

The Precarity of Layoffs and State Compensation:
The Minimum Livelihood Guarantee
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Why do we hear only about the tens (or hundreds? ...sometimes) of Chinese people (always rural people, especially those residing in designated poor counties) “lifted out of poverty” by the policies of the government? Or sometimes just about the surging numbers of the “new middle class?” Or else, often enough, about the famous urban-rural income split—which suggests that all those in urban areas, if blessed by holding urban household registration, are well off? ... But never, never do we hear about the poverty and attendant precarity the state itself has engendered which is found in the cities. This is a destitution whose victims the state makes just a token effort to sustain alive, but who, it’s clear, will not escape this manufactured indigence, nor will their offspring. How many of them are there and why did this transpire?

It is easier to document the regime choices and the process that produced this outcome, and to describe the program intended to maintain the stasis than it is to estimate the numbers affected. But dozens of millions would be a fair guess. The choices had much to do with China’s reach into global competition and modernity, as spurred by its preparation to enter the World Trade Organization in the late 1990s. And so it rightly fits within the rubric of the precarity that can attend the life of laborers in China and around the world. That reach was combined temporally with a leadership diagnosis of the failure of the planned economy, of its lack of fit with the modern world

market, and of the responsibility of planning for driving huge numbers of state-owned firms into the red by the mid-1990s.

As a consequence of those glances both ahead and into the past, on the eve of China's joining the WTO the decision makers at the helm of the state determined that firms losing money were not just a significant drain on the state budget, but besides, and perhaps even more critically, were incapable of competing in the world market, with their unskilled workforces and their obsolete technology, and should be shuttered, with their workers dismissed from their jobs in droves. Figures vary, but in recent years most observers agree that the total of those let go all at once could well exceed 60 million.

So a project termed "enterprise restructuring" was set into motion over the years 1997 to 1999, which amounted to throwing the smaller firms and those in non-strategic sectors to the market (which often meant sudden bankruptcy), permitting the more successful enterprises to take over what was of value in the weaker ones, by way of mergers or buyouts. Complex arrangements sometimes ensued. But the upshot for my purpose here is to pronounce that mass unemployment, in the range of many many millions of older (over age 35!) workers, whose education was deficient because of the closure of schools during the Cultural Revolution, were deemed worthless, and often were forced to make do on their own. Certainly, a huge increase in urban poverty occurred (perhaps in the range of some 15 to 20 percent of the urban population, if dependents of the laid-off are included), and nothing has seriously been done to remove this blight.

A hastily-assembled plan called the “Reemployment Project” [再就业工程] was put into action in 1998 that was to be underwritten by enterprises, localities and “society,” and that was supposed to supply training, find jobs, and distribute “basic livelihood allowances” for the furloughed. But in fact, many workers received no funds, and even for those who did the amounts they got were grossly inadequate. Moreover, indebted or bankrupt firms were not able to contribute to the collections, and the rate of reemployment even after a few years fell below 20 percent.

Workers’ response was to protest vociferously in many cities, disrupting traffic, business, and local administrations. Central leaders understandably became anxious, first about the instability itself, and then about what they deemed the likely impact on their visions of enterprise “reform” and the chances such disorder might spell for discouraging foreign investment. Political elites’ judgment was that a “tranquilizer,” in the form of a “minimum livelihood allowance,” the *zuidi shenghuo baozhang*, or *dibao*, for short 【最低生活保障】, was to be provided for all urban citizens whose families’ average household income fell below a locally-set poverty line. Thus the leadership expanded a scheme pioneered in Shanghai in 1993, decreeing that it was to be adopted in every city by the fall of 1999. Very trivial sums were dispensed, both nationally (as a percent of gross domestic product (GDP)) and to individuals (as compared with their cities’ average levels of disposable income).

The program is means-tested, meager and stigmatizing. It entails cash transfers, requiring no contributions, but it also sets no conditions, such as demanding that mothers ensure that their children see doctors and go to school (as is the case for such transfers elsewhere in the world). Thus, it seems indifferent as to whether it laid out a path to eventual, inter-generational departure from penury.

As of mid-2000, near the birth of the program, about 4 percent of the urban populace was being served, a percentage that remains pretty much the same today nationally. But at that time independent investigators figured that something like twice that percentage of the people had net incomes below the poverty line in their own cities. More than that, a frequently bemoaned “preference for friends and relatives” has placed the allotments into hands that do not deserve it, while often enough those who do are overlooked.

