterprises remained the main funders as of 2002, though the programs were administered by local governments.

²¹ In my 1993 book, China's Transition from Socialism (M. E. Sharpe, 1993), 3, I wrote of reform as:
..merely a means, a set of tools to be manipulated in the service of a few fundamental and overarching statist ends: the modernization, invigoration, and enhanced efficiency of the national economy.

²² State Council, "White Paper on Employment, Social Security." Asian Wall Street Journal, April 29, 2002, 8.

²³ Wong, op. cit., 67-68.

²⁴ Gong Li, Kuashiji nanti: jiuye yu shehui baozhang [A difficult issue straddling the century: employment and social security] (Kunming: Yunnan renmin chbanshe [Yunnan people's publishing], 2000), 196.

²⁵ Sarah Cook, "From rice bowl to safety net: Insecurity and social protection during China's transition." Ms., Beijing, November 2001, 7.

²⁶ Athar Hussain et al. "Urban Poverty in the PRC." Asian Development Bank Project No. TAR: PRC 33448. 2002, 154.

²⁷ Wong, *op. cit.*, 66. Some exceptions are discussed in Elizabeth J. Perry and Li Xun, Proletarian Power (Boulder, CO: Westview Press, 1997).

²⁸ Nelson W.S. Chow, The Administration and Financing of Social Security in China (Hong Kong: Centre of Asian Studies, 1988), 53.

²⁹ Shang, *op. cit.*, 270-71.

³⁰ See Elisabeth J. Croll, "Social Welfare Reform: Trends and Tensions," China Quarterly, No. 159 (Sept. 1999), 692.

³¹ *Ibid.*, 685.

³² State Council, *op. cit.*, 36.

³³ Wong, *op. cit.*, 67-69, 155. Also see Sarah Cook, "Politics, policy processes and the poor: Responding to poverty in China's cities," report on a research project, "The political and social dynamics of poverty in China," undertaken as part of the DFID funded IDS Poverty research Programme," December 2000, 1; Croll, *op. cit.*, 694-95, and Nelson Chow and Xuebin Xu, Socialist Welfare in a Market Economy: Social Security Refomrs in Guangzhou, China (Aldershot: Ashgate, 2001), 56.

³⁴ For past good treatment of profitable enterprises, see Andrew G. Walder, "Property Rights and Stratification in Socialist Redistributive Economies," American Sociological Review 57 (August 1992), 524-39.

³⁵ State Council, *op. cit.*, 20. Also, Tang Jun, "The Report of Poverty and Anti-Poverty in Urban China-- The Poverty Problems in Urban China and the Program

of Minimum Living Standard" (Ms., Beijing, 2002), 18, notes that Zhu Rongji called for this in April 2000 while in Liaoning province, and the Fifth Plenum of the Party's Fifteenth Congress held that October expressed this goal more fully.

³⁶ Linda Wong, "Privatization of Social Welfare in Post-Mao China," Asian Survey 34,4 (1994), 311-12.

³⁷ The first thoughts on building a labor market trace back to the late 1970s, according to Leonard J. Hausman and Barry J. Friedman, "Employment Creation: New and Old Methods." Unpublished ms. (n.p., n.d.), 42. For a review of early debates on this, see Gordon White, "The Politics of Economic Reform in Chinese Industry: The Introduction of the Labour Contract System," China Quarterly, No. 111 (September 1987): 365-89 and *idem.*, "The Changing Role of the Chinese State in Labour Allocation: Towards the Market?" Journal of Communist Studies, 3, 2 (June 1987).

³⁸ See State Council, *op. cit.*, 4. Valerie Symes, Unemployment in Europe: Problems and policies (London and New York: Routledge, 1995), 64-66 explains the meaning of active labor market policies. For a sample in China, see Antoine Kernén, "Surviving Rfm in SY--New Povty in Pioneer City," China Rights Forum (Summer 1997): 8-11.

³⁹ For instance, Laodong he shehui baozhangbu, Gujia tongjiju, "2000 niandu laodong baozhang shiye fazhan tongji gongbao" [The year 2000's statistical report of the developments in labor and social security], Laodong baozhang tongxun [Labor social security bulletin] 6 (2001), 36-37.

⁴⁰ Wong (1998), 81.

