

Policy Consistency in the Midst of Crisis:
Managing the Furloughed and the Farmers in Three Cities

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Introduction

By the late 1990's, combined with the policies of the prior 20 years dictating decentralization and marketization, the leadership began to articulate the official developmental pattern in accord with globally fashionable neoliberal formulas. The 15th Party Congress of September 1997 proclaimed a drive to increase efficiency by cutting staff.¹ Within six months, even the conservative ex-Premier Li Peng voiced such au courant jargon as the following in various segments of his speech to the Ninth National People's Congress in March 1998:

The government will encourage...competitiveness in both domestic and foreign markets"; and "We should continue to implement..preferential policies...to increase efficiency through reducing staff size."² [emphasis added]

And as decentralization of economic decision making became increasingly entrenched after 1980, instead of plans, new factors appeared, both political and economic, which determined a place's possibilities for growth, instead of--as in the past--its position in the state plan alone had done.³ Thus, the provinces became much more diverse economically than they had ever been in the previous three decades, with growth in those along the coast markedly more successful than it was in the provinces in the interior.

The switch to markets did not just mean relinquishing planning domestically. The country (especially the coast)'s splendid performance in attracting foreign capital and in parlaying its cut-rate-labor-made manufactures into cash on the world market rendered

¹In January 1997 at a 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. See Yang Yiyong et al., Shiye chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, n.d. (probably 1997)), 220.

²Summary of World Broadcasts (hereafter SWB), FE/3168 (3/6/98), S1/9, from Xinhua [New China News Agency] (hereafter XH), 3/5/98.

³See Peter T.Y. Cheung, "Introduction: Provincial Leadership and Economic Reform in Post-Mao China," in Peter T.Y. Cheung, Jae Ho Chung, and Zhimin Lin, eds., Provincial Strategies of Economic Reform in Post-Mao China: Leadership, Politics, and Implementation, (Armonk, NY: M.E. Sharpe, 1998), 3-46; Jae Ho Chung, "Recipes for Development in Post-Mao Chinese Cities: Themes and Variations," in Jae Ho Chung, ed., Cities in China: Recipes for economic development in the reform era (London: Routledge, 1999), 1-17; and Dorothy J. Solinger, "Despite Decentralization: Disadvantages, Dependence and Ongoing Central Power in the Inland--the Case of Wuhan," The China Quarterly, No. 145 (1996): 1-34.

development progressively more reliant on exports and foreign investment as the 1990's wore on.⁴ The center's supremacy at home and the nation's integration internally became ever more uncertain as China grew steadily more enmeshed in the global economy, and thus potentially subject to its vagaries.

In fact, the financial crisis that spread across East and Southeast Asia in 1997 and 1998 was clearly a threat to China. As its neighbors in seriatim devalued their currencies and as foreign investors pulled out from the region, China's export growth came to a halt in 1998, and 1999 even saw a startling 11 percent drop in actual foreign direct investment.⁵

How seriously did these several forces--increased local autonomy, absorption of neoliberal economic principles, new approaches to labor security, growing subnational diversity and uneven degrees of international involvement across the nation--diminish the control of the center and the cohesion of the whole? In this paper I examine these issues as they have operated in employment policy in three cities, with a focus on this period of stress, primarily the years 1997 and 1998.

One could hypothesize that, once decentralizing forces had become significant, a period of economic difficulty might be particularly apt to reveal the resultant centrifugal forces. For at such a juncture, localities facing economic crisis, more or less on their own, and already trained in contending on the global market, would be likely to scramble to retain any leverage they had in foreign trade; they would ignore central injunctions that might cut into their profits (especially if the center had really lost control); and they would attempt to slash their costs in order to push their own local products on the world market.

⁴Barry Naughton, "China's Emergence and Prospects as a Trading Nation," Brookings Papers on Economic Activity, 2: 1996, 273, 280. He notes that between 1984 and 1995, Ch's real GDP grew by 10.2% annually, according to official statistics, as the nominal value of manufactured exports increased by 22 percent per year. By 1994, the ratio of foreign trade to GDP had jumped up to 44 percent, from just ten percent 16 years before.

⁵Far Eastern Economic Review (hereafter FEER), April 27, 2000, 24. According to FE/3770 (February 22, 2000), G/4 (from Xinhua, February 15, 2000), the utilization of foreign capital dropped by 12.8 percent in 1999 compared with the previous year, being the first negative growth rate in recent years. Officials at the Ministry of Labor and Social Security acknowledged that the crisis had "reduced our competitiveness," and that "it will influence our employment" (in an interview at the Ministry's Employment Section, September 1, 1998). In late 1999, the official Xinhua [New China] News Agency revealed that, "The impact caused by the international factors, such as the impact on the international market caused by the Southeast Asian financial crisis and the slow economic development rate in the world economy, have noticeably aggravated enterprises' difficulties in developing the market and in production and management..." (XH, October 17, 1999, in SWB, FE/3670, October 20, 1999, G/5).

Thus, given unequal ability among localities to succeed in the global economy, crisis should be likely to expose quite starkly regional differences, even more so than would normal times. At the same time, a central government under external pressure would be less able than usually to direct or support the localities, and might even encourage those areas which could survive of their own accord to do so by any means, or at least to turn a blind eye toward their behavior. In terms of employment, this ought to have meant that enterprise managers (along with their local authorities) would be even more prone than at other times to take on low-wage farmers and to release at an ever faster rate their higher-priced urban employees--while forgetting in the process the concerns of those dismissed.

I argue that, to the contrary, central relations with the localities have been in no danger in this policy domain. On the basis of policy pronouncements and programs of implementation pertaining to newly unemployed people and immigrating peasants, I demonstrate that policy consistency (and even, still, a certain unification in the modes of implementing it) was present across the country and up and down the hierarchy, even during this time of tension and trial. The reasons, however, are not so simple as just that obedience was ordered and then obtained; nor is the quest for the causes necessarily a matter of uncovering mechanisms of control in the capital, new instruments, incentives, or institutions (save for the institution of the market itself).

Rather, I will show, by end of century, Chinese leaders at all the levels within the administrative system--whether central, provincial, or urban--by that point entertained shared, if unfortunately mutually opposed, objectives. These were at once to enhance productivity and profits via competitiveness and efficiency (a post-1980 project)--which, by the late 1990's entailed cutting back workforces--**and yet** to provide sustenance, and if possible, employment, for local urban labor (an ideal, reflecting pre-1980 socialist pro-proletariat values as well as elites' abhorrence of instability).

And there is a further complication: even as these contradictory aims thrust all of officialdom onto the prongs of an identical predicament, in some ways the newer incentives of the market became intermixed with the modalities of the planned economy, as this citation evinces:

Some enterprises' results are rather good, and they really need not lay off people. There's enough work to do. But still each year, personnel are forced to leave according to a certain proportion. This occurs because their upper level gives its enterprises a quota for the

number to be laid off [and uses its fulfilment] as one basis for evaluating leading cadres' work.⁶

The same congruence in practice between the imperatives of the market and those of command appears in the mayor of Wuhan's mid-1998 admonition: "Whether we can appropriately arrange the layoffs [xiagang]⁷ is the key to invigorating state-owned large and medium firms."⁸

Though the emergence of a national labor market of sorts was efficacious in enabling localities with lively markets to attract dirt-cheap farmer-workers (and therefore functional in elevating national coordination and cohesion), the customary inclination of metropolitan bureaucrats to favor their own native city-bred over outsiders (meaning peasants) could simultaneously work against this market. Since the scope for policy-making at the local level lies precisely in the ability of leaders at the lower administrative echelons to handle the trade-offs between these conflicting objectives, we might expect some real variation among provincial and urban leaders whose economies were more or less marketized and which were therefore performing differently when the crisis struck.

And yet data from three quite disparate cities reveal that common ends and familiar means forged a generous measure of homogeneity between the designs of Beijing leaders and the actions of their appointees below. This homogeneity obtained even if the specific procedures utilized in the three cities to be examined here were variations on a theme, located at differing points along a continuum stretching from plan to market in the late 1990's, and even in a time of enhanced market pressure.

Each of the cities I review below is a major metropolis, and each is the node of one of the country's principal regions. One is a city on the coast (Guangzhou), one is in the rust-belt debt-ridden Northeast (Shenyang), and one in the interior (Wuhan). Each is the site of a different type of political economy, the product of its geographical location, its

⁶Tian Binjnang and Yuan Jianmin, "Shanghai xiagang ren yuan de diaocha yanjiu" [Investigation research on Shanghai laid-off personnel], Shehuixue [Sociology] 2/97, 11.

⁷"Laid-off" or xiagang workers are those who have left their production and work post and are not doing any other work in their own unit owing to the enterprise's production and work situation, but who retain their labor relationship with the unit. See No author, "Woguo di shiye ren yuan he xiagang zhigong tongji diaocha," [A statistical investigation of our country's unemployed personnel and layoffs] Zhongguo laodong [Chinese labor] (hereafter ZGLD) 5 (1998), 15-16. There is also a definition in Wuhan wanbao [Wuhan evening news] (hereafter WHWB) May 30, 1998, 1.

⁸Changjiang ribao [Yangtze daily] (hereafter CJRB), April 9, 1998.

resource endowment and industrial structure, and its treatment over time by the central government. Each was accordingly more or less marketized and thus more or less affected by the Asian crisis (Guangzhou the most marketized and the most entangled in the global economy, and thus the most affected), and by the 1997 plan to discharge labor from indebted firms (Shenyang, where there were more failing firms than elsewhere and therefore suffering the most unemployment). As we will see, Guangzhou's leaders adopted a more Thatcherite approach and Shenyang's a more Keynesian one, with Wuhan in between. But despite their cities' differential fates and these varying styles, leaders in all of them behaved in accord with central policy, broadly understood.

I begin by outlining the ambivalent central government policy toward urban employment in the late 1990's, and then I sketch the pertinent features of the three cities' political economies. The body of the paper tells how each city grappled with the issues of unemployment and migrants as uncertainties from markets abroad closed in. My purpose is to make a case that much similitude in policy marked these very unlike urban areas, and that they all responded in the main to the regulations announced from above. I use documentary material and interviews with scholars and urban bureaucrats from these cities to examine how they were coping with the center's essentially opposed imperatives as of autumn 1998.

Two caveats: first, ultimately, my judgments about each city were subjectively reached, the result of perusing the local press in each and talking to their respective natives, rather than relying just on the official (or any other published) numbers. And second, my access was by far the best in Wuhan, which may have influenced my findings and comparisons, though it is difficult to discern in what way.

Ambiguities in Central Policy Toward Labor Markets

With China's opening to the global economy around 1980, as noted above, a mentality enshrining profits and high productivity quickly began to dominate over other values, as these two quotations reveal. On the domestic economy, a book on Liaoning alleges, To meet market economic demand, industrial enterprises must continue to reduce staff and increase efficiency to raise their productivity. Taking a long view, this will promote

economic development, and eventually provide more employment opportunities, but in the short term we can't absorb new labor but instead the demand for labor will decline.⁹

And on the international one, a major labor journal cautions:

We must optimize the investment environment..raise the ability to absorb foreign capital. [For this] lowering labor costs is decisive.¹⁰

This mentality lies at the heart of the move to restructure state enterprises and restrict their previous unlimited access to state credit which, since the early 1990s, has led to mounting firm losses, and, especially since 1994, growing numbers of worker layoffs. Another crucial prong in the effort to achieve more efficiency beginning in 1995, but with new and intensified stress in 1997 and 1998, was to restrict the entry into cities of, and when possible, send home rural migrants.¹¹ The stated objective here is to clear out ruralites and turn over their posts to the unemployed and the laid-off among urbanites.¹²

And yet ambiguities attended this initiative, since there are two distinct faces to peasant migrants at work in Chinese urban areas: in one perspective, rural workers offer competition and stimulation to the economy, and, because of their willingness to work at undesirable posts and at very low wages, they also make possible lower-cost production and thus higher profits and cheaper exports, valuable in capturing international markets in a time of new difficulties.¹³

⁹Xu Jinshun, Cao Xiaofeng, Zhang Zhuomin, 1997-1998 nian Liaoning sheng jingji shehui xingshi fenxi yu yuce [1997-1998 Liaoning province economic social situation analysis and prediction] (Shenyang: Liaoning renmin chubanshe, 1998), 276.

