

**MARKET DYNAMICS AND STATE
RESPONSES IN CHINA:
SOCIAL WELFARE AND INDUSTRIAL WORKERS, 1987-2008**

*Thesis submitted to Jawaharlal Nehru University
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DOCTOR OF PHILOSOPHY

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DECLARATION

I declare that the thesis entitled "MARKET DYNAMICS AND STATE RESPONSES IN CHINA: SOCIAL WELFARE AND INDUSTRIAL WORKERS, 1987-2008" submitted by me for the award of the degree of DOCTOR OF PHILOSOPHY of Jawaharlal Nehru University is an original work and has not been submitted so far in part or in full for any other degree or diploma of any other university.


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CERTIFICATE

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Dedication

To Those Who Continue
to Fight and Have
“Nothing to Lose,
But their Chains”

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List of Abbreviations

ACFTU	All China Federation of Trade Unions
ACWF	All China Women's Federation
COE	Collectively Owned Enterprise
CPC	Communist Party of China
FDI	Foreign Direct Investment
GIS	Government Insurance Scheme
GLF	Great Leap Forward
GPCR	Great Proletariat Cultural Revolution
JV	Joint Venture
LCL	Labour Contract Law
LIS	Labour Insurance Scheme
LL	Labour Law
MCA	Ministry of Civil Affairs
MLSS	Minimum Living Standard Scheme
MOHRSS	Ministry of Human Resources and Social Security
MOLSS	Ministry of Labour and Social Security
NCSSF	National Council for Social Security Fund
NPC	National People's Congress
PLA	People's Liberation Army
PRC	People's Republic of China
RC	Residents' Committee
SEZ	Special Economic Zone
SIL	Social Insurance Law
SOE	State Owned Enterprise

TVE	Township and Village Enterprise
UEMBI	Urban Employees' Basic Medical Insurance
USSR	United Soviet Socialist Republic

INTRODUCTION

Welfare is inseparable from the concept of citizenship in relation to the nation-state. The provisioning and efficient dissemination of welfare, is an integral part of state capacity and therefore intricately linked with governance. The redistribution or reallocation of resources by the state, marked by public responsibilities in areas of health, education and social security, has been closely aligned with the issue of legitimacy. States - both at the national and sub-national levels – use welfare as an instrument to legitimize their rule and thereby make themselves perceptible to the people. What is sought to be highlighted here is the use of *welfare* as a key instrument or mechanism, to maintain order and stability, thereby ensuring preservation. It is thus clear that welfare is envisioned as an important ingredient of governance and is reflected in its prioritization in state policymaking. Irrespective of their political-ideological orientation, governments have accorded weightage and significance to welfare policies, which is evident in the widespread emergence of the ‘Welfare State’ in the capitalist world in the early 20th century.

Simply stated, the welfare state comprises state provision of social services to individuals/families under particular circumstances/contingencies as well as regulation of private activities of individuals or corporate bodies, in order to alter the conditions of individuals or groups in its population, especially in the realm of social legislation and taxation policies. It is therefore necessary to first historicize and critically examine the concepts of *State*, *Welfare* and *Welfare State* as they evolved in western social science, since they constitute the theoretical foundations of social welfare and associated policies.

Social Justice: The Foundation of Welfare

The concept of Welfare has been studied within the broader category of Justice, and more specifically, within Social Justice. There is more than one notion associated with the term social justice: *equality*, *need*, *entitlement*, and *merit* are all used and identified with the larger concept. Perspectives on justice are also “*indeterminate*”. Frequently, there is lack of clarity on “what the *just* outcome should be – particularly when various considerations of social justice seem to pull in different directions”. For many, inheritance at least is not “intrinsically evil”, and they feel that “parents are entitled to leave property to their children”. However, very few would support this unconditionally, such as one’s job, for example. A greater

number would uphold “that it can be *just* for the state to tax inheritances in order to deal with social injustice, or simply to help the common good” (Chapter 5 – “What is Social Justice”, Commission of Social Justice, Institute for Public Policy Research, 1993, as quoted in *The Welfare State: A Reader*, 2000: 52) (italics in the quote are as in the original).

Justice harks back to the arguments in the theory of Social Contract, popularized by works of philosophers (or the Social Contractualists as they are commonly referred to) like Thomas Hobbes, John Locke, Jean-Jacques Rousseau and Immanuel Kant - whereby humans move away from the state of nature, by introducing themselves into natural law, or a state in which each individual enters a contract with the collective entity, that is the state. “Within this contract”, the individual abjures “the private use of force” and “appropriate another man’s property in exchange for peace, security and ‘the expectation of mutual advantage” (Nussbaum, 2006: 10). The social contractualists however differ in their understanding and conceptualization of Justice under this natural law although they seem to converge on the view that the state of natural law is acquired through “a procedure that assumes no antecedent advantages on the part of any individual, a set of rules to duly protect the interests of all...” (Nussbaum, 2006: 10). This notional procedure of arriving at a set of rules to protect *all* individuals under the state, is the rationale underlying the theoretical *social contract* that a citizen has entered into, with the liberal state.

Rawlsian Contractarianism and the Theory of Justice

John Rawls builds on an established tradition of the Social Contract theory, by blending *Justice* into it. Beginning with the notion of “Original Position”, Rawls argued that the representatives of various groups or parties in society were functioning under a “veil of ignorance”, and were thus consciously or unconsciously, blind to the historical inequalities or disadvantages of other citizens. This veil assumes a position of equality among all, and ensures that each acts from his “original position.” From these schemas, “citizens are to choose a general scheme through which society could be ordered. Such a scheme was reasonably chosen under the imagined circumstance and viewed by Rawls as the just and fair society” (Rawls, 1972: 118-194).

“Justice” is thus the outcome of “a contractual relationship among rational, independent adults”. This “emphasizes the worth of each human being and does not take into consideration categories like class, wealth, status and existing hierarchies of power”

(Nussbaum, 2007: 68). Political principles, according to Rawls, are generated from impartiality and mutual respect, although his assumptions reflect a moralized imagination of society. The key to understanding Rawlsian *Justice* is what he terms the “*Difference Principle*”. He begins by critiquing negative or natural liberty, whereby people need to be “free to use their skills and talents in whatever way they choose” (Walton, 1993: 113). The outcome of the activities of such negatively free individuals, acting in the free market, is a *just* outcome. Following from this, it was assumed that the distribution of wealth was *just*, “as long as it was acquired under conditions where all people were free (negatively) to use their skills and talents; that is, when they are not interfered with by the state” (Ibid). Rawls chose to critique such natural (or negative) liberty, when he contended that possession of skills was irrelevant from a moral point of view, as people acquired those skills by the virtue of naturally or socially acquired advantages; it was arbitrary to reward people in proportion to contingently acquired talents and therefore, the state ought to intervene with corrective action to address the inequalities produced by the market on the basis of the *Difference Principle*.

The Difference principle has two operational aspects: first, while all people are believed to possess rights and freedoms, any differential distribution of their enjoyment is treated as an injustice, thereby underscoring the fact that equality is essential to freedom and rights. “The difference principle is a strongly egalitarian conception in the sense that unless there is a distribution that makes both persons better off (limiting ourselves to the two-person case for simplicity), an equal distribution is to be preferred” (Rawls, 1972: 76). The idea of political rights, therefore, entails their equal enjoyment and any unequal distribution is termed as injustice. This assumption also underpins the question of wealth in terms of physical goods like healthcare, food and material infrastructure within the state. Secondly, invoking the idea of entrepreneurial incentives, Rawls stresses the need for greater productivity, thereby ensuring that each maximizes her/his productivity to the benefit of *everyone*, rather than supporting claims that those with greater skills *deserve* to be rewarded. “The assertion that a man deserves the superior character that enables him to make the effort to cultivate his abilities is equally problematic; for his character depends in large part upon fortunate family circumstances for which he can claim no credit” (Rawls, 1972: 104). This harkens to the overall increase in the size of the cake or enlarging welfarism and broadening the target groups.

According to Tony Walton, even though Rawls formulates his arguments by basing them on the individualist tradition and maintaining the sanctity of the private domain, he sought to “weaken the rigid distinction between the public and private spheres”. Thus, skills and resources, which appeared to be private, have wider significance under the rubric of common assets. This wider public significance emerges from the publicly applicable principles that accord just, distributive shares to every individual. Taking up a position against structural privileges and their bearing on the distribution and exercise of power, Rawls critiqued the market “for privileging some people over the others”; he assumed that a suitably organized state was sufficient to rectify the historical inequalities influencing the market. In case the problems caused by the latter are structurally deep, then “the role of the state would be that of transformation of the market rather than alleviation. Whether this would require the total transformation of the market and the development of common ownership remains a moot point” (Walton, 1993: 117).

Capabilities Approach – An Alternate Model

Traditionally, Social Contract theory imagined the designers of society’s basic principles and the section to which they are applicable, to be one and the same – as citizens who live together with their lives regulated by the principles that they have formulated. However, this social contract theory of Justice, of which the Rawlsian form is the most popular, does not take into account individuals who have severe and atypical physical and mental impairments, raising questions about their capacity/capability to make rational choices. In fact, the classical understanding even omits women, children and the elderly, thus restricting the contracting agents to men functioning within a certain western Enlightenment paradigm.

Furthermore, as the social contract was highly concerned with the role of nationality/place of birth, it was not able to measure or take into consideration the increasing interdependencies in the world. Thus, the stark differences between rich and poor countries in areas of governance like health, education and security, indicate the complex relations of dominance that finance capital entails. These inequalities limit possibilities of the independence and equality of individual states. When a powerful world economy makes economic choices for, and imposes conditions on poorer nations, it reinforces historical inequalities that get further entrenched.

Given the limitations and inadequacies of the operating principle of Rawlsian *Contractarianism*, Martha Nussbaum suggests looking at alternate approaches to build on the

principle of Justice. The *Capabilities* approach towards basic justice can be seen as such an alternate philosophical framework, which takes the Rawlsian doctrine further and focuses on providing the rationale for upholding and implementing a set of core human entitlements, to be made available by governments all over the world.¹

This method focuses on human capabilities, or how people are actually able to access their mental and physical capacities in order to achieve better lives. It measures capabilities in terms of the dignity of human beings. The idea of a threshold level of each capability has been used in this approach, and according to Martha Nussbaum, social goals are to be set in such a way that all conditions are made possible for getting citizens above this threshold. Emphasizing the dignity of human beings, the *capabilities approach* “is an account of minimum core social entitlements, and it is compatible with the different views about how to handle issues of justice and distribution that would arise once all citizens are above the threshold level” (Nussbaum, 2007: 75). Nussbaum charts ten central human entitlements within this doctrine:

- “Life – Being able to live to the end of a human life of normal length and not die prematurely
- Bodily Health – Being able to have good health including reproductive health and be adequately nourished
- Bodily Integrity - Being able to move freely from place to place; being secure against violent assaults, and having choice in matters of reproduction and sexual satisfaction
- Senses-Imagination-Thought - Being able to use the senses to imagine, think and reason
- Emotions – Being able to have attachments to things and people outside one’s self; love and care
- Practical Reason – Being able to form a conception of the good and to engage in critical reflection about one’s life’s planning

¹ Amartya Sen has developed his conception of Justice - and thereby Welfare - around this Capabilities model, though more along economic parameters. It has been discussed in detail in his work *The Idea of Justice* (2009), Cambridge: Harvard University Press.

- Affiliation - Being able to live with and toward others by recognizing and showing concern for other human beings; having the social bases of self-respect and non-humiliation
- Other Species - Being able to live with concern for and in relation to animals, plants and other parts of nature
- Play – Being able to enjoy recreational activities
- Control over One’s Environment - Being able to participate effectively in political choices governing one’s life; being able to hold property rights on an equal basis with others; right to seek employment.”

(Nussbaum, 2007: 75)

The *capabilities approach* is thus linked to human rights, which are inextricably linked to questions of human dignity. It is significant that this approach is also universal, as capabilities are considered to be important for each citizen and all nations, and each person needs to be treated as an end. Nussbaum believes that this approach is closer to the Rawlsian Contractarian model, on account of the similarities in the treatment of human dignity and inviolability of people; in the arguments against social aggregation (which overlook separateness of each life); and in upholding mutual respect, reciprocity and the social bases of self-respect. However, the differences surface when we see how Rawls’ model of Justice, in his work, *A Theory of Justice* is patterned on “fairness” and “impartiality” to generate a *just* outcome, rather than taking them up directly. The *capabilities approach* on the other hand, “starts from the outcome: with an intuitive grasp of a particular content, as having a necessary connection to a life worthy of human dignity. It then seeks political procedures (like a constitution, various allocation of powers, and a certain kind of economic system) that will achieve that result as nearly as possible, although it seems likely that such procedures will change over time and may also vary with circumstances and history of different nations. Justice is in the outcome, and the procedure is a good one to the extent that it promotes this outcome” (Nussbaum, 2007: 82). Unlike the social contract theories that stress on the need for people to exit from the notional state of nature, the *capabilities approach* situates the human being as a social and political entity who finds fulfillment only in relation to others. In fact, as opposed to the contractarian logic that sees the political aspect of individuals as an

artificial attachment, the *capabilities* approach is based on the notion that human beings are political by nature and that it is difficult to imagine them out of such a network of relations. Thus, the *capabilities* approach insists on the political and social character of the human being as against the apolitical tag that is implied by the *contractarian* viewpoint.

All modern states are based on *equality* of some sort and claim to treat their citizens equally, which involves political and civil liberties, equal rights before the law, and so forth. “People are likely to be restricted in what they can do with their freedom and rights if they are poor, or ill or the lack of education which, to a greater extent today than ever before, is the basis of employment opportunities, personal fulfillment and people’s capacities to influence what happens to them” (Chapter Five – “What is Social Justice?”, Commission of Social Justice, Institute for Public Policy Research, 1993, as quoted in *The Welfare State: A Reader*, 2000: 55). This natural application is defined as *need*. Taking this further, opportunities and life-chances are also visualized as central to personal freedom and autonomy, given the fact that self-respect and equal citizenship demand more than meeting daily needs and concerns. Accordingly, *entitlement* to benefit, as an idea, was created to determine *welfare* as a right rather than charity and in the process, dismiss the notions among the better-off that they were doing those not as well placed as themselves, a good turn.

Having analyzed the philosophical and conceptual basis of *Welfare* through the prism of Justice, and the two approaches generally adopted to impart foundational bases, the idea of Social Justice can be delineated as follows:

1. “The foundation of a free society is the equal worth of all citizens.
2. Everyone is entitled, as a right of citizenship, to be able to meet her/his basic needs.
3. The right to self-respect and personal autonomy demanded the widest possible spread of opportunities.
4. Not all inequalities were unjust; but unjust inequalities needed to be reduced and wherever possible eliminated” (Chapter Five – “What is Social Justice?”, Commission of Social Justice, Institute for Public Policy Research, 1993, as quoted in *The Welfare State: A Reader*, 2000: 62)

Understanding the Concept of the Modern State

Before moving on to analyze and discuss the concept of the *Welfare State*, it would be necessary to first examine the modern *State*, given its centrality, both in the discourse, as also in the dissemination, of welfare and justice. The *State* has therefore been taken as a primary variable.

In the words of Stuart Hall, cultural theorist and sociologist, the state was a historic phenomenon and a product of human association, wherein men and women lived in an organized way. This highlights the significance of order and social control in the development of the state and underscores its authority. As a normative category, the state has evolved and changed over time, in specific contexts and conditions. Thus, before the advent of the modern nation-state as we understand it today, there was a transition from the City-States in Greece and Rome, which took different forms under Feudalism and later Absolutism, before developing a Constitutional or *Contractual* character after the Renaissance and the political revolutions that followed, in Europe. The contractual arrangement features a system “in which power is shared and the rights to participate in government are legally or constitutionally defined” (Hall, 1993: 9). Along with these, the modern state also needs to be understood in the context of features like “wide representation, state power being fully secular and boundaries of national sovereignty being clearly defined” (Ibid). It started out as a European category, which first emerged during the eighteenth and nineteenth century in Britain, spanning the agrarian period and early industrial capitalism.

The issue of legitimacy is drawn out within the category of “sanctioned domination”, whereby the state regulates, directs, legislates and compels through legitimate means, certain actions of its citizens. As Stuart Hall puts it, the legitimacy of the state’s powers to rule modern society is demonstrated in the following ways:

- (i) “The state can invoke the long, customary and traditional way in which, it has ruled in the past, in order to invoke constitutional legitimacy.
- (ii) During times of extreme danger to or difficulty for the state, some person or group or force with exceptional qualities may acquire the legitimacy to assume exceptional powers in the state.

- (iii) There could also be legal acquisition of state powers, which is the main model of legitimacy in modern liberal democracies; herein, the powers were formally stated or enacted by formally correct public procedure and embodied in the law and other regulatory frameworks. The law is an abstract system of rules, established for all to see and being universally applicable: not made up for the occasion. Thus, when powers are acquired legally, they carry the stamp of legitimacy. Legality and legitimacy are closely intertwined in modern constitutional states.
- (iv) In modern liberal-democratic states, legitimacy involves the forms through which the citizens are represented or agree by formal electoral procedures that the state should exercise power. This means that any state, which successfully monopolizes the claim that ‘it gives the people what they want’ is well placed to confer legitimacy on its own powers and policies” (Hall, 1993: 16-17).

Stuart Hall also underscores that the modern state rests on the notion of sovereignty, which accords supreme power to the state, “subject to the rule neither of some external power nor of a rival power within its own boundaries” (1993: 17). Sovereignty is also related to territoriality, as attachment to land acted as a powerful coalescing force. In this context, it is only logical and rational to assume that nationalism and nation are rooted in the concept of the modern state.

Yet another characteristic of the modern state that reinforces its “public power”, is the growth of institutional apparatuses, particularly that of bureaucratic control. This aspect can be associated with the term *government*, which though used interchangeably with the state, is a more restrictive category compared to that of the state in functional terms. So, while state and government are differently conceptualized, in order for the former’s power to materialize, “it must acquire real, concrete, social organizational form, with real tasks, using and disposing of real resources, through a set of practices in the apparatuses of the modern state machine. This endows the power of the modern state with some further distinctive characteristics – the phenomenon of bureaucracy and the formation of the rational-technical administrative ethos of large-scale government. State apparatuses acquire distinctive political and policy characteristics”, becoming power bases for quite distinct interests, “with a “relatively autonomous” effectivity of their own in terms of how the state works” (Hall, 1993: 20).

A key issue area for the state has been the competing social interests within society. The question thus becomes, in whose interests does the state function? Social interests are historically determined, changing with time and circumstances. There is “no fixed, eternal list of abstract needs, which everyone has, simply as a result of “being human”” (Hall, 1993: 26). Interests, which are culturally as well as socially defined, may also be conflictual. So, while the workers seek higher and better wages, they do not wish to be pushed out of their jobs while being engaged in the process. The relation between the state and social interests can be categorized in accordance with the various contending theories of the state, which enables an understanding of their operation in the everyday realm.

Another political theorist, whose work is important in furthering our understanding of the state, is David Held. According to him, there are four main strands or traditions of political analysis, to study not only the organizing principle and functioning of the state, but also the rationale underlying its actions and responses to questions of social interest. The four traditions are subsumed within Liberalism, Liberal Democracy, Class and the Marxist tradition, and the tradition of Political Sociology. The first two categories and their descriptions are summarized below, while the following two are studied in the section that follows, titled, State under the Marxist framework conceptions.

Under the first category, David Held examines the writings of the classical western political thinkers, Thomas Hobbes and John Locke, and shows how they differed in their definitional categories. For Hobbes, the state constituted society through the commanding authority of the sovereign. This sovereign state enforced law that was established by the fear of coercive power. The state also entered into the construction of socio-economic realities by establishing its form and codifying its forces. John Locke critiqued the Hobbesian need for an indivisible sovereign. While he was concerned about the form of legitimate government and conditions of peace, security and freedom, in contrast to Hobbes, he believed that individuals were originally in a state of nature - also construed as “perfect freedom” for their actions and disposal of their possessions and persons as they deemed fit - and could operate within those bounds without depending upon the will of others. Held logically demonstrates how the Lockian *state* was devised on the foundations of individual liberty and that they were only governed by the “law of nature”.

Under the second category, Held studied the state as conceived by the British Utilitarian School of thought that emerged with the early modern political developments in Britain and its colonial expansion overseas. The proponents of this school believed that since those who govern would naturally act in the same way as the governed, the government needed to avoid abuse and be directly accountable to an electorate, which was called upon at regular intervals to decide if their objectives had been met. In this light, the government needed to act according to the principle of Utility, whereby through careful calculation, the greatest happiness of the greatest number was sought to be targeted and ensured. Additionally, the government “has four subsidiary goals - to provide subsistence; to produce abundance; to favour equality; to maintain security” (Bentham, 1843, as quoted in Held, 1993: 43). Of these, the most critical was the need for maintenance of security, since its absence would prove to be a disincentive for work and generation of wealth, thereby affecting the productivity of labour and prospering of commerce. Maintaining security would, therefore, be in the self-interest of citizens. In this manner, the proponents of the Utilitarian School, Jeremy Bentham, John Stuart Mill and James Mill justified the liberal democratic state.

According to David Held, Rousseau went further and developed the idea of “direct” or “participatory” democracy, whereby individuals would be ideally, directly involved in the creation of laws by which their lives were regulated. The sovereign authority was the *people* making the rules by which they lived. For Rousseau, self-government was an end in itself, and he visualized the formation of a society, in which the affairs of the state and the ordinary citizens were integrated. He also favoured a political system where the functions of the legislature and executive were well demarcated. Rousseau’s influence is visible in the Marxist tradition.

The Marxist conception of the State

David Held states that Marx and Engels’s social analysis and their philosophical discourses on the state, was based on their understanding of *class*. “Class” as a category was the outcome of a historically specific process, and divisions based on it arose when a surplus was generated and a class of non-producers lived off the productive activity of others. Those who controlled the means of production came to constitute the ruling class in both economic and political terms. In the framework put forward by Marx and Engels, class relations were based on exploitation and thus were inherently conflictual, given the divisions among the ruling and

subordinate classes. These conflicting relations led to class struggle, which constituted the vehicle of historical development. The exploitative and divisive relations between the *Capitalists* - those who owned the capital – and the *Wage Workers* - those who only had their labour to sell - were situated in a binary condition, based on the extraction of profits. This extraction was characterized as “surplus value”, or the value generated by the workers in the productive process over and above their wages, which was appropriated by the owners of capital. In this context, David Held finds two strands in Marx’s account of relations between classes and the state – first, that the state generally – and in particular the bureaucratic institutions - takes a variety of forms and constitutes itself as a source of power that need not be directly linked to the interests of the dominant class in the short term. Thus, it positions the state as having a degree of power independent of this class and thereby “relatively autonomous”. Secondly, Marx believed – and this was a dominant feature in his writings - that the state and bureaucracy were instruments that emerged to coordinate a divided society in the interests of the ruling class. Marx elaborated that the bureaucracy or the corps of state officials, was the “state’s consciousness” that worked as a particular closed society within the state, extending its power or capacity through secrecy and mystery. Having an inbuilt web of hierarchies, passive obedience was a necessity and thus, the state’s interest became a particular private aim. In this entire process, the state’s aims were not achieved and neither was competence guaranteed, for as Marx wrote

“The bureaucracy asserts itself to be the final end of the state...[T]he aims of the state are transformed into aims of bureaus, or the aims of bureaus into the aims of the state. The bureaucracy is a circle from which no one can escape. Its hierarchy is a hierarchy of knowledge. The highest point entrusts the understanding of the particulars to the lower echelons, whereas these, on the other hand, credit the highest with an understanding in regard to the universal [the general interest]; and thus they deceive one another” (Marx, 1843: 46-47, as quoted in Held, 1993: 53).

By emphasizing on the nature of bureaucracies, Marx was highlighting the ‘relative autonomy’ of these organizations. In his work *The Eighteenth Brumaire of Louis Bonaparte*, which was an analysis of Napoleon’s rise to power in France between 1848 and 1852, Marx focussed on the manner in which power was accumulated in the hands of the executive and the political representatives of the capitalist class, the bourgeoisie, at the expense of the civil society. He saw the “state apparatus simultaneously as a “parasitic body” on civil society as

well as an autonomous source of political action” (Marx, 1898: 121, as quoted in Held, 1993: 54). He argued that the state’s agents did not “simply coordinate political life in the interests of the dominant class of civil society. The executive under particular circumstances – for example, when there is a relative balance of social forces - has the capacity to promote change as well as coordinate it” (Ibid). However, even as he conceded these aspects, Marx characterized the state as a conservative force by underscoring its information network as an instrument of surveillance, and pointed out the prospects of the state’s political autonomy coming into conflict with social movements that threatened the status-quo. Marx and Engels further expanded this line of argument in the *Communist Manifesto*, by asserting that the state directly depended on the economic, social and political power of the dominant class. Even though the state may offer scope for the relative independence of sections of the bourgeois class, “it is characterized as essentially dependent upon society and upon those who dominate the economy: independence is only exercised to the extent of settling the conflicts between the various sections of capital (industrialists and financiers, for example) and between domestic capitalism and pressures brought upon by the international capitalist markets” (Miliband, 1965, as quoted in Held, 1993: 55).