⁴¹ Shang Zhongsheng, Dangdai zhongguo shehui wenti toudi [Perspective on China's present social issues] (Wuhan: Hubei renmin chubanshe [Hubei people's publishing co., 2002), 271, or, as Anne Stevenson-Yang, expressed the point in "Re-vamping the Welfare State: China aims to weaken the link between employers and benefits," The China Business Review

(January-February 1996), 8, "The new system is being grafted onto the old, enterprise-based system of social welfare," in spite of efforts to go beyond it.

⁴² Hausman and Friedman, *op. cit.*, 43.

⁴³ There is information on these companies in Hausman and Friedman, *op. cit.*, 22-26 and in Lin Lean Lim and Gyorgy Sziraczki, "Employment, Social Security, and Enterprise Reforms in China," 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), 54, 69. In 1990 the State Council issued regulations for their management (Document #66), according to *ibid.*, 84.

⁴⁴ Xin Meng, Labour Market Reform in China (New York: Cambridge University Press, 2000), 10. 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 notes that between 1982 and 1990 the working age urban population (those between the ages of 15 and 59) increased annually at a rate of 5.3 percent, while urban jobs grew at just 3.2 percent.

⁴⁵ Chow and Xu, *op. cit.*, 57.

⁴⁶ Lim and Sziraczki, *op. cit.*, 49.

⁴⁷ Barry L. Friedman, "Employment and Social Protection Policies in China: Big Reforms and Limited Outcomes," 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), 157; Hausman and Friedman, *op. cit.*, 15.

⁴⁸ Lim and Sziraczki, *op. cit.*, 48, 68.

⁴⁹ Christine P.W. Wong, Christopher Heady, and Wing T. Woo, Fiscal Management and Economic Reform in the People's Republic of China (Hong Kong: Oxford University Press, 1995), 14-15. The authors add that some areas drew on funds intended to be used for this insurance instead to offer loans to firms to retain their workers.

⁵⁰ Friedman, *op. cit.*, 158; Lim and Sziraczki, *op. cit.*, 69; Hussain, *op. cit.*, 88.

⁵¹ Chow and Xu, *op. cit.*, 55.

⁵² Some of these practices were authorized in the 1993 revision of the unemployment regulations; for this, see Lim and Sziraczki, *op. cit.*, 53 and 71; Andrew Watson, "Enterprise Reform and Employment Change in Shaanxi Province," paper presented at the annual meeting of the Association for Asian Studies, Washington, D.C., March 28, 1998, 15; and Song Xiaowu, "Dangqian jiuye he shiye baoxian cunzai de wenti yu duice" [Existing problems in present employment and unemployment insurance and measures to deal with them], NBCY 5/12/99, No. 461, 13-14.

⁵³ Gordon White, Riding the Tiger: The Politics of Economic Reform in Post-Mao China (Stanford: Stanford University Press, 1993), 138-43, 159.

⁵⁴ Ibid., 140.

⁵⁵ Lim and Sziraczki, *op. cit.*, 51-52.

⁵⁶ The factual information that follows in this and the next five paragraphs is drawn from Chow and Xu, *op. cit.*, 59-62, unless specified otherwise.

⁵⁷ As Hussain, *op. cit.*, 94 points out, this maximum benefit came to require 10 years of paid-in contributions by both the firm and the beneficiary in later versions of the regulations, a condition met by almost no candidate recipients. For most of those eligible in terms of the regulations' other stipulations had not been working steadily for one firm for that long a period.

⁵⁸ Clarifying the promise in Article 4 of the bankruptcy law of 1986, which holds that the state will arrange guarantee the basic living needs of workers of bankrupt firms, 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." Thanks to Stephen Green for alerting me to the provision in the law; the circular is quoted in Summary of World Broadcasts FE/2899 S1/3, April 22, 1997, from Xinhua [New China News Agency] (hereafter XH), April 20, 1997.

⁵⁹ Chow and Xu, *op. cit.*, 26 and Wong (1998), 202 suggest another reason for the state's reluctance to permit bankruptcies: the banks' dependence on the potential interest they derive from the loans that prop up sick firms.

⁶⁰ Observations, street interviews in Wuhan, 1999-2002. Stevenson-Yang, *op. cit.*, 12 claims that provinces were keeping a cap on the official level of unemployment as of 1996, and she takes this as a reason for the limited number of companies permitted to go bankrupt.

⁶¹ 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.