¹⁰Yan Youguo, "Wanshan laodongli shichang shixian" [Realize the perfection of the labor market] ZGLD 1 (1998), 17.

¹¹Quoting the sociologist Feng Lanrui in South China Morning Post (hereafter SCMP), August 8, 1998, 15.

¹²Liu Zhonghua, "Guanyu zaijiuye gongcheng yu laodongli shichang jianshe di sikao" [Thoughts on the Reemployment Project and labor market construction] Laodong neican [Labor internal reference] (hereafter LDNC) 2 (1998), 42.

¹³Peasant migrants' wages can be anywhere from 20 to 30 percent to 40 to 50 percent less than those of urban workers (see Chen Huilin, "Guanyu nongmingong qingkuang di diaocha yu sikao" [Thoughts and research on peasant labor's situation] Zhongguo gongren [Chinese worker] (hereafter ZGGR) 5 (1998), 17); in addition, they are often denied the welfare benefits that at least in principle (though less and less in practice) are to be accorded city laborers and the social security payments firms are obliged to make for urbanites.

But from another viewpoint, peasants' presence in cities threatens the jobs of "native" urban workers, and here there is a direct conflict between making profits and the need to develop a locals-only job market to absorb the xiagang or "laid-off" workers. These city laborers' plight is the product of the switch to a market economy, and the resultant need to reduce costs to meet external competition, an imperative that is yet another outcome of China's mesh with markets, both domestically and globally.

The ambivalence of central-level directives appears in justifications used by employers. Some managers have rationalized their contravention of the rules against employing peasants by appealing to market principles (which, though legitimized by state policies, yet coexist uneasily with such exclusionary rules), as in the following comments: "To participate in the market economy, we need an integrated labor market; to reduce our costs we need more rural labor,"¹⁴ as they fire urbanites and place peasants in their posts. Others claim that hiring ruralites will push city workers to modify their concepts about work, while at the same time raising overall productivity and even boosting the international competitiveness of the firm.¹⁵

Even central policymakers admit that a genuine solution to the predicament of urban employment is to strengthen a national labor market. As announced in a State Council decision of early June 1998, this should entail

Establish[ing] and perfect[ing] the market mechanism, and under state policy direction carry[ing] out a combination of workers' autonomous job selection, labor market adjustment of employment, and government promotion of employment.¹⁶

City administrations thus have been handed the daunting and probably impossible task of facilitating the formation of a national, unified labor market that can at once manage outside, peasant labor and yet also guarantee locals' employment.¹⁷

As one mode of coping with the task, cities dutifully created their own local versions of a national "Reemployment Project,"¹⁸ a monumental effort which, after 1994 trials in a few places, was extended nationwide in April 1995, with the ambiguous aim of somehow

¹⁴Interview with Deputy Director of the Chinese Academy of Social Science (hereafter, CASS) Rural Development Institute, Han Jun, August 24, 1998.

¹⁵Yang Yiyong et al., op. cit., 104; and Chen Huilin, op. cit., 1718.

¹⁶Guangming ribao [Bright Daily] (hereafter GMRB), June 23, 1998, 4.

¹⁷Yan Youguo, op. cit., 17.

¹⁸Ru Xin, Lu Xueyi, and Dan Tianlun, eds., 1998 nian: zhongguo shehui xingshi fenxi yu yuce [1998: Analysis and prediction of China's social situation] (Beijing: shehui kexue wenxian chubanshe, 1998), 86.

arranging the settlement of the laid-off workers, and yet also feeding them into an incipient labor market which could function on its own.

But while the goals of promoting enterprise reform--with its call for efficiency and layoffs--and of establishing a genuine labor market, one which would serve a national (i.e., both urban and rural, population), were mutually reinforcing, they were at odds with leaders' third labor-related aim--their persisting concern about placing (termed "reemploying") locals. The imperatives presented by the Asian crisis and the 15th Party Congress--more threatening unemployment to assuage, but also a heightened urgency to producing cheap exports and high profits--only muddled notions about the appropriate strategies that could be used to achieve reemployment. As one interviewee quite aptly phrased it, "the Reemployment Project is a half-planned economy method, which has the goal of developing a market."¹⁹ Another referred to the Project as "really, just one welfare system replacing another..[a program that is] trying to protect urban residents' original superior position under market conditions."²⁰

At the outset, the Reemployment Project was to rest upon four pillars: unemployment insurance, professional introduction services, retraining, and labor service enterprises.²¹ After Shanghai set up the model of the "reemployment service center"--which was to provide a caretaker role for an industry's workers, by helping with the disbursement of their basic livelihood allowances, medical insurance and pensions; retraining them; and finding them new employment--this system became one more key component of the Project.

The Project was also touted as one that, in forcing at least some workers out of the factory and providing them with preferential treatment (such as tax exemptions and reductions, cancellation of licensing, management, sanitation and other fees, provision of market sites and stalls, etc.) if they start new businesses, could be billed as "symbiotic with the development of a market economy." Unemployment was thus turned into a "necessary

¹⁹Interview with People's University sociologist, Prof. Yao Yuchun, September 1, 1998.

²⁰Beijing 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), 109.

²¹Wang Tianxing, "Kunjing yu chulou" [Difficult straits and the way out], *Shehuixue yanjiu* [Sociology research] 6 (1997) in *Xinhua wengao* [New China documents] 3 (1998), 25.

product of the law of value, the law of competition, and the law of supply and demand," according to this line of thought.²²

The actual mode of implementation of these measures reflected the ambiguity of the center's approach. In two different studies, over half of those laid off were able via forms of early retirement to retain their ties with their reemployment center or their firm, rather than looking for jobs.²³ In such cases, the Project's local administrators focused more on nurturing financially and solving the immediate problems of those without work than on assisting them to locate new positions. As one critic charged, "This governmental guidance is merely a way of temporarily alleviating employment pressure, not a sign of a healthy market economic system."²⁴

In sum, one could characterize the Project as potentially having either a Keynesian or a Thatcherite thrust--or a bit of both. While the former emphasis, entailing more activist state guidance and direction, rested on distrust of a market in labor to guarantee the employment of discarded urban workers (or doubts their ability to compete in one), the latter was grounded in a faith that reasonably fair and, more importantly, cost-effective

²²Wang Baoyu, "Zai jiuye gongcheng renzhong daoyun--Wuhan shiye, xiagang zhigong wenti pouxi"" [Reemployment Project: the burden is heavy and the road is long--an analysis of the problem of Wuhan's enterprise, laid-off staff and workers]. Unpublished manuscript prepared for the Wuhan City People's Congress (Wuhan, 1997).

²³Beijing University, *op. cit.*, 103 shows that the 22.3 percent of the "diverted" (*fenliu*) who promised to retire early, the 28.85 percent who counted as "exported labor," and the .47 percent taking on "irregular (*feizhenggui*) employment" within the community kept their ties with their center and got subsidies from it. [Thanks to Barry Naughton for sending me this article.] In a 1997 four-unit study in Shenyang (Li Zhonglu, *op. cit.*, 17), 47.8 percent of the staff and workers had been laid off in the four units surveyed. Of these, 48.5 percent of these had been "arranged" (*anzhi*). This included 27 percent who retired early, 54.5 percent arranged within the firm, 1.4 percent transferred within the district or the system, 6.4 percent arranged by "society," and just 10.6 percent finding their own new placements. The other 51.5 percent of those laid off but who had not yet been arranged included 12 percent awaiting work within the enterprise, 12 percent whose wages had been stopped but whose place was being held (*tingxin liuzhi*), 9 percent on "long holiday" and getting some wages, 26 percent on "long holiday" receiving a basic livelihood allowance, 34 percent retaining an informal tie with the firm but not getting any pay (*liangbuzhou*), and a mere 7 percent who had been pushed out to society.

²⁴Kong Pingsheng, "Jiejue jiuye xu xingcheng heli" [To solve employment we must pool efforts] *LDNC* 3 (1998), 42.

outcomes could come from reliance on the unadulterated workings of the forces of supply and demand.

Three Cities: Disparities

I posit that three geo-economic independent variables have a crucial bearing on the manner in which these different cities approached--and, indeed, were capable of approaching--three interconnected issues, or dependent variables: shedding their workforces (as seen in the amount of unemployment there); forming a functioning labor market (and, consequently, reemploying their laid-off); and receiving outsiders (which could be measured in the number of peasant migrants resident in a city).

These three independent variables are: 1) the health and wealth of a city's economy (principally a function of the nature of its industrial structure--including factors such as how much of its industry is heavy industry, how large its GDP and GVIO. how fast its growth in recent years); 2) the vitality of its domestic markets (as measured by such factors as its level of retail sales, the number of its market sites, the proportion occupied by its tertiary sector--meaning chiefly its service (thus, informal) sector--and the vigor of its non-state industry); and 3) its international involvement--as seen in levels of both foreign investment and exports. All of these variables, in turn, derive from a place's geographical location and resource base, and from central governmental policy toward it.

The populations of the three cities I researched--Guangzhou, Shenyang and Wuhan--are roughly comparable, as the table from 1997 reveals:

Diqu*, Shiqu*, and Non-rural* Population, unit=10,000
Guangzhou, Shenyang, and Wuhan, 1997

<u>City</u>	<u>Diqu* Pop.</u>	<u>Shiqu* Pop.</u>	<u>Of which, Non-rural*</u>
Guangzhou	656.05	390.18	322.14
Shenyang	671.04	476.66	384.00
Wuhan	715.94	517.25	382.08

*"Non-rural," or feinong, means, literally, non-agricultural, but in practice it refers to people with urban registration; diqu means entire municipality; shiqu means urban districts.

Source: Zhongguo tongjiju chengshi shehui jingji diaocha zongdui bian [Chinese Statistical Urban Social and Economic Research General Team, ed.], Zhongguo chengshi jingji nian

jian 1997 [1997 Chinese Urban Statistical Yearbook] (Beijing: Zhongguo tongji chubanshe, 1998), 53, 63, 64.

In terms of the variables listed above, however, the cities are quite disparate: Guangzhou (and its surrounding area) has since 1980 been the part of the country most involved in the external economy, both as the recipient of foreign investment and as exporter. Shenyang is an old industrial base, where the central government decades ago invested much capital in creating heavy industrial infrastructure, equipment, and output, and the level of industrial losses was especially high there in the 1990's. Wuhan, though like Shenyang also the home of much aging and failing industrial, state-owned plant, is notable as well as one of the chief hubs of the national transport network and as a national-level market, for it lies at the intersection of the Guangzhou-Beijing trunk rail line going north-south and the Yangtze River, along the east-west axis. Overall, Guangzhou, with the healthiest local economy, the most active domestic markets, and the most international involvement, was the most Thatcherite, while Shenyang, generally at the other extreme, the most Keynesian, as noted earlier.

Geography, combined with past central-level policies, quite vividly set the context for major variations among the three cities. Guangzhou has had the benefit since 1980 of the central government's preferential policies toward the southeast, and also of proximity to Hong Kong with its links to the world beyond. Its industrial development, thwarted in Maoist times because of its perceived locational vulnerability, never saw the intensive investment in huge and heavy industrial plant that occurred in the inland and the north.