Notwithstanding the centrality of the state in capitalist societies, it was, according to Marx, marked by limitations on its capacity to intervene. For instance, in the event of state intervention undermining the capital accumulation process, it also in turn undermined the material basis of the state. Therefore, state policies needed to be consistent with capitalist production relations. This extended to the dominant economic class exerting political influence and thereby ruling through indirect governance, even without having representatives in the government. The Bolshevik Revolution in Russia was underpinned by the theoretical visions of Marx and Engels. V.I. Lenin took the Marxist analysis of the state further and conceived the state as an “organ for the oppression of one class by another” (1917: 382) and stated that the modern representative state was “a special repressive force” (1917: 390) and the “instrument for the exploitation of wage labour by capital” (1917: 441-442). According to this characterization, the distinguishing feature of the state, apart from its territorial basis, was its dependence on force, exercised through specialized agencies like the army, police and the prison system. Also, activities like taxation and legislation protecting officials were undertaken, to ensure the survival of the repressive institutions.

In Lenin's view, freedom was not possible under the existence of the state dominated by capitalism. Thus, under the revolutionary transformation brought about by the proletariat, the destruction of the "old state machine" through strong central control was necessary in reordering of the society. The capitalist state apparatus had to be destroyed in order to establish a new socialist order. "State interference in social relations becomes, in one domain after another, superfluous, and then dies down of itself. The government of persons is replaced by the administration of things, and by the conduct of processes of production" (Engels, 1894: 301-303, as quoted in Lenin, 1917: 391). However, both Marx and Lenin's formulations regarding the modern state left behind ambiguities in "reconciling the understanding of the state as an instrument of class domination" even while underlining that the "state might also have had significant political independence" (Held, 1993: 58). Though later writers grounded in Marxism like Lukacs, Korsch and Gramsci did attempt to explore further, much more clarity was achieved through the writings of Ralph Miliband and Nicholas Poulantzas in the late 1960s and early 1970s.

By emphasizing on the increasing centrality of the state in western societies, Miliband through his work *The State in a Capitalist Society* (1969, New York: Basic Books), sought to reassess the relationship between class and state, as well as examine the liberal democratic discourse on state-society relations, thus placing the state as "an adjudicator between competing societal interests". Miliband argued that in contemporary Western societies, a dominant class was present that owned/controlled the means of production, and had deep links with powerful institutions, political entities, military, higher educational bodies, media, etc. This class had disproportionate representation at the command levels and was seen as greatly cohesive, thus providing constraints on governments and state institutions. However, he did recall Marx's argument that the state had to routinely be separated from ruling-class factions, and governments could even direct actions against the capitalist class in the short-run. This was especially true during the times of national crises and war, when the state could operate within a high level of independence from class interests.

Nicholas Poulantzas came in with his own perspectives to shape what would later be known as "the Miliband-Poulantzas debate". Poulantzas critiqued Miliband for his "subjectivist" approach for exploring relations among classes, bureaucracy and the state through interpersonal relations or the social background. Rather than raising questions of "who influenced or determined important policy decisions" and "what was the social background of

the key decision-makers”, Poulantzas concentrated on the structural components of the capitalist state that made it protect the capitalist production relations. He specified that the state was the unifier under capitalism, as it needed to ensure, “(a) “political organization” of the dominant classes (which were broken up into ‘class fractions’ due to competitive pressures and differences of immediate interest) and (b) the “political disorganization” of the working classes which, because of the concentration of production, among other things, can threaten the hegemony of the dominant classes” (Poulantzas, 1973: 287-88). The state had to protect the long-term interests of the dominant classes against the vulnerability of fragmentation and therefore required “relative autonomy” from the particular interests of diverse fractions. In this context, the centralized modern state was both a necessary result of the “anarchic competition in civil society” and a force in the reproduction of such competition and division (Poulantzas, 1980: 60, as quoted in Held, 1993: 60).

However, Poulantzas’ views (as also those of Miliband) have been critiqued by Marxists like Claus Offe and Jürgen Habermas, for visualizing capitalist states only from a “negative” perspective, being “treated only from the point of view of how far it stabilizes capitalistic economic enterprise, or prevents the development of potentially revolutionary influences” (As quoted in Held, 1993: 60). Offe and Habermas instead focussed on the state’s sustenance of the “institutional order, in which capitalist mechanisms occupy a prime place for themselves and how it mediates (expresses and changes) class antagonisms” (Ibid). Differences have thereby appeared among Marxists with regard to the emphasis placed on citizenship rights, that is individual rights and liberties. Expanding the functioning of the state, Marxism also draws attention to the aspect of state expenditure, which is a vital component with regard to welfare. The discussion with respect to state expenditure, falls within the ambit of the two - often mutually contradictory - functions of accumulation and legitimization. While on the one hand, “the state must try to maintain or create conditions for making possible profitable capital accumulation”, it “also must try to maintain or create the conditions for social harmony” (O’Connor, 1973: 6). These twin functions of the state were intrinsic to its working within the capitalist system and any attempt to supersede or subsume one *vis-à-vis* the other, affected stability and economic vitality. The state was therefore, laden with the need to play a critical balancing role. Corresponding to this dual functionality, O’Connor proposed that all state expenditure had a two-fold character – “Social Capital” and “Social Expenses”.

“Social Capital is expenditures required for profitable private accumulation...there are two kinds of social capital: social investment and social consumption. *Social investment* consisted of projects and services that increase the productivity of a given amount of labour power and, other factors being equal, increase the rate of profit. A good example is state-financed industrial-development parks. *Social consumption* consists of projects and services that lower the reproduction costs of labour, and other factors being equal, increase the rate of profit. An example of this is social insurance, which expands the reproductive powers of the workforce while simultaneously lowering labour costs. The second category, *social expenses*, consists of projects and services that were required to maintain social harmony – to fulfill the state’s “legitimization” function. The best example is the welfare system, which is designed chiefly to keep social peace among unemployed workers” (O’Connor, 1973: 7).

Yet another dimension in the context of the Marxist tradition in state-society relations is the concept of Corporatism. Developed by Phillip Schmitter, “Corporatism refers to the widespread tendency in advanced capitalist countries for industrial relations between employers and trade union organizations to be resolved and institutionalized at the level of the state itself” (Schmitter, 1974, as quoted in McLennan, 1993: 100). Corporatism emphasized the “importance of key or peak associations in negotiation with the state...[c]orporate groups, defined by their location in the social and economic division of labour”, get prominence in advanced industrial capitalism, and “their identity was given by the function that their members performed in society and the economy” (Johnson, 1987: 151). The state was itself constructing a framework for both economic and political affairs under the corporatist framework; “corporatism also brought into relief the long-term struggle of labour, which was recognized, negotiated and also possibly furthered” (Ibid). Corporatism entailed that the working class could entrench themselves in economic and political life, to win over welfarism and other standards from capitalism, in a concessionary manner.

Max Weber has criticized the Marxist conceptions of state and bureaucracies, from a sociological perspective. Weber stressed the similarities between private and public organizations, and their independent dynamics. He argued that the modern state was capable of monopolizing the legitimate use of violence within a given territory. Harping upon the legitimacy question, Weber saw the state as based “on physical coercion, legitimized by a belief in the justifiability and/or legality of this monopoly” (Weber, 1972: 78, as quoted in Held, 1993: 62). Rather than being an *effect* of Capitalism, Weber contended that the modern state *preceded* and helped in promoting capitalist development, which assisted the emergence

of a bureaucracy founded on legal authority (*italics added*). He “extended the concept of bureaucracy, by applying it to all forms of large-scale organization (the civil service, political parties, industrial enterprises, universities, etc.)” (Weber, 1978: 1465). He anticipated the “growth of an office hierarchy” with more and more bureaucratization of the private and public administration. With the “administration being based upon written documents; specialist training is presupposed and candidates being appointed according to qualification; formal responsibilities demand the full working capacities of officials; officials are separated from ownership of the means of administration” (Weber, 1978: 220-21).

Therefore, in Weber’s view, bureaucracy became “indispensable” for the state. Weber’s writings significantly influenced social science discourses in western capitalist societies, especially in the disciplines of Sociology and Political Science. The concept of “Pluralism”, evolved by Harold Laswell, David Truman and Robert A. Dahl, developed the Weberian ideas to challenge the fundamental Marxist tenet regarding class as the central principle, while focussing on state as an analytical category. By “recasting the connections between state, bureaucratic organizations and classes”, these scholars also “shifted the attention of political sociology and political science to those institutional arrangements designed to ensure responsiveness by political leaders to citizens – in particular, the competition for electoral support and the activities of social groups or organized interests in relation to government” (Held, 1993: 66). With the principal components of pluralist politics being elections, representative democracy, political parties and pressure groups, “power was widely distributed among a plurality of interest groups, each of which sought to mobilize political support”. “Power is defined in terms of decision-making by asking which groups or individuals participated in the decision-making process and whose view prevailed...The whole system rests on an underlying consensus on what are seen as central values - democracy, rule of law and respect for private property, for example” (Johnson, 1987: 150). Concentration of power in one group upset society’s equilibrium, with opposing groups being formed to restore the balance; “the distribution of power in an integrated stable society” entailed “the state to either act as an impartial arbiter of minor conflicts among groups or simply as the instrument through which agreed and non-controversial policies were introduced to the benefit of all in the society” (George and Wilding, 1985: 6). The extension of this line of argument meant that the state was seen to be serving the public interest in all its activities.

Weber's works also contributed to contextualizing the state within international conditions and pressures rather than just binding them to aspects like group bargaining, citizens and their relations to the state, or the relations between classes, the economy and the state. Pursuing this strand, historian Otto Hintze pointed out "how two phenomena, above all, conditioned the real organization of the state. These were, first, the structure of social classes, and second, the external ordering of ...states – their position relative to each other, and their overall position in the world" (Gilbert (ed.), 1975: 183, as quoted in Held, 1993: 68). Another scholar who followed this pathway was sociologist and political scientist, Theda Skocpol. In her view, "the state was Janus-faced, with an intrinsically dual anchorage in class-divided socio-economic structures and an international system of states" (Skocpol, 1979: 32). She was opposed to "society-centric" explanations of the state and governmental activities, which led to the state being conceived essentially as an arena for the struggle of groups, movements and contending classes and thereby narrowed the scope for visualizing them as distinctive structures having their own specific histories.

In Skocpol's account, "the state properly conceived...is a set of administrative, policing and military organizations headed and more or less well coordinated by an executive authority. Any state first and fundamentally, extracted resources from society and deploys those to create and support coercive and administrative organizations" (Skocpol, 1979: 29). Even though "political systems also may contain institutions through which social interests are represented in state policy making as well as through which non-state actors are mobilized to participate in policy implementation...the administrative and coercive organizations are the basis of state power" (Ibid). This approach, in Skocpol's view, allowed for distinctiveness, and was useful in viewing the capacities of state organizations in relation to the transnational environment.

We now turn to examine the structure and workings of states governed by Communist Parties in general. This would be a necessary basis for the analysis of the "welfare state" that follows, as well as provide the conceptual backdrop to the social welfare-social security system practiced in China.

Salient Features of Communist States

The interpenetration between the state and society is one of the characteristic features of communist states. Political activity is monopolized by the party-state and economic activity

firmly under the state control. Anchored by Marxist ideological moorings, state capitalism is the functional strategy generally adopted by communist states, which had originated with the New Economic Policy (NEP) propounded under Lenin in the Soviet Union. A hallmark of the communist states was the feature of Collectivism. Since neat categorization between classes was riven with ambiguities along with problems of political specification - given the formulations of disappearance of class differences and absence of private property under Socialism - state power was visualized as a form of property, capable of collective appropriation. With the Bolshevik Revolution and the emergence of the Soviet Union in 1917, the establishment of the People's Republic in China in 1949, and formation of a socialist bloc extending into Eastern Europe, the Collectivist model underpinning these mass social churnings, witnessed the state and politics "tak[ing] command", along with the "absorption of the major functions of civil society and economy. It set about a positive transformation of the state. It inaugurated a regime of national mobilization and strict regimentation" (Hall, 1993: 12).

The collectivist ethos however, also needs to be seen alongside the rise of bureaucratism in Communist states-societies. The emphasis on spurring production necessitated the rise of a managerial class, who further secured their position within the system and came to possess state power by rationalizing their inseparability from the production processes. Leon Trotsky, who later went on to become a major dissident of the Stalinist Soviet state, explored this "degeneration" whereby due to the insecurities related to the maintenance of socialist economic foundations (state control of the economy), the state bureaucracy turned into a "policeman" and became "a bourgeois organ in a workers' state" (Trotsky, 1936: 112-13, as quoted in Westoby, 1993: 135). Thus, the workers' state was seen to be degenerating *vis-à-vis* the workers and privileging the "dictatorial methods of the state bureaucracy"; in this regard, "the state directly, or as a surrogate for the market, was seeking to coerce surpluses for industrialization" (Ibid).

The Idea and Concept of the Welfare State

Among the myriad definitions of the welfare state, the most succinct, encompassing its various dimensions, has been offered by Asa Briggs. "A welfare state is one in which organized power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions – first, by guaranteeing

individuals and families a minimum income irrespective of the market value of their work or their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain social contingencies (like sickness, old age and unemployment) which would otherwise lead to crises; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available to a certain agreed range of social services” (Briggs, 2000: 18). While this definition entails the state being illustrated as a “social service state”, it also engenders the “idea of an optimum...it is concerned not merely with abatement of class differences or the needs of scheduled groups but with equality of treatment and the aspirations of the citizens as voters with equal shares of electoral power” (Ibid). “In moral terms, the welfare state promised a more universal, classless justice and solidarity of “the people”; it was presented as a ray of hope to those who were asked to sacrifice for the common good in war efforts (World War II). The welfare state was therefore also a political project of nation-building: the affirmation of liberal democracy against the twin perils of fascism and bolshevism” (Esping-Andersen, 1996: 2).

Briggs foregrounds the rationale for the welfare state in the context of market forces in modern political economies, the social contingencies arising out of the experience of industrialism, (in which unemployment is the most critical factor in the shaping of modern welfare legislations), the governmental power that required balancing of economic and social forces, and the non-fixed or shifting range of “agreed social services”.

The origins of the welfare state has been traced to the social policy enacted by “Bismarck in Prussia in the 1880s – laws of 1882, 1884 and 1889 introducing compulsory insurance against sickness, accidents, old age and invalidity – which attracted immense interest in other European countries” (Briggs, 2000: 21). Bismarck was fascinated by the ideas and schemes of different varieties of insurance, and argued for the active involvement of the state in their financing and administration; however, he was against extension of direct taxation, and was opposed to limits on the working hours of women and children in the factories. By problematizing the “monolithic” understanding of Bismarck’s imprint on the origins of the welfare state, Briggs seeks to provide a more diverse understanding of his social policies.

It was the application of the welfarist model in Britain during 1906-11 that generated the greatest attention in studying the concept of the welfare state, which evolved gradually, as a philosophical and political category, parallel with its praxis. Even though other models like

the Scandinavian welfare system since the end of 1920s² have their own importance, the practices in Britain provided the basis for a more concrete analysis of the historical evolution and contending debates around the welfare state. A notable factor in the twentieth century history of *welfare*, was the transformation in the attitude towards poverty, which made the amended Poor Law of 1834 in Britain³ impracticable. Capitalist societies in the nineteenth century treated political rights as secondary to civil rights, and therefore were not attached directly and independently to citizenship. This was also due to the fact that political franchise remained a privilege of a limited section of society. The British Parliament amended the Poor Law in 1834. Through this amendment, “the Poor Law renounced all claim to trespass on the territory of the wages system, or to interfere with the forces of free market. It offered relief only to those who, through age or sickness, were incapable of continuing the battle and to those other weaklings who gave up the struggle and cried for mercy” (Marshall, 2000: 34-35).

T.H. Marshall advocated the detachment of minimum social rights from the status of citizenship, as the Poor Law treated the claims of the poor, not as an integral part of the rights of the citizen, but as an alternative to them – as claims which could be met only if the claimants ceased to be *citizens*⁴ in any true sense of the word. Hence, the Poor Law

² The Scandinavian, or the Nordic model of welfare is largely based on the system of welfare in Sweden. Best captured by the “idea of *folkhemmet* (or ‘people’s home) coined by Swedish Prime Minister Per Albin Hansson at the end of the 1920s, it captures idea of a national community which would provide a “good home” for all its members, one grounded in equality and mutual respect...the aspiration was to move towards a classless society by moderating economic inequality, while providing standards of public service equally for all citizens, that would nullify the social consequences of such economic inequalities. Private ownership was to be tolerated and growth encouraged but in a context of high social expenditure, extensive social provision and progressive taxation” (Pierson and Leimgruber, 2010: 39).

³ The Poor Law was a system of relief to the poor, prevalent in England and Wales since 1349 during the Tudor Period. The law came into effect in the aftermath of the Black Death epidemic that broke out in 1348. Amendments were made in 1601 during the reign of Queen Elizabeth I. Administered at the Parish level, the money for the relief was raised by taxes on the middle and upper class people. However, this raised resentment among these sections, which believed that this made the poor lazy and encouraged them to have more children when they could not afford them. Another amendment was made to the Law in 1834, aimed at reducing the financial burden on the tax paying sections. The system was routed through workhouses. The poor were given clothes and food in the workhouse in exchange for several hours of manual labour each day. Conditions in the workhouses were harsh and were aimed at keeping the truly destitute poor, thereby deterring able-bodied men. For detailed study on Poor Laws, see Boyer, George. R (1990), *An Economic History of the English Poor Law 1750-1850*, Cambridge: Cambridge University Press; Slack, Paul (1990), *The English Poor Law 1531-1782*, London: Macmillan; Webb, Sidney and Beatrice Webb (1910), *English Poor Law History*, London: Longmans, Green and Co.

⁴ Citizen, or “Citizenship is a status bestowed on those who are full members of a community. All who possess the status are equal with respect to the rights and duties with which the status is endowed. There is no

reinforced the attitude of stigmatizing destitution and underlined disenfranchisement as the condition for ensuring welfare rights. The change in the attitude towards poverty or the repudiation of the Poor Law was also connected with the need for particular policies, involving detailed investigation into “social contingencies”. Thus, it was discerned through the study of sociologists Charles Booth and Benjamin Seebohm Rowntree that “a large number of poor people remained poor through no fault of their own, but because of tendencies within the market system. They pitted statistics against logic by attempting to count how many people were living in poverty and by surveying the various forms that the poverty assumed” (Booth, 1902-03, and Rowntree, 1901, as quoted in Briggs, 2000: 25-26). Making a distinction between “primary and secondary poverty” wherein the former was beyond the control of the wage-earner, Rowntree “went on to advocate specific welfare measures, ranging from old-age pensions to family allowances, public-provided housing to supervised welfare conditions in factories”...he believed that “the community could not afford the “waste”, individual or social, which was implied in an industrial society divided “naturally” into “rich” and “very poor”. Poverty was as much of a social problem as “pauperism”. The roots of poverty were to be found not in individual responsibility or incapacity but in social maladjustment. Poverty, in short, was not the fault of the poor: it was the fault of the society” (Rowntree and Lavers, 1951, as quoted in Briggs, 2000: 26).

Another important factor associated with welfare policies in the twentieth century was unemployment. “Mass involuntary unemployment” was seen as the main threat to what sociologist and economist Beatrice Webb described as, “an enforced minimum of civilized life”⁵ (Briggs, 2000: 26). Inducing strain on social service systems in most countries,

universal principle that determines what those rights and duties shall be, but societies in which citizenship is a developing institution create an image of an ideal citizenship against which achievement can be measured and towards which aspiration can be directed” (Marshall, 2000: 36).

⁵ Beatrice Webb, put forth this demand to the government in 1909, as the lead author of the Minority Report of the Royal Commission on the Poor Laws and Relief of Distress 1905-09, appointed by the British Government under the then Prime Minister Mr. Arthur James Balfour. There was a change in government at the time of the submission of the report in 1909, with Mr. H.H. Asquith taking over as Prime Minister. Two conflicting reports emerged at the end of the term of the Commission – Majority and Minority. While the former emphasized charity-led provisions to alleviate poverty and hardship, the latter called for a structural understanding of the causes of poverty and the need for active intervention by the state guaranteeing a basic minimum. For more on this issue, see *The Break-up of the Poor Law: Being Part One of the Minority Report of the Poor Law Commission* (1910), Sidney Webb and Beatrice Webb (eds.), London: Longmans Green and Co.

unemployment was a significant challenge to administrators and policymakers.⁶ However, there also exists a contending view on “the *employment ethic*, which dominates to an overwhelming extent, the political and economic debates dealing with social policy. This ethic refers to the fact that wage-earning activity in the formal labour market tends to be valued over all other types of human activity” (Fitzpatrick, 1998:13). The contribution of “domestic labour to social well-being has been taken for granted by the bulk of public, economic and social policies” (Ibid). In the view of Asa Briggs, the other factors aligned with the welfare discourse of the twentieth century were the development of welfare philosophies and practices within market capitalism, and the influence of working class pressures on the tone and content of welfare legislations.

The concept of Welfare State crystallized into coherent and concrete shape in the aftermath of World War II, with the impetus being provided by the works of economist John Maynard Keynes.⁷ His ideas provided an impetus to countries, especially in the Anglo-American world, to come out of the war ravages and get back into economic health. The period 1950s to 1970s witnessed capitalism’s upward march in terms of prosperity, equality and full employment being perfect harmony.

The discourse on the welfare state was also the site of various interesting debates, illustrative of the divergent views that permeated or governed the formulation, enactment and application of policies. One key debate was with regard to the adoption of a universalist, as opposed to a selective, social service system. The embodiment of universalism was grounded in the need to “make services available and accessible to the whole population, in such ways as would not involve users in any humiliating loss of status, dignity or self-respect” (Titmuss, 1968: 129) To ensure that no sense of inferiority, stigma or shame existed in availing a publicly provided service, emphasis was laid “on the social rights of all citizens to use or not to use as responsible people, the services made available by the community for certain needs”; this

⁶ Britain was the first country to introduce compulsory unemployment insurance, in 1911 that was expanded in 1920. However, the system of relief broke down under the Great Depression of 1930s; Insurance benefits, linked to contributions, were stringently restricted.

⁷ Some of the important works of Keynes are: *The General Theory of Employment, Interest and Money* (1936), London: Macmillan; *A Treatise on Money – Two Volumes* (1930), London: Macmillan; *Laissez-Faire and Communism* (1926), New York: New Republic; *The End of Laissez-Faire* (1926), London: L & Virginia Woolf; *Indian Currency and Finance* (1913), London: Macmillan.

needs to be seen against “the inability or unwillingness by the private market and the family to universally” provide these services (Ibid). Apart from the avoidance of stigma being related to social rights and universalism, other social, political and psychological forces of turmoil, revolution, war and change were also intrinsic to the discourse on welfare. Titmuss argued that the idea of “prevention” - the prevention and breaking up of the vicious descending spiral of poverty, disease, neglect, illiteracy and destitution - was intended to underscore the importance of early and easy access to and use of preventive, remedial and rehabilitative services. He further elaborated that for these services to be effective in a differentiated and unequal society, they had to be delivered through socially approved channels, without making the users and their families lose their self-respect. With efficiency and welfare being seen as complementary, prevention of wastage of human resources or rather, wastage in general, was a causal factor behind the ordering of welfare. Social Security services like retirement pensions, health service, unemployment insurance and school meals attach their beginnings to this idea of preventing wastage. The services “represent partial compensations for disservices, for social costs and social insecurities that were the products of a rapidly changing industrial-urban society” (Titmuss, 1968: 133). They are seen as the price paid to some people for bearing part of the costs of other people’s progress or socially generated “disservices” like obsolescence of skills, redundancies, premature retirements, accidents, etc.

The debates around welfare legislations and dissemination of services have also touched upon the notion of individual liberty. This was the consequence of a certain measure of coercion that was being induced to make welfarism work; many welfare activities of the state are “a threat to freedom”, as even “though they are presented as mere service activities, they really constitute an exercise of the coercive powers of the government and rest on its claiming of exclusive rights in certain fields” (Hayek, 1960: 91). However, it is to be noted that the aims of the welfare state could be realized without being detrimental to individual liberty, though the undertaking of these measures may not be always through the most popular means or ways. Under such conditions, the danger then, as postulated by Friedrich Von Hayek, was that once an objective of the government was accepted as legitimate, it was assumed that even means contrary to the principles of legitimate freedom could be employed. It therefore followed that all available resources were directed towards the ‘identified visible’ solution.