⁶² Asian Development Bank, Country Economic Review: People's Republic of China (N.p., November 2001), 24.

⁶³ Matt Forney and Pamela Yatsko, "No More Free Lunch," Far Eastern Economic Review, 10/16/97, 63.

⁶⁴ Song Xiaowu, Zhongguo shehui baozhang zhidu gaige [The reform of China's social security system] (Beijing: Qinghua daxue chubanshe, 2001), 147.

⁶⁵ Ching Kwan Lee, "From Organized Dependence to Disorganized Despotism: Changing Labour Regimes in Chinese Factories," The China Quarterly (hereafter CQ), No. 157 (1999), 55; Chow and Xu, *op. cit.*, 13.

⁶⁶ See article by Li Hong, China Daily, February 10, 1992, reprinted in Foreign Broadcast Information Service, China Daily Report (hereafter FBIS), February 10, 1992, 27 on the 1986 regulations and the need for revision. For the 1993 set, see Herald Translation Service, Chinalaw Web, <http://www.qis.net/chinalaw/prclaw66.htm>.

⁶⁷ Chow and Xu, *op. cit.*, 60. Xiong Hanxian, "2001 nian wuhan jiuye xingshi fenxi ji duice sikao" [Thoughts on the analysis of Wuhan's employment situation in 2001 and measures to handle it], in Liu Chongshun, ed., Shehui lanpishu: 2002 nian Wuhan shehui xingshi fenxi yu yuce [Social bluebook: The Year 2000 Analysis on and Predictions of Wuhan's social situation] (Wuhan: wuhan chubanshe [Wuhan publishing co.], 2002), 88. Hussain, *op. cit.*, 84 makes the same point on a national scale. He notes that the share of employment in non-public sector firms over the years 1994 to 2000 rose from just 21 percent to a high of 54.9 percent, and yet that most of those working in this sector lack formal labor contracts and are outside the scope of social insurance. It is just those in the "public sector," whose members account for 83 percent of those classified as "staff and workers" who are covered.

⁶⁸ Laoshebu fa [2000] 13 hao [Ministry of Labor and Social Security, Document No. 13, 2000, Laodong he shehui baozhang bu, minzhengbu, caizheng [Ministry of Labor and Social Security, Ministry of Civil Affairs, Ministry of Finance], "Guanyu guanche guowuyuan 8 hao wenjian youguan wenti de tongzhi" [Circular on implementing issues relevant to State Council Document Number 8], Zhongguo laodong [China Labour] 9 (2000), 59.

⁶⁹ Feng Lei, Bao Shenghua, Chen Mengyang, "Liaoning shebao gaige chongguan" [Liaoning's social security reform's important period], Liaowang [Outlook], 11 (2002), 26.

⁷⁰ The Ministry of Labor and Social Service's figures, obtained by surveying enterprises, not individuals, alleged that as many as 979 million workers were paying unemployment insurance premiums

by the end of November 1998, as reported in China Labour Bulletin, Issue No. 56, Sept.-Oct. 2000. For a claim that 98.52 million people were "participants" in this insurance as of end of year 1999, see Laodong he shehui baozhangbu [Ministry of Labor and Social Security], Guojia tongjiju [State Statistical Bureau], "1999 nian laodong he shehui baozhang shiye fazhan tongji gongbao," [Public statistical announcement of the development of the work in 1999 in labor and social security] ZGLD 7 (2000), 52-53 and N.a., "1999 nian shehui baoxian shiye fazhan jiben qingkuang" [The basic situation in 1999's social insurance enterprise's development] ZGLD 5 (2000), 53.

⁷¹ Wang Dongjin, "Shehui baozhang zhidu gaige de zhongdian" [Critical Points on the Reform of the Social Security System], GGNC, No. 10 (2001), p. 4 states that at the end of 2000, the coverage rate for unemployment insurance was 77.7 per cent nationwide. Clearly far from all who are "covered" actually receive funds.

⁷² Guojia jiwei hongguan jingji yanjiuyuan ketizu [State Planning Commission, Macroeconomic Research Group], "Jianli shehui baohu tixi shi wo guo shehui wending de guanjian" [Establishing a Social Protection System is the Key to our Country's Social Stability], NBCY No. 511 (5 May 2000), pp. 10-11.