As of 1997, on the eve of the regional financial crisis and the convening of the 15th Party Congress, the city's GDP was increasing at 13.5 percent, a rate above the national average. Its industrial growth rate that year was even higher, at 16 percent, and its GVIO grew 17.6 percent over 1996. Quite favorably for workers' jobs, only 31 percent of the city's firms were suffering loss. Probably contributing to the health of the urban economy--for light industrial output was easier to export and its equipment in general more apt to have been renovated or imported than that of the heavy sectors--the city's light industrial output represented a full 61.3 percent of GVIO in 1997.

The state-owned sector accounted that year for just 33.5 percent of ownership, the collectively owned for 18.3 percent, and "other" categories (private and foreign-invested) for as much as 48.2 percent. The city also ranked number one nationally in number of market sites, with four sites for every 100 persons, and the tertiary sector's output value

increased in 1997 by 13.8 percent, with its output accounting for 48.4 percent of GDP.²⁵ One scholar just back from field work in the Pearl River Delta commented in late summer 1998 that, "Xiagang in Guangzhou is not serious..there are more and more jobs in the informal sector." But he also noted that peasant workers were being made to pay fees both on leaving their rural homes and in the city of Guangzhou as well, indicating that even marketized Guangzhou was letting its peasants go during the financial crisis.²⁶

In northeastern Shenyang, first Japanese investment in the 1930's and '40's and later Soviet aid in the '50's led to early development of large-scale, capital-intense, heavy industry. Later, because new parts were expensive and production always took priority over technical transformation, aging and outdated equipment came to mark the city's industrial stock. Another detrimental factor is that its location in the far northeast meant that the city has at best been a regional center, but has not attracted national-scale commercial traffic.

Shenyang stands at the other extreme from Guangzhou, in many ways. Not only are there substantially more laid-off workers, there are fewer peasants as well. It mainly produces for the internal market, with vastly less foreign investment than Guangzhou attracts.²⁷ By 1997, our starting point, 51.7 percent of state-owned firms were suffering losses (as compared with 31 percent in Guangzhou).²⁸ Other comparisons with Guangzhou and its province are equally arresting: in the first eight months of 1997, Liaoning's financial income was 11.77 billion yuan, an increase of eight percent over the same period the year before, while Guangdong's was 32.92 billion, having increased 21.2 percent.²⁹ In the first 10 months of the year, Liaoning's GVIO grew at the rate of 9.4 percent, while Guangdong's grew at a rate nearly double that (18.2 percent).³⁰

²⁵Guangzhou shi jihua weihyuanhui [Guangzhou City planning committee] (hereafter, Guangzhou shi), ed., Jingji shehui bai pishu [Economic-social white paper] (Donghuang: Guangdong jingji chubanshe, 1998), 79-81, and 156 for Guangzhou; and, for Guangdong, Zheng Zizhen, "Dui Guangdong sheng renkou qianyi liuru wenti di zhanlue sikao" [Strategic considerations about the issue of Guangdong's population migration and inflow] ZRK 3 (1997), 43 and Li Zhao and Li Hong, eds., Guangdong jingji lanpishu: jingji xingshi yu yuce [An Analysis and Forecast of the Guangdong Economy] (Chaoqing: Guangdong renmin chubanshe, 1998), 237, 242.

²⁶Huang Ping interview.

²⁷Interview with Jin Weigang of the Division of Strategy in Ministry of Labor and Social Security's Institute for Labor Studies, August 27, 1998.

²⁸Xu, Cao, and Zhang, op. cit., 28.

²⁹Ibid., 142.

³⁰Li Zhao and Li Hong, op. cit., 404.

The Liaoning provincial Planning Commission's bureaucrats alleged in 1998 that one third of the province's workers were employed in the tertiary sector.³¹ In Shenyang a major effort had been made in that area in the late 1990's: Before 1996 workers in this sector had represented only one fourth of the total staff and workers of the city. But in the next two years they increased to half the total, in response to much governmental investment and a set of official preferential policies, with a leap from about 300,000 workers up to over 500,000 in just a year or so.³² But, Planning Commission officials maintained, a mere five percent of the province's workers were employed in foreign-invested firms, as of 1998. As one example of the impact of the two shocks of 1997-1998 (Asian crisis and 15th Congress), the textile trade in particular saw a sharp drop in its exports, especially among the state-owned firms.³³

Wuhan shares with Shenyang the now very mixed blessing of having been an early recipient of investment in heavy industrial plant. But its situation at a national crossroads allowed its leaders rapidly to reinvent the city as a major thoroughfare and commercial capital, once policies of market reform became the vogue after 1980. Given the central government's selection of the city as a foundational site for its program of heavy industrialization in the First Five Year Plan, its proportion of state-owned firms within the economy was from the start--and still remains--overwhelming.³⁴ As recently as 1996, the state and collective sectors still accounted for over 80 percent of employment (80.6 percent, with each of these sectors representing about half the total), the private one only 6.2 percent and other sectors 3.3 percent.³⁵

But despite the drag of this strong state-owned presence, Wuhan's economy grew quickly in the mid-1990's. For comparative purposes, one volume lists the growth rate of GVIO in Liaoning, Shanghai, Hubei, and Guangdong in the first 10 months of 1997 as being 9.4, 14.0, 14.3, and 18.2 percent, respectively.³⁶ And although the state sector was

³¹Interview, August 14, 1998.

³²Interview with city labor bureau official, August 18, 1998.

³³Interview, August 14, 1998. In 1997 there was a decline of 20 percent, and in the first half of 1998 the fall was as much as another 31 percent, compared with the same period the year before, according to this interview.

³⁴Wang Baoyu, *op. cit.*, 6.

³⁵These are the figures provided by officials from the city's planning commission's tertiary sector planning coordination office, September 9, 1998. Possibly I misrecorded their information, since the total is just 89 percent. Perhaps they really said that 16 percent was private.

³⁶Li Zhao and Li Hong, *op. cit.*, 404.

decidedly dominant, the city's non-state sector also boasted some vitality: more than a million people were employed in it as of mid-1998.³⁷ (See Tables I, II, and III.)

Official data (for many reasons,³⁸ surely inaccurate in absolute numbers, but perhaps roughly comparable among the cities) demonstrate the policy effects of these geographical and political factors. First of all, registered unemployment was by far the most serious in Shenyang as of 1996 and 1997 (though Wuhan had caught up by 1998). (See Table IVA.) The percentage of laid-off state workers in Liaoning among the total state workers there was also considerably higher than in the other two provinces (15 percent versus 10.5 and 6.8 percent in 1997, but shooting up to as high as 46.6 percent in Liaoning in 1998, and at lower, but still serious rates in the other two cities (26.7, and 15.8 percent, respectively). (See Table IVB.)

Another difference is that the average per capita arable land in the district around each city and in the provinces in which these cities are situated is also quite discrepant. There is by far the most per capita acreage in Liaoning/Shenyang. Since land scarcity is a major factor in peasant outmigration, this may explain the much lower level of geographical mobility of peasants in Liaoning and around Shenyang (see Tables VIA and B). In fact, in Liaoning there is barely any geographical mobility relative to the other two places, while what there is remains mostly within the province. In Hubei, by contrast, there is a great deal of movement, much of it entailing leaving the province. And in Guangdong there is even more mobility, but a lot of it is accommodated locally (a measure of the very active markets there and also of the high level of foreign investment) (Table VA). In spring 1999, economist Hu Angang reported that foreign-invested enterprises had created nearly 18 million new jobs, around 10 million of which were located in Guangdong province alone.³⁹ Other official data show that only Liaoning was able to reduce the numbers of outsiders (mainly peasants) coming in after 1995. In Hubei, the numbers dropped substantially after

³⁷Wuhan labor interview.

³⁸In "A Skeptic's Research Note: Just How Many Workers Have Been Laid Off?," presently under consideration for publication, I detail the causes for inaccuracy, including that official numbers exclude vast numbers of people who have lost their jobs, but who are not labeled "xiagang" since they do not meet the official definition for this term.

³⁹In Gangao jingji [Hong Kong and Macao economy], March 1, 1999, in SWB FE/3514, April 21, 1999, G7.

1996, but began to rise again in 1998, and in Guangdong they continued to increase steadily (see Table VB).

I proceed to examine how these three cities coped with the contradictions in central labor policy during this period of economic crisis, policy confusion, and heightened competition. Clearly the conditions just reviewed made for disparate thrusts and emphases. Still, all three were clearly heeding central policy (if in their own ways and in accord with their own conditions, endowments, and interpretations), and were--if variably--all integrated into the national polity.

The 15th Party Congress and the Southeast Asian Crisis

Given its felicitous economic conditions and the strength of its non-state economy, as of late 1997 Guangdong chose, in Thatcherite fashion, to focus on just one particular aspect of the Fifteenth Party Congress's message: its leadership noted that the Congress had called for actively readjusting the ownership structure and making the private economy into a new growth point. According to a quite sanguine quotation from a responsible person from the provincial bureau of labor, "The Fifteenth Party Congress's assessment of the non-state economy's position will enable the share system, foreign-invested (sanzi) firms, private (minying) and the individual economies to supply even more employment opportunities in the next several years."⁴⁰

But it wasn't long before a less optimistic outlook began to appear in provincial and urban statements. Indeed, even before the Asian crisis broke, a national economic slowdown began to have adverse effects in the area. An analysis of the provincial economy prepared late in 1997 or early in 1998 noted that,

Because the market element is very active in Guangdong, when supply surpasses demand nationally, restraints on production created by low demand are most obvious here; Guangdong is more affected by the market than is the rest of the country, so the drop in the growth speed will be greater here than the national average drop.⁴¹

As for Guangzhou itself, although the city had "emphasized competitive employment in the past," by early 1998, a city paper announced--in a manner quite consonant with what would soon be officially promulgated as national policy--that, "This year we will turn the keypoint

⁴⁰Li Zhao and Li Hong, op. cit., 237; and Yangcheng wanbao [Sheep City evening news] (hereafter YCWB) November 26, 1997.

⁴¹Li Zhao and Li Hong, op. cit., 236.

to guaranteeing employment."⁴² And yet, at the same time, as the effects of the Asian crisis began to be felt, Guangzhou leaders realized that for the sake of the city's economy, they needed to consider seriously a problem they had not really had to worry about up to then: international competition. By the end of 1997, as neighboring nations devalued their currencies, competition pushed Guangzhou's export growth down, so that the rate was even slower here than the national average.⁴³

Despite its lesser involvement in foreign trade and investment (see Tables IIIA, B, C), the ongoing problems in Shenyang's industry also became more severe with the onset of the Southeast Asian crisis. In the machinery trade, the Southeast Asia crisis had a big impact, since one fourth of the province's exports had gone to that region before the crisis began; by mid-1998 that amount had been cut in half. And where the trade's export growth rate in Liaoning had been in the range of 10 to 20 percent in the earlier half of the 1990's, in 1997 it grew at a mere 2.5 percent.⁴⁴ Investment from Asian countries in 1998 also fell by 32.6 percent, with that from Japan alone declining by 55 percent. This was particularly serious since over half of the investment in the province in recent years had come from Japan, South Korea and Thailand,⁴⁵ all at that point in varying degrees subject to the crisis. According to an official from the city's Labor Bureau, the Southeast Asia crisis was indeed one contributing factor in the city's problems with mounting unemployment.⁴⁶

Unlike Guangdong, Liaoning's more Keynesian reaction to the Party's Fifteenth Congress emphasized the state sector, selecting for emphasis the meeting's call to readjust the ownership structure in the state sector and to intensify state enterprise reform.⁴⁷ Still, the Congress's credo of efficiency and competition had an impact on the province as well. For instance, even as a senior engineer at the provincial Machinery Bureau bragged that no

⁴²YCWB, January 3, 1998. Although as of summer 1998 a State Council decision still reaffirmed the Party Congress pronouncement on state enterprise reform (GMRB, June 23, 1998, 1), it seemed that the "spirit" of the original message had been altered: at a special meeting on unemployment and layoffs held in May, a call was sounded stating that this "spirit" entailed "realiz[ing] the Fifteenth Party Congress and the Ninth People's Congress's objectives of arranging the work of state enterprise layoffs" (Jingji ribao [Economic Daily] (hereafter JRB), May 18, 1998).

