

Jobs and Joining:  
What's the Effect of WTO for China's Urban Employment?

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On December 11, 2001, after fifteen years of tortuous and often tense negotiations, China formally joined the World Trade Organization. The governments and the media in both the U.S. and China hailed this juncture pretty much as a cause for unmitigated rejoicing. Indeed, ever since the two parties signed their own bilateral agreement 25 months earlier, the publicity in both nations had been almost nothing but positive, with much of the informed population in both places quite satisfied.

For instance, a survey of 1,023 respondents among the social elite in China's three premier cities (Beijing, Shanghai, and Guangzhou) conducted in July and August 2001 by Asia Market Intelligence found that, "The overall feeling among China's elite is that their country's accession to membership of the world's main business club will boost prosperity in general."<sup>1</sup> Once having joined, China, it appears, was set to become much more modern and affluent. At any rate, as many press releases and journal articles penned in the country proclaimed, "Entering is a necessary choice in our development"; "the trend of economic globalization is a necessity for the global economy"; and our joining "conforms with the currents of history," to quote from just one very typical source.<sup>2</sup>

As for the U.S., American products will be able to enter China free of most of the barriers set up against them in the past, and American investors will no longer have to suffer discriminatory restrictions and requirements once they receive national treatment in sales, purchasing, distribution, transport and use. The press--especially when quoting the negotiators and

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<sup>1</sup> See Nury Vittachi, "Major Changes are Looming," Far Eastern Economic Review (hereafter FEER), October 18, 2001, 50. Over 70 percent of those queried replied in this way. See also Benkan yu zhongyang dianshitai xinwen pinglunbu gongtong juban, [this journal and Central Television News Commentator Department jointly run], "Zhongguo jiaru WTO renyi diaocha baogao" [Report of a survey of people's opinions about China entering the WTO], Liaowang xinwen zhoukan [Outlook Weekly] (hereafter LXZ), 45 (November 5, 2001), 20, reporting on a survey in six major cities, which found that, "the higher the education and the lower the age, the more people think their own livelihood will improve" following China's entry into the WTO.

<sup>2</sup> Yin Zengtao, "Zhongguo jiaru shijie maoyi zuzhi dui Wuhan jingji de yingxiang ji duice" [The influence on Wuhan's economy of China entering the World Trade Organization and countermeasures], Shehui kexue dongtai [Social science trends] (hereafter SHKEDT) 6 (2000), 35.

the top leaders on both sides--have told us repeatedly that what has been achieved is a "win-win" deal.<sup>3</sup>

But this so rosy picture turns much more bleak when the plight of the former state-employed workforce is surveyed. A much-touted "win-win" scenario can be supported, I will argue, only if a large portion of the perhaps 45 to 60 million laborers already "laid-off" in the past half decade or so, along with the millions more to follow, are simply discounted altogether. Shockingly, the investment bank Salomon, Smith, Barney has predicted that as many as 40 million people could lose their jobs in the first five years after entry.<sup>4</sup>

While entering the World Trade Organization will not by itself create joblessness de novo, it will contribute to the acceleration and the intensification of a number of trends already underway: by heightening competition, the growing insolvency among state firms; by demanding higher quality labor, underlining the unsuitability of the original urban workforce for the employment posts on offer and their replacement by technology, while better educated and younger employees move into newly created slots; and by its elimination of a number of agricultural markets, the progressively rising inroads of rural labor into the urban job market. All of these tendencies mean--and have meant for several years now--the discharge and irrelevancy of tens of millions who years or even decades ago were schooled by the once-socialist state to count on a steady job and secure welfare for their entire working lives. These trends also portend, as time goes on, a drying up of opportunities for making a living in the city, not just for these people, but also for the offspring of the presently laid-off, and for urban-bound farmers as well.

In this paper I provide some background for the mounting redundancies in China's cities, in the process substantiating the claims I have made just, and then go on to explode five myths about the job-creation potential for China of its entry into the WTO, explaining in turn why each of them is unlikely to be borne out. I next quickly present some of the ways in which the Beijing

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<sup>3</sup> On January 10, 2000, U.S. President Bill Clinton gave a White House briefing on "China and WTO," in which he announced, "Bringing China into the WTO is a win-win decision. It will protect our prosperity, and it will promote the right kind of change in China. It is good for our farmers, for our manufacturers, and for our investors. Encouraging China to play by international rules, I say, again, is an important step toward a safer, saner world" (Federal News Service). On the Chinese side, just for one instance of many, the Xinhua News Agency published a story on a speech by Cai Fangbei, Vice Chairman of the Foreign Affairs Committee of the National People's Congress, in which he said, "China's entry into the WTO will be a win-win situation, because this will not only benefit China but other WTO members" (Xinhua General News Service, January 18, 2001).

government is essaying to cope with what it surely knows to be likely and ominous realities behind these beliefs. Finally, I explore the potential fallout that could come with the failure--or even just the partial fulfilment--of these state initiatives.

### **Background: The recent past and the current situation**

#### Policies

Beginning in the mid-1990's the government has enforced a policy of cutting back the workforce in a chase after efficiency. In late 1996, following the economy's successful "soft landing" from a hazardous spate of high inflation, the leadership returned to its program of state enterprise reform, which had been on hold for several years.<sup>5</sup> At this point, it endorsed a new policy, entitled "grasping the large and letting go the small" [zhuada fangxiao], that amounted to selling off the small-scale state-owned firms, and frequently leaving their employees wholly to their own devices.<sup>6</sup>

Soon after, at a January 1997 State Council National Work Conference on State Enterprise Staff and Workers' Reemployment, attendees were told that solving their firms' difficulties depended upon enterprise reform, system transformation, cutting staff, normalizing bankruptcies, and encouraging mergers.<sup>7</sup> Later that year, at the September convening of the Fifteenth Party Congress, a policy already enunciated at the January meeting--"to cut the

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<sup>4</sup> "WTO Cost: 40 Million Jobs," FEER, October 5, 2000, 10.

<sup>5</sup> H. Lyman Miller, "Institutions in Chinese Politics: Trends and Prospects," in Library of Congress, China's Future: Implications for US Interests: Conference Report (Washington, D.C., September 1999), 45.

<sup>6</sup> Joseph Fewsmith, "China in 1998: Tacking to Stay the Course," Asian Survey XXXIX, 1 (1999), 100.

<sup>7</sup> Yang Yiyong et al., Shive chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, n.d. (probably 1997)), 220. According to Minister of Labor and Social Security, 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] (hereafter LDBZTX) 7 (2001), 8, between 1998 and 2000 more than 1,800 state enterprises were merged or [formally, officially] went bankrupt. The numbers that collapsed unofficially, and so go unrecorded, is much larger.

workforce and raise efficiency" [jianren zengxiao]<sup>8</sup>--became the watchword in labor relations, a slogan that has stuck ever since. Party head Jiang Zemin delivered a political report that in effect authorized dismantling the state sector, in his insistence that socialism in China could persist even without the dominance of state ownership.<sup>9</sup> At the close of the year, the Ministry of Labor's National Work Conference announced, apparently with much chagrin,

Dismissing and laying off workers is a move against our will taken when we have no way to turn for help, but also the only way to extricate ourselves from predicament.<sup>10</sup>

### Causes

While renowned Chinese economist Hu Angang has pointed to firm losses as, alternately, the "direct cause" or the "main cause" in the production of an increase in lost jobs,<sup>11</sup> he also uncovered five deeper roots of the phenomenon in an earlier piece. In addition to such deep-rooted operational problems as duplicated construction and a lack of capital funding, he listed massive industrial restructuring, leading to structural unemployment as China's economy shifts away from traditional, or sunset industries, such as manufacturing, mining, and construction. A third factor has been technical progress, which meant the replacement of much unskilled human labor by technology and the comparatively far fewer skilled workers needed to run it.

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<sup>8</sup> At a January 1997 State Council National Work Conference on State Enterprise Staff and Workers' Reemployment, attendees were told that solving their firms' difficulties depended upon enterprise reform, system transformation, cutting staff, normalizing bankruptcies, and encouraging mergers. This is noted in Yang Yiyong et al., Shiye chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, n.d. (probably 1997)), 220.

<sup>9</sup> Miller, op. cit., 45.

<sup>10</sup> Ming Pao [Bright Daily], December 19, 1997, in Summary of World Broadcasts (hereafter SWB) FE/3107 (December 20, 1997), G/7.

<sup>11</sup> Hu Angang, "Kuaru xin shiji de zuida tiaozhan: woguo jinru gao shiye jieduan" [The biggest challenge straddling the new century: our country will enter the stage of high unemployment], Zhongguo kexueyuan, Qinghua daxue guoqing yanjiu zongxin [Chinese Academy of Science and Tsinghua University National Conditions Research Center], No. 48, July 9, 1999, 13 and Hu Angang, "Employment and Development: China's Employment Problem and Employment Strategy," No. 6 National Conditions Report (Beijing: National Conditions Analysis and Study Group of the Chinese Academy of Sciences, April 30, 1998), 16. In Hu Angang, "Creative Destruction of Restructuring: China's Urban Unemployment and Social Security (1993-2000)." n.p., n.d., 28, he notes that the percentage of layoffs in state firms that have occurred because of firm losses is 60 percent.

A fourth critical element has been China's ongoing transition to a market economy, with, despite the rapid rise of non-state firms, has entailed an inability of the economy even to begin to absorb all of those spit out from the obsolescent state-owned enterprises. And Hu's last point in his list is the capital deepening or rising capital intensity of the past decade, with wages rising and capital input increasing far faster than employment growth.<sup>12</sup> Put differently, Hu summarized the overall outcome of these factors in adjudging that, "The problem is the mismatch between what they [older state workers] learned and what the labor market demands--because of large-scale structural readjustment."<sup>13</sup>

Yet one more consideration is China's own, intentional growing integration into the global economy. Throughout the 1990's, state firms began suffering crippling losses and even collapsing in greater and greater numbers<sup>14</sup>--their former workers often unaccounted for and abandoned--in part as a result of competition from the increasingly challenging nonpublic firms at home, but also to a growing degree the effect of mounting competition from imports. In this sense, China has already become prepared for entry into the WTO to a certain extent; but looked at from another angle, what has happened already can be viewed as a portent of processes yet unfolding faster with entry.

Throughout the late 1980's and 1990's, first from a desire to enter the General Agreement on Trade and Tariffs, then in preparation for inclusion into the World Trade Organization (which succeeded the GATT in 1995), China initiated structural changes in its foreign trade system, phased out direct subsidies for exports, and began cutting tariffs on thousands of categories of

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<sup>12</sup> Hu Angang, "Employment and Development," 14-17.

<sup>13</sup> Hu, "Kuaru xin shiji," 7; or, as characterized by Thomas G. Rawski, "Recent Developments in China's Labor Economy." Ms. (Pittsburgh, January 2002), 19, a "structural mismatch between the supply and demand for workers."