⁷³ Ding Yuanzhu, "Zujin shehui wending de youguan duice" [Some Measures to Promote Social Stability], LDCY No. 7 (194) (5 March 2001), p. 15.

⁷⁴ Wushunshi zongtonghui falu gongzuobu [Wushun City General Trade Union Legal Work Department], "Guanyu xiangang zhi Gong chu "zhongxin" qingkuang di diaocha" [Investigation of the Situation of Laid-off Staff and Workers Leaving the "Centre"], ZGGY, No. 8 (2001), pp. 8-9.

⁷⁵ Then Premier Zhu Rongji touches on some of these flaws in "Zhu Rongji zongli zai guoyou qiye xiangang zhi Gong 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], Laodong baozhang tongxun [Labor social security bulletin] 3 (1999), 4-7. (dated January 13, 1999), 6-7, as does Lee (1999), 48; and Li Shigeng and Gao Ping, "Shiye baoxian zhidu cunzai di wenti he duice" [Existing issues and how to deal with them in the unemployment insurance system], LDBZTX 6 (2000), 32.

⁷⁶ Yi Wen, "Guoyou qiye di shehui baozhang yu ban shehui wenti" [State-owned enterprises' social insurance and managing social problems], ZGJY, 5 (2000), 7.

⁷⁷ Friedman, *op. cit.*, 158.

⁷⁸ In 1996, 45 percent of state firms were running at a loss; this was the first year in which the state firms as a group lost more money than they earned. See West, *op. cit.*, 7.

⁷⁹ See "Shiye baoxian tiaoli" [Unemployment insurance regulation]: Zhonghua renmin gongheguo guowuyuan ling di 258 hao [PRC State Council Order No. 258], February 3, 1999, ZGLD 3, 1999: 44-45.

⁸⁰ Hussain, *op. cit.*, 98.

⁸¹ The following several paragraphs are slight revisions of material in my article, "Labor in Limbo: Pushed by the Plan Towards the Mirage of the Market," in Françoise Mengin and Jean-Louis Rocca, eds., Politics of China: Moving Frontiers (New York: Palgrave, 2002).

⁸² Hu Angang, "Creative Destruction of Restructuring: China's Urban Unemployment and Social Security (1993-2000)." n.p., n.d., 16-17 notes that in 1999 the ratio of the average living allowance for laid-off workers was 18.5 percent of that of employed workers, while the UI received by the registered unemployed population only amounted to 14.1 percent of employed workers' wages that year.

⁸³ "Nationwide employment project to be launched," FBIS, January 25, 1994, 69, from XH, January, 24, 1994; 'Chengzhen qiye xiagang zhigong zaijiuye zhuangkuang diaocha' ketizu ['Investigation of urban

enterprises' laid-off staff and workers' reemployment situation' project topic group], "Kunjing yu chulu" [A difficult pass and the way out], from Shehuixue yanjiu [Sociology research] 6/97 (reprinted in Xinhua wengao, shehui [New China draft, society] 3/98, 21-28); and 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. In the year 2000, the State Council set up an "economic special project research office," and the Ministry of Labor and Social Security issued a schedule on taking the following five years to close down the reemployment centers and diverting all laid-off people to directly enter the labor market, receiving UI if necessary. This is in Tang Jun, *op. cit.*, 18.

⁸⁴ In a speech at the time, Zhu Rongji claimed that before April 1998 a mere 29 percent of the 10 million people who were laid off from state firms had received their basic livelihood allowance, and that "this is social stability's greatest hidden danger" ("Zhu Rongji zongli zai guoyou qiye xiangang zhi Gong 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], Laodong baozhang tongxun [Labor social security bulletin] 3 (1999), 4-7. (dated January 13, 1999), 6).

⁸⁵ The meeting is discussed in Jingji ribao [Economic daily] (hereafter JJRB), May 18, 1998, 1 and SWB FE 3231, G/3, May 20, 1998, from XH, May 17, 1998. See also "Zhu Rongji zongli zai guoyou qiye xiangang zhi Gong 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], Laodong baozhang tongxun [Labor social security bulletin] 3 (1999), 4-7. (dated January 13, 1999).

⁸⁶ Shen Wenming and Ma Runlai, "Zaijiu yezhong de zhengfu xingwei" [The government's behavior in reemployment], ZGLD, 2/99, 19; Lei Peng, "Zhigong peixun yu jiuye cuzin--chengshi fupin de zongyao" [Staff and workers' training and the promotion of reemployment--the important path in subsidizing urban poverty] Laodong neican [Labor internal reference] (hereafter LDNC), 11/98, 30-31.