⁴³Guangzhou shi, op. cit., 126 states that Guangzhou's rate went down to 15.7, while the national average was 20.9 percent.

⁴⁴Interview, provincial Machinery Bureau, August 19, 1998.

⁴⁵CDBW, August 23, 1998, 7.

⁴⁶Interview, August 18, 1998.

other Chinese city's products could possibly compete with those turned out in Liaoning, he (almost mindlessly, it seemed) professed that, "We have to increase our competitiveness; to increase our efficiency, we must cut off some workers."⁴⁸

In the past, Wuhan's labor-intensive products had found a ready market in Southeast Asia. But with the drop in receptivity to Chinese imports in that region after 1997, a large number of goods which were once exported there had to be sold domestically, where heightened competitiveness then increased the pressure on local employment in Wuhan.⁴⁹ Some products that had once been exported not only could no longer be, but instead had to be imported, because their Southeast Asian versions had become so cheap. City Economic Commission administrators related in late summer 1998 that the regional financial crisis had also had an effect on steel exports--a serious concern in a city where the Wuhan Iron and Steel Corporation is the most crucial company--because Korean and Russian output had become so much less costly.⁵⁰

Along with the Asian crisis, the Fifteenth Party Congress's stress on competitiveness also found its echo in Wuhan, with both influences intensifying unemployment, as they did elsewhere. As Mayor Wang Shouhai proclaimed just after the March 1998 Ninth National People's Congress, "To strengthen the vitality and competitiveness of the large and medium enterprises, an important route is to cut back and divert personnel."⁵¹ And yet, as we will see, discharged workers remained a serious concern for city policymakers.

In all three cities, then, given the attacks from the global economy, plus the new pressures from the Party Congress, one might expect that local administrators would--if in their own ways--turn their attention to trying to compete. One might also surmise that they would be likely to ignore any central mandates that might undercut their competitiveness--especially if the country had become more decentralized and less integrated politically than before.

The Reemployment Project

And yet, surprisingly enough, all of these localities to varying degrees remained obedient to central pronouncements about caring for those cut off from their jobs and about

⁴⁷Xu, Cao, and Zhang, *op. cit.*, 274.

⁴⁸Interview, August 19, 1998.

⁴⁹Labor bureau interview.

⁵⁰Interview with officials from the city's Economic Commission, September 8, 1998.

⁵¹CJRB, April 9, 1998, 1.

becoming more unfriendly to incoming farmers.⁵² Guangzhou, whose economy had been thriving, was the latest of the three to take up these missions, probably because of the twin shocks of 1997. A Guangdong provincial economic study remarked that, "In 1996, urban unemployed staff and workers' reemployment suddenly became a hot point of social concern, and it did so even more in 1997," when the numbers of lay-offs saw an increase of 13.3 percent over the year before.⁵³

By the end of 1997, slow growth, along with state enterprise reform, was perceived to be making "employment and reemployment increasingly serious" in the view of local analysts.⁵⁴ Although Guangzhou had the lowest number of xiagang personnel among the nation's 10 largest cities, and also the lowest proportion of its workforce laid off,⁵⁵ still, sudden unemployment was disturbing in an area that had had nothing but good news for well over a decade.

These various difficulties led Guangzhou to embark in earnest on a program of reemployment finally as late as 1998, with the city really only then for the first time taking this as "important work."⁵⁶ Guangzhou leaders adopted a distinctive approach to the campaign, relying on a strategy much in line with the city's prior pro-market and non-state-sector-based growth. Of the three cities, it was the one closest to what I have called a Thatcherite, marketist strategy. Even as the city's economy had begun to falter in early 1998, official statements continued to emphasize that, "the precondition for solving

⁵²This is by no means to deny the severe financial and administrative inadequacies that kept millions of laid-off workers from being served, especially in Shenyang and Wuhan.

⁵³Li Zhao and Li Hong, op. cit., 241.

⁵⁴Ibid., 234.

⁵⁵Shijie ribao [World daily] (hereafter SJRB), April 25, 1998, A9 claimed that 53,400 or 2.67 percent of all staff and workers were furloughed in Guangzhou, in comparison with a national official average rate of 8.18 percent. But, according to Ming Pao [Bright daily] (hereafter MP), January 13, 1998, the city's mayor claimed that only about 40,000 were xiagang'd but that more than an additional 60,000 were officially unemployed as of the end of 1997. However, SWB FE/3369 (October 28, 1998), G/5 (from XH, October 26, 1998) cited, quite discrepantly, that 55,600 workers who had been laid off by state firms had found new jobs in 1997(!). There is no good explanation for the divergent figures.

⁵⁶Article from July or August 1998 in Guangzhou ribao [Guangzhou daily] (hereafter GZRB). Unfortunately there is no citation because I received this article from a Beida student who did not note the article's date. But photos of the summer floods on the same page as the cut-out article place it in either July or August.

reemployment is to guarantee a certain growth speed."⁵⁷ Forcefully developing the tertiary sector and promoting the non-public economy were held to be the winning tactics through 1998.⁵⁸

Guangzhou's leaders did join the rest of urban China in worrying about reemployment, including developing as other places were doing a series of supportive active labor market policies, such as preferential rents, loans, provision of sites, reduction of fees, and free licensing.⁵⁹ But they fashioned a version of the Project that explicitly aimed at "pushing labor toward the market, using the labor market to arrange labor resources."⁶⁰ Thus, in promoting reemployment, unlike the administrators of the other two cities, Guangzhou's used the program as a means of entrenching a non-state market employment mechanism.⁶¹ Also differently from those of the other two cities, Guangzhou's authorities believed they could control the rate of flow and the scale of the numbers of layoffs so that they matched the city's absorptive capacity.⁶²

This strategy appeared to be working fairly well as of summer 1998. In the first half of the year the announced rate of registered unemployed had dropped .19 percent compared with the same period a year earlier, while the non-public sector had allegedly "arranged" nearly 30 percent of the city's unemployed.⁶³ A few months later Xinhua reported on a survey conducted by the city's statistics bureau that had found that 73.28 percent of 10,000 respondents had become reemployed by their own efforts, while a full 46.58 percent of those reemployed had found work in the private sector.⁶⁴

Already in mid-1996, when the problem was only just beginning to be noticed in Guangzhou, Shenyang, where unemployment had become severe, had already announced that over 300,000 people had been xiagang'd, at a time when the total number of staff and

⁵⁷Caijing zhoukan [Asian-Pacific Economic Times] (the paper has these two names on its masthead), April 2, 1998, 1.

⁵⁸Ibid. and GZRB, *op. cit.*

⁵⁹MP, May 17, 1998 and JJR, March 24, 1998.

⁶⁰Caijing zhoukan, *op. cit.*

⁶¹JJR, March 24, 1998.

⁶²YCWB, February 26, 1998.

⁶³GZRB, *op. cit.*

⁶⁴XH, October 26, 1998, in SWB, FE/3369, G/5.

workers in the city was said to be 2.3 million.⁶⁵ According to one account in a labor journal, by the end of that year, when the average rate of the combined total of registered unemployed (those whose firms had been merged, bankrupt, or otherwise shut down, so that these former workers no longer had any linkage with their previous enterprises) and laid-off personnel was 10.3 percent nationally, in Liaoning it was 16.7 percent.⁶⁶

By early 1998, Shenyang's officially admitted xiagang figure had shot up to 378,000, as stated in a book on unemployment, of whom 249,000 remained without any placement; even of those who had been settled, about 30 percent were engaged in only temporary or seasonal work, and so would soon need a new arrangement.⁶⁷ Late that summer, interview informants put the likely figure at at least 400,000, with one scholar estimating that some 40 percent of Shenyang's staff and workers were either laid off or unemployed.⁶⁸

One source characterized the causes as both structural and cyclical. Structurally, Shenyang, like all of the Northeast, had been the heartland of the planned economy, dependent upon generous state investment, especially in heavy industry and energy, reliant on guaranteed state purchases whatever the quality of the output, and free from paying back any debts incurred. This assured support provided no incentive to turn out marketable products, so that even the city's name-brand goods got stocked in warehouses and generated continuously increasing storage costs. The problems caused by excessive and unbalanced investment in heavy industry only became apparent when the economy shifted to operating according to the market mechanism. With that vital switch, heavy losses began to emerge, and the demand for labor plummeted along with the drop in demand for local products, particularly those of such "sunset industries" as steel, coal, chemical, and energy that were the chief components of the area's economy.

⁶⁵Liaoning ribao [Liaoning daily] (hereafter LNRB), October 17, 1996. LNRB, September 4, 1996 gives the number of staff and workers as of early September; if the laid-off people were being counted as members of the staff and workers this would mean that 13.04 percent of the total had already been laid off.

⁶⁶No author, "Woguo dengji shiyelu gediqu bupingheng" [The imbalance among various districts in our country's registered unemployment rate] ZGLD 1 (1998), 44.

⁶⁷Wang Chengying, ed., Zhongguo zaijiuye [Reemployment in China] (Chengdu: Sichuan daxue chubanshe, 1998), 201.

⁶⁸Interviews with the city Industrial and Commercial Administration, August 19, 1998 and with Zhou Qiren Qiren of Beijing University's Chinese Economy Research Center on September 1, 1998 in Beijing. The figure of 40 percent for the city is congruent with the official statistical yearbook figures for the province, as in Table IVB.

The cyclical dimension was one that Shenyang shared with the rest of the nation, when the total demand for labor fell after 1994. This drop in demand occurred with a slowdown in the speed of growth that was a matter of national policy--with mandated cutbacks in investment and a tightening of credit--and the economy even entered a recession.⁶⁹ At the same time, following the Third Plenum of the Fourteenth Party Congress in late 1994, the proportion of output taken by state purchases declined sharply.⁷⁰ Against this background, the Fifteenth Congress's call for speeding up reform, restructuring assets, and putting increased emphasis on competitiveness and efficiency hit the city with a severe blow. The only way its leaders could imagine raising productivity and meeting the demands of the new market economy was to implement drastic cuts in staff.⁷¹

Of the three cities, Shenyang's policy was implemented first, but in the most Keynesian fashion, since on balance city leaders relied rather more on state initiatives than on leaving people to the market. Liaoning instituted its Reemployment Project as early in 1994, initially placing the focus on readjusting the province's industrial structure and deepening enterprise reform. Although official statements recognized that the Project was to be concerned with finding work for displaced labor, they referred at first mainly to "grasping the large[r enterprises]," and carrying out mergers to strengthen and reorganize assets and thereby to redeploy personnel. Under this program, Shenyang created 17 large enterprise groups in electronics, automobiles, and clothing, among other industries, a plan that was said to solve the arrangement of surplus labor. So provincial and urban leaders in Liaoning grabbed the Reemployment Project (hereafter REP) as a chance to take advantage of their comparative superiority in being the site of many very large plants, in typical local opportunistic fashion.⁷²

But in Liaoning's cities the Project had another dimension: this was to create a "new iron rice bowl" for idle urban workers, as one booster article in Shenyang's press described the effort in that city's hardest hit district, Tiexi.⁷³ Shenyang was one of three cities the

⁶⁹Interview, Liaoning Academy of Social Sciences (hereafter LASS), August 18, 1998 and Xu, Cao, and Zhang, *op. cit.*, 143, 274-76 and 280-81.

⁷⁰LASS interview.

⁷¹Xu, Cao, and Zhang, *op. cit.*, 276 and interview with an official from the Shenyang Labor Market Management Committee's Office and the city's Employment Work Leadership Small Group Office, August 18, 1998.

⁷²No author, "Yi bashou," *op. cit.*, 13-14.