The philosophy underlying the welfare state has been sandwiched between the dynamics of minimalist versus interventionist conceptions of the state. The notion of the Minimal or Limited State, as per the classical liberal theory, sought to restrict its role “to the enforcement of contracts and the protection of its citizens from theft, fraud and violence...[I]n such a state - that would develop out of a state of nature - most people would behave according to moral principles, but nevertheless disputes and abuses would occur” (Johnson, 1987: 153-54). Put forward by the philosopher Nozick, the minimalist state would entail the “setting up of private protection associations by the people, among which one would emerge as the dominant one acquiring a monopoly of force within a geographical area. Such a force would then be responsible for protecting the rights of all within its territory” (Johnson, 1987: 154). Intermeshed with the justification of individual rights over any kind of ‘coercive’ behaviour of the state, the minimalist logic was put forth to curb the “state’s interference and infringement of others’ rights” (Ibid). Nozick argued that any state, which goes beyond the minimalist logic, violated individual rights. Using “a novel theory of justice based on entitlement theory”, he opined, “people were entitled to what they had as long as its acquisition did not involve infringement of anyone else’s rights. Any attempt by the state to interfere with entitlement would be illegitimate” (Nozick, 1974, as quoted in Johnson, 1987: 154). Underlining that “there was no moral justification for taking from A (who is wealthy) to give to B (who is poor)”, Nozick was of the view that “the redistributive welfare state policies needed to be deprecated because they damaged entitlement rights” (Ibid). This line of argument was imbibed by the neo-conservatives in their discourses as it supported their aspirations of a rollback of the state and offered possibilities for reshaping the welfare state to temper its “ambitiousness” and “expansiveness”.

State Interventionism was in stark contrast to the idea of the minimalist state. Gaining ground after World War II- which was also the period when the idea of welfare state gained political currency – and propounded by Keynes and Beveridge, the argument for state intervention ran alongside the belief that “socialist values of liberty, equality and fraternity were not capable of achievement in an unregulated market economy. Government intervention was both necessary and desirable to ensure that public purposes were pursued and that needs were met” (Johnson, 1987: 155). Rather than visualizing the state as an enemy of freedom and a potential violator of rights, it was featured as the only institution capable of promoting the

freedom and protecting the rights, of all. Emerging from the framework of Fabian Socialism⁸, this articulation foregrounded the interdependence of equality and freedom; the latter was meaningless in the absence of the former. Keynes and Beveridge abjured the rise of inequality with regards to income, wealth, status and power, thus producing economic subordination and reduction of freedom.

Following the interventions made by Keynes and Beveridge, *social welfare* as it developed over the latter half of the twentieth century, “is very much a child of industrial capitalism, and has internalized most, if not all, of the aims and assumptions of its socio-economic surroundings” (Fitzpatrick, 1998: 22). Concomitantly, social services were said to have developed as a result of the increased differentiation and specialization in society brought about by industrialization. With industrialization transforming all countries, the “welfare state is a stage of societal development through which all industrial countries pass. But more than that – the welfare state has created a consensual society”, and is, at the same time, “the product of societal consensus about ends and means, and contributes to such a consensus” (George and Wilding, 1985: 14). Welfare states were also seen as compromises or “truce situations” resulting out of the conflicts arising between classes, political parties or other groups in society; these compromises were always open to re-negotiation. Social reform may also be introduced to meet the needs of capitalism, to make the latter system more efficient and acceptable to the working class. Welfare state policies were neither props of the capitalist system nor socialist measures but rather, conferred some benefit to all groups, though not necessarily equal benefits.

A generalized assumption in the analysis of the welfare state is the level of social expenditure, which is seen as a reflection of a state’s commitment to welfare. According to Danish sociologist Gosta Esping-Andersen, whose works primarily focused on the welfare state and their position in Capitalist economies, assumptions were also drawn about nations

⁸ The term, Fabian Socialism emerges from the Fabian Society, founded in 1884 in London. Named after Roman general Fabius Maximus, a hero in the War against Carthage (in 218-202 BC), the Fabian Society advocated the restoration of Socialism by gradualist reforms through democratic means, rather than overthrowing by revolutionary means. Some of the noted members of the Fabian Society were Sidney and Beatrice Webb, George Bernard Shaw, and H.G. Wells. The first Prime Minister of Independent India, Jawaharlal Nehru was also influenced by the ideas of Fabian Socialism. For more on Fabian Socialism and Fabian Society, see: Cole, Margaret (1961), *The Story of Fabian Socialism*, Stanford: Stanford University Press; Pease, Edward R. (1916), *A History of the Fabian Society*, New York: E.P. Dutton and Co.; Shaw, George Bernard (ed.) (1931), *Fabian Essays in Socialism*, London: Fabian Society.

with respect to features of industrial modernization, like urbanization, level of economic growth, and the proportion of the aged in the demographic structure. However, extending this argument to assume that all spending counted equally, was erroneous, since not all welfare states spent in equal measure and uniformly. So, welfare dissemination may vary from privileging certain sections or segments to more means-tested social assistance or to more fiscal welfare like insurance driven models. There are three approaches to judge whether a state is a welfare state, as identified by Gosta Esping-Andersen:

- (a) This approach analyses the historical transformation of state activities beginning with the state structure as proposed by Swedish sociologist, Goran Therborn. In minimum terms, “in a genuine welfare state, the majority of its daily routine activities must be devoted to servicing the welfare needs of households”. Such an approach seeks to identify the welfare state with the introduction of standard social programmes, tying the evolution of the former with the initiation of the latter. However, this approach is critiqued on account of an easy acceptance of the welfare state status of modern nations “on the basis of daily routine activities that were mostly related to defence, law and order, administration and the like” (Therborn, 1983, as quoted in Esping-Andersen, 2000: 156).
- (b) The second approach was derived from the distinction drawn up by Richard Titmuss between different models of welfare. His distinction was in turn, drawn from the social policy models detailed by Wilensky and Lebeaux. The two conceptions of welfare formulated by them were “Residual and Institutional. While the former held that social welfare institutions came into play only when the conventional structures like family or the market broke down, the latter contrastingly saw the welfare services as normal, ‘first line’ functions of modern industrial society, addressing the entire population – its universalistic character embodying an institutionalized commitment to welfare” (Esping-Andersen, 2000: 156). The institutional model, according to Wilensky and Lebeaux, would extend welfare commitments to all areas of distribution vital for society’s welfare. To these two models, Titmuss added a third dimension, viz., *industrial achievement-performance*, which incorporated a significant role for social welfare institutions “as adjuncts of the economy, holding that social needs had to be met on the basis of merit, work performance and productivity” (Titmuss, 1974: 31). By using these models, Titmuss essentialized the ‘social divisions of welfare’ - as

social welfare, fiscal welfare and occupational welfare⁹, thus breaking down the generalized as well as weighty unitary category.

- (c) “The third approach was to theoretically select the criteria to assess the types of welfare state, which could be undertaken by measuring welfare states against an abstract model and scoring programmes on various parameters. However, this was ahistorical, and does not necessarily capture the ideals or designs that historical actors sought to realize in the struggles over the welfare state” (Esping-Andersen, 2000: 156).

In an authoritative intervention, Esping-Andersen presents the *via media* or routes in deciphering the conception and specificities associated with the welfare states. Social citizenship was undeniably the core idea constituting the welfare state, and it must be understood in terms of involving the granting of social rights. When “social rights were given legal and practical status of property rights, if they were inviolable, and if they were granted on the basis of citizenship rather than performance, they entailed a de-commodification of the individuals’ status *vis-à-vis* the market. But the concept of social citizenship also involves social stratification: one’s status as a citizen will compete with, or even replace, one’s class position” (Esping-Andersen, 2000: 157).

De-commodification occurred when a service was rendered as a matter of right and when a person was able to maintain a livelihood without reliance on the market. Esping-Andersen argued that the introduction of modern social rights resulted in the peeling away of institutional layers guaranteeing social reproduction outside the labour contract and thereby, stressing de-commodification or significant alterations freeing up individuals/workers from the dependence on markets. Esping-Andersen felt that de-commodification strengthened the workers, weakened the near-absolute authority of the employer and worked out conditions to make the formation of labour movements smoother. Furthermore, he believed that the welfare state had to be seen as a system of stratification or an active force in the ordering of social relations.

⁹ Social Welfare comprised ‘social services: income maintenance, health care, social work and other personal social services, housing, and employment services. Fiscal welfare comprised a wide range of allowances and reliefs from taxation. Occupational welfare included benefits derived from one’s employment like pension schemes, health services and insurance, cheap loans and other amenities’ (Johnson, 1987: 13-14).

In the social stratification discourse, one's citizenship status competed with or even replaced one's class position. Esping-Andersen illustrated this point by taking up the social-insurance models of Bismarck and von Taffe, through which it was aimed to consolidate divisions among wage earners through the legislation of distinct programmes for different class and status groups, as also a unique set of rights and privileges for those groups. The creation of different welfare provisions, privileging some groups, not only raised their status *vis-à-vis* others, it also further entrenched the stratification that resulting from such (re)ordering.

Esping-Andersen's most important work, *The Three Worlds of Welfare Capitalism* asserted the importance of politics and political institutions with regard to welfare states. It went on to demonstrate that welfare states could be distinguished not only in terms of "relative generosity and spending, but more fundamentally by their institutional logic for assigning welfare functions to the state, the market and the family" (Esping-Andersen, 1990, as quoted in Myles and Quadagno, 2002: 39). Accordingly, Esping-Andersen clustered welfare state regimes in three groups¹⁰, rather than distributing them in a linear fashion:

- First, came the **liberal welfare states**, in which means-tested assistance as well as modest universal transfers or modest social-insurance plans predominated. This model was characteristic of the Anglo-American democracies, the conservative regime characteristic of continental Europe and the Nordic social democratic policy model. The "benefits were mainly aimed at a clientele of low-income, working-class, state dependents. Here, the citizens were constituted as mainly, individual market actors, being encouraged to seek their welfare in the market. Basic security schemes were likely to be means-tested and the social insurance benefits accruing thereby, were rather modest" (Esping-Andersen, 1990, as quoted in Myles and Quadagno, 2002: 40). The progress of social reform has been severely circumscribed by traditional,

¹⁰ Esping-Andersen noted that it was difficult to identify a single causal factor in delineating the various types of western welfare states. According to him, it involves three factors: "firstly, the pattern of working-class political formation and, second, political coalition building in the transition from a rural economy to a middle-class society. Third, the institutionalization of class preferences and political behaviour" (Esping-Andersen, 2000: 167). He further notes, "in corporatist regimes, hierarchical status-distinctive social insurance cemented middle class loyalty to a peculiar type of welfare state. In liberal regimes, the middle classes became institutionally wedded to the market. And in a social democratic regime, like in Scandinavia, the fortunes were tied to the establishment of a middle-class welfare state that benefits both its traditional working-class clientele and the new white-collar strata" (Ibid). As visible from the above lines, the objective in differentiating the welfare state regimes was the analysis of their class character, especially that of the middle classes.

liberal work-ethic norms, as limits of welfare equaled the marginal propensity to opt for welfare instead of work.

- The second regime type was labeled as **conservative, corporatist or even as Christian Democratic**, based upon the emphasis on characteristics. Rather than being concerned about market efficiency, this cluster stressed on the maintenance of an organic-hierarchical social order that was inherited from the past. It was more corporatist, with rights and privileges being differentiated on the basis of class and status, and redistribution being rather marginal. The influence of Christian Democratic doctrines on corporatism ensured that while the primacy of the market was rejected, insistence on principles of subsidiarity and primacy of family was treated as pivotal. The focus was on income transfers, which were sufficient to cover the needs of the male breadwinner.
- The third type of regime was the **social democratic welfare states**, representing a model of society characterized by extensive social rights and a rather marginal role for private welfare provisions. Mainly found in Scandinavia, the rights were considered universalistic, and equality of higher standards was promoted rather than an equality of the minimal needs. Instead of bringing about a dualism between the state and market, between working class and middle class, the welfare state sought to promote an equality of the highest standards, by guaranteeing workers full participation in the quality of rights enjoyed by the better-off; this particular model mainly catered to the aspiring middle classes, with benefits being tailored to their tastes and expectations.

Equally, Esping-Andersen cautioned against the tendency to confuse - or even equate - welfare state with equality. While welfare does involve redistribution of incomes and resources, thereby giving a sense of egalitarianism (as with the universalistic and comprehensive welfare states of the Scandinavian type), there is a need to qualify it, so as to comprehend the different conceptions of equality. So, while the Scandinavian varieties emphasize universalistic egalitarianism, the South-East Asian and European models lay stress on equity, in terms of having status continuity as the primary goal, with differentials in working life being carried over in income maintenance (so, different class or strata of

workers/employees enjoy different sets of benefits); the American archetype looks more at “individualistic equity of earned rewards in the market-place” (Esping-Andersen, 1996: 262).

The alignment of equality with the nature and functioning of the welfare state oscillates between universalism in social citizenship and equalization of living conditions (or, the notion of “equality for all, here and now”) and residualist categorization, placing limits and following a ‘minimalist’ approach. This creates a certain amount of tension in terms of equity, fueled by rising claims of “preferential treatment”. In such a scenario where societies are differentiated and heterogeneous, Esping-Andersen notes that “welfare states had to rethink their egalitarian principles in a radical way...The most logical solution is some rethinking of the ideas of redistribution and rights” (1996: 264). This amounted to accepting inequalities for some, “here and now”, while at the same time guaranteeing that those who fared less well “here and now” will not be so situated always. The realization that the “underprivileged were not condemned to a state of permanent inequality and was bound by the inevitability of change, promoted a more dynamic solution and called for a social policy designed to optimize the self-reliant capacities of the citizenry” (Ibid).

Debates on the Welfare State – From the Left and the Right

The idea of the welfare state and its implementation has generated a wide-ranging discourse, across the political spectrum. The Socialist analysis and critique of the welfare state in the capitalist countries, mainly stemmed from the Marxist discourse on state and social policy, wherein the welfare state was viewed in terms of “the use of state power to modify the reproduction of labour power and for the maintenance of the non-working population” (Gough, 1979: 44-45). In a capitalist system, state intervention enabled the system “to overcome the tendencies of stagnation, under-consumption and falling rate of profit, to increase its efficiency. In other words, public as well as social expenditure developed and expanded primarily because it benefitted the capitalist system” (George and Wilding, 1985: 112). This critique has stemmed from a class analysis and the assertion that the operating system was capitalism and welfare state was envisaged within it as a cushion or buffer in the face of inherent contradictions that might destabilize the overarching system. The critique emerged from the understanding that the “institutional structure of the welfare state in capitalist economies had done little or nothing to alter the income distribution between the two principal classes of labour and capital. This was a consequence of the redistribution

mechanism working *horizontally* rather than *vertically* or within the class of wage earners” (Offe, 1982: 12).

British political scientist, Harold Laski opined that social legislation was, in some senses, a price paid for upholding those legal principles securing the predominance of the owners of property and were to be seen as a body of concessions offered, to avert decisive challenges to authority. The capitalist state’s apprehensions emerged from the “threat of a powerful working-class movement, which galvanizes the ruling class in a capitalist state to think more cohesively and strategically and thus introduce social policy reforms” (George and Wilding, 1985: 113). It was Lenin - on the back of ushering in a revolutionary transformation guided by the theoretical formulations of Marx and Engels - who provided clarity on the matter. Lenin called for the social security system to provide assistance in all cases of incapacity, cover all wage earners and their dependents, extend benefits equal to full earnings, with the employers – i.e., the state - bearing the costs, and introduce uniform insurance organizations. In the assessment of Vic George and Paul Wilding, Marxists argued that social services had to be focused on meeting all needs; universal in intent as well as practice with regard to coverage; participatory and curtailing the power of professions; and finally, needed to emphasize prevention as a vital underlying principle of social services.

Furthermore, the “welfare state did not *eliminate the causes* of individual contingencies and needs, but only *compensated* for some of the consequences of such events...generally speaking, the kind of social intervention most typical of the welfare state was always “too late”, and hence its *ex post facto* measures were more costly as well as less effective than a more “causal” type of intervention would allow them to be” (Offe, 1982: 12). The critique also encompassed the bureaucratic and professional form through which the welfare state dispensed its services, which according to Claus Offe absorbed more resources and provided less services compared to other democratic and decentralized structures. Another significant criticism from the socialist viewpoint was related to “its *politico-ideological* control function, as the welfare state is seen not only as the source of benefits and services, but at the same time the source of false conceptions about historical realities which have damaging effects on working-class consciousness, organization and struggle” (Offe, 1982: 13). It delinked the sphere of work, economy and income distribution, from the sphere of citizenship, the state and reproduction. “This division of the socio-political world obscured the causal and

functional links that existed between the two, preventing the formation of a political understanding of society as a coherent totality in the understanding of society” (Ibid).

Contrary to the opinions on the Left, the attack of the conservatives from the Right was framed by the overarching belief that welfare states undermined the competitiveness of advanced economies. The post-1970s economic recession revitalized *laissez-faire* attitudes and saw the emergence of doctrines critiquing the welfare state, treating it as an illness stunting the growth of a robust market economy and exacerbating conflicts within it. This was chiefly due to the taxes and regulation of capital by the welfare state apparatus, creating what was described as a “disincentive to investment”. Moreover, by granting “claims, entitlements and collective power positions to workers”, the welfare state proceeded to provide “*disincentives to work*” or impeding them from working “as hard and productively as they would be forced to, under the reign of unfettered market forces” (Offe, 1982: 8).

These effects were leading “into a dynamic of declining growth and increased expectations of economic demand overload (inflation) as well as political demand overload (ungovernability) which can less and less be satisfied by the available output” (Ibid). Esping-Andersen pointed out that the conservatives drew their criticism by associating the discrepancy between the existing programme design and social demands, as an endogenous problem of the welfare state. By addressing a past social order, with its ideals of universalism and equality, the contemporary welfare state was divorced from newer realities and rising challenges; the serious demographic problems resulting from massive migration into urban industrial centres, has in many ways undermined the traditional forms of social protection and engendered the need for better, encapsulating mechanisms.

Criticisms of ambitious welfare programmes have also sharpened with the onset of *neoliberalism*, whereby states have undertaken policy shifts and opted for de-regulation as well as other market-driven strategies. The aim was “to manage economic decline and domestic unemployment with greater labour market and wage flexibility” (Esping-Andersen, 1996: 15). The neo-liberal advocates opposed large increases in social spending on the grounds that it created welfare dependency, which according to them, carried within itself, seeds of unemployment. “Welfare prescriptions quite often become sub-optimal, or set up situations of moral hazard. The idea of moral hazard is widely used in discussions of risk in private insurance. Moral hazard exists when people use insurance protection to alter their

behavior, thereby redefining the risk for which they are insured” (Giddens, 1998: 114-115). The apprehension was that people may take rational advantage of the opportunities offered, which may for example, mean that unemployment benefits could actually result in the exacerbation of unemployment by using it as a refuge from the labour market. The fear was that the greater the improvements to the “material conditions of the poorest among the workers, the scarcer the jobs become, and the more people there are who are deprived of the privilege of having one” (Parijs, 1996: 64). The introduction of market-oriented reforms was to construct a supplement for the basic public safety net. Also, wage flexibility opened up low-end jobs to a large pool and helped integrate more sections into the labour market. “There has been a marked growth in form of work that was not “tenured”. With full-time workers only qualifying for tenure after two years, they could be laid off within two years as easily as they were hired. The rapid growth in the numbers of part-timers without any formal job security, contract workers, workers sacked and rehired as self-employed as temporary, part-time and agency workers”, signify the changes in employment conditions (Hutton, 30 October, 1995). Furthermore, the employers would also seek to regulate their labour needs through adjustment of working hours rather than hire more hands. The wage costs had to be kept in check by the employers to avoid loss of market shares and financial distress.

However, Claus Offe predicted that a complete jettisoning or abdication of *welfare* by the state could be counter-productive for the smooth working of an industrial economy. He argued that “given the conditions and requirements of urbanization, large-scale concentration of labour power in industrial production plants, rapid technical, economic and regional change, the reduced ability of the family to cope with difficulties of life in industrial society and quantitative reduction and growing dependence of the middle classes on property, all of which were well known characteristics of capitalist social structures, the sudden disappearance of the welfare state would leave the system in a state of exploding conflict and anarchy. This disruptive tendency emerges from the contradiction that while capitalism cannot coexist *with* the welfare state, neither can it exist *without* the welfare state” (Offe, 1982: 11). The need was increasingly felt towards re-engineering the welfare state and make suitable alterations to make it commensurate with the rising complexities and challenges. Constant upgradation of welfare programmes to align them to the existing realities, would prevent the exodus of elites and strengthen the foundations of welfare states. The essence to

be grasped by policymakers and governments was re-moulding the institutions of welfare state rather than venturing to dismantle them.

The articulation of Productivist welfare - linking social welfare to economic development - and experiments of Confucian family welfare against welfare statism in East Asia could perhaps be understood as steps in that direction¹¹.

Social Security-Welfare in Socialist Countries

Before concluding this introduction to the concepts of *justice*, *state* and the *welfare state*, it would be worthwhile to briefly touch upon the actual workings of social security-welfare in the socialist countries. The experience and practices of the former Soviet Union serves our purposes best, since the PRC in its formative years had borrowed much from the former, in terms of institutions and policies.

As pointed out earlier, the Soviets – as also the rest of the countries in the socialist camp – “envisaged welfare as an ongoing, comprehensive social institution, whose major function was to prevent social breakdown” and, secondly, “to make help available as a right for those who were qualified, without waiting for destitution to set in, if a breakdown occurred at all” (Madison, 1964: 191). It consisted of “cash benefits, (i.e. pensions and allowances), health care, social services, rehabilitation, maintenance of children and other benefits in cash and in kind” (Lukianenko, 1978: 426). The struggle to institutionalize social welfare was also seen as another form of class struggle. Social security systems in socialist countries “operated entirely at the expense of the state and of collective farms, though in certain countries like Romania, workers participated in the financing of social security, but only to a secondary extent; their contributions are not too high compared with total social security expenditure by the State and collective farms, and go to pay supplementary benefits or improve some kinds of pensions” (Lukianenko, 1978: 419). In the Soviet Union, the major function of welfare services was to prevent people from becoming unproductive, thus emphasizing on the importance of Work as an ordering principle. “Work was considered a natural necessity, and its corrective as well as regenerative values were emphasized; it was construed as not just earning a living, but also as an educational and growth experience” (I. London, 1953, as quoted in Madison, 1964: 198). Community organization and social group work

¹¹ The East Asian welfare experience would be discussed at length in Chapter One.

predominated in the welfare system. Such an understanding, in the view of Bernice Madison, flowed from the assertion that the 'collective' was the foundation of societal life. "The individual developed through, by and for the collective and it was the collective's values that he or she used for perceiving himself or herself as a behavioural entity" (Arnautova, 1958, as quoted in Madison, 1964: 199). The individual was always viewed in relation to the others, with whose involvement, he/she could develop their potential. The 'collective' notion strengthened and broadened community participation in social welfare, in turn expanding the base from which services were administered, and brought them closer to people.

"In a socialist system, material goods were distributed, either by means of payment for work or by means of services and payments from social consumption funds, made over and above earnings from work...social consumption funds were formed from state budget allocations and from the resources of undertakings and social organizations" (Lukianenko, 1978: 419-20). A balance was sought to be maintained between the expansion of social consumption funds and wages funds in order to not weaken the socialist principle of distribution according to work. Even though the "economic nature of social security funds is everywhere the same, but the circumstances in which they were formed and their source differed according to the branch of social security and the category of population covered" (Lukianenko, 1978: 421).

The social security funds were in part financed from the state budget, besides the own funds of undertakings and collective farms for their workers. But it was the state budget that was deemed to be the chief source of finance for benefits in cash or kind, and also covered the difference between total expenditure and income from contributions by other entities. Part of the state budget largely went into paying direct benefits like health protection, vocational and social rehabilitation as well as maintenance of special institutions.

The dissemination of welfare in socialist countries was done at the central level through the distribution of total receipts to the public bodies concerned at the central level by the national (state) budget or national (state) insurance budget. However, in some countries, there was devolution to the trade unions. Lukianenko noted that while social security was mostly directed by the competent state bodies jointly with trade unions and other social organizations, in certain countries, the trade unions were exclusively laden with this particular responsibility. "In the Soviet Union, the organization and implementation of social security was entrusted to the governmental planning and supervisory bodies, and social

organizations like trade unions, national collective farms council and the collective farm members' social security councils" (Lukianenko, 1978: 427). There also existed since 1972, a Social Security Department in the USSR formed for labour and social questions, which according to Lukianenko, prepared draft proposals for furthering/improving social security, coordinated the work of the Ministries of Social Security of the Federated Republics and worked for the uniform application of federal legislations on social security throughout the country. While there was a centralized organization for the preparation of the rules defining the forms and conditions of the social security system in the USSR, there was also devolution as each of the 15 Federated Republics also contained their own Ministry of Social Security with administrative services, organizations and undertakings responsible to each ministry comprising its 'system'. Some of the functions of these ministries included "preparation of proposals for constant development as well as improvement of social security; regulation on the award and payment of pensions; organization of employment and vocational training of the disabled", and so on (Lukianenko, 1978: 428). Further down in hierarchy, there were also local social security bodies whose functions were limited according to the territory concerned.