⁸⁷ N.a., "Guanyu wuhanshi zaijiuye wenti di diaocha bao" [An investigation report on Wuhan City's reemployment question], probably written around mid-1997, 8; and Wang Baoyu, "Zai jiuye gongcheng renzhong dao yun" [Reemployment Project: the burden is heavy and the road is long]. Unpublished manuscript prepared for the Wuhan City People's Congress (Wuhan, 1997), 8-12.

⁸⁸ Tang Jun et al. (2003), 66 [translated by William Crawford].

⁸⁹ Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" [In reemployment we must go toward marketization] ZGJY, March, 1999, 19 calls the center a product of "a special historical stage, a transitional measure which can solve its special contradictions."

⁹⁰ The three-thirds formula for financing the project is laid down in JJRB, May 18, 1998. Initially the hope was that the local budget would arrange for one third of the funds, the enterprise itself would pay another third, and social donations (including funds from the unemployment insurance pot) the remaining third. Later it became apparent that many local governments were forced (or chose) to turn to the central treasury for help, and many firms were unable to or refused to put in their share. As of June 2002, 93.4 billion yuan had been collected for the allowances since 1998. Of this enterprises raised 23.3 percent, society 19.3 percent (of which, 17.2 percent came from the UI fund) and state financial departments contributed 57.4 percent. See Yang Jianmin, Shi Hanbing, and Lu Ting, "Zhongguo shehui baozhang shiye fazhan zhuangkuang" [The situation of China's social security enterprise], in Ru Xin, Lu

Xueyi, and Li Peilin, 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), 49.

⁹¹ Ibid., 30-31.

⁹² "Zhu Rongji zongli," *op. cit.*, 5.

⁹³ According to n.a., "1998 nian qiye xiangang zhigong jiben qingkuang" [The basic situation of the laid-off enterprise staff and workers in 1998] Laodong baozheng tongxun [Labor and social security newsletter] (hereafter LDBZTX), 1/99, 10, laid-off workers let go by enterprises losing money represented 67 percent of all laid-off workers as of the end 1998.

⁹⁴ According to Zhang Handong, "Dangqian zaijiuye gongcheng de qi da wuqu" [Seven big misunderstandings in the present reemployment project], LDNC 7/98, 27, "to solve the problem of reemployment for the unemployed, the laid-off, and surplus labor, we lack at least 30 million jobs."

⁹⁵ Jingji ribao, May 18, 1998; Gong Li, Kuashiji nanti: jiuye yu shehui baozhang [A difficult issue straddling the century: employment and social security] (Kunming: Yunnan renmin chubanshe [Yunnan people's publishing], 2000), 202-03; and SWB FE/3861, June 8, 2000, G/4, from XH, May 29, 2000.

⁹⁶ Chow and Xu, *op. cit.*, 63. In his manuscript on protests by laid-off workers, Cai Yongshun, *op. cit.*, states that 67 percent of the 724 of them interviewed in his project received no livelihood allowance.

⁹⁷ Wu Bangguo fuzongli zai guoyou qiye xiangang zhigong jiben shenghuo baozhang he zaijiuye gongzuo huiyishang di gongcuo baogao" [Vice Premier Wu Bangguo's work report in the work conference on state-owned staff and workers' basic livelihood guarantee and reemployment work], Laodong baozhang tongxun [Labor social security bulletin] (hereafter LDBZTX) 3 (1999), 8; Yang Jianmin, Shi Hanbing, and Lu Ting, "Zhongguo shehui baozhang shiye fazhan zhuangkuang"

[The situation of China's social security enterprise], in Ru Xin, Lu Xueyi, and Li Peilin, 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), 45, 46; SWB FE/4032, December 29, 2000, G/9, from XH, December 27, 2000; Ming Ruifeng and Chen Feng, "99 yijidu laodong baozhang xingshi tongji fenxi" [An analysis of statistics on the situation in the first quarter of 1999's labor insurance] LDBZTX, 5/99, 22; Zhang Zuoyi tongzhi zai quanguo laodong he shehui baozhang gongzuo huiyishang di jiangjhua [Comrade Zhang Zuoyi-the minister of labor and social security]'s speech in the national labor and social security work conference], LDBZTX, 1 (2000), 5.