In addition, as the years rolled on, by the end of the decade able-bodied unemployed people were advised to find work for themselves, even as the labor market was decidedly unfriendly to these “aged,” under-educated, and sometimes disabled or ill once-workers. Many too were unable to leave their homes as they had no choice but to tend to their own sick or unfirm relations or their young, since their scant incomes prohibited them from hiring any help.

Some data in table form will help to throw this qualitative information into perspective (see Tables One, Two, Three). For purposes of international comparison, in China, the urban *dibao* amounted to 0.1 to

0.14 percent of GDP, on average as of 2015, the last year for which we have figures. Also in that year, expenditures for the urban and rural *dibao* combined represented just 0.2 percent of GDP. In Latin America, by way of contrast, in the early 2000's, as much as 0.5 to one percent of GDP was spent on targeted poverty programs and 2.5 percent of GDP went to cash transfers. In 2013 there, expenditures on anti-poverty programs went from one to two percent of GDP in various countries. And in Indonesia, the rate was 0.5 percent of GDP.

Beneficiaries' perspective

How do the recipients themselves experience their situation? These typical excerpts from interviews with a few of them reveal the state in which they struggle to get along. When asked what they would like to see the government do for them, here is a dialogue one pursued with an interviewer:

Recipient: First, supply some regular jobs; second, when you do a little business, shouldn't the government's policy tilt to you? If the government doesn't help, we certainly don't have the strength to assist ourselves.

Interviewer: To help the *dibaohu* [the recipients of the *dibao*], throw off poverty, are jobs are the root cure ?

Recipient: Yes. Otherwise, just give more money, but it's not possible, giving us one third of the average wage is not possible. If the state's finance really has this ability, why can't it adjust employment policy? I feel at the

present stage the state should raise [our allowance] a little, at present price inflation is so severe! The prices of so many things have risen, how can this be tolerated? *Dibaohu* already are very low on money, you could give them a little more. Public officials and government cadres don't care about inflation, if you give them 200yuan [at the time of the interview, that would have been about \$25], or 500yuan it won't count for much. But for the *dibaohu*, if you give them 10 yuan or 20 yuan it has a function. But the state can't simply give you more money, so I say it's employment. Really getting rid of the *dibao* would be good, instead having some stable work, isn't that even better!

The program is often suspect because people assume that it enables laziness and a reluctance to work. And yet other interview subjects agreed with the one above. A man in Guangzhou in 2010, a beneficiary of the program who was half-paralyzed and had both high blood pressure and diabetes still wished to work. Here are his words:

“Because I'm too old and sick, if you were a boss you wouldn't look for a 40+-year-old sick person, it's this simple.” And another in the same city at the same time declared that: “Everything requires a high educational background, I only have primary school education, naturally they won't hire me, talented people are numerous, they won't take me. You say go sell things, that needs start-up money [本钱], private businesspeople won't hire us, private bosses have no reason to ask a sick, old person to work, right?”

“I've tried to find work, no use, no one hired me, I'm too old, and I'm

sick. The main reason is sickness, when the boss hears you're sick he won't want you; being young is much better, that's how it is."

A Cultural Explanation

Once laid off from enterprises, older workers are seen as of no use. So it is felt that it is best to keep them barely alive, but not a part of society, stuck and unemployed in their homes, out of sight. Don't waste resources, let them die off, is the implicit message.

So let's view the laid-off, sick, and older urban people as metaphors for Mao's society; those people, along with that society, should be obliterated, it seems. The market is modern, and the market can't absorb them. Modern is middle class: they and their children can't reach it. And...there has been no talk and no effort to get them to break out of poverty, as an inter-generational cycle of poverty gears into motion.

Thus, we can view the future as a beautiful dream, the past as a nightmare, filled with bad, black dreams..of prevalent poverty, backwardness, obsolescence. The poor are the antithesis of the dream, of the market, of economic growth, progress, and glory. When multitudes of the old "masters" of society (as labor was so labeled in the past) raged in the roads, the *dibao* was to take care of them, it calmed them down. But a policy devised for stability waned as the beneficiaries went back home, out of sight. So as the project achieved its purpose, its funds have diminished, relatively speaking. And this is the tale of poverty and the form of precarity that is never told.