⁷³LNRB, June 1, 1995.

province selected as an experimental point for the REP, where the mission of the program was to organize neighborhoods and enterprises; to develop preferential policies, both for laid-off workers to encourage them to set up businesses, and for firms to spur them to employ sizable numbers of these workers, while spreading propaganda about self-reliance.⁷⁴

The tactics to be emphasized in the campaign smacked eerily of the planned economy in Shenyang. They involved developing a unified hierarchy of leadership, each member of which was to have assigned work targets and responsibility certificates. Their goal was to arrange new placements for the laid-off, whether under the auspices of the original firm or in the burgeoning, subsidized, and, supposedly, fee-free marketplaces of the city.

By autumn 1996 the city already boasted 13 reemployment "bases" providing free training. At the start of 1998 the local government there was actively sponsoring private industry and the tertiary sector and offering basic livelihood fees to those whose firms could no longer disburse wages sufficient to sustain them. In addition, its publications claimed that it had already set up over 250 basic-level job introduction stations and six specialized labor markets; and had allocated funds to open some 128 new commercial markets, build new factory sites, and offer training.⁷⁵

Despite a multitude of measures aimed at providing new opportunities for employment to those who had lost their former posts, Shenyang, like the Northeast in general, was plagued

⁷⁴The preferential policies were essentially the same as those offered in Guangzhou or in any other city to deal with the local laid-off, including free business licenses for the first year, no management fees, sites for carrying out their new businesses, tax exemption for the first year, reduction in commercial and other types of management fees for the first year. Firms where over 60 percent of the workers had been previously unemployed or laid off could escape income tax for three years. But the government of Shenyang seemed more energetic in pursuing these policies than Guangzhou's did.

⁷⁵For instance, Wang Chengying, *op. cit.*, 201-04; No author, "Shishi `zaijiuye gongcheng' jingyen jieshao" [Enforce the introduction of experience on the reemployment project] GYCKZL 1 (1996), 12-15; LNRB, September 5, 1996; interviews with city's labor official, August 18, 1998 and with officials at the city's Industrial and Commercial Administration, August 19, 1998. See also Shenyang renmin zhengfu [Shenyang People's Government], "Pizhuan shi laodongju guanyu shishi zaijiuye gongcheng anshan fenliu anzhi qiye fuyu zhigong yijian di tongzhi" [Circular transmitting the city labor bureau's opinion on implementing the reemployment project, properly diverting and arranging enterprise surplus staff and workers], (Shenyang 1996, No. 31). This document was obtained for me by a student at Beida and there is no further documentation.

by two stubborn obstacles: a serious shortage of funds and a gross insufficiency of jobs.

As one writer lamented,

The financial situation of the state-owned enterprises all over the Northeast is below the average level in the other regions. And because the financial situation is inferior, there are so many xiagang'd staff and workers; it is also the cause of the low level of compensation [that can be offered to those without jobs].⁷⁶

Given these impediments, the city had an incentive to attempt to invigorate the "individual" and "private" economies. Allegedly, by the end of 1997, 44 percent of the laid-off workers who were "diverted" or "arranged" (fenliu anzhi) were able to find work, either in these economies or at least in the local governmental district and neighborhood enterprises. These workers tended to be allocated to the commercial, catering, housework and community service trades, which demanded relatively little municipal investment. Given the difficulties in the Northeast, however, it is not surprising that, whereas the rate of reemployment of the laid-off nationwide ranged between 40 and 50 percent at this time, with the city of Shanghai reportedly able to reemploy as many as 70 percent-plus, in Liaoning the rate did not even reach 40 percent.⁷⁷

Wuhan's troubles and approaches resembled those of Shenyang. But, like Guangzhou, it also boasted a thriving market, so its options were greater than Shenyang's. By the end of 1996, according to the finding of locally-commissioned study, Wuhan's laid-off workers totalled 289,000, or 13.7 percent of the total of staff and workers in enterprises.⁷⁸ A year later one estimate was 340,000, or 16.5 percent of what was said to be 2.08 million staff and workers.⁷⁹

These high numbers had several sources. Most prominently, many commentators agreed, as in Shenyang, they were the offshoot of the prior economic system, including the

⁷⁶ Niu Renliang, "Xiagang zhigong chulu sikao" [Thoughts on the way out for the laid-off staff and workers] Lingdao canyue [Leadership consultations] 1 (1998), 10. Similarly, Xu, Cao, and Zhang, op. cit., 283; and No author, "Yi baoshou," 14.

⁷⁷ Niu Renliang, op. cit., 9.

⁷⁸ 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), 2.

⁷⁹ This report was from, I believe, GMRB, December 21, 1997 (the article was clipped for me without the source having been noted).

relative (but less unbalanced) dominance in Wuhan of heavy industrial state-owned firms⁸⁰ and the previous regimen of state planning and purchases. As market consciousness became more prominent, many firms and construction projects that duplicated each other were forced to cut back or even cease production.

Besides, the city was turning out few name-brand products of the sort whose producers could form large-scale enterprise groups that might absorb personnel.⁸¹ Moreover, under the press of the reform policies, Wuhan's gross domestic product between 1991 and 1997 fell among what are called deputy-provincial-level (fu-sheng) cities from eighth to eleventh place.⁸² Alongside the decline of the city's older industry, new growth points did emerge, as in the city's development zones, but these required relatively few workers, as well as demanding highly skilled ones.⁸³

Matching its middling position between Guangzhou and Shenyang economically and geographically, Wuhan's approach to reemployment partook of both a Keynesian emphasis and a Thatcherist/marketist one. It appears that many of the city's solutions remained within the state sector, as in Shenyang, with government departments pressured to arrange the laid-off⁸⁴ and both government offices and enterprises told to strive to create more jobs for those without work.⁸⁵ The city expended much effort directly guiding the process, as by arranging labor exchange meets and forming "reemployment bases," such as evening markets that offered preferential policies just for the xiagang'd (but not for outside peasants). City offices also mandated that firms and trades set up "reemployment service centers" to which their laid-off workers could be entrusted.⁸⁶ The Wuhan government also invested in infrastructure and the private sector.

With similar legacies and liabilities, like Shenyang Wuhan got started early. There the program took off in the second half of 1994; in 1995 the city set up a leadership small group at the urban level, composed of officials from 12 units.⁸⁷ The city determined that its

⁸⁰As of 1989, in Shenyang heavy industry accounted for 65 percent of the gross value of industrial output, and only 55 percent in Wuhan (Solinger, "Despite Decentralization," p. 11).

⁸¹Ibid., 11.

⁸²Si Yuan and Zeng Xiangmin, op. cit., 56. Also see my "Despite Decentralization."

⁸³Wang Baoyu interview.

⁸⁴Interview with planning commission officials.

⁸⁵Instructions from the Mayor, in CJRB, April 9, 1998, 1.

⁸⁶Labor interview. I read a lot about these centers but will not explore that topic in this paper.

⁸⁷JJRB, May 2, 1998; labor interview, September 6, 1998.

primary targets for placing workers would be the tertiary sector and the district and street-level economy, both official and both of which were showing the most vitality and ability to absorb laid-off personnel.⁸⁸ This contrasts with Guangzhou, where the private sector was to be the chief recipient of laid-off workers, and also with Shenyang, where the city seemed most concerned with officially-granted preferential policies for laid-off people and with merging giant plants.

Wuhan, again like Shenyang, was woefully deficient in funding for the REP. In 1995 a special fund was created of just 10 million yuan, with another 10 million added in 1996 and again in 1997. Thus, by 1997 the city had 30 million in the till, at a time when Shanghai had over two hundred million just for its two reemployment service centers and 626 million in all.⁸⁹ Nonetheless, to judge from the press, its leaders seemed to take the Project very seriously. Leadership small groups were drawn up at every administrative level, in the various trades, and, supposedly, in each enterprise and department. In addition, the mayor instituted a monthly reporting meeting on the progress of the campaign in June 1997. Also in 1997 the party and government leaders of the city named this work the number one topic for research that year and issued over 10 separate policy documents concerning it.⁹⁰

Yet this was not the whole picture. Similarly to Guangzhou, if to a lesser degree, there was a nod to Thatcherism. For instance, in 1995 Wuhan eliminated the management fee for people working in the private sector, something only done in Shenyang two years later.⁹¹ Moreover, the key to everything, according to an optimistic local press in spring 1998, was to maintain a level of 15 percent economic growth.⁹² While official reports boasted that 70 percent of those "arranged" had gone into the tertiary sector in the two years between 1995 and 1997,⁹³ however, more specific data came from a local mid-1997 survey of laid-offs and reemployed. Its researchers found that of the 300 reemployed

⁸⁸GMRB (probably), December 21, 1997, and planning interview.

⁸⁹On Wuhan, No author, "Wuhan shi zhuazhu," 16, JRB, May 2, 1998, and Jiangnan daxue ketizu, op. cit., 61; on Shanghai, Yang Yiyong, op. cit., 230. On both, Si Yuan and Zeng Xiangmin, op. cit., 56.

⁹⁰CJRB, November 5, 1997 and another article from the same paper sometime just after the Ninth National People's Congress (article clipped for me but without the date).

⁹¹For Wuhan, interview with Industrial and Commercial officials, September 10, 1998; for Shenyang, interview with the same office there on August 19, 1998.

⁹²CJRB, April 9, 1998, 1 and May 30, 1998; and No author, "Wuhan shi zhuazhu," 17.

⁹³No author, "Guanyu Wuihan shi," 8 and planning commission interview.

questioned, just 26 percent were working in state firms, and 21 percent in collectives. The remainder were all in the non-state sectors: 14 percent in joint ventures, another 31 percent in private firms, and the last 7 percent in individual operations.

The Issue of Peasant Migrants

Simultaneously with the press to place the laid-off, peasants suddenly became less welcome in cities across China. Among the tactics specified to cut back on rural workers were regulations dividing jobs into three categories--those for which peasants were not permitted to be hired, those for which they could be hired only if there were an insufficient urban labor supply, and those for which they could be hired--first promulgated in 1995 in Shanghai and elsewhere at the urban level, but then repeated more vigorously in 1997 and 1998.⁹⁴

Despite the marketist bias in Guangzhou's REP, the city clearly absorbed some of the center's policy orientation about peasants, as time went on, just as it had about caring for the furloughed. By early 1998 concerns about layoffs had led local officials to decide that it would no longer do just to allow the unguided market to supply the city's needs for manual and mass-production manufacturing workers. Since native laid-off ex-employees were often not as suited [and not as cheap] as peasants, ran one commentary, "We can't entirely let the market economy govern whom enterprises hire"; "Guangzhou must restrict the proportion of outsiders in certain trades to solve the reemployment of local labor," it read.⁹⁵ Perhaps this was merely rhetoric. After all, one scholar opined that the priority in Guangdong remained cheap labor for boosting exports into 1998 and that the city therefore was willing to ignore the xiagang workers.⁹⁶

But there are indications to the contrary. Another scholar maintained that nearly a third of foreign firms had closed down or temporarily suspended production in nearby Dongguan, and that peasant workers from these firms had simply given up hope of an urban position for the time being and had returned to their villages. The U.S. Consul General in Guangzhou related that not just foreign enterprises but Chinese companies in the

⁹⁴For instance, see Foreign Broadcast Information Service (hereafter FBIS), 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] (hereafter ZRK) 3 (1998), 26-37.

⁹⁵MP, January 13, 1998.