⁹⁸ Ming Ruifeng and Chen Feng, "99 yijidu laodong baozhang xingshi tongji fenxi" [An analysis of statistics on the situation in the first quarter of 1999's labor insurance] LDBZTX, 5/99, 22; also, interview with the head of the Wuhan Trade Union branch's social insurance department, September 13, 2000. See also Dorothy J. Solinger, "Why We Cannot Count the Unemployed," CQ, 167 (September 2001), 671-88.

⁹⁹ According to Song Xiaowu, "Dangqian jiuye he shiye baoxian cunzai de wenti yu duice" [Existing problems in present employment and unemployment insurance and measures to deal with them], NBCY 5/12/99, No. 461, 13, in some cities as many as 60 percent of laid-off workers had second jobs even as they continued to collect their basic allowance from their original firms. See also Li Bao and Xie Yongjin, "Yinxing shiye yu `yinxing jiuye,'" [Hidden unemployment and `hidden employment'], ZGLD 4, 1999: 45-47.

¹⁰⁰ Hussain, *op. cit.*, 89.

¹⁰¹ Wang Dongjin, "Shehui baozhang zhidu gaige de zhongdian" [Critical points on the reform of the social security system], Gaige neican [Reform internal reference] 10 (2001), 5; n.a., "2001 nian

laodong he shehui baozhang gongzuo yaodian" [The gist of the labor and social security for the year 2001], Laodong baozhang tongxun [Labor social security bulletin], 2 (2001), 9; Zhang Zuoji, "Guanyu shehui baozhang tixi jianshe di youguan wenti" [Some relevant issues in the construction of the social insurance system], Laodong baozhang tongxun [Labor social security bulletin] 7 (2001), 9-10; and Yang Shengwen, "Kexi de yibu: cong beijing deng bashengshi xiangang zhigong lingqu shiye baoxianjin renshu chaoguo jin zhongxin renshu kan chu zhongxin gongcuo" [A heartening step: look at the work of exiting the center from Beijing and eight provinces and cities' numbers of laid-off staff and workers getting unemployment insurance money has surpassed the numbers entering the center], Laodong baozhang tongxun [Labor social security bulletin] 9 (2001), 27-31.

¹⁰² Li Peilin, "Dangqian zhongguo shehui fazhan de rogan wenti he xin qushi" [Current issues and new trends in social development], 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), 23. Wong (1998) also estimates the total at around 30 million, as of 1997.

¹⁰³ 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 million is calculated without including peasant migrants residing within it unless they had lived there for at least one year.

¹⁰⁴ 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.

¹⁰⁵ See Tang Jun et al., Zhongguo chengshi pinkun yu fanpinkun baogao [Report on poverty and anti-poverty in urban China (Beijing: Huaxia chubanshe, 2003), Table 2-1, p. 46.

¹⁰⁶ See, for instance, Benwen ketizu, [The research group for this document], "Xin shiqi wuhan shehui jieceng jiegou yanjiu" [Research on Wuhan's social structure in the new period], Changjiang luntan [Yangtze Tribune], No. 5 (2002), 24, which states that the average urban income in the year 2000 in Wuhan was 610 yuan per person per month; page 27 says that the average wage income per person among those who have left the village and were working in Wuhan was 340.05 yuan per month. According to Wu Zhongmin, "What is the actual size of China's impoverished population?" Zhongguo jingji shibao, internet version, May 16, 2003, translated in FBIS, the annual income of the peasant migrants was about 6,000 yuan per year as of early 2003. Also, whereas the total urban population was said to be 459 million in the 2000 national census, the official total for the urban population includes some migrants, even though the poverty count for the cities does not. In the 2000 census migrants who had left their homes a full six months before the census was administered were included in the urban population total. See Zhou Yixing and Laurence J. C. Ma, "China's Urbanization Levels: Reconstructing a Baseline from the Fifth Population Census," The China Quarterly, No. 173 (March 2003), p. 187. The result of the discrepancy between the figures for urban population and those for the urban poor mean that we cannot calculate the true percentage of the urban population that is poor, since we have no accurate figures on the numbers of migrants in cities who have resided there for more than six months (Wu Zhongmin, op. cit., says "there are about 100 million farmer-workers today.