<sup>14</sup> According to David M. Lampton, Same Bed, Different Dreams: Managing U.S.-China Relations, 1989-2000 (Berkeley: University of California Press, 2001), 177, state firm losses grew from 34.9 billion yuan in 1990 to 74.4 billion seven years later, due to growing competition from nonstate enterprises and to imports, as well as from rising input costs resulting from progressive price deregulation. Hu Angang, "Employment and Development," 16, states that firm losses in 1997 amounted to 79.1 billion.

merchandise, and eliminated quotas on many products.<sup>15</sup> By 1997, the country's average tariff rate had been brought down from about 43 in 1994 percent to 17 percent in just three years; by the time of entry at the end of 2001, the overall average was just 15 percent.<sup>16</sup> The impact on domestic industry was alluded to by one of my unemployed informants in the medium-sized Sichuanese city of Zigong,<sup>17</sup> who bemoaned in late 2001 that, "A lot of factories have gone bankrupt because people prefer foreign-made electronics."<sup>18</sup>

And continued growth in the labor force, which did not begin to slow down until the late 1990's--with approximately 10 million new potential laborers entering the labor force each year throughout most of the decade--combined with a decline in the employment elasticity accompanying growth in gross domestic product (GDP),<sup>19</sup> and the continuous immigration for work into the cities of surplus rural labor,<sup>20</sup> all also have contributed to the surfeit of people searching for jobs in China's urban areas since the mid-1990's.<sup>21</sup>

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<sup>15</sup> Margaret M. Pearson, "China's Integration into the International Trade Regime," in Elizabeth Economy and Michel Oksenberg, ed., China Joins the World: Progress and Prospects (NY: Council on Foreign Relations, 1999), 169, 176; idem., "The Case of China's Accession to GATT/WTO," in David M. Lampton, ed., The Making of Chinese Foreign and Security Policy in the Era of Reform, 1978-2000 (Stanford: Stanford University Press, 2001), 343.

<sup>16</sup> Lampton, Same Bed., 181-82; Nicholas Lardy, Financial Times, March 15, 2002.

<sup>17</sup> Its population was 1.057 million at the end of 1999 (Zhongguo chengshi fazhan yanjiuhui [Chinese urban development research committee], Zhongguo chengshi nianjian 2000 [Chinese urban yearbook 2000] (Beijing: Zhongguo chengshi nianjian chubanshe [Chinese urban yearbook publisher], 2000, 110.

<sup>18</sup> Interview, November 3, 2001.

<sup>19</sup> Hu Angang, "China's Present Economic Situation and its Macro-Economic Policies," (N.p.: RAND-CHINA REFORMFORUM CONFERENCE, November 29-30, 2001), 10, states that whereas during the 1980's jobs grew at the rate of nine percent annually, during the Ninth Plan period (1995-2000), the growth rate of employment fell to just .9 percent.

<sup>20</sup> According to Hu Angang, workers with rural household registration accounted for just 7.8 percent of new urban jobs in 1979, but this proportion had risen to 29.85 percent by 1996 (Hu, "Employment and Development," 7).

<sup>21</sup> Zhongguo sheke yuan "shehui xingshi fenxi yu yuce" ketizu [Chinese social science academy "social situation analysis and prediction" research group], "2001 nian zhongguo shehui xingshi de shige zoushi" [Ten trends in China's 2001 social situation], Lingdao canyue [Leadership consultations] (hereafter LDCY), 1 (190), 2001, 8; Li Peilin, "21 shiji de tiaozhan: Zhongguo jiuye shichang di xingcheng he laodong guanxi di biandong" [The challenge of the 21st century: China's employment market's form and changes in labor relations],

## Counts

The number of workers already dismissed from their posts as of early 2002 as a result of the post-1997 Party policy, enterprise losses, and surges in imports can only be guessed at. Probably the most severe obstacle in reaching an accurate count is that it is up to the firms themselves to report their number of layoffs to their local labor departments. A *xiangang*, or "laid-off" worker is, properly speaking, one who previously worked in a state-owned firm but who, because of the firm's problems in business, no longer has work to do, yet still retains labor relations with that firm and has not yet obtained new employment.<sup>22</sup>

But since according to a definition current in 2001,<sup>23</sup> the term is utilized to refer just to those who have entered a firm's "reemployment service center,"<sup>24</sup> those myriad of workers whose firms have simply disappeared and whose managers have not been permitted to declare bankruptcy<sup>25</sup> will not be reported to the authorities.<sup>26</sup> Moreover, while the number does not

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www.cass.net.cn/s09\_shx/jpdd/1p1/daolunzhongbaog.html states that from 1990-1997, China's gross domestic product grew at an average rate of 11.2 percent, while employment's annual average growth rate was just 1.2 percent, and that about 10 million new labor-age people entered the job market each year.

<sup>22</sup> Guo Jun, "Guoyou qiye xiangang yu fenliu you he butong?" [What's the difference between laid-off and diverted workers in the state firms?] *Zhongguo gongyun* [Chinese workers' movement] (hereafter *ZGGY*), (3) 1999, 32.

<sup>23</sup> Interview with official at the Wuhan branch of the All China Federation of Trade Unions, October 31, 2001. According to this official, to be labeled a laid-off worker, the person must be from a state firm, have received a basic living allowance, and have entered a reemployment service center.

<sup>24</sup> Each firm that has laid off some or all of its workers is supposed to create a "reemployment service center," to which its *xiangang* workers are to be entrusted for a period up to three years. The center is to provide a basic living allowance [*jiben shenghuofei*], again, for up to three years, using funds donated by the enterprise, and, where this is not possible, from the city's financial departments and/or banks, and, if an enterprise has contributed to the city's unemployment insurance fund, from the fund. Second, the center is also to train the workers for a new occupation, and to help them locate new work posts. And third, the center should contribute to the pension, medical, and social security funds on behalf of each laid-off worker entrusted to it. See Yang Shucheng, "Zaijiuye yao zou xiang shichanghua" [In reemployment we must go toward marketization] *Zhongguo jiuye* [Chinese unemployment] 3 (1999), 19, for one description.

<sup>25</sup> Linda Wong, in *Marginalization and Social Welfare in China* (London: Routledge, 1998), 202, explains that there are two principal reasons why the state often refuses to permit firm bankruptcies: a lack of funds for fulfilling the requisite compensation funds as demanded in the bankruptcy law, and that local state bankers, as major stakeholders, hope that the continued existence even of heavily indebted firms might one day pay off in loans recouped.



count those allegedly "reemployed," the very concept of "reemployment" as used in China today is exceedingly slippery and unreliable.<sup>27</sup>

A mid-1999 report written in Hong Kong claimed that some government officials believe the real number of workers who should be counted as unemployed—including all those currently labelled "as waiting for work" but not included in the unemployed statistics—could be as high as 100 million.<sup>28</sup> The highest published figure as of early 2002 is one based on the State Economic and Trade Commission's summary of the developments in employment during the Ninth Plan period (1995-2000), when, it noted, nationwide, 31 million fewer people were working in the state-sector firms and over 15 million fewer in the urban collectives.<sup>29</sup> This reckoning probably does cover not only those "laid off" properly defined, but also the so-called "unemployed": those whose firms have disappeared, whether through formal bankruptcy, mergers, or simple, unattended collapse.

While these figures simply show that a certain number of people have left formal jobs, they do not demonstrate that those jobs that still remain continue to be filled by the same persons who filled them five years earlier. Indeed, there is a strong chance that rural workers have taken the spots of urban ones in some untold number of enterprises. As early as mid-1993, the official

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<sup>26</sup> I elaborate on this point as I discuss the difficulties of estimating the total numbers who have lost their workposts in the past decade and of the numbers currently without real jobs in Dorothy J. Solinger, "Research Note: Why We Cannot Count the 'Unemployed,'" *China Quarterly* (hereafter *CQ*), 167 (2001), 671-88.

<sup>27</sup> In my interview at the Wuhan City General Trade Union's Professional Introduction Service Center [zong gonghui zhiye jieshao fuwu zhongxin], September 13, 2000, I was told that once a month the number of newly employed people is calculated. At the end of the year these figures are added up, eliminating from the total those jobs that are known to have ended, which is about 30 percent of them. But the count is of times someone has taken a job, not of the actual numbers of separate people getting a new job, so that the count for a given person who landed three short-term postings in a year would be tabulated as three.

<sup>28</sup> William H. Overholt, "China in the Balance," Nomura Strategy Paper, Hong Kong, May 12, 1999.

<sup>29</sup> N.a., "Jiuye jiegou zhuanbian, jiuye xingshi yensu: 2001 nian shengyu laodongli 1400 wan ren" [Transformation of the employment structure, the employment situation is serious: in 2001 there were 14 million surplus laborers], LXZ [Outlook Weekly], 46 (November 12, 2001), 15.

People's Daily was writing that state firms had "fallen in love with" peasant labor, because of all the money this could save them.<sup>30</sup>

Nor do those figures reveal that the hiring of new, younger workers to fill some of the remaining positions very likely was made possible by an accelerated and mandatory retirement of older ones who had been occupying the very same slots earlier. Besides these uncertainties, while the official count of unemployed and laid-off people for the year 2000 amounted to under 12 million,<sup>31</sup> an internal report suggested that some think the total of the laid off and the unemployed combined was closer to 60 million as of mid-2001.<sup>32</sup>

Attempting to extrapolate the total numbers of the current jobless from a total count of those dismissed or resigned from their original posts is complicated because some of those dismissed have found something to do to survive. Sometimes this is work that is highly compensated and rather stable (if their educational level is high and their age relatively low). But surveys in China do not suggest that the numbers of such people are significant.

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<sup>30</sup> Renmin ribao (hereafter RMRB), July 17, 1993 (thanks to Thomas Heberer for showing me this article). As the numbers of urban people who had lost their jobs rose, new regulations appeared dividing jobs into three categories--those for which peasants are not permitted to be hired, those for which peasants can be hired only if there is insufficient urban labor supply, and those for which they cannot be hired--first promulgated in 1995 in Shanghai and elsewhere at the urban level and reinvigorated in 1997 and 1998 (Foreign Broadcast Information Service, February 23, 1995, 68; March 16, 1995, 33; April 10, 1995, 46; and June 28, 1995, 81 for some of the earlier rulings; see Xiao Lichun, "Shanghai shiye, xiagang renyuan xianzhuang ji fazhan qushi" [Shanghai unemployment, laid-off personnel's situation and development trend] Zhongguo renkou kexue [Chinese population science] 3 (1998), 26-37; Beijing daxue zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu [Beijing University Chinese Economy Research Center Urban Labor Market Task Group] (hereafter, Beijing University), "Shanghai: Chengshi zhigong yu nongcun mingong di fengceng yu ronghe" [Shanghai: Urban staff and workers and rural labor's strata and fusion] Gaige [Reform] 4 (1998), 99-110.