⁹⁶Interview with Zhou Qiren, September 1, 1998.

city as well were sending outside labor home because business had fallen off, with both foreign investment and exports down.⁹⁷ And the Program Officer at the Ford Foundation (which was sponsoring several projects on peasant migration) concurred, reporting that Guangzhou had indeed tightened up against incoming peasants because of the Southeast Asian crisis.⁹⁸ A woman managing a small neighborhood reemployment service center observed that there were fewer "outside workers" in the city in summer 1998 than there been earlier.⁹⁹

Guangdong province issued orders in 1997 proclaiming that hiring out-of-province labor should be controlled, in the interest of guaranteeing the province's own labor's employment.¹⁰⁰ But, just as with its relatively tardy recognition of the problems of the unemployed, it was not until 1998 that the city become inclined to enforce this rule, at least to some extent.¹⁰¹ Professor Zhou Daming of Zhongshan University's anthropology department commented that 1998 was the first year in which Guangzhou promulgated a policy forbidding migrants from taking certain jobs.¹⁰² And according to a city paper, "From this year Guangzhou will formally implement various policy measures announced last year to restrict the numbers of outsiders..to create more jobs for its own labor."¹⁰³ Harsher regulations appeared in early 1999.¹⁰⁴

⁹⁷Interview with Mr. Edward McKeon, August 11, 1998.

⁹⁸Interview with Mr. Stephen McGurk, August 28, 1998.

⁹⁹Informal interview at the center, August 11, 1998.

¹⁰⁰MP, March 31, 1997. This was not the first such effort. In 1994, the authorities in Guangdong proclaimed an end to the hiring of labor from outside the province, though at that time the ban was merely to last through the New Year period (SCMP, December 14, 1994, 9, in FBIS, December 14, 1994, 10-11). According to XH, January 5, 1999, in SWB FE/3426, G/5, Guangdong had laid out its first set of regulations governing the control of transients in 1995.

¹⁰¹The official data in Table VB does at least indicate a much slower increase in Guangzhou of rural labor arriving from other localities at the end of 1997 and 1998 than at the end of 1996, as compared with the year before in each case (18.5 percent in 1996, three percent in 1997, and 7.6 percent in 1998).

¹⁰²Interview, August 7, 1998.

¹⁰³YCWB, February 26, 1998.

¹⁰⁴The rules, drawn up to retard the inflow of migrants looking for jobs, were devised to make it easier for what were said to be 100,000 local unemployed workers to find jobs. Though allowing certain transients to apply for permanent residence status, these were just those who had resided in the same locations for seven consecutive years and had permanent housing. This was reported in China News Digest, January 6, 1999 (in Global News, No. GL99-004, January 8, 1999); and in SWB FE/3426, G/5, from XH, January 5, 1999.

Also evincing a growing concern to stem the tide of immigrants, the province reported in 1997 that--relying on a nine-province inter-regional program organized years before--it had undertaken stronger macrocontrol measures toward the labor market, toward rural surplus labor moving across regions in particular. As a result, according to the authors, numbers fell for the first time in 1996 and continued to drop in 1997. New entrants from other provinces coming for work declined by nine percent, they reported.¹⁰⁵ Probably as part of this same policy thrust to limit incoming workers, a new public security regulation appeared on the city's walls in summer 1998. The notice decreed that one's identification card should be merged with one's household registration card and that the items used to identify an individual would be increased to include his/her blood type and height, along with a photograph.¹⁰⁶

Again following the spirit of central orders, the province also promulgated a new hiring policy, demanding that employers recruit urbanites before ruralites, locals before outsiders, and provincials before those from other provinces, giving priority to the unemployed and the laid-off. This would make outsiders face more severe employment competition than they had before, regulators acknowledged, which would mean a "serious attack on peasant workers' wish for equal competition in employment and to stay in the city."¹⁰⁷ But, "Even in rich Guangdong," commented the usually frank and informative Ming Pao, "dealing with local workers' livelihood would have to entail extending a hand toward the labor market [i.e., manipulating it in urbanites' favor]."¹⁰⁸

In sum, of the three cities Guangzhou was surely the one best situated--because of its location, favorable central policies and its industrial structure, and the stimulus these factors provided to both its domestic market and to foreign trade and investment--to

¹⁰⁵Li Zhao and Li Hong, op. cit., 243. Note that their figures disagree with the national labor yearbook data in Table VB, but there is no explanation given. The program, or "agreement plan" [xieyi jihua], that the nine provinces devised involved setting up labor coordination centers in each province responsible for channeling and modulating the outflow of workers (interview, Zhongshan University, May 12, 1992; see also FBIS, December 24, 1991, 38, from XH, December 17, 1991; and FBIS, April 7, 1992, 30, from Liaowang (Overseas Edition) 12 (1992), 5-6). By the spring of 1995, a Center for Information Exchange on the Labor Needs of South China, created to provide estimates of demand and to integrate information on regional supply and demand conditions, was at work, with the support of ministries and commissions under the State Council, as well as with the cooperation of the provinces involved in the network (FBIS, March 16, 1995, 34, from JJRB, December 20, 1994, 1).

¹⁰⁶Document observed on the street, August 7, 1998.

¹⁰⁷Guangdong sheng zhigong, op. cit.

generate jobs and absorb labor of all kinds, whether peasant or unemployed local worker. Initially it shrugged off the concerns besetting other places, not really paying attention to the problem of reemployment until 1996, 1997, or even later.

Furthermore, it was able to give a very marketistic interpretation to the decisions of the Fifteenth Party Congress. But there were nonetheless signs that even in this wealthy and open metropolis, the fall-out of those decisions, when combined with the financial crisis affecting its neighboring countries and domestic factors slowing down the national economy, caused city officials--in line with central policy--to constrain their earlier receptivity toward migrants. There are also some signs that their policies may have had some results.

As in Guangzhou, by late summer 1998 there was a perception among residents of Shenyang that the numbers of outside peasants in town had decreased.¹⁰⁹ Certainly there had been far fewer to begin with, both because the person-to-land ratio was very favorable in the area under the city's jurisdiction (see Tables VIA and VIB), and also because the city was not the kind of commercial magnet that either Guangzhou or Wuhan were. Still, in the years when urban construction flourished, numbers of rural laborers had migrated toward the city, enough so that as of early 1998 their presence was said to render the solution of urban unemployment more difficult.¹¹⁰ One source, depicting the situation three years earlier (as of 1995), claims that at that time as many as 900,000 rural surplus laborers were moving into the cities of the province every year.¹¹¹

A change must have occurred, as a book on the Liaoning economy from early 1998 records that by 1998 only 400,000 outsiders in total were coming into all of Liaoning per year, in response to the province's efforts to guide the peasants to flow in an "orderly" manner.¹¹² In part, the stagnation of the local economy after 1994 caused the numbers of peasants working in the Shenyang economy to diminish. But this drop in numbers was apparently also an intentional outcome. One administrator from the provincial textile system remarked that,

Before 1993 the economic situation here was good and the textile sector was prosperous. At that time there were about 20,000 mingong [term popularly used for peasant workers in the cities] in the textile mills throughout the province. We used them to cut costs. But now there are none. We can't deal with the xiangang workers, how could we hire peasants?

¹⁰⁸MP, May 17, 1998.

¹⁰⁹Random street interviews, summer 1998.

¹¹⁰Xu, Cao, and Zhang, op. cit., 305.

¹¹¹No author, "Shishi," 13.

¹¹²Xu, Cao, and Zhang, op. cit., 277.

Those who have finished their contracts have already left, and the enterprises suffering losses are reducing personnel, not adding anyone.¹¹³ [emphasis added]

A scholar at the Liaoning Academy of Social Science (LASS) agreed with this characterization, stating, for example, that, "The state-owned firms are reducing people, so they won't be hiring peasants."¹¹⁴ And a labor bureaucrat concurred, remarking that the state firms were employing fewer peasants than they once had.¹¹⁵ In an open, outdoor produce market salespeople confirmed that at one time, before urban industrial workers had been laid off in great numbers, the business in that market had mainly been conducted by peasants, many of whom of late had left.¹¹⁶

As early as 1995, the provincial government formulated a directive entitled, "Methods to Strengthen the Management of Outside Labor," which requested various levels of government to restrain the speed and scale of the movement of rural surplus labor into the cities. It also ordered giving priority to unemployed and surplus city workers as posts were cleared of their current peasant staff.¹¹⁷

By 1997, managers in over 100 work categories in the machinery, chemical, electronics, and building materials trades were told explicitly to reduce their use of outside labor. Firms were instructed first to hire their own surplus workers and only if there were not enough of these could they recruit other workers from Shenyang's own ranks, a recruitment that had to be done publicly. Only if there were no way to meet their needs could any unit use outsiders, and even then, they were to recruit these through the official labor department and only to engage those who (at a cost) had acquired work permits (wugong xukezheng). Firms behaving otherwise were to be fined.¹¹⁸

In my interviews I was able to find only a little evidence suggesting a less harsh attitude toward migrant labor in the city. One sign of leniency was that the city's Industrial

¹¹³Interview, August 17, 1998.

¹¹⁴Interview, August 18, 1998.

¹¹⁵Interview, August 18, 1998.

¹¹⁶Talks with marketers, August 20, 1998.

¹¹⁷No author, "Shishi," 14.

¹¹⁸Li Zhonglu, op. cit., 19; Xu, Cao, and Zhang, op. cit., 277; Wang Chengying, op. cit., 203; and August 18, 1998 interview with labor bureau official. In an interview at the Liaoning Academy of Social Science, August 18, 1998, one scholar affirmed that peasants were perceived as competitors for jobs with locals and so were being made to pay money and get certificates to enter town, whereas no such controls had existed previously.

and Commercial Administration was, as is typical of that unit nationally,¹¹⁹ more sympathetic to immigrating peasant workers than the labor department was. Its officials pointed out that some 20 percent of the private firms in the city were still run by peasants as of August 1998, and that if a market were a very large one, these bureaucrats permitted ruralites to work there with the locals.

As a general statement, Shenyang's government appeared to have focused its energies on the overwhelming issue of its laid-off workers as early as 1995. Because of its location, its shortage of capital, its decayed plant, and its dearth of new employment posts, there was more laying off in the first place and more difficulties catering to those dismissed there than in most of the rest of the nation. Peasants were surely restricted to some degree here, but probably the work of officialdom was spent more on job creation for the locals than on active expulsion of outsiders.

Again we find that Wuhan was middling in its hospitality to labor coming in from elsewhere, as compared with Shenyang and Guangzhou. Even though there is evidence that Guangzhou tightened up against outsiders somewhat in 1997 and allegedly more so in 1998, Table IVB shows that at least in the period running up to 1996 Guangdong province was attracting ever more immigrants, as was Hubei, though those coming into Guangdong represented a far larger annual increase from 1995 to 1996 (+18.57 percent into Guangdong as against +.41 percent for Hubei). Wuhan had from the start of the reform period extended a special welcome to outsiders, under the auspices of a slogan coined by Wuhan University Prof. Li Chonghuai, which made Wuhan famous as the home of the "two tong's" (jiaotong and liutong, or communications and circulation) and under the push of then-Mayor Wu Guanzheng to make Wuhan into a regional central city.

There continued to be various signs of flexibility toward outsiders in Wuhan, even into 1998. An anecdotal comparison with Beijing may be instructive. A maid in my hotel in that city in midsummer 1998 told me that the staff there were half local peasants and half Beijing city laid-offs. Another told me that there had been people working in that hotel from other provinces more than two years before, but not now, because of "regulations" (guiding).¹²⁰ But the staff in my Wuhan hotel included Wuhan xiaogang workers, Hubei peasants, and also people from other provinces (presumably peasants) all mixed in

¹¹⁹See my Contesting Citizenship in Urban China (Berkeley: University of California Press, 1999), Chapter Three. In Wuhan representatives of this system said the same thing in an interview on September 10, 1998.