¹⁰⁸ Cook (2001), 4.

¹⁰⁹ If there are truly about 100 million "farmer-workers" in the cities today, and if their poverty rate is 15 to 20 percent, that would mean that another 15 to 20 million additional poor people would have to be added to the numerator in reaching an overall percentage of total urban poor (taking the higher figures, we would have about 37 million urban poor + 20 million poor migrants = 57 million poor people divided by a total urban population of 459 million or over 12 percent.

¹¹⁰ In that year, 41 percent of urban households saw an income decline; the same year, to the State Statistical Bureau defined a family living in poverty as one with an income under 5,000 yuan per annum (Wong (1998), 124). At this time per capita income was 6,392 yuan per year, which meant that the average household of just over three members must have had an average of nearly 20,000 yuan per year in 1998 (Chow and Xu, op. cit., 1).

¹¹¹ Cook (2000), 5.

¹¹² Song Xiaowu, Zhongguo shehui baozhang zhidu gaige [The reform of China's social security system] (Beijing: Qinghua daxue chubanshe, 2001), 137-38 reports that the new urban poor population is concentrated among these people: those who worked in state firms that are losing money, have ceased production, or went bankrupt; retired people's families where the support coefficient is high; those who became poor when they fell ill, owing to the high costs of medical care; and those whose term of receiving UI has ended.

¹¹³ Both Wong (1998) and Chow and Xu, op. cit. describe this system.

¹¹⁴ Tang Jun (2003), 245.

¹¹⁵ Song Xiaowu, op. cit., 137-38.

¹¹⁶ Song Xiaowu, op. cit., 139.

¹¹⁷ Tang Jun et al. (2003), 56.

¹¹⁸ Wong (1998), 124.

¹¹⁹ Tang Jun (2001), 2.

¹²⁰ Song Xiaowu, *op. cit.*, 148.

¹²¹ Hussain, *op. cit.*, 54-56.

¹²² Song Xiaowu, *op. cit.*, 149-50.

¹²³ Tang Jun, "The New Situation of Poverty and Antipoverty," report published as a chapter of 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].

¹²⁴ SWB, FE/3016, September 5, 1997, G/6, from XH, September 3, 1997.

¹²⁵ "Guowuyuan bangongting fabu tongzhi: Jiaqiang chengshi jumin zuidi shenghuo baozhang gongzuo" [The State Council Office announces a circular: Strengthen urban residents' minimum livelihood guarantee work], Renmin ribao haiwaiban [People's Daily Overseas Edition], November 19, 2001 (from Xinhua, November 17, 2001).

¹²⁶ Tang Jun et al., Zhongguo chengshi pinkun yu fanpinkun baogao [Report on Poverty and Anti-Poverty in Urban China] (Beijing: Huaxia publishing co., 2003), trans. by William Crawford, 65.

¹²⁷ The dibao is discussed in these terms in Cook (2000) and Elisabeth J.Croll, "Social Welfare Reform: Trends and Tensions," China Quarterly, No. 159 (Sept. 1999): 684-699.

¹²⁸ Song Xiaowu, *op. cit.*, 146-47.

¹²⁹ Hussain, *op. cit.*, 70. It is unclear if this figure includes ad hoc subsidies to regions and firms in special difficulty or whether it pertains only to

a fixed arrangement entailing dividing up shares between administrative levels. See also "Circular from the State Council General Office on Further Enhancing Work on the Minimum Livelihood Guarantee for Urban Residents," Xinhua November 17, 2001, in FBIS-CHI-2001-1117.

¹³⁰ Tang Jun (2002).

¹³¹ The provincial-level units that did not receive subsidies were Shanghai, Beijing, Shandong, Jiangsu, Zhejiang, Fujian and Guangzhou,

¹³² Tang Jun (2002).

¹³³ Duckett (2003), ms. copy, 13, based on a statement made by Hu Angang which was cited in the South China Morning Post, August 10, 2002. For a few announcements of these increases, see SWB FE/3903, July 27, 2000, G/8, from XH, July 26, 2000; Information Office of the State Council of the People's Republic of China, "Labor and Social Security in China." Pamphlet, Beijing, April 2002; SWB FE/3721, December 18, 1999, G/5, from Zhongguo Jingji shibao [Chinese economic news], December 6, 1999; SWB FE/4092, March 11, 2001, G/5, from XH, March 10, 2001.