<sup>31</sup> Qiao Jian, "Jiaru WTO beijingxia de zhongguo zhigong zhuangkuang" [The condition of China's Staff and Workers against the background of entering WTO], in Li Peilin, Huang Ping, Lu Jianhua, eds., 2001 nian: Zhongguo shehui xingshi fenxi yu yuce [Year 2001: Analysis and forecast of China's social situation]. (Beijing: shehui kexue wenxuan chubanshe [Social science documents publisher], 2001), 315 claims that at the end of June 2000 the total was 11.2 million. 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], LDBZTX, 6 (2001), 36 notes 6.57 million laid-off as of the end of 2000, but Wang Dongjin, Deputy Minister of Labor and Social Security, referred in February 2001 to "some 20 million laid-off workers" (Reuters, "China to Lay off 6.5 Million Urban workers a Month," Inside China Today, February 16, 2001).

<sup>32</sup> Wang Depei, "'San min' yu `erci gaige'" ['Three people' and `the second reform'], Gaige neican [Reform internal reference] (hereafter GGNC), 7 (2001), 25.

For instance, in a 10-city investigation undertaken by the planning and financial affairs section of the Ministry of Labor and Social Security in June 2000, over 36 percent had been out of work for more than three years, and 48.5 percent for periods ranging from one to three years. That same study found that 88.73 percent reported that their income had fallen, with 56 percent admitting to a monthly income of under 300 yuan, with a mere 2.89 percent making 800 yuan or more.<sup>33</sup> A March 2000 project undertaken by the State Planning and Development Commission's Macroeconomic Research Institute found that the average monthly income of heads of households who had been laid off or who had become unemployed was a paltry 272 yuan, or about 55 percent of the national average wage.<sup>34</sup> Moreover, even of those still nominally at work, some 70 percent have been said to be owed wages, pensions, and compensation for medical expenses as their firms sink deeply into debt.<sup>35</sup>

Already in mid-1998, a survey of over 1,000 subjects in 16 provinces disclosed that more than half had experienced a period out of work for more than one year.<sup>36</sup> In Huangshi city, Hubei, a medium-sized metropolis of just over 640,000 people,<sup>37</sup> 83 percent of the sample of more than 1,300 laid-off people were living without a stable income in the year 2000, and the per person

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<sup>33</sup> N.a., "10 chengshi qiye xiagang zhigong he lituixiu renyuan jiben zhuangkuang de chouyang diaocha" [A sample investigation of 10 cities' enterprises' laid-off staff and workers and retired people's basic situation], Zhongguo laodong [China Labour] (hereafter ZGLD) 12 (2000), 51-53. The cities studied were mostly large, major ones, including Chongqing, Harbin, Lanzhou, Taiyuan, Nanjing, and Fuzhou.

<sup>34</sup> Hu Angang, "Shishi jiuye youxian zhanlue, wei renmin tigong gengduode gongzuo gangwei" [Realize employment preference strategy, for the people supply more jobs], Zhongguo kexueyuan, Qinghua daxue, guoqing yanjiu zongxin [Chinese Academy of Science and Tsinghua University National Conditions Research Center], No. 78. Speech delivered at a specialists' forum directed by State Planning Commission Vice Chairman Wang Chunzheng, September 29, 2000, 3. Zhongguo tongjiju, Zhongguo tongji nianjian 2000 (Beijing: Zhongguo tongji chubanshe [Chinese statistics publisher]), 314, lists the average per capita annual urban income for all cities and county towns as 5888.77 in 1999, or 491 yuan per month.

<sup>35</sup> N.a., "Jiuye jiegou," 16.

<sup>36</sup> Li Qiang, Shehui fenceng yu pinfu chabie [Social stratification and the differential between poverty and wealth] (Xiamen: Lujiang chubanshe [Lujiang publishing company], 2000), 113.

<sup>37</sup> Zhongguo chengshi, op. cit., 108 records a population of 641,800 as of the end of 1999.

income for 72 percent of them was under 154 yuan, while only eight percent were surviving on more than 275 yuan.<sup>38</sup>

In another study of over ten thousand women workers done by the trade unions in 1999, more than three quarters of the laid-off women among them had been out of work for more than half a year, while one third of those among them who had found jobs had switched posts more than three times, or, as the author graphically described their plight: "some are hired at the front door, and leave from the back one."<sup>39</sup> Similarly, Hu Angang has written that 80 to 90 percent of those who had become "reemployed" in 1999 were working in the informal sector, where jobs are notably insecure<sup>40</sup>; also that year, Hu found that 70 percent of those out of work had been so for over a year.<sup>41</sup> Thus, clearly a goodly number of the furloughed and unemployed workers cannot be considered to have become gainfully resituated, once dismissed from their posts.

Furthermore, according to its research in 62 urban labor markets, China's Ministry of Labor and Social Security concluded in the second half of 2001 that labor supply is, even at present, a threatening 30 percent-plus above demand in the cities.<sup>42</sup> A terribly graphic representation of the plight of those without formal jobs are the choked avenues of the city of Wuhan, where the local government is at wits' end about what to do with some 40,000 laid-off factory workers whom it is permitting to pedal three-wheeled carts for commercial purposes in lieu of any other available positions for them; "manjiede dou you" [everywhere the streets are full of them], lamented one hapless driver overcome by the competition.<sup>43</sup>

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<sup>38</sup> Xu Liqi, "Xiagang zhigong xintai diaocha fenxi" [An analysis of research on laid-off staff and worker's psychological state], LDBZTX, 5 (2001), 29.

<sup>39</sup> Jin Yihong, "Fei zhenggui: laodongli shichang xingcheng he fazhanzhong di jige wenti" [Informal: Several issues in the labor market's form and development] ZGLD [China Labour] 10 (2000), 7.

<sup>40</sup> Hu, "Creative Destruction," 27.

<sup>41</sup> Hu, "China's Present Economic Situation," 9.

<sup>42</sup> N.a., "Jiuye jiegou," 15.

<sup>43</sup> Interviews among the peddlers themselves on October 28, 2001, and at the city trade union office on October 31, 2001 both offered that same figure, which they said had been announced by the city's transportation office.

Given the ambiguities and the dire results from surveys, it may not be far off the mark to estimate that about 50 million people may have been let go from their jobs so far. If so, together with their dependents, the total affected by this process of retrenchment could well fall into the range of 150 million. This would mean that close to a fourth of the urban workforce (amounting now to something over 200 million people)<sup>44</sup> has been let go, or, from another perspective, perhaps as many as one third of the urban population has been affected (if anyone living in a city more than six months is counted, about 458 million people as of the end of 2001,<sup>45</sup> but just 388.92 million according to the official count for the end of 1999<sup>46</sup>). So certainly enormous numbers, whose fate is probably to stay unemployed as we will see, are being ignored, in the positive assessments of the impact of China's entry into the World Trade Organization.

### Characteristics

The great majority of those discarded and working now, if at all, in informal economic entities, are over age 35, unskilled, and, because they came of age during the Cultural Revolution--and so were deprived of an education past junior high--are said to have a "low cultural level".<sup>47</sup>

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<sup>44</sup> As of June 2000, this figure was 200.72 million, according to the National Bureau of Statistics. See n.a., "2000 nian shangbannian laodong he shehui baozhang qingkuang tongji baogao" [A statistical report on the situation in labor and social security in the first half of 2000] ZGLD, 10 (2000), 57; at the end of the year, it had risen to 212.74 million (Laodong he shehui baozhangbu, op. cit., 36).

<sup>45</sup> This was the figure given in a lecture by Hu Angang at East Asian Institute, Columbia University, December 10, 2001.

<sup>46</sup> This is the figure in Zhongguo tongjiju bian [National Bureau of Statistics, ed.], Zhongguo tongji nianjian 2000 [Chinese statistical yearbook 2000] (Beijing: Zhongguo tongji chubanshe [China Statistic Press, 2000), 95.

<sup>47</sup> Various surveys generally concur on the characteristics of these people. The 10-city study found that 48.5 percent were schooled just to the junior high level, 80.1 percent were over age 35, and only 5.67 percent had higher than middling-level skills (n.a., "10 chengshi," 51); another study, conducted among 1,450 laid-off female textile workers in five cities in Shandong by the provincial trade union, found that 64.4 percent were over age 35, 46 percent had junior high and below educations, while just 1.7 percent were trained at the upper technical school level and beyond (Zhao Yao, Shandongsheng zonggonghui nuzhigongbu [Shandong province general trade union, women staff and workers department], "Xiagang nuzhigong: Chu `zaijiuye fuwu zhongxin' qingkuang di diaocha" [Laid-off women staff and workers: an investigation of the situation of leaving the "reemployment service center"], Zhongguo gongren [Chinese worker] (hereafter ZGGR), 3 (2001), 12-13); and a random sample of over 4,000 laid-off people in Wuhan and Shenyang in June 2000, done by the Ministry of Labor and Social Security's Labor Science Research Institute, found that women accounted for 57.5 percent (among the laid off overall, women were said to amount to 44.6 percent, in

Even of the laid-off workers who were registered in reemployment service centers in 1998 and 1999--who, as I have implied above, are the most fortunate among the furloughed--about 55 percent were educated just to junior high level. In this same sample, those over age 35 represented 64.5 percent of the total, while the ones between the ages of 35 and 46 amounted to 42.7 percent.<sup>48</sup>

In Huangshi city in 2000, there were more younger people (48 percent) among the redundant than there usually are in other studies.<sup>49</sup> This could be because in comparatively smaller cities where firms are not so sizable and tend to be less well funded, layoffs account for a higher proportion of the workforce, and thus it could be that the furloughed come from all age groups. In Zigong, for instance, an informant lamented, "xianzai dao chu dou zai xiagang, genben jiu meiyou shenma gongzuo ke zhao" [now everywhere it's just laid-off people, basically there's no work to be found].<sup>50</sup>

I proceed to turn from the present and the recent past to consider the immediate and longer term prospects of China's entry into the WTO. The material above demonstrates that the problem of Chinese urban job loss has several roots, some connected to intentional state policy, some to the effects of market competition, both domestic and foreign, and some as a corollary of failings and obsolescence handed down from the years of planned economy. So in proceeding, I make no claim that the entry into WTO will by itself cause unemployment. I only hope to show that in a number of ways the entry will exacerbate strains already festering. I do this by undermining five frequently encountered myths about the connections between that entry, on the one hand, and job loss and creation in the current Chinese context, on the other.

### **Five Myths Behind the Win-Win Story**

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comparison to the merely 36.5 percent of total state enterprise workers who are females; this was a study in the textile trade, however, where women are generally the great majority); 65.5 percent were older than 35; and about half were schooled just up to junior high level (Mo Rong, "Jiaru WTO yu woguo di jiuye," LDBZTX 4 (2000), 218-19).