Following the establishment of the People's Republic in 1949, China followed the Soviet model in charting out its developmental trajectory. Command Planning with focus on heavy industries was adopted from the Soviet experience. Under the leadership of Mao Zedong, over time, instead of blindly following the Soviet model, improvements were made towards bringing about decentralization and undertaking land reforms, in order to boost agriculture. Light industry to help the agrarian sector was developed along with heavy industries. The operation of social welfare was also initially drawn from the experiences in USSR. The model of welfare adopted was employment based/workplace centric – ensuring work for all the able bodied people was given primacy. Pooling in workers of each work unit, the trade union was the body chosen to take care of the welfare needs of people. Other than the employment based welfare programmes, people who were poor and had special needs were identified by the state for providing support. Decentralization of welfare administration was carried out in both the urban and rural areas, so that relief and income support could be undertaken properly. Detailed study of the welfare administration, the various policy programmes and ways of financing would be studied in the next few chapters.

Structure of the Thesis

This thesis has been divided into five chapters in addition to the introduction and conclusion. The first chapter elaborates on the East Asian model of welfare and then examines in some detail the concept, administration and financing of social welfare during the Maoist era in China. This chapter also looks into the factors, which inaugurated the economic reforms under Deng Xiaoping. The second chapter evaluates the post-1978 market economic reforms and their impact on the welfare system, with specific focus on urban labour, which has significantly increased since the infusion of foreign capital through the ‘Open Door’ policy and encouragement of entrepreneurial initiatives. The third chapter analyzes the institutional approaches of the Chinese party-state in terms of various welfare policies, entitlements, and mechanisms. The party-state’s responses to the social security of workers in the small and medium enterprises are also charted out. The new debates surrounding welfare in the context of changes and different state strategies and reactions, forms the essence of the fourth chapter. The new Labour Contract Law institutionalized in 2008 is studied in detail here, in tandem with social security, given the symbiotic linkage between them. Rising labour conflicts, and the mechanisms adopted by the party-state in devising its responses is also delved into. The fifth chapter comprises the findings of this research during the fieldwork undertaken in selected small and medium enterprise units in China. In addition to analyzing the answers to the questionnaires used in the fieldwork, the insights gained from the interactions with scholars and academics working in the area of social security in Mainland China would also be woven into the analysis. The Conclusion would sum up the findings and thereby attempt to prove the hypothesis on which this study is based.

CHAPTER ONE

HISTORICAL BACKGROUND: POLITICS AND ECONOMIC DEVELOPMENT SINCE 1949 AND THE FOUNDATIONS OF THE WELFARE SYSTEM DURING THE MAO PERIOD

Welfare is an integral part in any political dispensation, as it is significantly associated with governance. Ensuring the well-being of the people and addressing their fundamental needs has been a priority task for the ruling elites through the ages. Providing social welfare and ameliorating people's needs are important instruments of legitimacy of the power holders and the political structure as a whole.

Historically, plagued by calamities, China had instituted collective social welfare measures, which has been traced by Nelson Chow to the “time of the Zhou dynasty (1066 BC-221 BC) and the care of destitute and victims of natural disasters, was the responsibility of the emperor” (Chow, 1987: 38). Traditionally Chinese society comprised a multitude of family groups, which formed “the basic unit of the social, economic, and political structure and they operated as self-sufficient, self-regulating and self-governing ‘little society’” (Leung and Nann, 1995: 1). The prevalent filial piety¹² ensured that the younger members of the family were morally obliged to take care of the elderly, who had to also take the responsibility of welfare of other family members. In fact, Leung and Nann argue, “*the family* in China served as the prototype of all social organizations including that of government”. This was part of the legacy of Confucianism, which will be discussed more below.

As Leung and Nann have pointed out, historically in China, “the *guo* (the state and the nation) was described as a big *jia* (family) and the *jia* itself as a small *guo*. The family-centered culture was reinforced by a self-sufficient agricultural economy in which one had limited mobility” (Leung and Nann, 1995: 4). Therefore, it clearly relates to extension of rights and responsibilities that everyone should have as a member of a family. As scholars have shown, “the family is the primary source of personal satisfaction and through the ages,

¹² Filial Piety is associated with the aspect of caregiving to the elderly in general and parents in particular. “Known as *xiao* in Chinese and traditionally believed to be holding together the familial system, filial piety is a Confucian socio-cultural concept relating to a range of behaviours like children's respect, obedience, material provisions and physical care for the parents that also needs to extend beyond the latter's deaths” (Zhan and Montgomery, 1987: 210).

an individual has sought to achieve the fulfillment of her/his needs, first within the family, failing which the state comes in and provides its support” (Chow, 1987: 38).

Two further conclusions can be drawn from this traditional emphasis on the family in China, which largely flow from the Confucian heritage. The first is with regard to the relationship between the individual and the collective. “Traditionally, Chinese society was neither individual-based nor society-based; rather it was relation-based” (Leung and Nann, 1995: 4). This essentially meant that instead of focusing on the individual as an independent entity or a separate category, he/she was placed in context of relationships with other people. “All moral virtues had to be practiced and developed in relating with others” (Ibid). In other words, the fate and destiny of the individuals was tied to the larger collective interests of the society, thereby making social relations, a fundamental attribute in the political system.

The second is with regard to the relationship between the state and the collective. Leung and Nann have pointed out that the state usually avoided direct interference in family and local community affairs, which was left to the elders to handle. “In theory if not in practice, the role of the state on the one hand was to provide a favourable social environment for people to cultivate their morality, and on the other, to be the guardian of the moral order” (Leung and Nann, 1995: 6). While the Confucian order underlined the need for the State to keep society under proper moral order, “it has tended to play a minimal role in welfare affairs and has largely acted indirectly in social policies through the authority of network of family elders and local organizations” (Leung and Nann, 1995: 5).

Variations of this system have operated in China through the centuries, giving it an extremely long and unbroken tradition. The establishment of the People’s Republic in 1949 under the leadership of the Communist Party of China (CPC), was a defining moment in world and particularly, Asian history. Under the ideological guidance of Marxism-Leninism, the CPC mobilized the majority of the Chinese people to initiate a unique trajectory of economic restructuring and development.

Initiating wide range of programmes like land reforms, establishment of people’s communes and cooperatives to augment agrarian production to ensure adequate food security and implementing heavy industrialization, the objective of the party-state was to create an egalitarian system with equitable welfare component for the benefit of the masses. Given that the party-state had inherited a war-ravaged economy, the initial policies were intended to mobilize the people, in order to enable the channelization of their resources as well as for the generation of resources from within the country for equitable distribution.

The East Asian Model

Social welfare policies have undergone many variations and changes in the PRC, under different leaderships since 1949. Before embarking on a deeper analysis of these shifts, it would be useful to take a look at some aspects of the welfare structures in East Asia (China, Japan and Korea) and South-East Asia. Studies and research on social welfare from within China and elsewhere, have highlighted numerous similarities in the social policy orientations and social welfare provisioning among the East Asian states, *inter se*. Some scholars and academics have even tried to chart out an East Asian Model of Welfare.¹³

The 'East Asian' model derives its rationale from a common Confucian heritage shared among East Asian societies, with "scholars asserting distinctly 'Asian values', such as the respect for education, filial piety, deference to authority, patriarchy and above all the centrality of the family and kinship ties social organization" (Peng and Wong, 2010: 657). According to the Confucian values and practices as mentioned earlier, the family has been placed at the centre of social relations, and therefore, it holds the primary responsibility for taking care of the needs of the members. The importance attached to the Confucian value system, thus stems from this primary responsibility. Catherine Jones has drawn attention to this specific feature of Confucianism in policy-making by the East Asian regimes. "The essence of the Confucian welfare state", she argues, "was 'Corporationism', embodying hierarchy, duty, compliance, consensus, order, harmony and stability" (Jones, 1993: 202). Further, the East Asian experience sought to underline the "traditional Asian values which stress family's role, the aspect of private philanthropy and avoidance of dependence on the

¹³ The surge in the economies of the countries in East Asia (as also in some countries of Southeast Asia) since the mid-1980s, generated interest among scholars generally, but particularly in the advanced capitalist countries to study this 'economic miracle'. Scholars working on social policies and human development also focussed their attention on social sector spending and related policies - given that these countries had consistently emphasized social cohesion. This East Asian 'exceptionalism' was constructed culturally on the basis of Confucian values, and pre-eminence of economic productivity rather than social protection or redistribution among the newly industrialized countries (NICs) of South Korea, Singapore, Taiwan and Hong Kong.

state...” (White and Goodman, 1998: 12-13).¹⁴ While attempting to define a common Confucian heritage, certain divergences have also been highlighted.¹⁵

Scholarly and academic focus on the so-called East Asian model is a fairly recent phenomenon. Beginning with the success of the post-war Japanese economy, followed by the surge of South Korea, Taiwan, Hong Kong (and even Southeast Asian countries like Malaysia, Singapore and Thailand), the rise in the economic prominence of the East Asian region since the 1980s, resulted in burgeoning interest in the West. Of particular interest for investigation were the significant levels of dynamism within all economies of the region, combined with high degrees of social cohesion, paralleled by low levels of government expenditure and a spirit of individual self-reliance, avoiding dependence on government. Further, international financial institutions like “the World Bank also acclaimed the role of market competition in the spurring of economic growth and transformation of the region” (White and Goodman, 1998: 3). Debates centered on the East (and Southeast Asian) experiences have highlighted two strands of opinion regarding the state’s role in this ‘miracle’: while international financial agencies and institutions have countenanced the supremacy of the market in guiding the growth, its critics have drawn focus to the role played by the governments in ensuring social cohesion and reducing social inequality.

The economic strategy of growth and development had its cultural underpinning in the shared heritage of Confucianism throughout the region. As opposed to the traditional belief in the West that Confucianism constrained economic progress, a re-assessment was undertaken - particularly by the late Singaporean leader, Lee Kuan Yew - to emphasize its positive connotations of “placing the nation over the individual” and willingness to seek consensus. Adherence to obedience, harmony, and discipline, as well as strong familial relations and benevolent paternalism also reinforced a strong work ethic, leading to renewed focus and attention to the growth of the country.

¹⁴ Through a set of presumptions and predispositions, White and Goodman juxtapose the East Asian understanding alongside the western welfare states, which were described as “financially wasteful, socially corrosive and economically irrational” (White and Goodman, 1998: 12-13).

¹⁵ Scholars have also pointed out that there is a similarity between the values of Confucianism and those espoused in Western societies. There is a huge body of literature, which has sought to examine the concept of universal values. The objective is to emphasize that, specific traditions notwithstanding, human beings world over share fundamental values, with regard to family and relationships. For such things, see Engels, Friedrich (1884), *The Origin of the Family, Private Property and the State*, Moscow: Progress Publishers, Reprinted in 1948.

A number of studies referred to in the period above have also examined the nature of the state in East Asia, as also the role of welfare. A notable study by White and Goodman highlights “the strategic role of states in directing a process of economic development with distributive as well as growth objectives, resulting in a relatively egalitarian pattern of income distribution compared with other industrializing regions such as Latin America” (White and Goodman, 1998: 13). However, non-state agencies like community, firm and family are expected to play a leading role in not only financing, but also providing welfare services. Additionally, the dimensions of social welfare and social policies have to be compatible with macro-economic policy of modernization and development. Resources and policy measures are streamlined to avoid ‘unproductive’ expenditures, thereby keeping allocation on social assistance down and mechanisms are developed in providing financial wherewithal for investment in industry and infrastructure. The differences in the political systems in East Asian countries have been reflected in the different goals and targets of the welfare regimes. Welfare programmes were designed and undertaken as part of the broad strategy to add legitimacy for authoritarian regimes, or part of the agenda of sponsored democratization or to prevent oppositional challenges. In fact, going further, Alan Walker and Chack-kie Wong have argued that the “driving force for social welfare policies in non-democratic states or non-western capitalist societies (as in the East Asian region), has been the quest to provide political legitimacy for their authoritarian power in society”. Though these studies have largely been done by taking the economies of South Korea, Japan, Taiwan, Singapore and Hong Kong¹⁶, there are striking similarities with the developmental experience of China, and are thus, of some value in helping and understanding of the PRC’s policymaking process with respect to welfare.¹⁷ “Social policy is subordinate to the overriding objective of economic growth and everything else flows from this: minimal social rights with extensions linked to productive activity, reinforcement of the position of productive elements in society and state-market-family relationships directed towards growth” (Holliday, 2000: 708). The overriding priorities are economic efficiency and growth, with a welfare environment that contains both

¹⁶ Ahn, Sang-hoon and So-chung Lee (2005), ‘The Development of the South Korean Welfare Regime’; Chiu, Sammy and Victor Wong (2005), ‘Hong Kong: from Familistic to Confucian Welfare’; Hill, Michael and Yuan-shie Hwang (2005), ‘Taiwan: What kind of Social Policy Regime?’; Kono, Makoto (2005), ‘The Welfare Regime in Japan’ (All case studies in Walker, Alan and Chack-kie Wong (2005) (eds.) *East Asian Welfare Regimes in Transition: From Confucianism to Globalisation*, Bristol: Policy Press).

¹⁷ Chack Kwan Chan (2005), ‘Managing Welfare in Post-Colonial Hong Kong’; Wijesingha, Vincent (2005), ‘The Welfare Regime in Singapore’ (Both case studies in Walker, Alan and Chack-kie Wong (2005) (eds.) *East Asian Welfare Regimes in Transition: From Confucianism to Globalisation*, Bristol: Policy Press).

positive and negative incentives for hard work and discipline and discourages dependence on the state. Studies on the welfare state in East Asia in the two decades since the 1980s, have shown that the concept of public safety-nets in the welfare framework of the East Asian states (which may be characterized as non-socialist in orientation) is usually weak or non-existent. Since the 1980s, in spite of the region's economic growth and transformation, the distributive implications of the same have not been critically considered. Despite state intervention in the developmental sector, the public expenditure on welfare is low. On the aspect of welfare distribution, there is no adherence to the principle of universalism. By and large, "differentiation is found to be common in East Asian countries, wherein the primary beneficiaries are mainly government employees like civil servants, teachers and military servicemen" (Lee and Ku, 2007: 202). In building upon the limited role of the state in welfare dispensation, some additional features also need to be stressed. While there is a disinclination to universalize welfare, "the state plays the role of a regulator or enabler rather than being a direct actor with piecemeal, pragmatic and ad-hoc welfare development" (Holliday, 2000: 715). It appears to substantiate Walker and Wong's assessment that welfare was used to build up legitimacy, stability and support for the state; there was limited commitment to the notion of welfare as a right of the citizens.

For methodological and analytical purposes, it is important to also juxtapose the Western and Chinese models of welfare. According to Nelson Chow (1987),

"The idea of social welfare in the West has gradually changed from a religious and charitable base to one stressing civil rights and social justice. As a result, the scope of welfare measures has been enlarged from primarily helping the destitute to meeting the needs of every member of the society. Central to the modern idea of social welfare is a focus on the actualization of the individual, and social welfare systems are so designed that individuals are given the widest choice to pursue their own wellbeing".

Individual rights have been central to the development and implementation of Welfare policies in the Western world since World War II. Herein, the individual is seen as a separate and complete entity on his own. Social welfare in the liberal democracies of the advanced western capitalist countries was "a right to which citizens were entitled, rather than a handout from some well-intentioned people; social welfare provisions were instruments for bringing about an equitable distribution of resources" (Chow, 1987: 38).

Laying the Foundation in the PRC

With the establishment of the PRC in 1949 under the CPC as the ‘vanguard’ and Mao Zedong as the undisputed leader, a new path for socio-economic development and modernization was charted out. Marxism-Leninism and Mao Zedong thought constituted the ideological foundation of the new policies. An emphasis on socialist construction and on mobilizing the people in the cooperativization and collectivization programmes, was integral to policymaking and governance in China. It is important to see that the welfare system in the PRC under Mao Zedong took shape both within a specific ideological framework, as well as in the context of concrete political and socio-economic conditions prevalent in China in the aftermath of the Revolution. According to Francis Soo, Mao had three fundamental human values (worldview) regarding relationships among people, society and the state – Freedom, Equality and Just Society. *Freedom* for Mao was grounded in a social context and a combination of moral duty and social responsibility. Social responsibility includes “not only the strict obligation demanded by the individual’s work or job, but also one’s willingness to contribute one’s services, to the extent possible, to the people and society” (Soo, 1982: 67). Freedom was thus a measure of an individual’s willingness to serve the people and society.

The second important human value espoused by Mao was that of *Equality*. Distinct from egalitarianism, “equality is understood on the premise that all human beings are equal in terms of fundamentals of dignity and worth, and hence should be treated equally” (Ibid). Furthermore, according to Soo, Mao spoke of political, economic and social equality.

“Political equality means that all Chinese people should enjoy the same political rights, including participation in the political decision-making process’. This is also an important part of Mao’s idea of mass politics. The notion of economic equality implies the elimination of the system of exploitation and the oppression of men by men. Thus, the ownership of the means of production through nationalization of land, capital and industry may be shared by all. Public ownership and equal distribution of wealth are the major characteristics of economic equality. Social equality expresses the equal relationship among the population. No matter who they are and regardless of their position or status, people should be treated equally. This involves a fundamental revolution in China’s traditional customs in which social status, prestige and respect were based on wealth, power and education” (Soo, 1982: 68).

During the first few years after the establishment of the Republic, series of reforms such as land reforms, socialist education campaign and socialization of industry¹⁸ were all geared towards bringing about *equality* (understood in the sense elaborated above) and a level playing field.

The third major human value underlined by Mao was that of a *Just Society*.¹⁹ For socialist ideology to be firmly grounded within the Chinese political system, it was important that the basic needs of the people were satisfied and that relatively fair distribution of resources were ensured. Mao was convinced that “social mobilization by making use of organization, could motivate men to work better in a solidarity team and group participation was essential to processes of political indoctrination” (Schurmann, 1966: 101).

Planning the Economy

“The national economy was to be developed in a planned way through state guidance and leadership. Moreover, people’s active participation in public decision making must be protected and the condition for such participation must be constantly created” (Li, 1999: 88).

To ensure equitability in the distribution of resources, there had to be a stable centre and planned development of the economy. By focusing on social freedom, Mao believed that collective good would serve to amalgamate all individual interests. By stressing on ideology and morality, Mao foresaw tremendous potential in human beings as engines of vitality and transformation. “Of all things in the world, people are the most precious. Under the leadership of the Communist Party, as long as there are people, every kind of miracle can be

¹⁸ For more detailed analyses on the series of programmes initiated under the leadership of Mao Zedong, see Meisner, Maurice (1977), *Mao’s China: A History of the People’s Republic*, New York: Free Press; Meisner, Maurice (1999), *Mao’s China and After: A History of the People’s Republic*, New York: Free Press; Riskin, Carl (1987), *China’s Political Economy: The Quest for Development since 1949*, Abingdon: Oxford University Press.

¹⁹ The core of Mao’s dialectic conception of the Chinese polity, economy and society, lay in the idea of contradictions, elaborated upon in a seminal essay titled *On Contradictions*. This essay detailed the political, economic and social contradictions within the Chinese socio-political system. These were divided under the categories of antagonistic and non-antagonistic contradictions. “Formally called the “the law of the unity of opposites”, the theory of contradictions had three practical uses – one, as a metric of analysis; two, as a basis for behavioural norms, juxtaposing individual and group; and three, as an approach to create and use organization” (Schurmann, 1966: 54). Key to Mao’s vision was the need to recognize as well as resolve the contradictions.

performed” (Mao, 1949: 454). In fact, Mao places a great deal of faith and reliance on moral incentives in building the character of the people. “Basically Mao denied that the growth of the economy was simply a function of physical investment and technical progress, and claimed that there was a missing link in this equation – human motivation” (Wheelwright and McFarlane, 1970: 147). A stable socialist society could not operate with the motivations of a capitalist society, as it could lead to the reassertion of old values of the old society. The Maoist approach was “to discover why the masses lost the power to direct their own lives in society; why even in collectivist societies, there existed the possibility for man to be separated from his product, as a result of the centralized political and bureaucratic control of production engendered by a technological society, in which life was regulated by machines” (Ibid). Social transformation and economic development required that “human beings be first and foremost, guided to raise their consciousness and will” (Li, 1999: 88). It was a way of bringing into national life the creative experience of the masses, and not merely the empiricism of planners and top officials²⁰ Consequently, Mao’s strategy for economic development and modernization rested on strong political foundations. As Lenin stated in 1921 while addressing the trade union question and analyzing the errors committed by Trotsky and Bukharin, “Politics must take precedence over economics. To argue otherwise, is to forget the ABC of Marxism” (1921: 83). Mao’s detractors have often argued that Mao had politicized economic development, to maximize the mobility of human resources.²¹ Mao defined his purpose in terms of inculcating among the people a collective/public and broadened outlook rather than a selfish, individual and narrow one. Socialist motivation and collective consciousness would supplant individualistic impulses and selfishness. Mao had

²⁰ “It underlined the Maoist argument that there was a “correct” solution to problems when practical experience was combined with correct theory. This also reflected the firmly held Chinese Communist belief that, in the Soviet Union, consciousness was not trusted – that individual, selfish material incentives had already replaced the “correct” policy of exchanging ideas and experiences in the collective. The stress on the need to use moral incentives was not only to handle the contradictions that inevitably arose between the economic base and the superstructure, but also to release the “mind-forged manacles” which otherwise would retard the rapid expansion of the forces of production” (Wheelwright and McFarlane, 1970: 152-53).

²¹It was the campaign of Great Leap Forward that ended in disastrous outcomes, which has been the major focus of the criticism of the Maoist approach. For more on this, refer: Becker, Jasper (1996), *Hungry Ghosts: Mao’s Secret Famine*, New York: Henry Holt and Company; Dikotter, Frank (2010), *Mao’s Great Famine*, London: Bloomsbury; Dikotter, Frank (2013), *The Tragedy of Liberation: A History of the Chinese Revolution 1945-57*, London: Bloomsbury.

attempted to infuse the economic development paradigm with an ideological orientation. Thus, it was seen as Politics in Command.²²

The welfare dissemination system in Mao's period, thus flowed from this larger ideological canvas, setting China apart from the traditional welfare concept as discussed in the first chapter. John Dixon²³ has identified the essential features of the welfare system in the Maoist period. The section below has been incorporated from his work:

- **Proletarian Work Ethic:** Work is considered as a superior transformative force and the state encourages people to actively participate in work. While that builds a collective work spirit, the larger strategy is to ensure that employment remained the larger focus of the welfare system. The 1956 constitution of the country expressed the fervor for work as follows: “[W]ork is a matter of honour for every citizen of the People’s Republic of China who is able to work. The state encourages citizens to take an active and creative part in work.”
- **Egalitarianism and Social Justice:** Mao was opposed to “absolute *egalitarianism*”, (emphasis added) by which he meant a completely equal distribution of ‘material things’, although he did from time to time deal briefly with egalitarian distribution principles, and was passionately committed to promoting equality between urban and rural workers, and among various regions of China. In effect, Mao had probably come to realize that social stratification was a reality that had to be faced. During the socialist stage of social development, distribution according to labour was the operating principle. Thereby, the income differentials of individuals would reflect the differential labour contributions. There were continuous attempts to promote equality between urban and rural workers, and between manual and mental workers.
- **Mutual Aid and the Collective Spirit:** This aspect was emphasized to encourage and ensure mass participation. ‘The emphasis on the individual’s total self-abnegation and total immersion in collectivity as ultimate goods, the frequent reference to the

²² Known as *Chengchih Kuashuai*, Politics in/takes Command was the slogan coined in 1958, as part of the vision of the Great Leap Forward. Under the rubric of decentralization, it meant ‘a transfer of all power to Party committees in the production units, and thus the establishment of an uninterrupted span of control from provincial Party committee to the production-unit Party committee’ (Schurmann, 1966: 206).

²³ John Dixon is one of the foremost authorities on Maoist welfare system. This chapter has greatly benefitted from his findings.

model of military life with its nostalgic allusions to the heroic and idyllic guerilla bands of the past are particular characteristics of the Maoist projection of the future' (Schwartz, 1968: 174). Projecting a kind of collectivist mysticism, the emphasis was on the power of spiritual transformation or moral influence on the self, thereby acquiring a spiritual transformation. Fostering the collective spirit was an important aspect of socialist construction with the need to integrate social work roles with other political activities.

- **The Virtues of Diligence, Frugality and Thrift:** These were taken as central to the concept of Maoist morality. In fact, these aspects were based on the idea that only minimal relief had to be provided to the people based on their individual needs.
- **Self-Reliance:** Marked as a major theme, the concept of self-reliance, in essence meant that human efforts could overcome all obstacles impeding man's progress and urged people to use their initiative and capabilities to achieve their targets. Administratively, the basic-level organizations that were established, were required to improvise their own resources rather than rely upon the higher agencies. This also meant that the financing and administration of these programmes had to be undertaken with local resources.