¹³⁴ Feng Lei, Bao Shenghua, Chen Mengyang, "Liaoning shebao gaige chongguan" [Liaoning's social security reform's important period], Liaowang [Outlook], 11 (2002), 26.

¹³⁵ James Kynge, "Beijing budget shifts emphasis to help the poor," Financial Times, March 7, 2003.

¹³⁶ Song Xiaowu, *op. cit.*, 143-44.

¹³⁷ Xinhuanet, 7/19/2002, Beijing. Thanks to Jane Duckett for giving me this citation.

¹³⁸ Hussain *op. cit.*, 69-71; Jane Duckett, "State self-earned income and welfare provision in China," Provincial China, 7, 1 (April 2002), 1-19.

¹³⁹ Xinhuanet, July 19, 2002.

¹⁴⁰ Song Xiaowu, *op. cit.*, 148.

¹⁴¹ "Bian yingde shouru wei shiji shouru; dibao shouru keshi zhengce zuochu tiaozheng" [Change the income owed into real income; readjust the verification policy of the minimum livelihood guarantee], Xinhuanet, 2002-10-24 (http://news.xinhinnet.com/newscenter/2002-10/24/content_607113.htm). Also, Cook (2000), 8 and Kuai Lehao, "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. Thanks to Wang Shaoguang for sending me this article.

¹⁴² The program's history in the 1990s, as it passed through four phases of expansion, is detailed in Tang Jun et al. (2003).

¹⁴³ N.a. "Woguo chengshi jumin zuidi shenghuo baozhang wang chubu xingcheng" [The initial formation of our country's urban residents' lowest livelihood guarantee network] LDBZTX 2 (2000), 30.

¹⁴⁴ Wu Yan, "Laid-off workers to get extra pay," China Daily, August 31, 1999.

¹⁴⁵ Tang Jun, "The Report of Poverty," 17; Tang Jun (2003), 243-44; "Touren 54.2yi: woguo yi you 1000duo wan ren xiangshou zuidi shenghuo baozhang" [Invested 5.42 billion: our country already has more than 10 million people enjoying minimum livelihood guarantee], Xinhua 02/24/02.

¹⁴⁶ Tang Jun (2003), 245.

¹⁴⁷ Hussain, *op. cit.*, 78.

¹⁴⁸ "Circular from the State Council General Office on Further Enhancing Work on the Minimum Livelihood Guarantee for Urban Residents," XH 11/17/01, in FBIS-CHI-2001-1117.

¹⁴⁹ Wu Zhongmin, *op. cit.*

¹⁵⁰ See references to the numbers of urban dwellers living in dire poverty above.

¹⁵¹ It is ironic that one analyst in China has labeled the landslide in the state firms' economic results to be the biggest restriction on the development of the social security system (Yi Wen, "Guoyou qiye di shehui baozhang yu ban shehui wenti" [State-owned enterprises' social insurance and managing social problems], ZGJY, 5 (2000), 7), while others have said that without a social security system, state enterprise reform cannot go forward (Tang Jun (2003), 243 quotes Zhu Rongji as having said that, "The dibao is very significant in supporting social stability, and guaranteeing state enterprise reform"; then Governor of Liaoning province, Bo Xilai is quoted as remarking that "It is impossible for economic restructuring to go ahead without a sound social security system" (in SWB FE/4092, March 11, 2001, G/6, from XH, March 10, 2001).

¹⁵² N.a., "Xianji, xiance: Jianli zhongguo tese di jiuye baozhang tixi" [Offering advice and suggestions: Establish an employment insurance system with Chinese characteristics], ZGJY, 4 (2000), 4-9; Yi Wen, *op. cit.*, 7; and Chen Zhongyi, "Shiye baoxianfei zhengjiao you "shi nan" [10 difficulties in collecting unemployment insurance fees], Laodong baozhang tongxun [Labor social security bulletin] 5 (2001), 32, for a few examples of many treating these issues.

¹⁵³ Mark W. Frazier, "The Unfunded Mandate of Heaven: The Center, the Cities, and the Politics of Pension Reform in China." Paper presented at the Annual Meeting of the American Political Science Association, Boston, August 29, 2002, 20-23 discusses these problems with regard to establishing provincial-level pooling of pension funds.

¹⁵⁴ Cook (2001), 18.