<sup>48</sup> Hu, "Creative Destruction," 8.

<sup>49</sup> Xu Liqi, op. cit., 29.

<sup>50</sup> Interview, November 3, 2001. Similarly, Liaoyang, Liaoning, a city of about 500,000, and a place where residents claimed half its factory workforce had been thrown out of work, was the site of huge demonstrations over the

A number of optimistic assertions have attended the projections of the effect of China's WTO entry upon its labor market. My research--which has included interviews with several dozen city officials and scholars; and with many dozens of unemployed people, mostly but not entirely in Wuhan, during four visits over the past three years, plus hundreds of Chinese journal articles and official documents--questions at least five of these, as below:

--Myth No. One: "More jobs will be gained than lost."

True, there will surely be many new jobs created after China enters the WTO. Trade growth, industrial adjustment, and upgrading will lead to new employment posts, as will new foreign investment. The argument supporting the claim of Myth No. One, as generally made, leads from entry to more exports to growth in GDP and finally to more jobs. But estimates depend on a chain of essentially uncertain events, all of which must work in a positive direction for the most hopeful forecasts to be made good.

The labor economist Mo Rong calculated in 2001 that accession could mean an annual increase in exports of four to five percentage points. This then would mean, he reckons, that growth of GDP could rise by one percentage point. The logic of his reasoning leads him to conclude that, acting together, the effects of China's low labor costs, the spurt entry will give to labor-intensive industries, and new impetus for economic structural readjustment should boost employment elasticity. The final outcome, he surmises, should make possible a yearly addition of about three million jobs.<sup>51</sup> Some have even calculated that GDP will rise by three percentage points annually after joining.<sup>52</sup> Those counting on a three percent upswing in the economic growth rate see it leading to the creation of some 12 million new jobs, or even as many as 17 million.<sup>53</sup>

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layoffs in March 2002 (Erik Eckholm, "Where Workers, Too, Rust, Bitterness Boils Over," New York Times, March 20, 2002). Eckholm states that, "everything..has gone bankrupt or will soon."

<sup>51</sup> Mo Rong, (2000), 19.

<sup>52</sup> Qiao, *op. cit.*, 316.

<sup>53</sup> N.a., "Jiaru WTO dui Zhongguo jiuye de yingxiang" [The influence on China's employment of joining WTO], *LXZ*, 46 (November 12, 2001), 22. This account does not say if this is the total near-term or the annual prospective gain.

One calculation from 1998 expected an increase of 16.6 million new jobs by the year 2000, provided there were an annual growth of 10 percent in exports.<sup>54</sup>

All these linkages have come under challenge, however. Taking a much more pessimistic outlook, a recent prediction by a Hong Kong-based bank held that GDP could instead expand by a mere 0.1 percent with accession.<sup>55</sup> And if China's growth has really been in the range of seven to eight percent in the past several years as the top leadership claims,<sup>56</sup> a March 2002 forecast of an average growth of six percent annually over the next two decades by the International Investment Bank, if accurate, would mean an actual decline in growth. This estimate sees WTO entry contributing just one to 1.5 extra percentage points to GDP per annum.<sup>57</sup>

Export quantities, too, can be both unpredictable and unstable: whereas exports grew 23 percent in 2000, figures for 2001, a year of global economic downturn, show growth of under seven percent.<sup>58</sup> And in any event, according to an essay by a top trade union researcher, export processing can become limited by market saturation, by the intensification of competition as other developing countries can also offer cheap labor, and by increasing usage of labor-saving technology.<sup>59</sup> Probably with such unfelicitous eventualities in mind, one scholar has even written of a possible loss of one quarter of China's present jobs.<sup>60</sup>

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<sup>54</sup> Tang Yunchi and Liu Yunhai, eds., Zhuanguizhong de zhennan: zhongguo xiagang wenti zhuizong yu tansuo [Shock in transition: tracking and exploration of China's layoff problem] (Beijing: Zhongguo laodong chubanshe [Chinese labor publishers], 1998), 178. These authors assumed a net increase of jobs of 9.64 million, after seven million jobs had been lost to import competition.

<sup>55</sup> Deutsche BankAG, Hong Kong, "Impact of China's WTO Entry," December 14, 2001.

<sup>56</sup> For a skeptical view of these proclamations, see Thomas G. Rawshi, "What's Happening to China's GDP Statistics," China Economic Review 12, 4 (2001), 347-54.

<sup>57</sup> People's Daily, English-language version, March 11, 2002.

<sup>58</sup> "Global weakness hits China's exports," BBC News, February 10, 2002.

<sup>59</sup> Qiao, op. cit., 316.

<sup>60</sup> Li Qiang, op. cit., 228, citing a study by the State Planning Development Commission from 1996; also, Mo Rong, (2000), 18.



Probably most critically, whatever the rate of economic growth may turn out to be in the coming years in China, projections about the relationship between economic growth and increases in employment vary as well. Many have concluded that the employment elasticity of economic growth in China has fallen over the past decade or so.<sup>61</sup> In the 1990's, the elasticity coefficient of employment growth was just 0.106, meaning that for each percentage point of growth there was only 0.106 percentage point of employment growth; this represented a decrease of two-thirds since the 1980's, when a percentage point of growth in GDP pushed up the rate of job increase by about one third of a percent.<sup>62</sup>

Put in other words, in the second half of the 1980's, one percent of increase in the growth rate of GDP could yield 1.51 million jobs, but between 1991 and 1995, that ratio fell to only 840,000 jobs.<sup>63</sup> This situation has been labeled "jobless growth" in a recent paper by Shaoguang Wang.<sup>64</sup> Or, yet again, in the 1980's, the growth rate of employment was as high as nine percent per year, while by the second half of the 1990's (the Ninth Plan period), it had fallen down to 0.9 percent.<sup>65</sup>

Ominously, in 1998, the growth rate of employment was just 0.5 percent, the lowest since 1949, with each percentage of expansion of GDP adding just 460,000 jobs<sup>66</sup>; in the next year, while GDP was said to expand by 7.1 percent, the elasticity coefficient had fallen to .05 percent, or about half the average rate of the 1990's as a whole.<sup>67</sup> Given these downward trends in

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<sup>61</sup> Zhongguo shekeyuan, "2001 nian," 8.

<sup>62</sup> Hu, "Shishi," 3; Hu, "Employment and Development," 6.

<sup>63</sup> Dai Lushui, Li Yan, "Qiantan jiaru WTO dui jiuye xingshi de yingxiang yu duice" [Superficially talking about the influence of entering WTO toward forms of employment and how to handle that], ZGLD (2001), 9 (2001), 12.

<sup>64</sup> Shaoguang Wang, "Openness, Distributive Conflict, and Social Insurance: The Social and Political Implications of China's WTO Membership," Journal of Contemporary China (hereafter JCC), 9:25 (2001)

<sup>65</sup> Hu, "China's Present Economic Situation," 10.

<sup>66</sup> Hu, "Kuaru," 2.

<sup>67</sup> Shaoguang Wang, op. cit.

employment creation, we might be justified in pitting the prediction of 40 million jobs lost in the first five years after entry, on the one hand, against--even if exports do well, in the best scenario--Mo Rong's 15 million new ones over the same period.<sup>68</sup>

Myth No. 2: "The assault will be just short term; the problems will all be solved in the longer term."

This statement can only be accurate from the macro, aggregate perspective of the economy as a whole. Even an optimistic labor economist, who believes the outcome for employment of China's joining WTO will be positive, still professes that,

Entering WTO will be a very big variable influencing our employment situation for at least ten years; employment structural adjustment will progress, the degree of migration and professional transfer will increase and its scope expand, and the demand to raise the quality of labor will be pressing.<sup>69</sup>

If we consider the fate of the laid-off workforce, the prognosis is certainly poor not just in the near future, but, given their inferior educational backgrounds and comparatively advanced ages, over the longterm too. Indeed, in the words of a research group at the Chinese Academy of Social Science,

The effect of entering the WTO on our employment market in the short term will possibly be smaller than people generally estimate. But from the long perspective of long term development, the directionality of its influence will be very strong.<sup>70</sup>

And economist Hu Angang reflected thusly on the problem:

Opening up the market and foreign investment, like technical progress, has a dual character: it can generate new jobs and at the same time destroy old jobs; it can provide high-income opportunities for young people with higher educational levels and at the same time threaten

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<sup>68</sup> See notes 51 and 4.

<sup>69</sup> Mo Rong, (2000), 18.

<sup>70</sup> Zhongguo shekeyuan, "2001 nian," 8.

to shatter the rice bowls of older people with lower educational levels and low adaptability.<sup>71</sup>

The core of the problem is that, as trade barriers fall and foreign firms find it much more convenient to invest in China, they--as domestic firms in China already are--will be prone either to hire young, well educated workers, for their skills, good health, and general know-how and energy, or else to engage peasant migrants, for their willingness to serve as drudges for very low wages. One study concludes that, "Speaking overall..in the present job market, where quality and numbers are stoking competition, [the laid off] have no way to compete with the newly maturing labor forces; it's also hard for them to match the peasant labor entering the city."<sup>72</sup> According to a Chinese scholar researching the topic of informal labor,

In the 1990's, foreign capital strengthened its investment in developing countries..but the absolute majority of investments were in the sphere of high new tech. Since education is backward everywhere in the developing countries, there was almost no possibility of labor that lacked basic culture getting employment in these formal economies.<sup>73</sup>

Moreover, in the case of China in particular, Thomas Rawski's research demonstrates that, "large inflows of foreign direct investment, most of it directed toward manufacturing, have not prevented a sharp decline in employment growth among China's secondary industries, a category dominated by manufacturing."<sup>74</sup>

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<sup>71</sup> Hu, "China's Present Economic Situation," 26. In *ibid.*, 10, he notes that most of the 14.75 million new jobs created by foreign capital or by the private sector over the period 1996 to 2001 were taken by university or technical secondary school graduates or by peasants. In *idem.*, "Creative Destruction," 25, Hu notes that, "the newly emerging economic sectors cannot recruit labors from the traditional and formal sectors, which leads to the ever-increase of unemployment." [*sic.*]

<sup>72</sup> Zhang Chuanhong, "Xiagang xiang shiye bingui mianlin `liu nan'" [Merging the paths of layoff and unemployment is facing `six difficulties'], *LDBZTX*, 5 (2001), 32.

<sup>73</sup> Zhongguo shekeyuan ladingsuo yanjiuyuan, Lu Yinchun, "Jiaqiang dui feizhenggui jingji ji qi duice de yanjiu" [Strengthen research on the informal economy and the countermeasures], *LDCY*, 22 (211), (August 5, 2001) 2001, 8.

<sup>74</sup> Rawski, *op. cit.*, 3.