In addition to the revolutionary spirit and socialist orientation under the guidance of the Communist Party, there was also an emphasis on the continuation of Class Struggle. Mao was uncompromising on this count. He stated:

“[I]n our country the system of exploitation of man by man has already been eliminated. The economic foundations of the landlord class and the bourgeoisie have been eliminated. The reactionary classes are now no longer as ferocious as hitherto. For example, they are no longer as ferocious as in 1949 when the People's Republic was founded, nor as ferocious as in 1957 when the right-wing bourgeoisie madly attacked us. Therefore we speak of them as the remnants of the reactionary classes. But we may on no account underestimate these remnants. We must continue to struggle against them. The reactionary classes which have been overthrown are still planning a come-back. In a socialist society, new bourgeois elements may still be produced. During the whole socialist stage there still exist classes and class struggle, and this class struggle is a protracted, complex, sometimes even violent affair. Our instruments of dictatorship should not be weakened; on the contrary they should be strengthened” (1962).

Hence, stricter scrutiny and monitoring of class antecedents of all welfare recipients was very important. In fact, this aspect was always taken into consideration while accepting or approving applications for welfare disbursement. An additional aspect was that of the Mass Line, that was directed towards “keeping *people* as the primary subject of policy deliberations” (Dixon, 1981: 17). Consequently, decisions on welfare disbursement were made only after formal and informal discussions and deliberations between basic-level organizations and the cadres or welfare volunteers. At these discussions, “group members were encouraged to acquaint the relevant leaders with any facts or opinions that might have a bearing on the welfare decisions under consideration” (Ibid). This ensured and intensified popular participation in the decision-making process.

Dixon has also pointed out the historical legacies that found their way into the Communist welfare system. The major aspects under this were Community relations and its essential feature, Mutual Benefits. “There has always been an essential readiness among the Chinese to combine, in order to relieve one another’s burdens in times of distress, a tendency to cooperate in dealing with want and misfortune” (Dixon, 1981: 19). People understood that collective welfare and individual interests were mutually integrated, and therefore this relationship had to be consistently promoted. Dixon in fact goes further and argues that the Chinese welfare system was a combination of Confucian tradition and socialist ideologies. The former’s emphasis on family dependence rather than government dependence was consciously “promoted by the CPC as a means of lessening the welfare burden on the state and the collective” (Dixon, 1981: 20).

Post-1949, the administration of welfare was centered around Employment. Urban welfare was disbursed through the Work Unit, or *Danwei*²⁴, which was the basic building block under the earlier framework of centralized planning. The *Danwei* was the key institution or mechanism, through which “a wide variety of social insurance benefits to the employees - notably retirement pensions and medical treatment - as well as various allowances, subsidies

²⁴ In socialist economies, the work units have always been given prominence, as they were regarded as the basis of guaranteed employment and job-security. For detailed studies, refer: Schurmann, Franz (1966), *Ideology and Organization in Communist China*, Berkeley and Los Angeles: University of California Press; Straus, Kenneth. M (1997), “The Soviet Factory as Community Organizer”, in Xiaobu Lu and Elizabeth J. Perry (eds.) *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective*, New York: M.E. Sharpe; Vogel, Ezra (1967), “Voluntarism and Social Control”, in Donald W. Treadgold (ed.) *Soviet and Chinese Communism*, Seattle: University of Washington Press.

and on-site facilities” were channelized (White, 1998: 177).²⁵ Many scholars have highlighted the concept of the “Iron Rice Bowl”, which essentially referred to the guarantee provided by the Chinese state for employment and welfare measures to the state employees. “The state in China ensured the provisioning of employment and welfare benefits” (Fung, 2001: 259; Riskin, 1987: 62).

It is necessary here to make a brief examination of the system of healthcare in China and specially, the role of “Barefoot Doctors”, which was a hallmark of the Commune System, which came into effect in the late 1950s. According high priority to healthcare, the socialist system underlined the need for medicine to serve the working people and that health work needed to be integrated with mass movements. “The communes – comprising three tiers namely, *Production Teams, Production Brigades and People’s Communes* – included all the households of a village or township and became the units of both political and economic organization”. Keeping in mind the need to provide adequate medical services in the countryside and the limited numbers of doctors to meet the needs of the people, efforts were undertaken in the late 1950s to train rural personnel to deliver healthcare, in addition to participating in agricultural production. The term “barefoot doctor” (*chijiao yisheng*)²⁶ therefore, denoted a peasant who had been imparted basic medical training and rendered treatment without leaving productive work. Victor W. Sidel and Ruth Sidel, who have personally observed the Maoist healthcare system through fieldwork, have pointed out that the barefoot doctors had “responsibility for environmental sanitation, health education, immunizations, first aid, and aspects of personnel primary medical care and post-illness follow-up” (1973: 85). He was also usually readily available for medical emergencies since he normally worked in the fields with his patients and lived among them. As part of his training, the barefoot doctors “also work for brief periods, ranging from a week to month, in the commune hospital and health centre, with trained doctors” (Ibid). These barefoot doctors were vital cogs in the country’s fledgling healthcare system, taking caregiving to individual households and working to fill the remaining gaps.

²⁵ The substantive parts will be discussed in the next chapters.

²⁶ The term was given to these peasants, as the peasantry in Southern China worked barefoot in rice fields (‘Everybody Works for Good Health’, *China Reconstructs*, No.10: 20-22).

The Danwei System

Ho-lup Fung further points out that under the first Five Year Plan (1953-57), which was aimed at a rational utilization of labour within the framework of industrialization programmes, a unified system of labour allocation was established. Within this, employment had to follow the needs of the larger plan. “Under the centrally planned economy in the country, the *Danwei* (unit or group), which was formed under all state enterprises, became the pivotal mediating institution between the state and the individual, serving as a mechanism for the implementation of state policies and for the construction of a socialist society” (Leung and Nann, 1995: 56). A *danwei* exhibited personal power by controlling the dossiers of its employees, maintained independent accounts and budgets and had an urban purview. The *danwei* may be classified along the lines of operation:

- “*Qiyeye danwei*, or enterprise units, covering all units engaged in production or profit-making like factories, retail shops, trading firms and so on.
- *Shiye danwei*, or nonproduction, nonprofit units that included scientific research institutes, educational institutions, as well as government sanctioned social and professional organizations, health services, cultural organizations and recreational organizations.
- *Xingzheng danwei*, or administrative units. While it can be confused with *shiye danwei* since they came under the category of nonproduction and nonprofit entities, these had their own characteristics and involved state power. Under this rubric were government agencies, mass organizations (like the Women’s Federation, Communist Youth League and Federation of Trade Unions), and other organizations that received regular budgets from the state.”

(Lu and Perry, 1997: 6-7)

The *danwei* system could also be classified in a hierarchic manner:

- “*Zhongyang Danwei*, or central units, which may be located in Beijing or in any province. The feature distinguishing them from local units is that their initial investment came from the central government (and so, their revenues were remitted

to the central government), and their operations were usually under the supervision of a certain ministry in the national capital.

- *Difang danwei*, or local units, which were set up by and controlled by local governments.
- *Jiceng danwei*, or basic units. This was generically applied to all units at the lowest end of the command chain in the Chinese political hierarchy. These units carried out policy implementation and political mobilization at the grassroots.”

(Lu and Perry, 1997: 7-8)

“Functioning as a small society (*xiao shehui*) or “mini-welfare state”, the *danwei* exhibited some basic characteristics of the traditional pattern of an extended family or clan, bearing the total responsibility of taking care of all the social and economic needs of their members” (Leung and Nann, 1995: 56-57).²⁷ Work units also provided various forms of welfare services like *housing, medical care, education and social security*.

In addition to this basic protection, State Owned Enterprises (SOE) workers came to enjoy a host of benefits, subsidies and personal services. Taken together, these benefits and services formed a comprehensive system of protection and security, popularly dubbed as “from cradle-to-grave” (Ibid).

The Labour Insurance Programme

The Labour Insurance programme, established in 1951, was the chief component of the employment-based urban welfare system in China. “It required participating work units to provide, in conjunction with trade unions, a range of welfare benefits to insured workers and their families, with the intention of partially protecting them against temporary or permanent work interruption or against unforeseen contingencies” (Dixon, 1981: 27). Towards the end of 1948, the CPC had experimented with a programme in Manchuria (the forerunner to a formal Labour Insurance programme) aimed at consolidating the position of the party among

²⁷ “The *danwei* is the secular functional equivalent of the extended family or clan, which was legally dissolved at precisely the time the *danwei* was established in Chinese society. And like the clan, the *danwei* might be said to have both “paternal” (control) and “maternal” (welfare) function” (Dittmer and Lu, 1996: 248). Therefore, while the *danwei* was operated by the state as a tool for organizing and controlling urban society, especially the working population, it served socio-economic needs like offering permanent employment and attendant benefits.

the workers in the region. “Initially covering seven state enterprises like railways, mining, arsenal and post and telecommunications, by October 1949, it was estimated that some 630,000 workers and 1.5 million household members came within their ambit” (As quoted in Meng, 1951: 20). A Labour Insurance Committee was established in each participating enterprise, which was under the supervision of a committee formed by the enterprise’s trade union. According to John Dixon, in order to finance the programme, participating enterprises were required to contribute 3 per cent of their monthly wages to a labour insurance fund and each enterprise’s labour insurance contributions were subdivided.

“30 per cent of the contributions were transferred to the General Labour Insurance Fund of the North-East General Trade Union and the remaining 70 per cent was used to cover the benefits dispersed by the enterprise’s trade union. The enterprise’s trade union was responsible to the general trade union of its particular industry, to which it had to submit financial reports detailing how the funds had been used. The benefits under this programme were intended to address contingencies of occupational injury, death, disability resulting from work related accidents, non-occupational injury, death of dependents, retirement and collective welfare” (International Social Security Association, 1957: 241; International Labour Organization, 1949: 327).

The benefits included “pensions (varying according to the level of contingency), free medical care, funeral expenses, 45 days of maternity leave with full pay, childbirth allowance, and sanatoriums, rest homes and orphanages” (Dixon, 1981: 29-30)

Following this programme, on 26 February 1951 the Labour Insurance Programme was formally promulgated by the Government Administrative Council, which subsequently came into effect on March 1. The Ministry of Labour had the twin responsibilities of supervising its implementation as well as inspecting the enforcement of the labour insurance policy. This programme formed the basis of China’s welfare system. These regulations were modified later in January 1953 and then again in February 1958. The “1951 Labour Insurance Regulations applied to approved workers and staff employed in state-operated, joint state-operated, privately operated, or cooperative factories and mines, including their respective administrative organs and subordinate units” (*Collection of Laws and Decrees of the Central People’s Government*, 1953: 258). Under Article 86 of the 1951 Labour Insurance Regulations, “an eligible enterprise had to file a registration application, in conjunction with the attendant trade union, with the labour office of the local provincial or municipal people’s

government, which then had to approve it. During subsequent years, the Government Administrative Council enlarged and broadened the extent of the labour insurance programme". While it was mainly aimed at the permanent employees in the urban workforce in order to boost their morale and incentivize their efforts, there were strict eligibility criteria for the recipients. Consequently, "under Article 4 of the Labour Insurance Regulations of 1951, landlords, secret agents, KMT army, paramilitary and government officials, along with those deprived of civil rights by court action were ineligible" (Ibid). Also, found ineligible, under the 1951 regulations, were temporary, seasonal and probationary workers and staff.²⁸ In sum, the labour insurance programme was "intended to protect only those workers and staff who had officially approved family antecedents and political attitudes and who were considered to be making a positive and consistent contribution to economic reconstruction" (Ibid).

The Labour Insurance Programme which provided a range of benefits, including wage-related cash benefits, had a dual function: "They are designed to guarantee the necessities of life to the insured and also to facilitate the growth of production by providing suitable material incentives. In this way, the interests of the individual are closely integrated with those of the state and an impetus is given to production" (Kuo, 1962: 8). The parameters taken into consideration for fixing the benefits under the insurance scheme were mainly wage rates of the workers and the lengths of their service. Another factor also taken into consideration was the number of immediate dependents in the family of the concerned worker. According to the then Labour minister, Li Lisan, the benefits were determined by the practical needs of the workers to maintain minimum livelihood, as cited by John Dixon. The financing of the programme was undertaken by the participating work-units, by either paying directly or through a labour insurance fund into which work units paid a monthly contribution equivalent to 3 per cent of their monthly wages bill. Thereby, the work units were directly responsible for the cost of healthcare, allowances during work-related injuries or illness, and funeral benefits upon death of the employees. On the other hand, "longer-term pensions and allowances were paid from their trade union's labour insurance funds" (Dixon, 1981: 42).

²⁸ These categories were laid out and defined in the Labour Insurance Regulations, 1951.

The 1951 Regulations laid out the procedures related to the payment of labour insurance contributions, according to which the work units had to deposit an amount equivalent to 3 per cent of their total wage bill for the preceding month, in a bank approved by the All-China Federation of Trade Unions (ACFTU) within the first ten days of each month. The first two monthly contributions were paid directly to an ACFTU bank account to finance collective welfare facilities, while from the third monthly contribution, only 30 per cent was directed to the ACFTU, with the balance credited to an account under the control of the committee of a primary trade union, out of which pensions and allowances were paid. Penalties were also instituted to prevent delinquency in payments. Provisions were included in case of deficits in a work unit's labour insurance fund, leading to inability in meeting required expenses. In such a scenario, the work unit's trade union could apply for a subsidy from the higher-level trade union. Eckstein's study enumerates the various funds available with the work units in the 1950s:

- **“Labour Insurance Funds:** Work-units contributed 3 per cent of their monthly wage bill to these funds, which was under trade union control and used to pay for labour insurance benefits.
- **Medical and Health Funds:** The work-units' contribution was 5 to 7 per cent of their monthly wage bill to these funds, which was under the control of enterprise/factory managements' control and used to pay for labour insurance benefits.
- **Enterprise Bonus Funds:** The contribution of the work units amounted to 5 per cent of profit given to the state and 20 per cent of any excess profit due to over-fulfillment of given quota. These funds were used by the enterprise/factory managements, after consultation with the primary trade unions to finance collective welfare facilities and services like canteens, nurseries and primary schools.
- **Workers' Welfare Subsidy Funds:** 2.5 per cent of their monthly wage bill was contributed by the work units. These funds were under the enterprise/factory managements' control and were used in consultation with the trade union, to improve mess halls, and dormitories as well as helping employees facing living difficulties.”

(Eckstein, 1961: 47-48; Perkins, 1966: 120).

According to the regulations of the Labour Insurance Programme in 1951 and 1953²⁹, “under the larger supervision of the Labour Ministry, the trade unions were given the responsibility for the administration of the programme”. In fact, the workers were seen as best suited for this task, given that the trade unions were organized and managed by the workers themselves, they were well suited for the task. Further, the direct participation by the workers, minimized administrative costs. The trade unions were consequently further strengthened since it not only encouraged wider membership, but also ensured labour discipline and better monitoring. They were also extremely useful sources of necessary and accurate information with regard to the workers. However, the trade unions did not have unhindered control over the Labour Insurance Programme. There were instances of conflict of interests between the trade union and the CPC regarding the extent of operational independence of the former. “Disputes between the CPC and the trade unions occurred with monotonous regularity because the former adopted its own national perspectives, while latter frequently identified with more parochial workers’ interests” (Dixon, 1981: 45). The underlying tensions often led to “rectification campaigns”, wherein the overemphasis on workers’ welfare by the trade unions was discouraged by the CPC citing “economism”.³⁰

The registration procedures for the Programme involved a highly regimented process of screening. The antecedents, political views and former histories of the potential beneficiaries and their families were thoroughly checked with the aim of isolating ‘counter-revolutionaries’, and those hostile to the CPC. On the whole, the primacy of the CPC – and therefore of ideology - in the supervision and implementation of the programme was unquestionable.

The emphasis on rapid industrialization – specifically, of the heavy industries in the first Five-Year Plan (1953-57), intensified the pressure to considerably reduce work interruptions and advance work efforts. The overwhelming focus on fulfillment of production targets (which often led to administrative excesses) resulted in minimization of workers’ benefits and affected the employee-centric approach of the trade unions. Apart from administering the labour insurance programme, the primary trade unions also had the responsibility of work-

²⁹ The understanding and information about the Labour Insurance Regulations from 1951-58, is indebted to Dixon’s research on this subject.

³⁰ The “impact of the tensions between the CPC and the trade unions worsened during the *Sanfan* and *Wufan* movements, with the latter taking on “economism” – the undue emphasis on the workers’ material and welfare interests in the trade union movement” (Steiner, 1956: 30).

unit collective welfare facilities. In conjunction with the work unit management, they were authorized to establish sanatoria, rest homes and nurseries, commensurate with the financial condition and workers' needs, while the primary trade union cadres were responsible for the selection of workers. The "trade unions also had the task of establishing, administering and developing mutual-aid funds in all work units, which were seen as temporary loans" (Ibid). In case of family illness or childbirth, workers were able to borrow upto a month's wages from their fund. There also existed, "a Hardship Subsidy programme, wherein the trade union could grant subsidies to workers, whom they considered to be in need and deserving of assistance" (Kallgren, 1969: 556-57). Through a specified application procedure, the workers had to state the need for requesting the amount and whether it was for short-term or long-term purposes. The application was discussed in detail by the trade union committee, taking into account the workers' family income, needs and political background. To finance this particular subsidy, a "special fund was constituted by each primary trade union, with contributions from the work unit that amounted to 5 per cent paid into the enterprise bonus fund, and from the trade union, amounting to 20 per cent of its membership fees. Frequent contributions were made by the ACFTU to this fund. The trade union cadres also had to undertake regular house visits and apprise themselves of the living conditions of the workers and their daily problems" (Dixon, 1981: 63-64).

The Great Leap Forward and Modifications in Welfare

Mao Zedong's ambitious programme of the Great Leap Forward (GLF) initiated in 1958 also left a significant impact on the welfare policies, especially with regard to labour insurance.

"The GLF was the product of a vision rather than of a plan. A plan is carefully worked-out blueprint of action based on a matching of goals with capabilities. A vision is a total insight into the essential interrelationships of a situation. During 1956 and 1957 the Chinese Communists drafted a Second Five-Year Plan, which was to guide them through the period of 1958 and 1962. Late in 1957, that plan was abandoned and a programme was initiated which was based on Mao Zedong's vision of Chinese society. Since the core of that vision was the insight that Chinese society was marked by essential economic, political, and social contradictions, and that rapid development could take place by resolving these contradictions, we shall call it the dialectic conception of Chinese society. Whereas the plan was essentially economic, Mao's vision of society encompassed all factors of societal dynamics: political, social as well as economic" (Schurmann, 1966: 74).

In the “first seven years of the PRC, there was extensive emulation of the Soviet strategy of heavy industrialization - an approach labeled as dogmatic by Mao, since it was rigidly copied regardless of its appropriateness to Chinese conditions” (Mao’s talks at a Conference in Chengdu, March 1958, as quoted in Riskin, 1987: 114). He referred to this dogmatism explicitly in his “Ten Major Relationships” speech, when explicating on the relationship between heavy industry on the one hand and light industry and agriculture on the other. He held that “it was still necessary to increase the proportion of investment allocated to agriculture and light industry” (Mao, 1956: 285-86).³¹

With the focus on the need to augment production and bring about some kind of unification between agriculture and industry, as well as raise the enthusiasm and spirit of the cadres, Mao had emphasized on the policy of “walking on two legs”. “This policy was aimed to tap the sources of industrial growth inherent in widely spread, easily mined coal and iron ore deposits, and small-scale indigenous technology, by the rapid development of small and medium industry in the interior of the country, both *within* and *without* the communes. In this respect it can be viewed as a kind of “crash industrialization programme”, but within the context of developing agrarian socialism, without large-scale labour transfers to the cities” (Wheelwright and McFarlane, 1970: 43). Usually, the policy of “walking on two legs” involved “industrial decentralization by communes and provinces, which supervised the effective mobilization of manpower in projects which were labour intensive” (Wheelwright and McFarlane, 1970: 44). Through this policy, it was envisioned that “the development of the capital-intensive and strategic industries such as steel and iron, chemicals, and machine-building would not be at the expense of the development of agriculture and light industries, thereby ensuring the simultaneous and rapid development of all sectors of the economy”

³¹ GLF is of course a highly controversial episode in the PRC’s history and studies are still coming out, explaining the variances that existed. For more detailed understanding of the strategies of the GLF, its characteristics features and its debates, refer: Macfarquhar, Roderick (1983), *The Origins of the Cultural Revolution - No.2 The Great Leap Forward 1958-1960*, Oxford: Oxford University Press; Meisner, Maurice (1977), *Mao’s China: A History of the People’s Republic*, New York: The Free Press; Wheelwright, E.L and Bruce McFarlane (1970), *The Chinese Road to Socialism: Economics of the Cultural Revolution*, New York: Monthly Review Press. The negative consequences of the GLF are reflected upon in these works: Becker, Jasper (1996), *Hungry Ghosts: Mao’s Secret Famine*, New York: Henry Holt and Company; Dikotter, Frank (2010), *Mao’s Great Famine*, London: Bloomsbury.

(Meisner, 1977: 220-21). The vision of the GLF, was also aimed at political mobilization and non-material incentives instead of material benefits or even technical expertise.

The glorification of the quantity of output *per se*, without any regard for quality or variety, was one of the errors of the GLF approach. Exemplified by the “backyard steel furnaces”, the obsession with greater numbers and higher targets of production resulted in the military organization of labour and extreme coercion, with workers being pushed to the limits. The fulfillment of high production targets became the judgmental criteria for the workers, adding further pressure on them rather than acting as substantive incentives. During the GLF, the CPC’s role in the labour insurance programme became more prominent. The cadres resorted to more stringent means of testing the intended recipients. “A worker-peasant system was initiated under which peasants were contracted for temporary factory work by their rural communes and permanent factory workers were sent to the rural communes” (Dixon, 1981: 89). However, compared to the permanent workers, the temporary workers enjoyed very low wages and less welfare benefits. A general level of austerity was practiced during the period of GLF, wherein a flexible, politically motivated approach to benefit determination replaced the rigid formula approach that prevailed in the early 1950s.

“From late 1957 until the end of 1958, various experiments on decentralization of the management system in enterprises, were carried out and then diffused throughout Chinese industry. In sum, it came to be known as the “two participations, one reform and triple combination”, or “2-1-3” system of management. “Two participations referred to the participation of workers in management and of cadres in labour; “one reform” referred to the reform of irrational rules and regulations; “triple combination” referred to technical work teams, consisting of workers, technicians, and administrative cadres that personified the “combination of leadership with the masses, labour with technique, and technical theory with production practice” (Andors, 1977: 83). “Under this system, much of the specialized management activities of the functional departments of enterprises were taken over by small production groups of ordinary workers, who elected their own heads. Varying combinations of such jobs as financial and statistical work, quota planning, quality control, technical control, inspection, discipline, repair and maintenance, wages and incentives and welfare work were decentralized. The size of the administrative and technical staff was sharply reduced and even those personnel kept as specialized staff, were to engage regularly in ordinary labour. This practice was intended not only to combat social stratification and bring management into contact with the problems of the shop-floor, but also to provide the

expertise and skill needed by the small work groups in carrying out their new management tasks” (Riskin, 1987: 120).

“Thrift and serious concern over extravagance during the GLF period saw a reduction in welfare expenditure and a greater rigour in the administration by the CPC. There was evidence of the workers for the first time, contributing directly to the cost of labour insurance” (Snow, 1970: 492). John Dixon underlines the modifications in financing the insurance programme during the GLF period, reflected in the restrictions on work units to appropriate any part of their profits for welfare purposes, along with the permission to an enterprise to allocate not more than 5 per cent of its total wage bill to other bonuses and employee welfare. Dixon also detailed the benefits of labour insurance during the GLF period.

“In case of occupational injury or sickness, there was provision for subsidized health care, with full health costs being paid for a short time depending upon the length of the work interruption, along with subsidy on medicine costs. Sick leave allowance was also provided, keeping in mind the length of the work interruption. If there was any disability caused during employment, there was a pension between 60 and 70 per cent of the workers’ last wage. Funeral benefit equal to two months of the deceased’s last wage was provided in the event of death while at work. Also, the family members were given a lump-sum compensation, between three and six months of the deceased’s last wage, calculated in accordance with the length of service. In case of non-occupational injury or sickness, while there was no sick leave allowance, subsidized medical care was provisioned. For women, maternity leave of 40 days at 50 per cent of worker’s last wage was provided. The role of the trade unions enshrined in the 1951 regulations of the programme continued, with dependent committees being formed in every work unit with the purpose of organizing the dependents of the workers to provide them with some kind of paid employment, thus supplementing the family income” (Dixon, 1981: 91-92).