¹²⁰Interviews, August 25 and 28, 1998.

together.¹²¹ And among pedicab drivers, despite the occupation's ability to absorb and thus mollify displaced workers, it was not reserved for locals: operators included peasants and other outside workers.¹²² Perhaps these signs reflected the attitude of city leaders. Unlike what I heard about other cities, one local informant, a member of the city people's congress, declared, "The enterprises and the city government [in wuhan] don't want to limit incoming peasant workers."¹²³

Peasant labor entering Wuhan mostly came from nearby counties and provinces, and, rather than organizing an inter-regional macro-control program such as the one attempted in Guangdong, the city allowed these workers to move in spontaneously. Densely-populated countryside around the city (see Table VIB), plus Wuhan's central location--which means it attracts people in transit--combined to raise the numbers of outsiders.¹²⁴

How many peasants were there in Wuhan? As is the case for Shenyang, estimates vary, but most placed the figure of those at work in the city in 1998 at about 700,000.¹²⁵ One source noted that for every four urban staff and workers in the city as of 1997 there was one peasant contract worker;¹²⁶ if this is correct that would mean that about 500,000 were working on contracts. This source, however, did not include the large numbers of outsiders doing industrial and commercial work on their own in the non-public economy, nor did it add in those multitudes engaged in various sorts of casual labor. The source also noted that a total of 470,000 outsiders were using formal channels to obtain temporary work permits from the city's public security.¹²⁷

Peasants were clearly numerous in particular occupations in Wuhan. One paper claimed that in the more than 2,000 clothing enterprises in the city, over 90 percent of the

¹²¹September 5, 1998 interview.

¹²²Street interview, September 6, 1998.

¹²³Interview with Prof. Yang Yunyan of Central China Finance and Trade University, Wuhan, September 6, 1998.

¹²⁴Also see Si Yuan and Zeng Xiangmin, op. cit., 56.

¹²⁵Though the labor bureau officials claimed a figure of 800,000, many other sources said 700,000, and one (an undated newspaper clipping from 1997 or 1998) said 600,000. The planning commission officials and CJRB, December 1, 1997, 11 both said 700,000, and Si Yuan and Zeng Xiangmin, op. cit., 56 noted that in 1995 there was a floating population of 1.5 million in the city but that only about 700,000 of them were working.

¹²⁶Jiangnan daxue ketizu, op. cit., 58.

staff and workers were peasants from the outside¹²⁸; and one informant judged that 50 to 60 percent of those laboring in construction were peasants.¹²⁹ And though there are mixed reports on the textile trade, unlike in Shenyang, everyone interviewed in Wuhan on this topic agreed that peasants remained at work in that trade despite efforts to reemploy the natives.¹³⁰

Officials at the city's labor bureau maintained that there were actually plenty of jobs in the city, but that the employers offering these posts preferred to hire peasants.¹³¹ The main reason for this was, obviously, peasant workers' cheapness, which, researchers noted, presented a sharp challenge to the reemployment of the city's own jobless.¹³² The city's labor officials reported that an enterprise needed to invest 30,000 yuan to hire one urban worker, but just 10,000 for a peasant one. The result of this was that, "Though the city controls peasant workers, their seizure of employment posts is still serious."¹³³

Nonetheless, as in other places (but as distinct from Guangzhou, which only did this much later), the city government began as early as July 1995 to issue rulings dividing job categories into those that could and could not hire peasant workers.¹³⁴ But given the laxity in the city leaders' stance and the difficulties of supervising every firm, these rulings did not stick.¹³⁵ Many outsiders entered the city without going through any procedures, and went on to do business without reporting their presence.¹³⁶ One obstacle to tightening up control was that even as late as autumn 1998 the city still had not begun to assess a planned "adjustment fee" (tiaojiefei) on firms that employed outsiders. The reason for this was that Hubei's leaders, concerned about the whole province, where there was much surplus rural

¹²⁷No author, "Guanyu wuhanshi zaijiuye wenti di diaocha bao" [An investigation report on Wuhan City's reemployment question], probably written around mid-1997, 3.

¹²⁸Ibid., 4.

¹²⁹Wang Baoyu interview. Mr. Wang was formerly the head of the city's social science academy.

¹³⁰"Among those still working in textiles, some are peasants," according to the planning commission informants; and Prof. Yang Yunyan claimed that, "Textiles uses peasants on a large scale." But Wang Baoyu said that "the factories are shrinking, so peasants are leaving."

¹³¹Labor interview.

¹³²Jiangnan daxue ketizu, op. cit., 60.

¹³³Ibid., 3. Wang Baoyu said much the same thing in interview.

¹³⁴The city labor officials told me about these.

¹³⁵Labor interview.

¹³⁶No author, "Guangyu Wuhan shi," 4. In Contesting Citizenship I note that this has tended to be more the case in cities further from Beijing and where the market is more active.

labor, hoped to have these laborers absorbed in Wuhan, and so had refused to authorize the fee.¹³⁷

Despite much publicity about "clearing out" peasants from their employment posts to make way for unemployed and laid-off locals¹³⁸--with the city's party, governmental, people's congress, and political consultative conference taking the lead--even when this was done, results failed to meet expectations. For instance, when city offices pushed as many as 13,500 peasants out of posts in 1996, only 8,123 laid-off personnel got jobs, either because the jobs were too unattractive to the workers or because the employers found the applicants unsuitable for the work.¹³⁹ Moreover, the commitment to perform this task was apparently weak; this became apparent when the city paper on one occasion announced that the local people's congress had received a letter asking why the regulation on clearing out outside labor had not been implemented well.¹⁴⁰ And when, at the end of May 1998, a local listing was printed in the press of five routes to use in finding solutions for unemployment, the issue of outside labor was not even mentioned at all.¹⁴¹

Interviewees from the city's economic commission declared that there were not that many peasant workers left in the state firms, and surely less than before the rise in urban layoffs.¹⁴² Similarly, Wuhan planning commission bureaucrats believed that in the past, peasants had served as the salespeople at some night markets that were later restyled as "reemployment bases" providing work for the xiagang'd. But, in general most informants agreed that Wuhan's recent economic development had opened up new jobs over time, so that overall there were not fewer peasants there than in the past.¹⁴³

So we see that in these three disparate municipalities a common rhetoric echoed central policy, in urging a reduction in the numbers of ruralites employed in the cities. Surely some efforts were made in this direction in each case. But the failures fully to respond to the call for cuts had different causes in each spot. Still, one could not really classify these failures as "disobedience" to the center; they were, instead, varying local manifestations of attempts to balance competitiveness with compassion.

¹³⁷Labor interview.

¹³⁸As, WHWB, December 1, 1997, 1 and Wang Baoyu, op. cit., 11.

¹³⁹CJRB, November 5, 1997, 1.

¹⁴⁰CJRB, April 23, 1998, 4.

¹⁴¹CJRB, May 30, 1998.

¹⁴²Interview, September 8, 1998.

¹⁴³Interview, Wuhan Economic Commission, September 8, 1998.

Building a Labor Market

As opposed to Guangzhou, where local authorities seemed content to trust the spontaneous emergence of a labor market, around the country many local leaders worried about the inadequacies of placement opportunities for their furloughed workers. In such cases, sometimes energetic administrators essayed to fashion a labor market bureaucratically. But with the numbers of laid-off and unemployed constantly rising in the city of Shenyang, with funding scarce, and with even the numerous programs of the city incapable of redeploying well over half the dismissed urban workforce, the official efforts at constructing a labor market to absorb the jobless were similarly deficient.

Although the city did develop its own formal labor market in October 1995 with Labor Ministry endorsement, expressly to expedite the solution of the problems of the xiagang'd, its grasp was woefully short of its reach.¹⁴⁴ The hope was to connect the city--along with all of its subordinate counties, districts, neighborhood and resident-committee levels, townships and towns--with other cities throughout the province, and to shift laborers in need of work to places where they could be employed.

Reportedly, all the way from the metropolitan level right down to the residents' committees, professional introduction networks, labor adjustment exchange meets, specialized talk hot lines, and newspapers were created to serve the laid-offs. But as of the end of 1997, information channels were hardly in existence: only the labor department had by then been able to install some, minimally effective, networks of communication, while job placement organs run by the trade unions, women's federation, and other social groups had not yet even managed to begin to do this.

For the most part, though a Northeast Labor Market was established in 1996 centered in Shenyang, the labor exchange that occupied officialdom remained quite localized. The city labor department claimed to have formed five information networks, interlinked via a microcomputer network. But of these, four operated just within the city itself, and only the fifth was supposedly connected with eight nearby Liaoning cities. Yet as of early 1998, when the numbers of Shenyang's laid-off approached at least 400,000, a mere 10,000 workers had been moved around among trades and firms.¹⁴⁵ And according to one source, fewer than 5,000 workers had gone to other regions for jobs throughout the

¹⁴⁴The following draws on Li Zhonglu, op. cit., 18; LNRB, September 5, 1996; No author, "Yi bashou," 15; and interview with official from the city labor bureaucracy, August 18, 1998.

¹⁴⁵Wang Chengying, op. cit., 203.

whole year of 1997.¹⁴⁶ Overall, what labor market construction occurred in and around Shenyang remained constricted within very localized limits and was also apparently taking place chiefly under the aegis of severely capital-strapped state organs.

As for Wuhan, surprisingly in light of its geographical and commercial centrality, it was unable through late 1998 to realize the formation of a labor market even within the confines of the city itself, much less beyond it. There were plans to make Wuhan into the core of a regional labor market, ideally built from professional introduction organs and an active information network, but these continued to run into snags.¹⁴⁷ Though there were arrangements in the works for a nationwide labor market based on seven regional centers, Wuhan had not even begun to establish its own portion of this plan as of September 1998.¹⁴⁸

One sticking point appears to have been conflicts among the cities involved. A Yangtze liaison committee (lianxihui), preparing to organize an employment service for the mid and lower Yangtze, designed by the Ministry of Labor to run from Wuhan to Shanghai, struggled over pleas from Chongqing to join.¹⁴⁹ The problem must surely have been that the huge numbers of surplus rural laborers in the Chongqing area were perceived as a threat to the trade in workers between Wuhan and Shanghai.

In the meantime, Wuhan concentrated on developing a computer network for jobs just within the city, sponsoring periodic labor exchange/reallocation meets at the urban level, and establishing one large building where the jobless could come to try to locate positions.¹⁵⁰ The city decreed that each of its seven districts was to install a localized labor

¹⁴⁶Xu, Cao, and Zhang, op. cit., 282. No author, "Yi bashou," 15, which saw publication at just the same time, claims that the province had organized nearly 20,000 unemployed and xiaolang'd to go to other provinces and other countries to work. Even so, this is still not very many, given that just one city in the province contained 20 times that many in the category of xiaolang, not to mention those fully "unemployed."

¹⁴⁷No author, "Wuhan shi zhuazhu sanxiang gongzuo da da zaijiuye gong jianzhan" [Wuhan city grasps three items of work, boldly storms the strongholds of the battle of reemployment] Zhongguo jiuye [Chinese employment] 2 (1998), 16-17.

¹⁴⁸Planning commission interview, September 9, 1998.

¹⁴⁹Wuhan labor interview, September 7, 1998.

¹⁵⁰No author, "Wuhan shi zhuazhu," 17; labor interview; planning commission interview; CJRB, December 18, 1997.

market of its own, each of which would share job information with the city's central labor market computer network and to organize training and reemployment meets.¹⁵¹

But even these smaller scale projects fell short. As of the end of 1997 the city's labor market mechanism was said to be "only initially formed," since "utilizing the market mechanism to deploy labor resources must still undergo a difficult transformation process."¹⁵² A few months later, the urban-level market had not yet connected up even with the city's own districts and the neighborhoods within them, much less with other sites within the central China region. This made it hard for the city to claim its superiority as a "central city," insofar as employment went.¹⁵³

Conclusion

In 1997 and 1998, a financial crisis sweeping across China's neighbors, combined with a quite market-oriented Party Congress, intensified pressures of competitiveness that the central political leadership had been stirring up already. In response, localities were compelled simultaneously to deepen the process of enterprise reform--which meant rising lay-offs and unemployment and enhanced cost- and profit-consciousness--and at the same time to find work for the displaced.