As for the issue of age, in an article on the situation of laid-off women staff and workers, there is the observation that, "In the hiring units, there's a preference for hiring men, and [the trend toward] using the younger but not the older is getting more and more serious. A trade union official candidly confessed to me, "It's very hard to convince people advertising for workers to raise the age limits."<sup>75</sup> Or, in the frank words of a Chinese WTO negotiator whose older sister has been laid off, "There's a popular ceiling of 35 for new jobs."<sup>76</sup>

Employers reason that older workers will be more costly to employ, as their health and ability begin to decline and their medical bills rise, even as their work experience and skills become irrelevant to the ongoing structural transformation.<sup>77</sup> So those getting new jobs--whether in banking, information technology, finance and insurance, telecommunications, and hi-tech, or else in assembly-line plants--will not be the workers who have lost their posts.

The Chinese press often charges that the furloughed refuse to find work and are simply waiting for official posts to be restored, blaming the victim, one might say. But academic surveys offer a more mixed picture. In one study among 1,450 laid-off female workers, 88 percent hoped that the government and their old units would arrange a new placement for them and 65 percent wanted to get reemployed in a state firm.<sup>78</sup> But in another investigation of 1,363 people, only 58 percent demanded a new job close to their homes with a high income,<sup>79</sup> while in yet a third one in four major cities, only about 40 percent expected a job in a state-run entity.<sup>80</sup> And in a 1997 Wuhan survey of 760 laid-off workers, 55 percent expressed a willingness to become just an

<sup>75</sup> Interview, Wuhan, October 31, 2001.

<sup>76</sup> Lecture by Zhang Xiangchen, Deputy Director-General of WTO Affairs, Ministry of Foreign Trade and Economic Cooperation, East Asian Institute, Columbia University, March 13, 2002.

<sup>77</sup> Mo Rong, "Jiuye: xinshijie mianlin de tiaozhan yu jueze" [Employment: the challenge and choice that the new century is facing], in Li Peilin, Huang Ping, Lu Jianhua, eds., 2001 nian: Zhongguo shehui xingshi fenxi yu yuce [Year 2001: Analysis and forecast of China's social situation]. (Beijing: shehui kexue wenxuan chubanshe [Social science documents publisher], 2001, 222; Yue Yang, "WTO: A warning for citizens," China Economic Times, December 25, 2000, 1. [CHECK DATE IN DECEMBER]

<sup>78</sup> Zhao Yao, op. cit., 13.

<sup>79</sup> Xu Liqi, op. cit., 29.

ordinary worker, service or sales person and another 35 percent professed that they were prepared to do any kind of work, no matter how dirty or tiring, if only it would enable them to meet their own basic expenses.<sup>81</sup>

As the material above has suggested, a multitude of impediments face the hardy ones who do make the effort to find their own jobs. For instance, 200 jobless former workers from one textile enterprise traveled to a large supermarket to apply for a job. But the outcome was that, because their "cultural level" and abilities in verbal expression were limited, in the end, not even one got hired.<sup>82</sup> Even in the processing, clothing, and street-sweeping trades the demand is for people with high education, a good appearance, and other conditions with no relation to the work to be done.<sup>83</sup> For those attempting to strike out on their own, the absence of credit facilities is another serious roadblock.<sup>84</sup>

If lack of skill is a big issue, what about job training? Certainly some of this going on: Riding in a taxi with officials from the Wuhan branch of the trade unions, I overheard one of them telling another that to train a laid-off worker to become a cook costs at least 380 yuan just to buy the requisite materials, for which the labor department contributes 100 yuan and the union pays the remaining 280.<sup>85</sup>

But though 48.7 percent of female former textile employees in a five-city study in Shandong who had been admitted into a reemployment service center were not supplied with any training,<sup>86</sup> the figures are far worse in other accounts. When the Ministry of Labor and Social

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<sup>80</sup> N.a., "Dachengshi," 21.

<sup>81</sup> Jiangnan daxue ketizu [Jiangnan University Project Group], "Wuhan shi shishi zaijiuye gongcheng duice yanjiu" [Policy research on Wuhan City's implementation of the reemployment project] (Wuhan, 1998), 57, 91.

<sup>82</sup> Zhao Yao, *op. cit.*, 13.

<sup>83</sup> Zhang Luquan, "Gei xiagang zhigong liu dian xinli kongjian" [Give laid-off staff and workers a little psychological space], *ZGGR*, 3 (2001), 26; Zhao Yao, *op. cit.*, 13.

<sup>84</sup> Liu Jie, "Non-State firms cry for help," *China Daily Business Weekly*, Sept. 10-16, 2000, 2.

<sup>85</sup> Wuhan, September 13, 2000.

<sup>86</sup> Zhao Yao, *op. cit.*, 13.

Security conducted a sample investigation of over 6,000 laid-off workers, the researchers found that just 18.2 percent had "received a certain kind of training."<sup>87</sup> Employers reason that their choice of better-prepared workers on the market is vast, and so prefer to save money by hiring outside rather than retraining its own staff and laborers.<sup>88</sup>

Even when it occurs, though, training does not always pan out. In 1999, Guangdong province sponsored free training for 25,000 people, but only 21 percent of them subsequently found positions.<sup>89</sup> In the view of the labor minister himself, the training that does go on is geared neither toward meeting the demands in the market nor to the traits of those needing the teaching.<sup>90</sup> Or, in other words, "A lot of our reemployment training is a mere formality, the investment is insufficient, the content is monotonous [danyi], and it's hard to use it to build the skills the unemployed people need for reemployment."<sup>91</sup>

Flawed as it is, the "reemployment rate" serves as a very telling indicator of the declining fruitfulness of such efforts and of the general futility of the hopes that new jobs will come to rescue the furloughed. Though other sources are a bit more sanguine, the All China Federation of Trade Unions reported, on the basis of labor departments' statistics, that there has been a trend of

<sup>87</sup> N.a., "Si chengshi xiagang zhigong zaijiuye ji shequ fuwuye xuqiu zhuangkuang diaocha fenxi" [An analysis of an investigation of the reemployment of laid-off workers in four cities and the situation in the need for community service], LDBZTX, 3 (2001), 39. The rate was "under 20 percent" in the four-city study (N.a., "Dachengshi," 21).

<sup>88</sup> N.a., "Laodongli shichang "sanhua" jianshe shidian qingkuang" [The situation in trial point-experimentation of the three transformations in the labor market], LDBZTX, 3 (2001), 40. The same point is made in Peng Xianrong, Cheng Quanxin, Zhao Dexuchang, Qiao Paiping, "Jianli shichang jiuye jizhi, duoqudao zujin jumin jiuye" [Establish a market employment mechanism, use many channels to promote residents' employment]-Jingzhoushi chengqu jumin jiuye zhuangkuang diaocha [An investigation of Jingzhou City's city district residents' employment situation], Neibu canyue [Internal consultations] (hereafter NBCY), 29 (574) (July 27, 2001), 14.

<sup>89</sup> Quanzong zhigong jixie bangongshi [All-China Federation of Trade Unions Staff and Worker Technical Assistance Office], "Guanyu zhigong jixie zujin, xiagang zhigong zaijiuye qingkuang di diaocha" [An investigation of the promotion of staff and workers' technical assistance, and laid-off staff and workers' reemployment situation], ZGGY, 6 (2001), 10.

<sup>90</sup> N.a., "Laodong baozhang buzhang Zhang Zuoji zai quanguo kaizhan zaijiuye yuanzhu xingdong dianshi dianhua huiyishang di jianghua" [Minister of Labor and Social Security Zhang Zuoji's speech in the nationwide reemployment assistance action television and telephone conference], LDBZTX, 7 (2001), 5.

<sup>91</sup> Zhang Chuanhong, op. cit., 32.

annual deterioration: in 1998, the rate was 50 percent, in 1999, 42 percent, and in the first 11 months of 2000, down to a mere 16 percent.<sup>92</sup>

Given this litaney of obstructions and barriers, an official magazine noted, these people are mostly just "a lot of low-quality labor power" that "will be thoroughly rejected by the labor market and so form a long-term unstable mass"<sup>93</sup>; a researcher in the Chinese Academy of Social Sciences recently reported similarly that they will "just be excluded and drift downward, with almost no chance to free themselves."<sup>94</sup>

--Myth No. 3: "Chinese consumers will benefit from more choice and from cheaper foreign goods."

The rising middle class and of course the wealthy will obviously reap these benefits. But for the laid-off and the soon-to-be-laid off, this one can be quickly dispensed with in the savvy speech of two of my interviewees who had been thrown out of work: According to one of them, a woman forced to retire in her early forties, "If cars are cheap, so what. We can't afford it. As for color TV's, we already have one." Asked about her view of the WTO, she replied: "It won't be good for us. We don't understand it too well. We can't see any good points for us ordinary people. The unemployed will be even more. We're pretty apathetic about this. We just don't care."<sup>95</sup>

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<sup>92</sup> Quanguo zongtonghui baozhang gongzuobu [All-China General Trade Union Security Work Department], "Guanyu xiagang zhigong laodong guanxi chuli ji shehui baozhang jiexu wenti di diaocha" [Investigation on handling laid-off staff and workers' labor relations and social security continuation issue], *ZGGY*, 5 (2001), 14. Mo Rong, (2001), 218 cites a figure of 26 percent for the first nine months of the year. Two other sources, however, claimed that the year's rate was about 35 percent, which is still uncomfortably low (Laodong he shehui baozhangbu, Gujia tongjiju, "2000 niandu," 36); and N.a., "Jiuye jiegou," 15.

<sup>93</sup> N.a., "Jiaru," 23.

<sup>94</sup> Yang Tuan and Ge Shundao, "Shequ gonggong fuwushe--xiaochu bianyuanxing de shehui zhengci yanjiu" [Community public service--social policy research on eliminating marginality], Paper presented to the Conference on Social Exclusion and Marginality in Chinese Societies, sponsored by the Centre for social Policy Studies, Department of Applied Sciences, The Hong Kong Polytechnic University and the Social Policy research Centre, Institute of Sociology, The Chinese Academy of Social Sciences, Beijing, convened in Hong Kong, November 16-17, 2001, 2.

<sup>95</sup> Interview in Chengdu, November 4, 2001, with a former pharmaceuticals plant worker.

And, "It's not all commodities that are going to get cheaper, just high-class stuff like cars. We can't afford those things," the other, a man of 35 years, quipped. He went on to muse, "People like us doing bitter labor will just increase; for us ordinary folk, us poor people, WTO doesn't have any good points. What it's all about, we don't much understand."<sup>96</sup>

--Myth No. 4: "Export-oriented sectors, such as textiles, will benefit."