The massive organization of human labour and its exhausting work environment also coincided with acute natural disasters. “In 1960, drought in the spring and summer affected 13 provinces in China, with the worst devastation centered round the north China provinces of Hebei, Henan, Shandong and Shaanxi, where 60 per cent of the cultivated acreage was affected over a period of six to seven months” (Macfarquhar, 1983: 322). “Typhoons and floods also affected the country, whose aftermath saw the rise in insect pests and plant diseases” (Ibid) The negative impact of the GLF strategy necessitated readjustment at

various levels, especially of the economy, where there was a shift towards pragmatism through material incentives and technical competence. The Labour Insurance Programme was significantly expanded, bringing more departments and agencies under its umbrella. After the cessation of the various policies within the GLF, till the initiation of the Cultural Revolution, there was a reassessment of the eligibility criteria for welfare recipients. As opposed to the earlier policy of isolating those deemed ‘rightists’ and ‘counter-revolutionaries’, during the difficult economic conditions, following the GLF, their dependents were able to receive pensions. While the system of partial contracts³² continued, the austerity measures were significantly scaled down, with increase in pensions, retirement and maternity benefits.

Dixon has elaborated on the benefits of the insurance scheme during 1960-66: “Free medical care and sick leave allowance between 60 and 100 per cent of the worker’s last wage (depending upon the length of service) upto a period of six months was provided in the case of Occupational Injury or Sickness” (Field Interviews by Dixon in January-February 1977 and January 1979, as quoted in Dixon, 1981: xii). This was reduced to between 40 and 60 per cent of last wage (depending upon the service length), after six months. In case of disability during employment, the calculation of disability pension was between 60 and 75 per cent of the worker’s last wage. However, “model workers” and “combat heroes” received 100 per cent of last wage. Free medical care was granted for non-occupational injury or sickness. Also, sick leave allowance on full pay was given for the first month, which was then brought down to 50-60 per cent of the worker’s last wage for next five months, which was further reduced later. However, workers with eight years’ service received full pay for the entire period of work interruption. The standard retirement pension was between 40 and 70 per cent of the worker’s last wage depending upon the length of service. If the worker/employee had made any special contribution to the society, a bonus was provided. There was also free medical care upon retirement, with the retirees able to retain welfare privileges of their original work-units.

³² In the GLF period, “a worker-peasant system was initiated under which peasants were contracted by their rural communes for temporary work in the factories and the permanent factory workers were sent to the rural communes. The temporary or contract workers – the number of whom peaked at some 12 million, or one quarter of the industrial work force - received lower wages and fewer fringe benefits than the permanent workers” (Dittmer, 1974: 265-66).

From the 1960 until 1966, “funding for the labour insurance programme was undertaken, with partial payment by the work units, out of their enterprise fund and partly by the primary trade union, out of the labour insurance funds, to which the work units contributed between 1.5 and 3 per cent of their total monthly wages bill” (Dixon, 1981: 95). In fact, the primary trade union and especially, the enterprise management took up greater responsibility of the administration of the programme, in the post-GLF period. This was seen with regard to decisions on benefit-eligibility and benefit rates, wherein there was a joint role of the primary trade unions and enterprise management. The supervisory role however, still remained with the CPC, which also paved the way for the creation of Workers’ Congresses that were seen as a platform for the workers to air their views on welfare and other matters. “While there were state budget allocations for the work-unit welfare programmes through municipal/provincial authorities, the work units also had extra-budgetary finances through their profits” (Dixon, 1981: 100). A fixed part of such profits were earmarked for a number of supplemental wage funds, whose use was to be determined by local governments and departments, with periodical reporting to planning, financial and banking departments. In addition to some continuities in the administrative functioning of the primary trade union, with many activities and functions being carried on from the earlier time, they were “also encouraged to set up livelihood service teams as part of the need to solve the problems of the workers, meeting the needs of the occupants of dormitories and helping them in activities like marriages and funerals, settling matrimonial disputes, looking after children, home maintenance, and caring for the sick” (*Gongchen Ribao*, 22 June, 1963, as quoted in Dixon, 1981: 105).

The Great Proletariat Cultural Revolution and the Party-State

It is necessary at this point to briefly look at how the Great Proletariat Cultural Revolution (GPCR) affected Chinese politics, the party and the government.³³

“The GPCR proper lasted some three and one-half years, from late 1965 to early 1969, and can be divided into four phases – first phase, a primarily cultural one, in which a series of plays, novels, and essays were written, implicitly critical of the party policy and of Mao.

³³ The GPCR is one of the themes of intense debate till date on modern China’s history and developmental trajectory. For further reading on the GPCR, refer to: Deshpande, G.P. (1971), *China’s Cultural Revolution: A View from India*, Bombay: Economic and Political Weekly; Meisner, Maurice (1977), *Mao’s China: A History of the People’s Republic*, New York: The Free Press; Mohanty, Manoranjan, (2012), *The Political Philosophy of Mao Zedong*, Delhi: Aakar Books; Wheelwright, E.L and Bruce McFarlane (1970), *The Chinese Road to Socialism: Economics of the Cultural Revolution*, New York: Monthly Review Press.

These literary works were attacked and their authors were condemned. The second phase, was from late spring 1966, when the GPCR entered the university campuses and red guards appeared on the scene, attacking the ‘capitalist roaders’³⁴ in party and governments, and repudiating the “four olds” – old ideas, old culture, old customs and old habits. The third phase, between late 1966 and early 1967, saw workers seize power in a number of cities and in numerous factories, and the loss of party and state control; and, the fourth phase from early 1967 till early 1969, saw disruptions, strife and violence necessitating the entry of the People’s Liberation Army (PLA) to maintain order and prevent an all-out civil war” (Riskin, 1987: 186).

The official pronouncement in the post-Mao period in 1982, declared the period 1966-76 as “Ten Years of Chaos” (*Resolution on Certain Questions in the History of Our Party Since the Founding of the People’s Republic of China*, 1981). The violence that erupted in September 1967 had been largely quelled by mid-1969, with the arrival of the PLA and the setting up of the revolutionary committees³⁵, to meet the administrative requirements in the wake of the destructive attacks of the government and party bureaucracy.

New Economic Policy (1961-64)

The GPCR’s initiation had its roots in the New Economic Policy (NEP) introduced in the aftermath of the GLF, from 1961-64. A political initiative, under the guidance of Chen Yun, to begin the process of economic recovery due to the setbacks, which had occurred during the GLF and the natural disasters thereafter, resulted in the NEP. This “aimed to strengthen the authority of management and of ministries, while giving more scope for the operation of free market forces in agriculture and industry, at the expense of the authority of decentralized

³⁴ Mao’s economic strategy stressed upon political consciousness of the masses that unleashed their creative energies and moral incentives in collectivization and cooperativization. But in the years after the GLF, leaders like Li Shaoqi, Deng Xiaoping and Chen Yun proposed measures that were divergent from the Maoist model. They stressed on material incentives like introduction of bonuses and profits in industries, autonomy for industrial managements, mechanization of agriculture and permitting a private sector in the rural economy and minimizing the role of the communes. This was viewed by Mao, as right-deviation, and a tendency towards pushing the party on the Capitalist road. Those people who were followers of this alternative path were termed by Mao as ‘Capitalist Roaders’. For a more detailed analysis of the ‘Two Roads’, their origins and implications, see: Gray, Jack (1973) “The Two Roads: Alternative Strategies of Social Change and Economic Growth in China”, in Stuart R. Schram (ed.) *Authority Participation and Cultural Change in China – Essays by a European Study Group*, Cambridge: Cambridge University Press; Meisner, Maurice (1977), *Mao’s China: A History of the People’s Republic*, New York: Free Press.

³⁵ The Revolutionary Committees consisted of a triple alliance of representatives of mass organization representatives, Party cadres and the PLA.

political cadres” (Wheelwright and McFarlane, 1970: 67). The policy of *Sanzi Yibao* was introduced in rural areas, which involved “(a) the restoration of private plots, (b) the use of household as the main accounting unit in communes, (c) the assumption by enterprises in communes of sole responsibility for profit and output quotas” (Ibid). The policy was *Sanzi Yibao* was one of the first moves to gradually introduce a free market in rural areas.

The NEP was however criticized subsequently by Mao, particularly the ‘rightist’ and ‘revisionist’ trends in the cultural arena and “the wide application of market forces in the economy and the policy of *Sanzi Yibao* in agriculture” (Wheelwright and McFarlane, 1970: 91). By underlining “never forget class struggle”³⁶, he counterposed the revolutionary tradition of the masses and emphasized the need to firmly adhere to the strategy of Mass Line (*Qunzhong Lu-xian*).³⁷

Though the recovery through the NEP in the period immediately preceding the Cultural Revolution was felt mostly in the urban centres, reflected in the rising consumption levels, “the leaders of the GPCR were of the opinion that the Chinese economy had by no standards reached a stage when it could afford relaxation. Once the craze for consumption set in, it was difficult to control it. Increasing production, as against loosening constraints on consumption [had thus been] the main concern of the Cultural Revolution” (Deshpande, 1971: 5).

The precursor to the GPCR was the Socialist Education Movement (SEM) launched in late 1962. The SEM was a new campaign attempting ‘to counter the bureaucratization of Chinese political life’, reverse the socio-economic policies (with reference to the NEP) that Mao and his supporters “believed were creating new forms of capitalism”, and therefore “condemned

³⁶ Mao spoke about the importance of class struggle in socialist societies at the Tenth Plenum of the Eighth Central Committee of the CPC in September 1962. He firmly believed that even in socialist societies, classes, class contradictions and class struggles existed. Hence, constant vigilance was required to ensure that Class Struggle remained an essential tenet of Socialist construction and not be forgotten after the completion of the revolution by the vanguard party. If the levels of vigilance dropped, there was a “possibility of restoration of reactionary classes”. He also underlined the need for “proper education of the youth, cadres, and masses” in this regard (Mao, 1962).

³⁷ To ensure close links between the party and the people, Mao coined the term “mass line” understood in terms of a dialectical interaction: “from the masses, to the masses”. He explained this in June 1943: “take the ideas of the masses (scattered and unsystematic ideas) and concentrate them (through study turn them into concentrated and systematic ideas), then go to the masses and propagate and explain these ideas until the masses embrace them as their own, hold fast to them and translate them into action, and test the correctness of these ideas in such action. Then once again concentrate ideas from the masses and once again go to the masses so that the ideas are persevered in and carried through. And so on, over and over again in an endless spiral, with the ideas becoming more correct, more vital and richer each time” (Mao, 1943: 119).

as “revisionist” and revitalize a collectivistic spirit and consciousness both within the party and in society at large” (Meisner, 1977: 288). The campaign had its origins in Mao’s speech to the Tenth Plenum of the Eighth Central Committee of the CPC in September 1962, which reiterated the existence of classes and class struggles in socialist societies. Reminding the assembled cadres of the experiences of restoration of the reactionary classes in Europe, he argued that:

“We must acknowledge that classes will continue to exist for a long time. We must also acknowledge the existence of a struggle of class against class, and admit the possibility of the restoration of reactionary classes. We must raise our vigilance and properly educate our youth as well as the cadres, the masses and the middle- and basic-level cadres. Old cadres must also study these problems and be educated. Otherwise a country like ours can still move towards its opposite” (Mao, 1962).

Therefore, the dimension of political education was emphatically underscored as a requirement for ideological development. “Class Struggle, socialist education, organizing the class ranks of the poor and lower middle peasants and cadres’ participation in collective labour with the masses”, were the important points that had to be encapsulated by the SEM (Mohanty, 2012: 97). Meisner pointed out that while the SEM helped in mitigating corruption in the countryside, it did little to change socio-economic relationships in the rural areas or to reverse the general tendencies that Maoists labeled “revisionist” and “capitalist”. He added that the overall effect was to strengthen the centralized authority of the party in the countryside.

The Great Proletarian Cultural Revolution (GPCR) was “a well-planned drive to mobilize the people, to make them more vigilant and tackle the enormous problems facing China” (Deshpande, 1971: 8). The avowed goal of the GPCR was to resist the “capitalist deviations” and revisionism that had set in within the CPC. In fact, Mao had strongly argued that this had also led to the development of “economism” and “welfare trade unionism”, antithetical to socialist construction (Steiner, 1956: 30). The Circular of the Central Committee of the Chinese Communist Party dated 16 May 1966, launched an attack on the “Outline Report on the Current Academic Discussion of the Group of Five in charge of the Cultural Revolution”, and thereby initiated the GPCR (*CCP Documents of the Great Proletarian Cultural Revolution 1966-1967*, as quoted in Mohanty, 2012: 98). The Eleventh Plenum of the CPC passed the 16-Point Decision concerning the GPCR on 8 August 1966, which laid down the

theory, strategy and policies of the political project. “The main concern of the Maoists during the GPCR, was anti-revisionist struggle at the superstructure level or mainly at the level of ideology and politics” (Mohanty, 2012: 99). “Linked with class struggle in concrete ways, the ideological struggle was also a power struggle with the objective of seizing political power back from the revisionists” (Ibid). The forces unleashed by the GPCR left a deep impact on Chinese politics and society. The top leadership of the party were accused of ‘taking the capitalist road’ and subjected to ruthless attacks. Liu Shaoqi, the Chairman of the Republic was disgraced and officially purged. The effects of the GPCR on the polity, economy and society of China will be discussed in detail in the next chapter, as it provided the rationale for the policies of reform and opening up, propounded and implemented by the post-Mao leadership, under the guidance of Deng Xiaoping.

The GPCR and Its Impact on Social Welfare

The GPCR had a profound impact on the welfare and labour insurance programme. The All-China Federation of Trade Unions (ACFTU) was seen by the Maoists to be only concerned with the immediate interests of the workers, and short-term considerations were prioritized over long-term considerations. Thus, “in December 1966, a new revolutionary labour organization called All-China Red Workers General Rebellion Corps took over the Ministry of Labour and dissolved the ACFTU, leading to the disintegration of the trade union movement” (Prybyla, 1970: 515). The “void left by the demise of the AFCTU led to the emergence of many differentiated, workers’ groups and organizations, with a marked decentralization of industrial management and increase in the workers’ participation in work-unit affairs” (Maitan, 1976: 167). However, such organizations and committees were only temporary arrangements and the void in the administration of welfare was never filled. “Workers’ management groups were introduced to simplify industrial management and reduce the number of office workers” (Dixon, 1981: 124). During the GPCR, the bureaucracy had been the target of major attacks and denunciation, which had led to a kind of administrative void.³⁸ The chaos and turmoil that prevailed, especially due to the violence

³⁸ This was pushed through by Mao’s highly provocative slogan to the young revolutionaries – “Bombard the Headquarters”. A long-running meeting towards the end of July 1966, lasting nearly ten days, the Central Committee of the CPC witnessed a ferocious struggle between Mao and his supports on one side and Liu Shaoqi and his group on the other. It was during this power struggle that Mao gave a call to “Bombard the Headquarters”, severely critiquing the *right* deviations of the party leadership for bringing about a dictatorship of the bourgeoisie and deflating the morale of the proletariat. By putting up his poster, Mao used his personal charisma to “rally the students and the people against the Rightists” (Robinson, 1969: 80-81). The young

during the third phase exposed the unintended consequences of the GPCR. It necessitated the entry of the People's Liberation Army (PLA) in early September 1967, into the political struggles to seize power from the 'ultra-leftists' and maintain order.

“Perhaps the most remarkable aspect of military intervention was not that the army became the arbiter of the struggles of the Cultural Revolution, but that it has displayed so great a degree of self-restraint in view of the chaotic situation into which it was thrust and the provocations to which the highest leaders were to be subjected....on the whole, the army remained obedient to the “civilian” authority of Mao and Lin Biao....in a situation where the party had ceased to function as a national political organization and the mass movement was hopelessly divided into rival factions, it was inevitable that political power, at least on the local and provincial levels, would fall into military hands” (Meisner, 1977: 325).

“As the conditions became more chaotic, the army came to play an increasingly prominent role not only in the political but also economic life of the nation. Soldiers entered factories and communes, and it was largely due to the discipline and assistance provided by the PLA that production in both the cities and the countryside was maintained during these turbulent years” (Ibid).

While welfare support continued to be provided during the period of the GPCR, it was undertaken by different institutions and within an atmosphere conditioned by the emphasis on anti-economism.

“[Economism is a deviation] in which improvements in the material and cultural life for workers are undertaken without regard for actual increases in levels of productivity; or when too much emphasis was placed on the provision of comforts and amenities for workers and too little attention is given to conditions of production; or when wages are increased excessively without regard for actual levels of production; or, when short-term considerations are given higher priority than long-term considerations” (Steiner, 1956: 30).

revolutionaries, who came to be known as “Red Guards”, were mainstay of the GPCR. They were imbued with revolutionary spirit and fully responded to Mao's call for opposing the “Four Olds”. Comprising students of schools and universities, they carried Mao's quotations in what came to be known as the “Little Red Book”, and travelled far and wide in China, espousing the need for maintaining vigilance against tendencies of 'capitalist restoration' and for raising the political and revolutionary consciousness of the masses. But gradually, as Mao lost control of these Red Guards, the eradication campaign of “Four Olds” resulted in destruction of old books and art, ransacking of museums and attacks on temples, shrines, and other heritage sites.

“Welfare support and material incentives were seen as “sugar-coated bullets” fired at the working class by the “counter-revolutionary capitalist roaders” intent on following the path to capitalism” (*Peking Review*, 1968: 19, as quoted in Dixon, 1981: 120). Welfare had become a term, which was used with circumspection; administering welfare required a fine balancing between concerns for the well-being of workers/employees and disbursing relief without taking into consideration the political thinking.

The anarchic overhaul of the administrative institutions under the GPCR impacted the nature of welfare disbursements. The abolishing of the Ministry of Internal Affairs – the forerunner of the Ministry of Civil Affairs and the major administrative agency *vis-à-vis* welfare – caused disruptions in welfare administration and “even closing of a large number of welfare homes and welfare workshops” (Wong, 1998: 56). While most of the “Civil Affairs departments involved in the welfare distribution in local areas were amalgamated into other departments”, the disruption at the head led to absence of central leadership, which in turn caused the “drying up of policy directives or circulars” (*Minzheng He Shehui Baozhang Wenxuan*, 1985: 602-3, as quoted in Wong, 1998: 56)

Following the violence, during the period of reconstruction in the fourth phase of GPCR (1969-71), the workers’ welfare and social assistance system was also reconstructed, with far-reaching changes in the area of welfare administration. “With the reconstitution of the work-unit CPC committee in 1970, the work-unit revolutionary committee (RC) – the ad-hoc arrangement emanating from the ideas during the GPCR - was placed under its political leadership and became the work-unit’s leading administrative body, responsible for implementing CPC policy” (Dixon, 1981: 126). The RC was “an administrative body under the political leadership of the factory committee and was in charge of the implementation of established policy....the RC was in charge of relations between factories and between factory and the planning agencies. It supervised the implementation of the plan” (Bettelheim, 1974: 35-36). “The RC was an elected body; its numerical composition was decided by the workers themselves. They drew up a slate, which formed the basis of extensive discussion during which the number of candidates was narrowed down. The factory workers then proceeded to a final vote” (Ibid). While the work-unit CPC committee was encouraged to appoint one of its members to be responsible for matters relating to livelihood, “the actual implementation of the work-unit welfare policies was the responsibility of the RC, through its welfare office. Final decisions in matters like fixing benefit eligibility and amounts, rested

with this RC, which had to regularly consult the party structure within the work-unit. The RC also coordinated and supervised the welfare activities of various workshops and work groups” (Dixon, 1981: 126-127). “Workers’ Management Groups composed of workers, cadres and technicians, came to the fore as the primary organizational element within the work unit” (Goldwasser and Dowty, 1975: 59-60). Within these groups, there was a livelihood supervisor, who was essentially the welfare functionary, responsible for the welfare of the work-group members, undertaking house visits, briefing authorities and attending the daily group meetings. As mentioned above, the ACFTU, suspended at the end of 1966, reappeared in April 1973, leading to a gradual revival of the trade unions, over the next few years. Their role in welfare administration now consisted, helping work-unit administrative departments run collective welfare amenities more effectively, supervising the payment of the labour insurance benefits by the work unit, especially maternity leave and care for the elderly, as well as re-acquiring the responsibility for the dispensation of mutual aid funds. Welfare administration within the work-unit was also gradually centralized under the work-unit director - who had to act in conjunction with the work-unit administrative agencies. This led to phasing out of the RC structure in the middle of 1977. “From early 1977, the welfare role of the trade unions gradually changed from a supervisory one to one involving direct administrative, but not financial, responsibility for most, if not all, workers’ welfare programmes” (Dixon, 1981: 133). In coordination with the Enterprise Management, the trade unions also administered the hardship-subsidy programme, mutual-aid funds and other collective welfare amenities.

In terms of financing the insurance and assistance programme in 1970-76, “each work unit’s allocation was determined more on its needs than the size of its wage bill. The work-unit’s Revolutionary Committee (RC) decided upon an appropriate, needs-based welfare budget, which then had to be approved by the relevant supervising local government bureau, before becoming the basis for that work-unit’s state allocation” (Dixon, 1981: 131). This normally remained 15 to 17 per cent of the total wage bill. Labour Insurance benefits provided by the work-units continued to be financed by state allocations in 1976-79. But now it was based more on needs, with the allocation also reduced to 11.5 per cent of work-units’ wage bill. Dixon points out that in case of large work-units, the allocation was directed into a labour insurance fund, from which benefits related to occupational injuries and sicknesses were paid. In smaller units, this allocation was transferred into a separate fund, while the

remaining benefits relating to retirement, confinement, non-occupational injuries and, death and survivors' benefits, were financed.

Labour Insurance Programme in the latter phase of GPCR

The period 1970-79³⁹ saw the reconstruction of the Labour Insurance Programme, which had been strained by the chaos and violence of the initial phase of the GPCR. A range of insurance and welfare benefits, which were restricted after 1966, were now available to all permanent workers. In the case of occupational injury or sickness, along with free health care, 70 per cent of the worker's last wage was given throughout the period of treatment and convalescence. The worker could also be employed in a less demanding sector and would still be able to enjoy all amenities available to workers at his/her former workplace. In the case of total disability resulting due to injury at work, a disability pension between 60 to 100 per cent of a worker's last wage was given, until he/she could resume work or died. In the event of partial disability in the same category, supplementary assistance was made available on the basis of needs. Even here, the recipients could enjoy the amenities available to workers at the former workplace as well as avail free health care. In the event of death while at work, funeral benefits covering the entire costs or a sum of two months of deceased's last wage was provisioned. The deceased's survivors also received a lump sum compensation ranging between 6 and 12 months of the former's last wage, along with a needs-based pension till the children became independent and found employment. In the case of non-occupational injuries of sicknesses, along with free medical care and subsidies on pharmaceuticals, a leave allowance ranging between 60-100 per cent of the worker's last wage (depending upon the length of service) was given; supplementary assistance was also made available. Non-occupational disabilities resulted in the payment of pensions on the basis of needs, with free medical care. Suitable work was also identified for them at lower wages. On the occurrence of non-occupational deaths, benefits equal to full funeral costs were paid. Pensions ranging between 50 and 70 per cent of worker's last wage along with bonuses ranging of between 5 and 15 per cent last wage and free health care were paid to retirees. For events related to pregnancy, apart from the free hospital care, leave on full pay was provided (on the basis of calculation of requisite period) for childbirth, miscarriage and abortion.

³⁹ The facts and details relating to the welfare benefits enumerated below have been taken from John Dixon.

Community-based Urban Welfare

A community-based welfare system had been practiced in the urban areas from 1949 to address the needs of the people in the urban areas, who were not covered under the workers' insurance/assistance system or those who could not be fully covered under it. To begin with, the Party-State adopted the strategy of mobilizing local neighbourhoods and clan networks and organizing self-help programmes for the unemployed. The gradual rise in the numbers of the urban population placed great pressure on the People's Relief Administration⁴⁰ (which was responsible for the urban population), in terms of the expenditure involved. Consequently, "an area-oriented community based approach for urban welfare was evolved, which was marked by the use of local resources for the welfare needs of the local community" (Dixon, 1981: 21). This meant that the focus was now on a single area, by forming a stable administrative system to perform welfare tasks. Local All-Circles' Representative Conferences, along with Military Control Committees and Local People's Government Councils were the basic local government system at the municipal and sub-municipal levels. There existed a public security station in each district of the urban areas that set up ad-hoc organizations under the leadership of local CPC officials, for ensuring welfare services.