These conflicting tasks and attendant tensions, one might surmise, could easily have caused municipalities--already increasingly on their own for nearly 20 years--to ignore injunctions from the central government and seek out their own most suitable strategies for survival. Had they done so, this would have constituted evidence that, when push came to shove, the country was less integrated politically than previously, and that the central government's ability to command its subordinate echelons had indeed waned, as some have suggested.¹⁵⁴

I used data from three cities, Guangzhou, Shenyang, and Wuhan, which differ in location, research endowment, and central treatment, and, in turn, in industrial health, extent of domestic marketization, and involvement with the world economy, to examine

¹⁵¹WHWB, February 24, 1998.

¹⁵²CJRB, December 1, 1997, 11.

¹⁵³CJRB, April 2, 1998, 14; also CJRB shichang zhoukan, [Market Weekly], April 30 1998, 14.

¹⁵⁴See, for instance, Shaoguang Wang, "The Rise of the Regions: Fiscal Reform and the Decline of Central State Capacity in China," in Andrew G. Walder, ed., The Waning of the Communist State: Economic Origins of Political Decline in China and Hungary (Berkeley: University of California Press, 1995), 87-113.

how various places weathered the stresses in their own efforts to shore up their economies. In particular, I reviewed the way these three urban administrations were affected by the economic crisis and by somewhat altered central policy, and what they did about these new influences. I investigated the somewhat differing impact of these new influences upon each, and their leaders' choices in regard to reemployment, receptivity toward peasant migrants, and the formation of a labor market.

My data demonstrated that, although each jurisdiction was either constrained or privileged by its own endowments--endowments which, not surprisingly, were often outside their leadership's control and which surely shaped the nature of their responses--in the main the outlines of central policy were quite visible in the behavior of each. The three cities interpreted the state's Reemployment Project in different ways, emphasizing either a more Keynesian approach--in which government assistance almost substitutes for the market in creating jobs--or a more Thatcherite one, which favors forcing people onto the market, and, for China, thereby leading to the creation of a labor market *de novo* with the termination of the planned economy. The cities also differed in the timing of their reactions, as well as in the extent to which they viewed the peasant laborer as a stimulus to the economy or as a competitor for their own people's posts. And each had somewhat different roots for its unemployment and differing attractions and degrees of attraction for migrant workers.

Guangzhou's leaders at first hoped to compete internationally, as before, just by generating the growth requisite to meeting the need for jobs, and by encouraging the entry of cheap farm labor. But in time it too fell subject to national concerns for protecting jobs, even if its officials and managers were probably less energetic in pursuing this path than those elsewhere. Still, in its ongoing openness to peasants (while trying at least somewhat to thin out the numbers or the rate of them coming in), Guangzhou's labor market appears to have been the Thatcherite one, the one most driven by economic forces. And these forces served to integrate the city into the nation economically, without much intervention by politicians.

In Shenyang, to the contrary, the more Keynesian local leadership was much involved, first of all in trying to ensure that a state-led strategy was in place to sustain somewhat the shattered state workforce. In this vein the city was faithful to the prong of central policy that was directed at the dismissed. Thus, its behavior exemplified that there was an ongoing political integration in at least parts of the country. Moreover, it seems that the central government may have rewarded the area for this acquiescence (or responded to its emergency calls): in both April and August 1999 there are reports of Beijing's having

sent financial assistance there.¹⁵⁵ There is less evidence that markets--a weaker factor in this area--were the integrating force here.

And in Wuhan, both modes of integration (political and economic) were in evidence: not only did urban bureaucrats bow to central policy in promoting reemployment to a certain degree; they also left their gates at least partly ajar to the farmers from nearby regions. Overall, then, while no city failed to take note of central perspectives and prescriptions, some emphasized one aspect and some another. The outcome was the persistence of integration in managing labor and labor deployment, whether via the market or in reaction to rulings emanating from the capital.

But more was involved in this coordination than simply "compliance" with central governmental orders. For the state's program of marketization and opening has crafted a political economy for the present that embodies opposed objectives. Compliance and integration or their lack entail much more than a matter of local obedience or wilfulness. Instead, they ought to be viewed as the result of a shared and apparently lasting value placed on urban order, as well as newer urges at every level of the state to thrive in the market to the extent that its resources, location, and policy permit.

Appendix

TABLE I. HEALTH OF THE LOCAL ECONOMY

¹⁵⁵When Vice Premier Wu Bangguo inspected Liaoning in April, he stated that, "We should, through extending direct loans and reassessing debts, actively help state enterprises address their financial problems thorough restructuring" (SWB, FE/3512 (April 19, 1999), G/9, from XH, April 12, 1999; and when President Jiang Zemin visited industrial plants in the province four months later, he promised that, "The state will give these regions more support for asset realignment and restructuring, and in terms of the money they need for the resettlement of laid-off state enterprise workers" (SWB FE/3616 (August 18, 1999), G/2).

A. District Gross Domestic Product, 1996 unit=10,000 yuan

Guangzhou 14 449 358

Shenyang 7 718 047

Wuhan 7 821 325

Source: Zhongguo tongjiju chengshi shehui jingji diaocha zongdui bian [Chinese Statistical Urban Social and Economic Research General Team, ed.], Zhongguo chengshi jingji nian jian 1997 [1997 Chinese Urban Statistical Yearbook] (Beijing: Zhongguo tongji chubanshe, 1998) (hereafter Urban Yearbook), 164, 153, 163.

B. District GVIO (current prices),1996 (10,000 yuan)

Guangzhou 20 685 796

Shenyang 10 212 166

Wuhan 10 126 592

Source: Urban Yearbook, 244, 233, 243.

C. Profits and taxes (lishui) of all indep. acctg. ind. ents.
(city distr.), 1996 (10,000 yuan)

Guangzhou 14 360 389

Shenyang 5 742 538

Wuhan 6 246 777

Source: Urban Yearbook, 264, 253, 263.

D. District Fixed investment total assets, 1996 (10,000 yuan)

Guangzhou	3 392 397
Shenyang	1 220 038
Wuhan	2 897 650

Source: Urban Yearbook, 364, 353, 363.

E. District Local Financial In-Budget Income, '96(10,000 yuan)

Guangzhou	725 203
Shenyang	376 228
Wuhan	343 259

Source: Urban Yearbook, 464, 453, 463.

F. Average Annual Growth Indices, Gross Domestic Product, 1991-96

Guangzhou	118.97
Shengzyang	111.60
Wuhan	---

Sources: Guangzhou shi tongji ju bian [Guangzhou City Statistical Bureau, ed.], Guangzhou tongji nianjian 1996 [Guangzhou statistical yearbook 1996] (Beijing: Zhongguo tongji chubanshe, 1997), 15 and n.a., Guangzhou nianjian 1997 [Guangzhou yearbook 1997] (Guangzhou: Guangzhou nianjian chuban she, 1997), 448 (hereafter Guangzhou 1996,

1997 yearbook); Shenyang nianjian 1997 [Shenyang 1997 yearbook] (Beijing: Zhongguo tongji chubanshe, 1997) (hereafter Shenyang 1997 yearbook), 551.

TABLE II. DOMESTIC MARKETS

A. Proportion of City District Pop. Employed in Tertiary Sector(%), 1996

Guangzhou	53.8
Shenyang	42.1
Wuhan	44.1

Source: Urban Yearbook, 144, 133, 143.

B. City District Tertiary Sector as % of GDP, 1996

Guangzhou	53.6
Shenyang	52.7
Wuhan	46.9

Source: Urban Yearbook, 184, 173, 183.

C. District Social Commodities Retail Sales, 1996 (10,000 yuan)

Guangzhou	6 864 426
Shenyang	3 655 427
Wuhan	3 800 808

Source: Urban Yearbook, 424, 413, 423.

D. #'s Employed in Private Ents.; #'s Self-Employed
in Urban Areas, Province, End 1997
(10,000 firms, individuals)

<u>Province</u>	<u>#'s in Pvt. Ents.</u>		<u>#'s Self-Employed</u>	
	<u># Firms</u>	<u># People</u>	<u># Firms</u>	<u># People</u>

Liaoning	4.0	54.8	63.8	100.4
Hubei	2.4	33.5	68.2	141.8
Guangdong	8.9	105.8	71.7	138.0

Source: Zhongguo tongji ju bian [Chinese Statistical Bureau, ed], Zhongguo tongji nian jian 1998 [Chinese statistical yearbook 1998] (Beijing: Zhongguo tongji chubanshe, 1998), 153, 154.

TABLE III. INTERNATIONAL INVOLVEMENT

A. Actually Utilized Foreign Direct Investment, 1996 (10,000 U.S.\$)

Guangzhou	260,002
Shenyang	78 783
Wuhan	50 100

Source: Urban Yearbook, 431ff.

B. Total imports and exports, 1996, unit=10,000 U.S.\$

Guangzhou	65.14
Shenyang	9.33
Wuhan	8.04

Source: Wuhan nianjian bianzuan weiyuanhui zhubian [Wuhan yearbook compilation committee, ed.], Wuhan nianjian 1997 [Wuhan 1997 statistical yearbook] (Wuhan: Wuhan nianjian she, 1997), 359-61.

C. Average Annual Growth Indices, Actually Utilized Foreign
Capital, 1991-95

Guangzhou 153.2

Shenyang 136.8

Wuhan ---

Sources: Guangzhou 1996 yearbook, 21; Shenyang 1997 yearbook, 550.

TABLE IV. UNEMPLOYMENT

A. #'s of Regist'd. Unemployed at Year End, 1996

Guangzhou	48,237
Shenyang	72,000
Wuhan	56,955

Source: Guojia tongjiju renkou yu jiuye tongjisi, Laodongbu zongje jihua yu gongzesi, bian [State Statistical Bureau, Population and Employment Statistics Department, Department of Overall Planning and Wages, Ministry of Labour, ed.], Zhongguo laodong tongji nianjian 1997 [China Labour Statistical Yearbook] (Beijing: Zhongguo tongji chubanshe, 1997) (hereafter Labor Yearbook), 100, 105, 106.

B.#'s Laid-Off State-Owned Firm Workers

as % of Total SOE Workers, by Province, 1996 (10,000 people)

Province	# SOE Tot.Wkrs.	# Laid-Off SOE Wkrs.	LO's as % of Tot.
Liaoning	668.4	63.88	9.50
Hubei	566.1	37.92	6.69
Guangdong	551.8	25.53	4.60

Source: Labor Yearbook, 227, 213.

TABLE V. MIGRANTS

	<u>A.Rural labor Employed Outside</u> <u>counties in own province</u>	<u>Of which, employed in other</u> <u>their homes, 1995</u>
Guangdong	1,572,800	1,493,300
Liaoning	300,460	250,500
Hubei	1,700,000	600,000

	<u>B. Employment of Rural Labor From Other Localities</u>		
	<u>End of 1995</u>	<u>End of 1996</u>	<u>1996 as % of 1995</u>
Guangdong	3,940,300	4,672,100	+18.57
Liaoning	464,600	308,200	-33.66
Hubei	850,000	853,500	+00.41

Source: Labor yearbook, 126, 127.

TABLE VI. PER CAPITA ARABLE ACREAGE

A. Average Arable Per Capita Acreage (district), urban areas, 1996 (mou)

National	1.10
Shenyang	1.27
Wuhan	.47
Guangzhou	.29

Source: Urban yearbook, 91ff.

B. Average Arable Per Capita Acreage, Provincial, 1996 (mou)

National	2.30
Liaoning	2.96
Hubei	1.60
Guangdong	.88

Source: Guojia tongjiju bian [State Statistical Bureau, ed.], Zhongguo tongji nianjian 1997 [1997 Chinese statistical yearbook] (Beijing: Zhongguo tongji chubanshe, 1997), 379.