It is accurate to separate industrial sectors into winners and losers--up to a point. Yes, it's the case that labor-intensive export industries, such as toys, clothing, shoes, and textiles, along with household electronics, should find more open markets abroad with time. But at the same time, those set to be dismissed from the plants of the past in many other sectors--namely, pharmaceuticals, instruments, machinery, automobile, the chemical and petrochemical industries, and steel, paper, and machinery manufacturing, to list some of the principal ones that will not be able to compete on the international market, or with imports into China, for that matter--will not find opportunities.<sup>97</sup> But it is sobering to read, in the words of two Chinese analysts, that: Overall, entering the WTO will definitely negatively affect China's agriculture and manufacturing, the sectors of the economy heretofore housing some 80 percent of the labor force, or some 500 million workers.<sup>98</sup>

To take just one trade within the losing sectors, on top of layoffs that have already occurred, recently Chinese scholars have written that "at least a majority of the more than 120" automobile factories "can't go on" once China enters the trade organization.<sup>99</sup> In their place, there are serious plans afoot to bring about large-scale mergers, joint ventures with the major

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<sup>96</sup> Interview with pedicab driver, Wuhan, October 29, 2001.

<sup>97</sup> Wang Shaoguang, "Shei jiang shi jiaru WTO hou di yingjia he shujia" [Who will be winners and losers after entering WTO?] GGNC, 15 (2001), 10, 12; Zhongguo shekeyuan, "2001 nian," 8.

<sup>98</sup> Tang and Liu, op. cit., 178-79.

<sup>99</sup> Tang Wenlin, Yingdui WTO--Zhongguo jiu da hangye de weiwei yu duice [Meeting WTO: The Crisis of Nine Large Chinese Sectors and Countermeasures] (Nanning: Guangxi renmin chubanshe) [Nanning: Guangxi people's publishing], 2000), 125.



transnational corporations, and the formation of just three or four enterprise groups at home, certainly not the sort of entity that will be hiring older and unskilled workers.<sup>100</sup>

Especially among textile workers, supposedly members of a winning sector,<sup>101</sup> millions of mill hands have already been let go with the intentional destruction of over nine million out-of-date spindles as of the end of 1999.<sup>102</sup> In one major industrial inland city, Wuhan, of the more than 100 state-owned textile firms that existed in the 1980's, not one remains today. In their place are some joint ventures, whose owners, after investing, demanded the release of large numbers of former employees; others have been merged with more successful plants, or have simply collapsed, unable to bear up under competitive pressures from burgeoning private sector firms.<sup>103</sup> Except for a few major bases along the eastern coast, much of the textile technology in China is obsolete, the equipment decades old, the varieties too plain and unmarketable, and the mill workers too undereducated to suit the demands of modern industry.<sup>104</sup> Moreover, the lowering of tariff and other barriers will mean an increase in chemical fiber imports, which will put new pressure on the domestic market.<sup>105</sup>

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<sup>100</sup> N.a., "Zhongguo chanye shichang kaifang jixu" [The opening of China's industrial market will continue] Lingdao juece xinxi [Leadership strategic information], 32 (August 20, 2001), 18; <Xin xingshixia zhongguo qiche chanye zhanlue yu zhengce yanjiu> ketizu [Investigation of China's car industry's development strategy and policy under the new situation> research group], "Jiaru WTO dui woguo zhengche qiye de yingxiang fenxi" [An analysis of the influence of entering the WTO on our whole car enterprises] Guowuyuan fazhan yanjiu zhongxin diaocha yanjiu baogao [State Council Development Research Centre investigation research report] 133 (1526) (September 15, 2001), 1-15; Tang, op. cit., 125-29.

<sup>101</sup> According to Mo Rong (2000), 20, after entering, textiles will be able to increase exports by 25 to 27 percent, thereby making possible an annual increase of five billion dollars in exports, which should mean a yearly addition of 500,000 jobs.

<sup>102</sup> SWB, FE/3749, G/9, January 28, 2000, from Xinhua, January 25, 2000.

<sup>103</sup> Interview with official from the city's Textile Association, October 29, 2001. See also Yin Zengtao, "Zhongguo jiaru shijie maoyi zuzhi dui Wuhan jingji de yingxiang ji duice" [The influence on Wuhan's economy of China entering the World Trade Organization and countermeasures], SHKXDT [Social science trends] 6 (2000), 37.

<sup>104</sup> Tang, op. cit., 145-64.

<sup>105</sup> Sun Huaibin, "Rushi dui woguo fangzhi gongye de yingxiang ji duice" [The influence of entering the world trade organization on our textile industry and countermeasures], Neibu canyue [Internal consultations] 5 (February 4, 2000) (499), 5.

Mo Rong, a labor economist who is enthusiastic about the long-term outcomes for employment,<sup>106</sup> nonetheless managed to outline a scenario in which agriculture loses about ten million jobs,<sup>107</sup> metallurgy loses about a million, and automobile production decline by several hundred thousand positions, all as a result of the heightened competition afforded by accession.<sup>108</sup> Even the sectors about which he is optimistic (with the exception of textiles, discussed above)--such as commerce, insurance, banking, information consulting, and computer applications, are ones that other analysts believe to be seriously threatened by much more efficient and sophisticated foreign operations soon to occupy the Chinese domestic market.<sup>109</sup> Another account that sees several sectors flourishing after entry premises this upon firms therein building joint ventures with foreign capital; but in practice when this occurs, older local workers are routinely shed<sup>110</sup>. This short review should caution the observer against becoming sanguine about the overall fate of particular sectors.

--Myth No. 5: "The tertiary (service) sector and privately-owned enterprises will provide places for the unemployed."

Numerous Chinese studies underline the economy's deficiency in the tertiary, or service, sector. The usual refrain goes something like this: the potential for development in the tertiary sector is enormous. Now it accounts for just 27 percent of our employed persons; but in the developed countries, the proportion is about 70-80 percent, and even in other developing countries,

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<sup>106</sup> Interview, Beijing, November 7, 2001.

<sup>107</sup> Other sources have predicted the loss of 20 million agricultural jobs or even more. See n.a., "China says WTO membership will eliminate 20 million farming jobs," AFP-Extel News Ltd., February 27, 2002. For an estimate of 40 million lost, see "WTO Cost: 40 Million Jobs," FEER, October 5, 2000, 10.

<sup>108</sup> Mo Rong (2001), 229.

<sup>109</sup> "Creating new jobs remains a challenge," China Daily, February 7, 2002; Mark O'Neill, "The WTO Deal: Mixed Blessing for Mainland workers," South China Morning Post (hereafter SCMP), November 17, 1999.

<sup>110</sup> Li Xinzong, Zhongguo shekeyuan shujijingsuo [Chinese Academy of Social Sciences polytech (?) economy institute], "Dui woguo si da hangye di xingshi yuce" [A forecast of the situation in four large sectors in our country], LDCY, 15 (203) (May 25, 2001), 2001, 7-8; also Robert P. Weller and Jiansheng Li, "From State-Owned Enterprise to Joint Venture: A Case Study of the Crisis in Urban Social Services," China Journal 43 (Jan. 2000).

it averages about 40 percent.<sup>111</sup> As a recent article in the China Quarterly points out, in recent years the official media has repeatedly hailed the private sector for its provision of jobs to people retrenched in the state sector.<sup>112</sup>

But unfortunately for those whose jobs have disappeared, the tertiary, or service, sector has two distinct components, which are generally conflated in official commentaries. True enough, there is or soon will be demand for the services that big business and the middle class and well-to-do demand, such as insurance and banking. But there is really no market left in this sphere to which unskilled labor can appeal. I graphically illustrate this point in my observation below:

Along the streets of Chinese inland cities these days, the service sector, starved nearly to death until the early 1980's, seems full of life, packed with business. You can get your shoes shined for two yuan (25 cents) by three different peddlers on just one block, buy the same pair of nylons for the same 10 yuan five or six times or the same ballpoint pen for two or three yuan in the same lane. Or you can choose any one of 10 pedicabs to deliver you as far as a couple of miles away, for as little as a piddling three to five yuan.<sup>113</sup>

Indeed, this emerging market lacks true demand-driven economic activity, at least insofar as the work done by the furloughed is concerned. This is because, given the immense proportions of the official program of enforced dismissals, plus the unspecialized nature of the labor the affected workers have to offer, there simply cannot be demand sufficient to absorb the millions made redundant, now struggling to find takers for their wares and their services. This is not even

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<sup>111</sup> Ma Rong (2000), 19; Yue Wei, "Zaijiuye tujing you duotiao" [There are many channels for reemployment], ZGLD, (7), 1999, 16.

<sup>112</sup> Yi-min Lin and Tian Zhu, "Ownership Restructuring in Chinese State Industry: an Analysis of Evidence on Initial Organizational Changes," CQ, No. 166 (June 2001), 338. They cite a number of instances that appeared in the RMRB, from late 1997 through 2000.

<sup>113</sup> This is taken from my paper, "Economic Informalization by Fiat: China's New Growth Strategy as Solution or Crisis?" in Luigi Tomba, ed., "On the Roots of Growth and Crisis: Capitalism, State and Society in East Asia," for publication in Annale Feltrinelli, No. XXXVI, (forthcoming, 2002).

to mention the sorry plight of those taken on in this sector, whose work terms are generally quite short and nasty.

There is similar hype about the values and promise of "community service," where, reportedly, only 3.9 percent of the employed population is now engaged, as against some 20-30 percent in developed countries and at least 12 to 18 percent in the rest of the developing world.<sup>114</sup> Stories have been recounted about how such activity has been nurtured and thrives--in a select few jurisdictions--a district in Nanjing, one in Jilin City, in Beijing and Shanghai. The jobs they are holding down include security work, sanitation and environmental protection, vehicle watching, nursing, household repairs, minding children or the elderly, delivering goods, and cultural activities. Shanghai, allegedly, boasts more than 50,000 busy at such labor.<sup>115</sup>

But the picture in general is far less positive. Whereas a seven-city study of 1,900 residents found that over 70 percent of the informants' families hoped for service of this sort, amounting to a total demand in these places for 20 million temporary providers, over 11 million of the posts went wanting<sup>116</sup>; in Beijing, where over 70 percent of the residents interviewed in another study thought they needed assistance to lighten their burdens, the families involved only expected to pay about 50 yuan per month.<sup>117</sup>

Anyway, insufficient funding and a frequent need to situate these ventures in shoddy and crude, half-torn-down structures discourage many from participating. Yet another investigation, this one in four large cities, discovered that of about two million temporary posts in this sector, more than half remained unfilled. Among the reasons given in an official journal are lack of

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<sup>114</sup> Yang Yiyong, "Shequ jiuye shi chengshi jiuye xinde zengzhangdian" [Community employment is urban employment's new growth point], Neibu canyue [Internal consultations] 17 (562) (May 11, 2001), 3.

<sup>115</sup> N.a., "Yi shequ wei yituo zuohao xiagang shiye ren yuan zaijiuye gongzuo--gedi shequ jiuye goingzuo de xianjin jingyan" [Using the community as support, do well the reemployment work of the laid-off and unemployed personnel--various localities' community employment work's progressive experience], ZGLD 12 (2000), 47-50.