Thereafter, Residents' Associations (RAs) and other organizations, serving as social control mechanisms came into being. As the 1950s progressed, the ad-hoc arrangements were found to be inadequate for fulfilling the dual tasks envisaged in the CPC's urban policy - mobilizing local community resources, and of facilitating control over all urban residents. This necessitated the "introduction of the mass, self-governing organization namely Urban Residents' Committees (URCs). They were cautiously introduced in Tianjin and Shanghai toward the end of 1951, and extended nationally in 1954" (Waller, 1970: 103). These were "quasi-administrative mass organizations, with 100-600 households under their jurisdiction, which in turn were subdivided into clusters comprising 15 to 40 households and were,

⁴⁰ The People's Relief Administration was an area-oriented, community-based welfare delivery system that could use local resources to cater for the welfare needs of a local community. 'This administration was an organization of the people under the leadership of the central people's government to unite and guide...relief and welfare workers to help the government in the organization of the masses for the promotion of production and economy, labour and mutual aid, so that relief and welfare work for the masses shall be helped' (Article 2, Charter of the People's Relief Administration), as given in *Collection of Laws and Decrees of the Central People's Government*, Beijing, 1953.

known as Residents' Small Groups. The main task of the URCs was to mobilize the local community to provide a range of crucial services such as operating a day nursery, a canteen or a home for the elderly" (Ibid). They were also involved in the settlement of local disputes, marriage guidance and counseling. With no independent source of revenue for these committees, some funding came from provincial/municipal authorities; at times, these committees also solicited 'voluntary' donations to cover the cost of community welfare programmes. Their role in terms of financing was thus, very often modest.

By the late 1950s, the Rural People's Communes, which had sprung up during the GLF were also a source of inspiration for the setting up Communes in the urban areas. "These Urban Communes were intended to replace the URCs, as the major urban mass organizations. Ranging in size from a few thousand to 10 to 15 thousand, urban communes were generally larger than the URCs they replaced, but smaller than their rural counterparts. It was envisaged that urban communes would be self-sufficient and integrated administrative units, engaged in industrial, agricultural, commercial, social, cultural and military activities" (Dixon, 1981: 164). These communes were "either built around an existing state enterprise or government organization, situated in residential areas or even in some cases, set up by heterogeneously incorporating one entire medium-sized town" (Salaff, 1967: 87-88).⁴¹ Dixon states that a major feature of these communes was the focus on collectivized consumption, which effectively released women from housework, paving the way for their contribution to the production processes as had been envisaged in the strategy of the GLF.⁴² Mess halls, service stations and nurseries took over the roles traditionally undertaken by women. In tandem with this feature was the setting up of "Livelihood Service Stations or comprehensive centres, providing commune members with a range of consumer goods and

⁴¹ Zhengzhou in Henan Province was the town chosen as the archetype to implement and practice the urban commune system.

⁴² Mao had coined the slogan, "Women hold up Half the Sky". In his early writings, especially in the *Report on an Investigation of the Peasant Movement in Hunan* in 1927, Mao had elaborated on the need for gender equality. "A man in China is usually subjected to the domination of three systems of authority: (1) political authority (2) clan authority (3) religious authority...[A]s for women, in addition to being dominated by these three systems of authority, they are also dominated by the men (the authority of the husband). These four authorities--political, clan, religious and masculine--are the embodiment of the whole feudal-patriarchal system and ideology, and are the four thick ropes binding the Chinese people, particularly the peasants" (1967: 44). Also see: *Decisions of the Central Committee of the Communist Party of China on Women's Work at Present in the Rural Districts of the Liberated Areas*, December 20, 1948, in Davin, Delia (1976), *Woman-Work: Women and the Party in Revolutionary China*, Oxford: Oxford University Press.

services. These services were mainly undertaken by the retired and elderly people. Commune workshops were another key feature of the communes, which produced various goods that were both labour-intensive and technologically unsophisticated” (Wang, 1959, as quoted in Selden and Eggleston, 1979: 460-464). These provided employment to the unemployed youth and elderly, thus guaranteeing a source of income. The financing was through direction of thirty per cent of a commune’s income into a separate welfare fund, along with regular donations by the commune members to the commune’s Accumulation Fund. By 1960, with the emphasis shifting to a purely industrial approach, the multifaceted communes were gradually disbanded and were replaced by Street Offices or by the return of the URCs. Neighbourhood women’s committees and even trade unions were encouraged to look after local welfare activities. During the GPCR, a maze of ad-hoc organizations had come to the fore, especially at the street level. Their emphasis was on self-reliance and self-help, while providing stronger impetus to the ideological content. It was only in the beginning of the 1970s that some amount of stabilization returned to the urban welfare system. A five-tiered hierarchical structure came into effect:

- **“Municipal and District Welfare Authorities:** Comprising approximately 100,000 households, the municipal authorities, through their Civil Affairs bureaus operated orphanages and specialized institutions for the handicapped. They were also responsible for providing monthly pensions to certified, disabled service veterans. They also oversaw community-based domestic service-centres that provisioned a range of human services like laundering, ironing and shoe repairing. The needed funds were made available through municipal budgets, which were supplemented through local taxation sources and transfers from higher-levels. The district authorities acted as agents of the municipal authorities. They were responsible for allocating municipal relief funds to their constituent streets.
- **Street Welfare Authorities:** These were the lowest unit in the urban government hierarchy and employed paid workers and administrators who were responsible for the internal security of their area, establishing and running of workshops, schools, nurseries, canteens, etc. They also functioned as a local court and/or arbitrator in local disputes, including domestic problems and other issues. The administrative organ responsible for street welfare was the Street Welfare Committee, whose membership was drawn from the Street Revolutionary Committee. Cash relief

allowances were permitted by the committee for food, clothing, lodging, medical care and funeral purposes. Undertaken with the advice of the neighbourhood committees, stringent eligibility criteria and ‘means-testing’ was adopted before the actual provision of allowances, thus making it largely discretionary.

- **Neighbourhood Authorities:** These were mass, self-governing organizations, comprising 15 to 25 members, who were elected by the retired and elderly and housewives of the neighbourhood households. Employment was voluntary and the focus was on delivering welfare services to neighbourhood residents. In conjunction with the resident groups, they also provided welfare support to particular families. At this level, there also existed two mass organizations, namely Women’s Federation Committees looking into the issues of women and Retired Workers’ Committees, responsible for organizing the elderly people to render a helping hand in child-care, and in educational and cultural activities.
- **Residents’ Group Authorities:** These were the miniature representations of the neighbourhood and were administered by locally elected leaders. They organized neighbourhood people into work groups to provide child-care, addressing needs of the sick and elderly and providing household services to working women. Within the RCs, there existed working committees, which looked after social welfare, public security, culture and public health, mediation of local disputes and giving responsibility to women to run day care centres and kindergartens, as well as oversee the execution of family planning and population control policies. The intention was to develop a sense of community, thus reinforcing the strength of the social networks”.

(Dixon, 1981: 172; Leung, 1990: 200-01)

An important marker of this neighbourhood/community driven welfare system was the prevalence of non-professionalism, with no specific training required for the delivery of various services. “Because of the low status and low salary of the work, it was very difficult to attract young staff with high educational qualifications. More often than not, jobs were taken up by demobilized soldiers, redundant staff transferred from other enterprises and retired staff” (Leung and Nann, 1995: 90). The staff had to perform a dual role of “mobilizing self-help efforts towards neighbourhood improvement” and “at the same time, they

represented the central government in implementing government policies, which may be unpopular with the residents” (Ibid). Dixon points out that in the 1970s, most streets and their constituent neighbourhoods administered welfare funds, although some preferred to integrate their welfare budgets into a broader budgetary perspective. In some instances, these welfare funds were called “solidarity funds” (Broyelle, 1977: 121-22). The overall budget structure was decided by the Street RC, in conjunction with the various neighbourhood committees and Street CPC Committee, in accordance with the Street’s welfare needs. Income was also earned through commercial enterprises. Furthermore, by taking up practical services like collection of domestic bills, dress-making, simple repairs, household cleaning, etc., through the aegis of the Street Offices and Residents’ Committees, residents could supplement their incomes.

Welfare Target Groups⁴³

The scale, and mode of delivery of welfare was the basis of differentiating various target groups:

- **“The Aged:** The family has remained the main entity in the pattern of relationships in China. Along with advancing of production relations and development, the CPC laid emphasis on a shared responsibility of the family, the collective, local community and the state. The state provided support only to those who were outside the family and other support networks. Retirement and other social security benefits were dispensed by the work-units. While the minimum pensionable age was 60 for men and 55 for women, there were also variations in case of employment in hazardous jobs, where the retirement age limit was reduced. Elderly workers were often encouraged not to retire and look for income support, but continue gainful employment. Incentives like supplementary allowances were provided for those opting to continue employment. Usually, the retirement pension ranged between 60-100 per cent of the retiree’s last wage, depending upon the length of service. The minimum payable amount was 25 yuan per month paid by the work unit. In the event of compulsory retirement, a retrenchment pension amounting to 40 per cent of the person’s previous wage was

⁴³ The identification and categorization of the welfare target groups is based on the fieldwork and studies by John Dixon and appears in his work published in 1981, *The Chinese Welfare State System 1949-1978*, New York: Praeger Publishers.

provisioned that usually was 20 yuan per month. For those with no means of support, a needs-based cash allowance was dispensed by the street committee. Along with such income-related benefits, those in need also received support by way of a range of domestic services by the local community like housework and home nursing. The elderly people, who had no shelter, were granted accommodation in centres set up by municipal authorities or trade unions. Efforts were also made to integrate the elderly with the local community other than their families, thus involving them in neighbourhood activities.

- **The Disabled and Handicapped:** The workers suffering from physical disabilities were compensated for their inability to earn. However, in cases where the handicaps were unrelated to employment, the responsibility for providing care, rested with the family system. Wage-related disability pension was formalized for those mainly in the state and collective work-units. Those who were permanently disabled, were paid a basic pension equal to 80 per cent of the person's last wage as well as an allowance to pay for an attendant. Along with the provision of free medical care, there were also nursing care subsidies and additional subsidies, in case the person lived in a home for the disabled. Partial disabilities generally did not receive specific allowances, but those who were able to continue their employments by some means were given a subsidy calculated on their working ability. There also existed needs-based hardship subsidies and street allowances for those with non-occupational disabilities as also for their dependents. Special sanatoria and institutes were established for providing free care to those who had no families. Vocational rehabilitation efforts were also undertaken to encourage the disabled to take up productive work, deemed fit for them.
- **Needy Families:** The major focus within this was the support system for pregnancy and child-birth, aimed at compensating for the additional costs incurred by the family. Their working conditions were improved over the years, with allocation of lighter duties and shorter working hours. Free pre-natal health care and hospitalization was provided. Pregnant working-women also enjoyed the benefits of paid abortion, miscarriage and maternity leave. They were also provided home help and other supportive services, by their local communities, mostly without charge. Other than this, welfare support was also provided to low-income families, in the form of hardship subsidies ranging between 18 and 20 yuan per month in case of unmarried

people and 14 and 16 yuan for the married. A monthly pension between 25 and 50 per cent (depending upon the number of survivors) of the deceased's last wage was provided, to support the survivors, in the event of the death of a family's breadwinner.

- **Children and Youth:** In this area, the state chose to encourage collective mutual aid rather than depend on state assistance. The benefits were also tied to the planned parenthood programme and thereby, one-child families were recipients of special allowances, generally between 30 and 60 yuan annually that was given till the child reached the age of 14. Subsequent births placed more difficulties on families as allowances were cut down and medical costs had to be entirely borne by the family. Institutional child-care was provided, in cases of pre-school and out-of-school situations. This encompassed kindergartens or nurseries and special institutions under the local neighbourhoods or work units. Support system was also ensured for children who were affected by marriage breakdowns and those born outside legal marriage, whereby home help and child-care was made available. The Municipal Civil Affairs bureaus ensured foster care for orphans, as also frequently explored avenues of adoption.
- **The Unemployed:** Seen as a chronic problem in the urban areas, this group mostly comprised graduates, demobilized soldiers and those who had been sent to the countryside and were now returning. Needs-based allowances were permitted for families of the unemployed in some cases. The street and neighbourhood committees set up various job creation programmes in the form of cooperative factories or workshops, which was largely seen as self-employment. Training and counselling centres were also established by some neighbourhoods, where unemployment was acute, which helped the youth in finding jobs in state enterprises. To keep a check on acts of delinquency among the unemployed people, recreational facilities and programmes were devised to channelize their energies in creative areas" (As quoted in Dixon, 1981).

The first three decades since the establishment of PRC witnessed constant churning with various experimentations in socio-economic development. The implementation of Marxism-Leninism within the Chinese socio-political conditions, social welfare in the Maoist period was also conditioned by the socialist construction. The *Danwei* model of Welfare policies –

which were criticized in the Post Reform period as a constraint on labour mobility – while taking care of the needs of the workers, was aimed at boosting the morale of the workforce by inculcating the communitarian system. The Incrementalism that underlined the collectivist welfare dispensation in this period (1949-79) was to ensure that the policies for all workers were kept at a similar level and for provisioning a safety net to meet contingencies. Thus, rather than solely focusing on the question of efficiency of the system, it is important to note that the state was constantly looking towards ensuring that the workers were brought into the ambit of welfare within the available resources. The wider expansion of welfare mechanism was severely constrained by the lack of resources, as Mao and the CPC had inherited a war-ravaged and underdeveloped, semi-feudal semi-capitalist economy at the time of the establishment of the PRC. The various experiments, including GLF and GPCR, while having a strong political-ideological orientation, also need to be seen as efforts to build financial resources and capital through self-reliance, for economic wherewithal and ensure the wellbeing of the country's population. The lack of a sound and stronger material base for the country's economy meant that various policies including those of welfare, worked under limitations, thus not being able to expand and lead to the increase in the number of recipients/beneficiaries. The need to raise material wealth of the country that would in turn provide more incentives for the workforce, was one among the many reasons for the nature of the post-1978 reforms that were introduced after Deng's Xiaoping's ascent to the helm of political leadership.

CHAPTER TWO

MARKET REFORMS AND THEIR IMPACT ON WELFARE DURING THE DENG XIAOPING PERIOD, 1979-1997

The GPCR, with which Mao Zedong had attempted to thoroughly shake up the polity and society of China, brought about some unintended consequences as well. Mao had launched the GPCR primarily to resist the ‘capitalist deviations’ and ‘revisionism’ that he believed had set in within the CPC. The entire country was swept up in a wave of revolutionary enthusiasm and all sections of society were engaged in intense ideological debates, which disrupted the normal functioning of the various institutions. However, scholars who have researched this extraordinary period, have pointed out that notwithstanding the disruptions,

...“the economy kept going in a remarkable way. The great release of energy, the determination of the rebels to show that they were fulfilling Mao’s demand to ‘grasp the revolution and stimulate production’, and the possibilities of cutting out red tape and reducing the ratio of administrative personnel to productive workers, led to such high rates of output that many enterprises overtook arrears and fulfilled their planned assignments, two or three months ahead of schedule...[I]n the countryside, far from impeding production, the Cultural Revolution helped to make the harvest of 1967 ‘the greatest in the recorded history of China’. There has been a succession of ever-improving harvests since 1962 and in 1967, though the weather was favourable, there is no doubt that high spirits contributed something extra” (Robinson, 1969: 34).

However, the high morale that prevailed was affected by the militant activism from the forces unleashed by Mao’s supporters. The Red Guards⁴⁴ started to interfere in industrial production and their militancy affected the work in factories and production units. The mass campaign to replace the “Four Olds” (discussed in Chapter One under the sub-heading – Great Proletariat Cultural Revolution and the Party-State), with a new culture and new ideas and the rejection of the old, had a major impact on the education sector, with closing down of universities for nearly three years. The personality cult of Mao acquired larger than life proportions as the Red Guards invoked Mao to justify their violence and all resistance or opposition was

⁴⁴ For more on the Red Guards and their role in the GPCR, see: Meisner, Maurice (1977), *Mao’s China: A History of the People’s Republic*, New York: Free Press; Teiwes, Frederick C. (2010), “Mao and His Followers”, in Timothy Cheek (ed.) *A Critical Introduction to Mao*, New York: Cambridge University Press; Yang, Guobin (2016), *The Red Guard Generation and Political Activism in China*, New York: Columbia University Press.

brutally crushed by them. The destruction that ensued thereby, contributed to the social chaos and the attacks on the party cadres affected the control of the party-state. In fact, the violence could only be quelled after the PLA was called in.

Mao's Death and the Purge of Deng: The Factional Battles

The post-Mao period witnessed a series of intense political rivalries and antagonisms that split the CPC leadership into contending factions. While these rivalries and antagonisms were on the one hand, differed in their analysis of Mao's leadership in his last years and the GPCR, they also involved contentions about the issue of Mao's succession. At one end was the "Gang of Four" – comprising Mao's wife, Jiang Qing, Deputy Premier Zhang Chunqiao, CPC Vice-Chairman Wang Hongwen and Politburo member Yao Wenyuan - which had played a prominent role in the decision-making during the GPCR. On the other end, was Hua Guofeng, who was anointed personally by Mao as his successor.⁴⁵ While both these groups were on collision course with each other, they collaborated to purge Deng Xiaoping, former General Secretary of CPC and who was in the line of succession to Mao. Deng had also been stripped of all power and position earlier at the start of the GPCR as a 'capitalist roader', along with Chen Yun and Liu Shaoqi, for advocating the introduction of incentives in production systems, expansion of rural markets and enlarging private plots to tide over the effects of Great Leap Forward. However, in 1975, Deng "put forward three documents – *On the General Programme of Work for the Whole Party and Country*, *On Some Problems Concerning the Work of Science and Technology*, and *Some Problems in Accelerating Industrial Development* – drafted by his supporters Hu Yaobang, Hu Qiaomu and Deng Liqun. By stressing upon economic development over ideological purity and practical results over political correctness, these three documents were aimed at reversing the thrust of the Cultural Revolution" (Baum, 1994: 30). The "Gang of Four" severely opposed these initiatives, termed them, as the "three poisonous weeds" (Chi, 1977: 201ff, as quoted in Baum, 1994: 30), and highlighted the fact that Deng had consistently been a 'right deviationist'. But with the support from Zhou Enlai, Deng managed to stay on but Zhou's death set the ground for the second purge of Deng. Coinciding with the annual Qingming

⁴⁵ Some months after Mao's death, the Chinese media reported that in the spring of 1976, shortly before he passed away, Mao had written a six-character poster conveying his wish that Hua succeed him as the Chairman of the CPC Central Committee. "With you in charge, I am at ease" (*Ni banshi, wo fangxin*) were said to be the words of Mao (*Foreign Broadcast Information Service – China: Daily Report*, 10 July 1981, as quoted in Baum, 1994: 38).

festival (rites to remember ancestors by sweeping and decorating their graves), Zhou's death on 8 January 1976 led to an outpouring of grief among people, which resulted in massive crowds at the Hero's Monument in Tiananmen Square. The "Gang of Four" accused Deng of "secretly instigating the outpouring of grief for Zhou Enlai" to "discredit the Left", "reverse the verdicts of the Cultural Revolution" and "grasp political power for himself" (*Hsinghua Weekly*, 12 April 1976, as quoted in Baum, 1994: 35).

Deng's Restoration and his Ascent to the Helm

For the next couple of years, which also saw the purge of the "Gang of Four", Deng Xiaoping worked meticulously to garner the support for his reinstatement.⁴⁶ The national media gradually ceased to publish articles critical of him in and by late 1976-77, there were "appearance(s) of pro-Deng posters in Nanjing, Guangzhou, Shanghai and Beijing" (*Issues and Studies*, August 1977: 63, as quoted in Baum, 1994: 44).⁴⁷ After many rounds of intense bargaining with Hua Guofeng, in April 1977, Deng was "restored to all four posts from which he was removed in April 1976: CPC Vice-Chairman, Military Affairs Commission Vice-Chairman, First Deputy Premier and People's Liberation Army Chief of Staff" (Garside, 1981: 166-167). The decision was ratified at the Eleventh National Congress of the CPC in August 1977, which "formally declared the end of the Cultural Revolution, adopted a revised party constitution, elected a new Central Committee, and installed a new five-member Politburo Standing Committee – which now included Deng Xiaoping" (*Peking Review*, 26 August 1977, as quoted in Baum, 1994: 48). Slowly and steadily, seizing the political initiative, Deng retracted from his "commitment" to not criticize the policies of the Mao era – which he had undertaken in return for his restoration by Hua Guofeng. He emphasized the need to *learn* from the West to overcome the technical backwardness in the country, which was impeding its economic advancement. Re-invoking his arguments for "material

⁴⁶ The astonishing ability of Deng Xiaoping to be able to rise back from his political reversals has been extensively studied. One of the most comprehensive analysis of Deng Xiaoping's return to power is: Baum, Richard (1994), *Burying Mao: Chinese Politics in the Age of Deng Xiaoping*, Princeton: Princeton University Press. Some of the other useful studies are: Chang, David Wen-Wei (1988), *China under Deng Xiaoping: Political and Economic Reform*, New York: St. Martin's Press; Goodman, David S.G. (1994), *Deng Xiaoping and the Chinese Revolution*, London and New York: Routledge; Vogel, Ezra F. (2013), *Deng Xiaoping and the Transformation of China*, Harvard: Belknap Press of Harvard University Press.

⁴⁷ Sympathy reached to such extent that 'small bottles (in Chinese, *Xiaoping*, a homophonic word play of Deng's given name) appeared atop marble columns near the Gate of Heavenly Peace (Tiananmen) and dangling from trees lining the main traffic route from the airport to the centre of the city' (Domes, 1985: 146, as quoted in Baum, 1994: 44).

incentives, giving free hand to directors of scientific and technological institutions, and sending Chinese students and scholars abroad to receive advanced training from the West”, Deng was underlining the need for more systemic reforms and “opening up” (Baum, 1994: 57). He carried these his arguments further, gaining political strength and confidence and more support within the Party and thus carefully prepared the ground for the pathbreaking Third Plenum of the Eleventh Central Committee in December 1978. The Plenum resulted in the shift of the balance of political forces, with the staunchest of Deng’s supporters – Chen Yun, Hu Yaobang, Wang Zhen and Deng Yingchao – added to the Politburo Standing Committee. The post of Chairman of the Republic was abolished and that of the General Secretary, (which was abolished during the GPCR), was re-constituted as “Chief Secretary”⁴⁸ (*mishuzhang*), with Hu Yaobang occupying that position.

Deng’s political consolidation and increasing national political support enabled him to forge the political consensus that he required for implementing the economic reforms that he believed were critical for the future growth of China. In a landmark speech delivered on 13 December 1978, titled “Emancipate the Mind, Seek Truth from Facts and Unite as One Looking to the Future”, at the closing session of the Central Working Conference, which made the preparations for the Third Plenary Session of the Eleventh Central Committee of the CPC, Deng called upon the CPC to give up “rigidity” (read dogmatism) and “not veer according to whichever way the wind was blowing. Veeing with the wind was itself a great mistake and a contravention of the Party spirit”. Rigidity brought forth “book worship, which was divorced from reality and became a grave malady. Those who suffered from it dared not to say a word or take a step that wasn’t mentioned in the books, documents or the speeches of leaders: everything had to be copied” (Deng, 1978: 153).

In a second landmark speech, Deng also sought to lay down the framework within which the reforms had to be pursued. Strongly believing that the reforms could only be launched and pushed forward under the leadership of the CPC, he made it clear that the Party would “Uphold the Four Cardinal Principles”: “Keep to the socialist road, uphold the dictatorship of

⁴⁸ The General Secretary (*zongshuji*) of the Communist Party, is the paramount leader in China and looks after the day-to-day affairs of the party. While during the party’s inception in 1922, the leadership position was that of Chairman, in 1925, the post of General Secretary was introduced. However, after the discharge of Zhang Wentian as the General Secretary in March 1943, the post of Chairman was re-introduced, and it continued till the Third Plenum of the Eleventh Central Committee in 1978. The re-constituted Chief Secretary position lasted till 1982, when the 12th National Congress of the CPC fully restored the position of the General Secretary.

the proletariat, uphold the leadership of the communist party, and uphold Marxism-Leninism and Mao Zedong Thought” (Deng, 1979: 174). Having witnessed the destabilization in the party created by the GPCR, Deng was fully aware of the need for unity in the leadership in the pursuit of economic reforms by the country.

Theory of Stages – ‘China in the Primary Stage of Socialism’

The rationale for the Chinese reform policies could be seen in the thesis of “Primary Stage of Socialism”, which was further adopted and internalized at the 13th Party Congress in 1987. The delineation of the stages of development was to provide the basis for a Chinese specific economic model. This approach began with a critique of the Maoist assertion that the “contradiction between the proletariat and the bourgeoisie was the principal contradiction in China, and hence, the possibility of capitalist restoration existed throughout the socialist period”. The “*Resolution on Certain Questions in the History of Our Party Since the Founding of the PRC*”, adopted by the Sixth Plenary Session of the Eleventh Central Committee of the CPC on 27 June 1981, termed this argument “a misunderstanding of the nature and requirements of the new stage of development that the Chinese revolution had entered by the mid-1950s” (*Beijing Review*, No. 27, 1981, as quoted in Misra, 1998: 92). In this direction, Marxist theorists at the Chinese Academy of Social Sciences (CASS) Su Shaozhi and Feng Lanrui, comparing “China’s backward productive forces and low degree of socialization of production, reinterpreted the two-staged transition from capitalism to communism, by subdividing the (I) stage of capitalism to socialism into two: a) transitional period (from the seizure of power by the proletariat to the basic completion of socialist transformation) and b) “underdeveloped” socialism. Then came, (II) Developed Socialism, and (III) Communism” (Su and Feng, 1979, as quoted in Misra, 1998: 92-93). Describing the transitional stage – I (a) - as characterized by the existence of many different economic forms, various classes, and fierce class struggle, Su and Feng located China in the transitional stage of “underdeveloped socialism”.