<sup>116</sup> N.a., "Qi chengshi kongque gangwei: 1100 wan" [7 cities' vacant posts: 11 million], ZGLD 1 (2001), 49.

<sup>117</sup> Shoudu jingji maoyi daxue laodong jingji xueyuan shequ jiuye ketizu [Research group on community employment of the Labor Economics college of Capital University of Economics and Trade], "Shequ jiuye fuwu tixi jianshe di lilun yu shijian" [Theory and practice in the construction of the community employment service system], Renkou yu jingji [Population & Economics] (hereafter RKYJJ), 5 (2001), 60-61.

training, absence of intermediaries to connect potential job holders with employers, and preferential policies aimed at encouraging such work that are not made good.<sup>118</sup>

Given the small scale of the firms that offer this type of convenience, their limited investment and trivial profits, their owners are prone to hire low-cost labor. This means that even where this occupation may be sprouting, its preferred employees are more apt to be rural migrants, and not the laid-off workers desperate to sustain a livelihood.<sup>119</sup> So though some new posts may be in the making, their creation might well do little to meet the demand for work from redundant urbanites.

### **Beijing's Strategies to Mitigate the Misfortunes**

By now, over four and a half years have passed since the Communist Party announced explicitly and publicly that firms would have to "reduce the workforce, increase efficiency," a move that was soon followed up by a national conference convened in May 1998 that made the provision of basic living allowances and the on-time payment of pensions a number one priority.<sup>120</sup> Sadly for the victims, alas, the Party's several efforts in the time since to help the discarded frequently go unfulfilled.

Programs to supply these people with living allowances while they wait, and install a social security system detached from the enterprises have at best served only the more elite among the furloughed, only the ones, that is, whose firms are still healthy and whose managers honest enough to report on the condition of their once-employees, or perhaps have helped some of those who were once model workers in the factories and who retain good personal ties with officialdom.<sup>121</sup> As a research group at the Capital University of Economics and Trade bluntly revealed,

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<sup>118</sup> N. a., "Si chengshi," 39; Shoudu jingji, 61; N.a., "Dachengshi shequ jiuye jihui: 1500 wan" [Community employment opportunities in large cities: 15 million], LXZ, 46 (November 12, 2001), 21-22.

<sup>119</sup> Shoudu jingji, 62.

<sup>120</sup> Jingji ribao [Economic daily] (hereafter JJR), May 18, 1998, 1; FEER, July 30, 1998, 46.

<sup>121</sup> In my September 2000 officially-arranged interviews in Wuhan, I met a good number of these types, in good Potemkin style.

Preferential policies for doing community service are limited to helping laid-off people [xiagang, that is, workers known to the government whose state firms can no longer use them], the considerations toward the large numbers of unemployed personnel [shiye, those whose firms have disappeared] and those people in other kinds of situations who have no job are rather trivial. If you arrange the unemployed or those masses living in great difficulty [tekun], then you can't enjoy any kind of preferential policy.<sup>122</sup>

As told in the labor departments' statistics, just 21 million--less than half even of the number whose jobs are gone officially,<sup>123</sup> not to mention millions of others whose firms have crashed that the regime does not count--had been registered for the government-sponsored Reemployment Program between May 1998 and the end of the year 2000. These are the ones who were entered into the "reemployment service centers" and got their basic living allowance, of whom 13 million of this favored group had allegedly achieved reemployment in that period. If accurate, this would mean that a full 62 percent of the furloughed had found new work.<sup>124</sup> That these numbers must be questioned is evident when internal sources have it that just 16 percent--or, at best, 35 percent in other accounts--of the laid off had found new jobs in that year.<sup>125</sup>

For a variety of reasons, the main one being insufficient funding, workers from the more than half of state enterprises losing money; from the untold numbers of plants that have just disappeared, whether due to buyouts, mergers, or de facto bankruptcy; and from factories that formally went bankrupt, are either de jure or de facto ineligible. Even among many from state firms who have been issued the xiagangzheng [laid-off certificate], there is much distrust. One ex-worker in Zigong charged that the certificate is simply not implemented in his city. "There's no training, though it says you can get it, and while it promises an introduction to a new job, it gives you nothing."<sup>126</sup>

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<sup>122</sup> Shoudu jingji, 62.

<sup>123</sup> See note 29.

<sup>124</sup> Quanguo zongtonghui baozhang gongzuobu, 14.

<sup>125</sup> See note 92.

<sup>126</sup> Interview, November 3, 2001.

As for state preferential policies for redundant workers attempting to start their own little ventures--such as reduction or elimination of taxes and fees and free business licenses, a guaranteed plot of turf on the sidewalk or in a market, low or no-interest bank credit, information and guidance, or assistance in finding jobs and in occupational training; plus policies meant to entice enterprises that are still in operation to hire the laid off--such initiatives frequently fall flat when bureaucrats can benefit from ignoring them.<sup>127</sup> There are enterprises that manipulate the rules to their own advantage, as by engaging the furloughed just for a trial period (long enough to collect the incentive money), and then fire them soon after.<sup>128</sup>

Many of the intended beneficiaries themselves are in no position to defend their interests: in a study of over 1,300 laid-off persons in Huangshi, Hubei, only 19 percent of the informants really even understood what these policies are all about.<sup>129</sup> In any event, the credibility and efficacy of the program becomes apparent when we see that a full four years after layoffs became governmental orthodoxy, a labor researcher could come up with no further solutions for promoting employment than these same ones on the books already.<sup>130</sup> And there appears to be much evidence that funds designated for the laid-off's subsistence and for supplementing pensions, though impressive in amount, may have been diverted as they moved downward through the system.<sup>131</sup>

The regime has also essayed to install a social security system, but its difficulties here are legion. Unemployment insurance, only established some 16 years ago, has no accumulation to

<sup>127</sup> N.a., "Jiuye jieyou," 17.

<sup>128</sup> Song Xiaowu, *op. cit.*, 18; Shen Kangrong, *op. cit.*, 24; and Zhang Ruiying and Zhang Guoxiang, speech at the 29th meeting of the 8th National People Congress's Standing Committee (December 29, 1997), in Gongyun cankao ziliao [Workers' movement reference materials], March 1998, 18. Yang Yiyong, "2001 nian zhongguo jiuye xingshi, zhengce xuanze" [Chinese employment situation and policy choices in the year 2001], ZGLD, 1 (2001), 16 documents some of the abuses.

<sup>129</sup> Xu Liqi, *op. cit.*, 29.

<sup>130</sup> Liu Yanwu, "Zujin jiuye xuyao tuoshan quli de jige wenti" [To promote employment we need to handle several issues appropriately], Redian yanjiu [Hot topics research], 29 (81) (October 10, 2001), 7.

<sup>131</sup> The Minister of Labor and Social Security reported at the end of 2000 that expenditures for these purposes had doubled each year from 1998 to 2000, from over nine billion, to 25 billion, to 47 billion yuan (Zhang Zuoji, *op. cit.*, 8).

speak of. Pooling even at the city level is hindered as firms doing well eschew contributing while failing ones cannot afford to put in their share; and bureaucratic misappropriation and outright official corruption eat away at what monies are provided.

In the face of upbeat open claims about the numbers getting their welfare allocations, an internal report by the State Planning Commission's Macroeconomic Research Institute disclosed that as of the end of 1999, 73 percent of households where the head was employed were not participating in the program, and only 18 percent said that they were.<sup>132</sup> In four major cities, just 11 percent were participating, while among the out-of-work, merely 2.89 percent were part of the program. Of those laboring in the private sector, a scant four percent of the employees had been entered into the system at that time.<sup>133</sup> One grim statistic published in early 2001 had it that, "According to calculations, our present social welfare service can only satisfy five percent of social demand."<sup>134</sup> That workers from firms too strapped to contribute to the fund get no insurance must account for a lot of this.<sup>135</sup>

There are in addition special allocations made to attend to the most hard-up urban residents in the direst poverty [zuidi shenghuo baozhang, or dibao, colloquially], with over 5.4 billion having been invested for this purpose by early 2002, and with the numbers receiving it having

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<sup>132</sup> Wang Dongjin, "Shehui baozhang zhidu gaige de zhongdian" [Critical points on the reform of the social security system], GGNC, 10 (2001), 4 states that at the end of 2000, the coverage rate for unemployment insurance was 77.7 percent nationwide. Clearly far from all who are "covered" actually receive funds. Wong, op. cit., 199, indeed, makes this very point.

<sup>133</sup> Guojia jiwei hongguan jingji yanjiuyuan ketizu [State Planning Commission, Macroeconomic Research Group], "Jianli shehui baohu tixi shi wo guo shehui wending de guanjian" [Establishing a social protection system is the key to our country's social stability], Neibu canyue [Internal consultations] 511 (May 5, 2000), 10-11.

<sup>134</sup> Ding Yuanzhu, "Zujin shehui wending de youguan duice" [Some measures to promote social staby], LDCY 7 (194) (March 5, 2001), 15.

<sup>135</sup> Wushunshi zongtonghui falu gongzuobu [Wushun City General Trade Union Legal Work Department], "Guanyu xiagang zhigong chu "zhongxin" qingkuang di diaocha" [Investigation of the situation of laid-off staff and workers leaving the "center"], ZGGY, 8 (2001), 8-9.



surged to 12.35 million, up from the 3.82 million of a year before.<sup>136</sup> But in late 2001, an official labor researcher revealed that nationwide the average disbursed per person was a mere 150 yuan a month.<sup>137</sup>

### **Projected Fallout**

The material in this paper should have made clear that it will not be WTO alone that causes the shedding of workers. This movement of retrenchment is also the result of a wrenching process already in play for some years. But, surveying the data, it seems fair to conclude that dangers lie ahead, both for those already marginalized, surely, and most likely for many more like them in the days to come. For I believe I have shown that WTO will aggravate the various strains that have contributed to this process up to now. Its immediate effects will be apparent first of all with the progressive structural adjustment its competitive forces and its cutthroat ethic will drive deeper than before. And it comes about simultaneously with the mandated exit of those furloughed who have made their way into the reemployment service centers once their three-year terms in them come to a close in 2002 and 2003.

There is also the issue of rural labor jobs lost, which, in the World Bank's prediction, could come to as high as 40 million.<sup>138</sup> Some have made much lower estimates for the farmers, such as the investment firm Salomon, Smith, Barney's 10 million agricultural posts,<sup>139</sup> but there is talk among Chinese economists of such numbers as a startling 90 million or even as many as 100 million leaving the land.<sup>140</sup> The reasoning is that the world prices, principally for wheat, corn,

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<sup>136</sup> "Touren 54.2yi: woguo yi you 1000 duo wan ren xiangshou zuidi shenghuo baozhang" [Invested 5.42 billion: our country already has more than 10 million people enjoying minimum livelihood guarantee], Xinhua, February 24, 2002.

<sup>137</sup> Mo Rong interview, Beijing, November 7, 2001.

<sup>138</sup> Matthew Miller, "Forecast Grim for Jobless: Ministry faces daunting task," SCMP, February 17, 2001.

<sup>139</sup> See note 4.

<sup>140</sup> In an interview at the Economics Academy of Sichuan University, November 2, 2001, scholars mentioned 90; Rupert Wingfield-Hayes, "China admits jobs crisis," BBC News, Feb. 7, 2002 states that, "In the last ten years

cotton, and soybeans, are much lower than in China and the quality higher, and that as tariffs go down and quotas up with the entry to WTO, farmers will need to switch to more value-added crops. But especially where soil and climate are inhospitable and where the potential for internal structural adjustment of agriculture is limited,<sup>141</sup> this is a process that cannot be assured.

And generally speaking, beginning in the 1990's, nonagricultural occupations' ability to absorb rural labor fell.<sup>142</sup> Hu Angang has written in mid-1999 that in town and village enterprises, a crucial past outlet for labor transferring out of farming, employment had dropped by 17 million just in the past year, and by almost 33 million all told.<sup>143</sup> In another piece, he figures that layoffs from these firms went as high as 80.5 percent in Liaoning, 70 percent in Jilin, and 59 percent in Heilongjiang, areas where layoffs from urban state firms are twice as high or nearly twice as high as the national average (18.3 percent nationally in 1999, but 37.3 percent in Liaoning; 31.9 percent in Jilin, and 31.3 percent in Heilongjiang).<sup>144</sup> Not only that, but a Heilongjiang deputy to the Fifth Session of the Ninth National People's Congress in March 2002 proclaimed that, "The negative impact [of WTO] is already there," in the soybean-producing northeast, the country's major source of the crop.<sup>145</sup>

Elsewhere Hu calculates that surplus labor in rural areas, currently in the range of 40 to 50 percent, could go up to 70 percent because of its inability to compete with American crops.<sup>146</sup> Although, as his work has shown, the unemployment rate of ruralites in cities has been low,

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more than 100 million people have left China's countryside to look for work in the cities; in the coming decade the same number again are expected to follow."

<sup>141</sup> Qiao, *op. cit.*, 313; Miller, *op. cit.*; N.a., "Jiaru WTO," 23.

<sup>142</sup> Tan Youlin, "Zhongguo laodongli jiegou de quyue chayi yanjiu" [Chinese labor force structure's regional diversity], *RKYJJ* 1 (2001), 56.

<sup>143</sup> Hu, "Kuaru," 2.

<sup>144</sup> Hu, "China's Present Economic Situation," 10.

<sup>145</sup> "Chinese Experience Gains, pressure from WTO Membership," *RMRB*, March 8, 2002.

<sup>146</sup> Remark in a talk at the East Asian Institute, Columbia University, December 10, 2001.

compared to the persistent joblessness of urban workers made redundant,<sup>147</sup> even the largely hopeful Mo Rong admitted in an interview that he "fears a flood of rural labor" entering the municipalities with the onset of China's membership in the WTO.<sup>148</sup> Worry about greater numbers of farmers converging on the metropolises, and impacting upon the livelihoods of millions of laid-off urbanites who are already struggling to get by, was expressed thusly from the perspective of a pedicab driver in Wuhan:

This year the police aren't managing well, so peasants can come in, which influences our business, and our income is reduced. Last year we got the same income as we do now, but this year, because of peasant competition, we have to work longer hours just to earn the same amount that we did then.<sup>149</sup>

As Mo Rong characterized the overall situation to come, when combined with new labor arriving on the job market and an acceleration of rural migrants heading for the cities, the effect will be, poetically, like "frost falling down on snow" (or, as translated in the dictionary, "one disaster after another").<sup>150</sup>

The loss of dependable work, of a respected position in society, and of the wherewithal for subsistence has had several kinds of impact already. Among the most disquieting are widening income gaps and the growing proportion of marginalized people in the cities. Social critic and economist He Qinglian darkly conjectures that if out-of-work parents cannot afford to educate their children, society will be faced with poverty becoming "an intergenerational inheritance."<sup>151</sup>

On education, Thomas Rawski quotes from an author in Anhui, who has written that in that province, high tuition costs at all levels are beginning to mean that, "the number of sons and

<sup>147</sup> Hu, "Creative Destruction," 7.

<sup>148</sup> Interview, Beijing, November 7, 2001.

<sup>149</sup> Interview with pedicab driver, Wuhan, October 28, 2001.

<sup>150</sup> Mo Rong (2000), 19.

<sup>151</sup> He Qinglian, "Dangqian zhongguo shehui jiegou yanbian de zongtixing fenxi" [An analysis of the overall situation in China's present social structural evolution], *Dangdai zhongguo yanjiu* [Modern China studies], 3 (2000), 82-83.

daughters of farmers and laid-off urban workers who leave school is rising year by year.<sup>152</sup> Similarly, one study of over 28,000 children in a district of Shijiazhuang, Hebei, found that 30 percent had laid-off parents and that, because of these layoffs, 11 percent of all middle school students and 1.43 percent of primary school students there already were thinking of quitting school as of 1998.<sup>153</sup>

How, on balance, the laid-off will react, is anyone's guess. Whether from a spirit of throwing themselves into the glory of an imagined future of plenty once China has become fully modern and prosperous or else just from the lack of any alternative to forging their livelihood through their own mettle, a number of my informants in 1999 displayed admirable pluck, as their words reveal:

--If you don't fear fatigue and don't fear bitterness, you can find something to do; if you've no income, you can't be choosy;

--(On being asked about a suicide case): It was his own character. A lot of people are laid off. They can't all commit suicide!

--Even though there's a lot of people laid off in Wuhan, you can still find something to do...if you still have two hands.<sup>154</sup>

But there is also an ominous side to the time to come. Speculation about the more fearsome fallout focuses first on what is most apparent: mounting mass action, in the form of demonstrations, resistance, and riots, plus workplace violence and even the occasional murder of factory managers.<sup>155</sup> As one of my informants on the street, himself without steady work,

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<sup>152</sup> Rawski, *op. cit.*, 16.

<sup>153</sup> Li Bingliang and Guan Zaiyuan, "Zhongshi zhigong xiagang dui qi zinu di fumian yingxiang," [Pay attention to the negative influence on the sons and daughters of the staff and workers' layoffs] *NBCY*, February 3, 1999, (448), 14.

<sup>154</sup> Various interviews, Wuhan, August/September 1999.

<sup>155</sup> Susan V. Lawrence, "Risk Assessment: For better or worse," *FEER*, 10/5/00, 60-61; Xin Meng, *Labour Market Reform in China* (New York: Cambridge University Press, 2000), 190; Joseph Fewsmith, "Institutionalization and Its Limits." Paper presented to the American Political Science Association Convention, San Francisco, August 29-September 2, 2001, 13; Jean-Louis Rocca, "The Rise of the Social and the Banalisation of the State in China." Paper for the Panel "Between Developmentalism and Cronyism: the Janus Face of the State." Association for Asian Studies annual conference, 22-25 March 2001, Chicago, 17-18.

anticipated, "There will be an opposite effect" [fanzuoyong] [to WTO].<sup>156</sup> Another mused that, "Jieguo kending buhao, shehui hui geng luan" [The result definitely won't be good, society will become more chaotic].<sup>157</sup>

In one colorful episode in Chongqing, many newly laid-off workers assigned to enter reemployment service centers in 1998, nursing a very strong mood of opposition, gathered to seek an audience, blocked transportation routes and besieged the leadership, even tearing up the agreements they were handed, and smashing to a pulp the brand-new center's signboard. Local officials cringe to imagine what these people's reaction might be when they are ejected from these same centers very soon.<sup>158</sup>

An internal report prepared within the Ministry of Public Security goes so far as to claim a total of 30,000 "mass incidents" just in the first nine months of 2000, a figure that includes protest events of all sorts, many of which were over issues of job loss and unpaid wages and pensions. The conclusion of this investigation was that the numbers of these events were increasing annually, the scale continuously expanding, the style becoming more fierce, the degree of organization getting higher and higher, the different kinds of members growing more complex, and the extent of difficulty in managing them very great.<sup>159</sup>

A second frightening offshoot is an increase in crime, which many have linked to the growing redundancies. In the disgruntled words of a furloughed worker, now struggling to subsist as a pedicab driver, "WTO is good for the rich; for the poor, those doing bitter labor will just increase and there will be more criminals."<sup>160</sup> Or, as another of my jobless informants so frankly

<sup>156</sup> Wuhan, October 29, 2001.

<sup>157</sup> Interview, Zigong, November 3, 2001.

<sup>158</sup> Yang Shengwen, "Kexi de yibu: cong beijing deng bashengshi xiagang zhigong lingqu shiye baoxianjin renshu chaoguo jin zhongxin renshu kan chu zhongxin gongcuo" [A heartening step: look how the work of exiting the center in Beijing and eight provinces and cities' [in which] numbers of laid-off staff and workers getting unemployment insurance money has surpassed the numbers entering the center], LDBZTX, 9 (2001), 29.

<sup>159</sup> Gong'anbu dixi yanjiusuo "quntixing shijian yanjiu" ketizu [Ministry of Public Security Fourth Research Institute's "mass incidents research" group], "Woguo fasheng quntixing shijian de diaocha yu sikao" [Investigation and reflections on our country's mass incidents], Neibu canyue [Internal consultations] 31 (576) (8/10/2001), 18-25.

<sup>160</sup> Street interview, Wuhan, October 29, 2001.

expressed it, "People would rather be criminals than starve to death. They'll use all kinds of ways to survive."<sup>161</sup> According to official statistics, in the the first four years after layoffs began to surge, 1995 to 1999, the numbers of criminal cases, including homicides, robberies, rapes, kidnappings and fraud, leapt up by 39 percent.<sup>162</sup> Political scientist Shaoguang Wang foresees further "distributional conflicts" as the plight of those who lose from China's entry into the WTO becomes more obvious and pronounced.<sup>163</sup>

Which one of these prospects will come to predominate as China turns more totally to the global economy is yet to be known. But we can expect for certain that while millions of better-placed citizens rise to the challenge, millions more will sink into obscurity, their working lives cut short, their potential undeveloped, and their ability to purchase products offered up by the world market and its merchants completely wasted.

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<sup>161</sup> Interview, Zigong, November 3, 9001.

<sup>162</sup> Trish Saywell, "Crime Unlimited," FEER, November 2, 2000, 73; Hu, "Employment and Development," 15.

<sup>163</sup> Shaoguang Wang, "Openness, Distributive Conflict, and Social Insurance: The Social and Political Implications of China's WTO Membership," JCC 9:25 (2001).