“The characteristics of underdeveloped socialism are the existence of two forms of public ownership, commodity production and commodity exchange, capitalists have already been basically eliminated as a class but there still remain capitalist and bourgeois remnants, even feudal remnants, there also exist quite a few small producers, class differences among workers, and peasants...the force of habit of small production; the productive forces are still not very highly developed. There is not an abundance of products. At this time large-scale

turbulent mass class struggles are over, but there still is class struggle, there still is need for a dictatorship of the proletariat, therefore the transitional stage toward socialism has still not been completed” (Su and Feng, 1979, as quoted in Misra, 1998: 93).

The stage of transition from capitalism to socialism in China, in the view of Su and Feng, was a very long one, even though the transition continued to be in progress under the CPC. However, the theory of “undeveloped” socialism was intellectually rebutted by party theoreticians led by Zhu Shuxian and Feng Wenbin, who “distinguished between societies characterized by a variety of economic forms and others in which a particular form was decisive. While the former could be labelled transitional, the latter would be identified on the basis of the dominant mode of production. With the socialist transformation of the means of production in China, the transition was deemed complete and henceforth China became a socialist society” (Zhu, 1979; Feng, 1981: 2-12, as quoted in Misra, 1998: 96). The “undeveloped socialism” theory needed to be countered, as it echoed discussions on feudalism and undermined the achievements of the Communist Revolution in China.

Requiring a theoretical basis for expansion of reform in the urban-industrial economy after 1982, Zhao Ziyang resurrected the thesis of “undeveloped socialism” and refashioned it to give it a more positive outlook as the “Primary Stage of Socialism” (*shehuizhuyide chuji jieduan*). He unveiled the new formulation in his speech at the 13th Congress of the CPC in 1987, by reaffirming the socialist nature of Chinese society.

“How do things stand in China, now that socialism has been developing here for more than three decades? On the one hand, a socialist economic system based on public ownership...a socialist political system of people’s democratic dictatorship (have) been established, and the guiding role of Marxism...affirmed. The system of exploitation and the exploiting classes have been abolished....On the other hand, (China’s) per capita GNP still ranks among the lowest in the world. Some modern industries coexist with many industries that are several decades or even a century behind present day standards. Some fairly developed areas coexist with vast areas that are underdeveloped and impoverished....The backwardness of the productive forces determines the following aspects of the relations of production: socialization of production, which is essential for expanded socialist public ownership, is still at a very low level; the commodity economy and domestic market are only beginning to develop; the natural economy and semi-natural economy constitute a considerable proportion of the whole; and the socialist economic system is not mature and well-developed” (Zhao, 1987: 23-49).

Compared to the “productive forces in developed capitalist countries, those in China lagged behind”. In this context, the primary stage was estimated to last “a century and half”. “During this stage, China had to accomplish industrialization and the commercialization, socialization and modernization of production, which many other countries had achieved under capitalist conditions” (Misra, 1998: 111). The “Primary Stage of Socialism” thesis, “on the one hand, exposed the mechanistic position of those who believed that China could not take the socialist road without going through the stage of fully developed capitalism. On the other hand, it made obvious the necessity for avoiding skipping over stages and attempting to implement policies suited to a much higher level of development, which [was] to take a utopian view and [was] therefore the major cognitive root of left mistakes” (Misra, 1998: 112-113).

Working on this larger framework, China’s economic reforms gradually picked up pace over the years. It was in the 13th Congress of the CPC in 1987 that growth was accorded paramount priority and that anything impeding this had to be eliminated. At this Congress, the phrase “Socialism with Chinese Characteristics” was given great focus. The phrase was used to refer to the need to “develop the productive forces” and “improve the people’s material and cultural life”, to “eliminate poverty” and “acquire new experience and new solutions” for development by “opening up to the outside world” (Deng, 1984: 73-75).

Reform Initiatives under Deng

While there was no specific blueprint for the reforms, Deng introduced an incremental approach that came to be known as “Crossing the River by Feeling for the Stones” (*mozhe shitou guohe*). These reforms began with restructuring the agricultural sector and then went on to gradually introduce some flexibility for autonomy in the industrial sector even as the economy was selectively opened up to foreign investment.

1. Agriculture: To begin with, Deng decided to focus his attention on the agricultural and rural sector. The objective was to initiate the steps, which would lead to the de-collectivization of agriculture, dismantle the communes and release the entrepreneurial energies of the peasants. In the assessment of Deng and his supporters, the Commune System - owing to its overarching character - had failed to mitigate rural distress and due to the rigid control of the party apparatus, discouraged experimentation, thus failing to inculcate

technological and management expertise. A Household Responsibility System⁴⁹ was thus adopted in agriculture and a pilot programme was started in Anhui and Sichuan, under the guidance of the Party Secretaries Wan Li and Zhao Ziyang respectively. Based on these experimentations, the system was introduced on a nation-wide basis. “On 1 January 1982, *Document No.1* was adopted as basis for adopting the Household Responsibility System. It was declared that the ‘household responsibility system would be a form of production responsibility system within the socialist collective economy’” (*People’s Daily*, 6 April 1982, as quoted in Fewsmith, 1994: 47). Under the Household Responsibility System, the individual households became the primary unit of the production process.

“Though the State technically owned the land, it was now leased to the peasants on a per capita basis...[T]he length of the land varied, but the government advocated a 15-year lease, believing that the longer the land tenure, the more willing peasants will be able to make long-term capital investments in the land. In leasing out the land to the peasants, the local governments frequently indicates that once every three to five years, adjustments will be made in the amount of the land leased. This is necessary to accommodate the changes in family composition, such as the addition of a daughter-in-law to the family, the birth of a child or the death of a parent...[A]long with farmland, all other farm-related operations, such as collectively owned livestock, vegetable gardens, fruit orchards, pasture-land, fish ponds, and so on, were either leased out to individual families based on an open, competitive bidding system or auctioned off for cash...[S]imilarly, agricultural implements including hand operated tools, farm machinery and draft animals were either sold for profits adding to village coffers or divided up among all residents on a per capita basis” (Huang, 1994: 93-94).

2. Enterprises: China moved forward from Enterprise autonomy in the late 1970s. ‘In contrast to the former socialist countries in Central and Eastern Europe, China did not privatize its state-run enterprises in the first instance. The “justification lay in the Marxist framework of the superiority of socialist ownership of the means of production....[D]ue to the fact that rapid privatization of the government enterprises would not only have created an immense call on financial resources to modernize plant, facilities and production methods,

⁴⁹ One of Deng’s famous quotes, on the “Two Cats”, was made in reference to the Household Responsibility System, during its experimentation stage within provinces. In fact, the reference was originally made by Liu Bocheng (a native of Kaixian in the Sichuan province, he was the Chief of the general staff corps under the CCP Frontline Committee during the Nanchang Uprising and had served in different capacities in the party). Deng was only repeating it while addressing the seventh plenary session of the Third Central Committee of the Chinese Communist Youth League on 7 July 1962: “Comrade Liu Bocheng often quotes a Sichuan proverb - it doesn’t matter if it is a yellow cat or a black cat, as long as it catches mice” (Deng, 1962: 318).

but would also have triggered a steep increase in urban unemployment” (Bohnet, 1997: 245). The “role of the market in guiding output and motivating producers was to be expanded” (Riskin, 1987: 343). “The post-Mao economic reforms gave managers greater independence in running their enterprises, the ability to retain more financial resources and decide on their use, and more responsibility for their enterprises’ profitability. There was an increase in the operational autonomy of State Enterprises” (Harding, 1987: 113). Since 1984, the Enterprises have been granted greater power over the production, pricing and distribution of above-quota or non-planned output and over the hiring, promotion, remuneration and dismissal of their workers. The “stress was increasingly on the role of Centralized Economic Planning and the role of Profit as the criteria for judging an enterprise’s economic performance and for raising output and productivity. Profits were not made the sole purpose of the enterprise, but they were viewed as the most comprehensive and important index of performance. Though there were eight mandated targets the enterprises had to meet, the chief incentive was the profit target” (Andors, 1980: 51). The “Enterprises also had the right to retain and utilize part of their own profits”, and were permitted “to keep a percentage of their profits for investment, for welfare benefits and for reserves” (Ellman, 1986: 433).

While the “state continues to retain control over the ownership of industrial and commercial enterprises, it makes arrangements to lease or contract the operation of these enterprises. The leasing system which began in 1982 was something where the lessee pays taxes and rent for the use of the shop or parts of the factory, but, as in the West, after the payment of a specified amount, the lessee keeps what is earned - or absorbs the losses if the enterprise fails. The lessee can be an individual, family or cooperative group. The lessee arrangement was used primarily for small, often failing enterprises...[T]he Contract system was for large and medium sized State Enterprises” (Goldman and Goldman, 1988: 556-557).

“While the Enterprise managers came to occupy a subordinate status within the enterprises in the Maoist era, even the ushering in of reforms did not in real terms give great amount of autonomy to the factory them as they were under the supervision of the Enterprise Party Committee” (Harding, 1987). However, this was subsequently weakened in later years and genuine efforts were undertaken to grant autonomy to the enterprise managers. This must also be seen in the context of the assertions of Deng wherein he believed that delegation of power must not come with hidden strings and decentralization meant that real authority also had to be given to the Enterprises to take decisions as well as implement them. Thus, the “enterprise manager, not the party committee, was to be the decision-maker and the one answerable to

the state. The Party Committee continued to implement general principles and carry out ideological and political education, but enterprise manager/director was to direct production, recruit personnel and manage the enterprise. The idea was to separate ownership from management” (Goldman and Goldman, 1988: 557). The “enterprises were given the right to recruit, promote, demote both cadres and workers as well as the power to sack workers on disciplinary grounds, and to determine their pay and incentive systems” (As quoted in Ellman, 1986: 433). Furthermore,

“[I]n 1981, there was the ‘policy of moving closer towards ‘economic responsibility systems, which was analogous to the responsibility system in the agricultural sector, whereupon there was a contract between Enterprise and relevant State body stipulating the enterprise’s responsibility for its profit and loss and for payment system within enterprises...[Six] tasks thus formulated were to reorganize enterprises’ top management bodies, strengthen economic responsibility systems, consolidate basic management work by practising overall economic accounting and quality management, strengthen labour discipline, strengthen democratic management, and strengthen financial and economic discipline” (Ellman, 1986: 435).

There existed “Workers’ Congresses consisting of elected representatives of the employees of an enterprise whose main powers were 1) to scrutinize the production plan and budget drawn by the director; 2) to discuss and decide on the use of the enterprise’s funds for work safety, welfare (including housing allocation) and bonuses; 3) to decide about any proposed changes in the structure of management, the payment system or training; 4) to supervise leading cadres, reporting on them to higher authorities as necessary; and 5) to arrange the elections of leading cadres” (Ellman, 1986: 436). It is also important to mention that “while private ownership was most common in retail and service enterprises, it expanded in the mid-1980s to include manufacturing and transportation, with some enterprises employing over 100 workers, and in the lower Yangtze region, as many as 1,000 workers. In 1986, while private enterprises accounted for only 16 percent of total sales, they constituted over 80 per cent of the total number of commercial and service entities” (Goldman and Goldman, 1988: 558). “After obtaining a constitutional guarantee in 1988, this non-state sector was to become the real engine of the Chinese economy, and has also overtaken the State-owned sector in terms of value of its output” (Bohnet, 1997: 245).

3. Opening up of the Economy and its Integration with the World Economy: In contrast to the autarkic development advocated in the Maoist era, the Deng period saw much more

openness in adopting methods that brought the economy closer to the outside world, especially with that of the capitalist (and liberal) Western countries. There was a significant emphasis on attracting FDI in the country so as to bring in “advanced technology, and market export products” (Harding, 1987: 132-133). Joint Ventures (JVs) were promoted as the flagship for foreign investment projects. “As soon as joint ventures were approved in China, there was an immediate response from within the country as well as from without. In 1980, there were two JVs; but by mid-1987 the number had grown to over 7, 800 Sino-foreign JVs” (*Beijing Review*, 6 July 1987, p. 25, as quoted in Goldman and Goldman, 1988: 564). It is also important to note that “80 percent of the Chinese JVs are with Hong Kong and overseas Chinese who want to help their motherland modernize as well as help themselves” (Goldman and Goldman, 1988: 564). “Well known areas for Foreign Direct Investment were luxury hotels, glass manufacture, coal mines and offshore oil drilling” (Ellman, 1986: 431).

Special Economic Zones (SEZs) formed a critical part of the PRC’s Open Door policy. This experiment was a Chinese innovation, and it was later adopted in many other parts of the globe, especially in the developing countries. These were “experiments to attract foreign investment and put into practice a variety of production arrangements...In March 1979, four SEZs were established. They were Shenzhen (across the border from Hong Kong), Zhuhai (across the border from Macau), Shantou (in Guangdong province) and Xiamen (in Fujian province). The most successful SEZ was Shenzhen, having attracted about 60 percent of all foreign investment in 1979-84 and about half of all foreign investment in China over the same period” (Ibid). “They were similar to the export processing zones in Taiwan, South Korea and other developing countries in 1960s and 1970s...[I]n these areas, the government would build a modern physical infrastructure, provide a well-trained labour force, and offer preferential tax rates, exemptions and holidays” (Harding, 1987: 164). These SEZs were

“laboratories in which new management techniques and economic policies could be tested before being adopted in China; filters that could screen out those aspects of foreign technology and culture that were not considered appropriate for Chinese needs; and lubricants to facilitate the reunifications with Hong Kong, Macau and even Taiwan...SEZs were to serve as mechanisms for the introduction, study and absorption of technology in a wider range of industries. The zones were to be centres of services, agricultural processing and tourism as well as manufacturing; and these areas were designated to absorb advanced technology for capital - and technology -intensive industries” (Ibid).

Along with all these, foreign credit was an important feature in the reform era. Increasingly, China was warming itself to the international financial institutions, and the International Monetary Fund, Asian Development Bank and World Bank, along with negotiations for GATT.⁵⁰

Impact of the Reforms and the Tiananmen Incident

The rapidity of the market reforms also meant that there were diverse and complex challenges that emerged in the process. As Richard Baum has aptly described,

“...[f]reed from some of its traditional central planning constraints, the Chinese economy began to lurch out of control toward the end of 1987. The main problems were: spiraling wage-price inflation, surging consumer demand, over-investment in capital construction, rampant commercial speculation, and official profiteering. With many enterprises granting unauthorized wage and bonus increases to workers, large quantities of money were being pumped into an already overheated economy. As consumer demand rose, output and prices also soared for certain luxury goods, such as automatic washing machines, colour televisions, refrigerators, and stereo sets.” (Baum, 1994: 224).

Despite the “central government’s repeated efforts to limit wasteful, redundant, or non-essential new investment and construction, a rapid expansion of commercial credits and bank loans at the provincial and local levels, made possible by the fiscal decentralization measures in the early 1980s and spurred on by expansion-minded, revenue-hungry local governments, caused the nation’s money supply to grow at twice the rate of economic output” (*Wenwei Po*, 5 June 1988, as quoted in Baum, 1994: 224). “Food prices on urban markets, continued their upward march, forcing the government to reintroduce rationing of pork, eggs and sugar” (*Inside China Mainland*, 1988, 12-18, as quoted in Baum, 1994: 224). It is against this backdrop, that the “students in Peking University (*Beida*) started demonstrations in April 1988, first on campus and then onto the Tiananmen Square, over rising living costs, meager student stipends, and inadequate education budget by the government” (Baum, 1994: 227). Further on, with the rise in inflation and implementation of enterprise reforms, problems also emerged in the arena of labour relations over lay-offs of redundant workers. There was also urban discontent simmering “over government’s plan to decontrol rents for urban dwellers and privatize housing, which would force families to pay a larger share of their household

⁵⁰ The GATT later became WTO, which China joined formally in 2001 after lengthy negotiations.

income for rent at a time, when food prices were also rising” (*Beijing Review*, 14-20 November, 1988, as quoted in Richard Baum, 1994: 228). Along with all this, lavish praise for modern Western technology, institutions and values was also emanating within the country. The popularity of the documentary, “River Elegy” (*Heshang*) is illustrative in this regard.⁵¹ Amidst all this, the CPC was witnessing factional schisms and disagreements between Zhao Ziyang and Li Peng, over the way ahead for the economy. While “Zhao was in favour of more radical economic decentralization and structural reform of state enterprises, Li favoured a gradual policy of balanced reform, slow growth and centralized economic authority” (Baum, 1994: 233). Criticized on multiple party forums in 1988-89 for the state of the economy, Zhao’s political fortunes descended, while those of Li arose. To reverse this slide, Zhao’s supporters like economists Chen Yizi and Wu Jiaying, advocated for “the wholesale dismantling of bureaucratic apparatus of the command economy and privatization of the state-owned industrial and commercial property. In order to make this clean break, strong political leadership was required that could overcome the powerful bureaucratic vested interests and make way for genuine market reforms” (Wu, 16 January 1989, as quoted in Ma, 1990: 13-14). The opposing camp stood firmly against this and applied counter-pressure to bring about a change in the leadership. All these issues set the ground for the “Beijing Spring” that began in April 1989 (coinciding with the mourning over the death of the former CPC General Secretary Hu Yaobang on 15 April 1989), and culminating in the Tiananmen Incident on 4 June 1989.

The Tiananmen Incident and the State Responses

The year 1989 has been a watershed in the analysis of the reform period under Deng Xiaoping. The forceful crackdown by the party-state on the protestors – majority of them students - in the Tiananmen Square was the culmination of a series of issues and events that had reached boiling point. Apart from the discontent over inflation and slowing down of the economy after the initial phases of reform, the factional struggles within the CPC also found its reflection in the events leading upto 4 June 1989. Hu Yaobang, who was made the Chief

⁵¹ The six-part documentary, “River Elegy” metaphorically used the slow-moving, heavily silted waters of the Yellow River – known as *China’s Sorrow* – “to represent the unbroken cultural continuity and conservatism of Chinese civilization. The image of a stagnant, meandering Yellow river, symbolized the isolationism and xenophobia of the Middle Kingdom. Painting a grim picture of the enervating long-term effects of China’s insular traditions and atavistic values, the makers of the documentary were openly critical of the dogmatic chauvinism inherent in classical Confucianism and revolutionary Maoism alike” (Barme, 1988: 40-43, as quoted in Baum, 1994: 231-232).

Secretary in 1978 – and later became the General Secretary in 1982 – in his speech at the Sixth Plenum of the Twelfth Central Committee of CPC in September 1986, “proposed the “theory of one center and three unshakables”. The essence of Hu’s draft proposal was to regard economic construction as the central core of all work, while “unshakably” carrying out structural reform of the economic and political systems and building a spiritual civilization. Also emphasized in Hu’s speech were the importance of expanding creative freedom for intellectuals and pursuing a high degree of political democratization as a goal, and not merely an instrument, of reform” (Ruan, 1991, as quoted in Baum, 1994: 198). Hu’s words struck a chord with the university students in China who were seeking transparency in and political reform from the party leadership to ensure transparency and end corruption. They amplified their ongoing protests in 1985-86 on campus level issues like the need for better quality of food and living conditions, and rising tuition fees, by including demands for electoral democracy. In the eyes of the party leadership, which included Wang Zhen, Peng Zhen, Hu Qiaomu, Bo Yibo and Deng Liqun, Hu had exceeded his brief as General Secretary and needed to be penalized. After consultations with Deng Xiaoping, Hu Yaobang was forced to resign from his position as General Secretary in January 1987.

However, Hu’s resignation refused to quell the issues of political reform, which continue to simmer among students and intellectuals. Hu’s death on April 15, 1989 and the mourning period thereafter, became the rallying point for them, as several hundreds from various universities in Beijing, assembled in Tiananmen Square and presented their “charter of demands to the NPC Standing Committee. The demands included a “correct evaluation” of the merits and demerits of Hu Yaobang, publication of salaries and income sources of all top party and government leaders and their offspring, new legislation promoting freedom of the press and public expression, and increased stipends, salaries and budgets for students, teachers and education programs” (*Chinese Law and Government*, 1990: 17-18, as quoted in Baum, 1994: 247). However, the leadership refused to accede to their demands. The students, with support from intellectuals and sections of the working class, set up non-official, autonomous associations and federations. Massive demonstrations took place in various university campuses, in Shanghai, Nanjing, Wuhan, Xian, Changchun and Dalian, while Peking University (*Beida*) in the national capital was the nerve-centre for all the activities. “By May 1989, the students’ basic demands had been reduced to the re-evaluation of Hu Yaobang and government recognition of the Beijing Students’ Autonomous Federation

(which was formed on 26 April 1989)...However, these basic student concerns were conflated with a number of other demands raised by non-student groups like intellectuals (to reassess bourgeois liberalization), workers (to make public salaries and benefits of top party and government leaders and their offspring) and journalists (enhanced freedom of the press)...With the students and non-students alike pursuing a multiplicity of diverse, often shifting agendas, it became difficult to formulate a coherent strategy within the movement, and for the concerned party leaders like Zhao Ziyang to respond effectively” (Baum, 1994: 254). With matters reaching a point of no return, the visit of Mikhail Gorbachev to Beijing on 15-18 May 1989, made the protestors escalate their confrontation with the government in knowledge of widespread media attention, and started massive hunger strikes. Things soon reached a point of no return, with the protestors refusing to climb down from their demands. The government imposed martial law in eight districts of Beijing and set for the final crackdown on the Tiananmen Square on 4 June 1989.⁵²

While initial years following 4 June 1989 saw some tempering of the growth model (which was essentially the leadership assessing the situation and giving some time before moving further ahead), it is debatable whether there was any substantive change in the nature and ideological underpinnings of the reforms, as was indicated during the visit of Deng Xiaoping to the southern provinces in 1992. Foreign investment and encouragement of private entrepreneurship continued to be greatly encouraged and in 1993 at the Third Plenum of the 14th Central Committee of the CPC, the concept of “Socialist Market Economy” was firmly established (*Beijing Review*, 22 November 1993). The dual-track approach – in terms of a strong role by both the state and market - with the former guiding the latter - was formalized.

⁵² For detailed accounts on the forceful crackdown in Tiananmen on 4 June 1989, and analysis of the various factors behind its build-up, see: Brook, Timothy (1992), *Quelling the People: The Military Suppression of the Beijing Democracy Movement*, Oxford: Oxford University Press; Deshpande, G.P. (1989), “Cats Killing Mice”, *Economic and Political Weekly*, Vol. 24, No. 25, 24 June 1989: 1371-1372; Lim, Louisa (2014), *The People's Republic of Amnesia: Tiananmen Revisited*, New York: Oxford University Press; Munro, Robin (1990), “Remembering Tiananmen Square: Who Died in Beijing, and Why?”, *The Nation*, 11 June 1990; Ogden, Suzanne, Kathleen Hartford, Lawrence Sullivan and David Zweig (eds.) (1992), *China's Search for Democracy: The Student and the Mass Movement of 1989*, New York: M. E. Sharpe; Saich, Tony (ed.) (1990), *The Chinese People's Movement: Perspectives on Spring 1989*, New York: M.E. Sharpe.

State and Welfare in the Deng (post-Mao) period

The economic reforms in the post-Mao period had a comprehensive impact on the policy framework of the central government in various sectors, including the Social Welfare. Economic liberalization and introduction of the market mechanism meant that enterprises had to now look towards alternative measures to augment their resources, productivity and work towards promoting further economic growth and development. This had begun to strain the concept of “everybody eating from the same communal pot”, since it constituted a burden on the efficiency and vitality of the enterprises. In like manner, the phenomenon of the “Iron Rice Bowl” - wherein each person was equally rewarded, irrespective of her/his contribution and performance - was seen as hindering the pace of growth and not aligned to the demands of market reforms. It was “marked by restricted labour mobility or a stagnant work force, hidden unemployment, low work incentives and reduced productivity” (*Beijing Review*, 24-30 October 1988, p. 25, as quoted in Leung and Nann, 1995: 64). It was seen as unsuited to the development of emerging market economic forces. “The argument was that the fixed-job system was unfavourable to the improvement of productivity, as the enterprises had no authority to select their own workers, both in terms of quality and quantity, according to their production requirements; people that the enterprises needed could not get in and those that the enterprises did not, could not be put out” (As quoted in Zheng, 1986: 209). Deng and the reform coalition within the CPC were of the view that it was necessary to move away from the restrictions of the “Iron Rice Bowl”, in the process of restructuring the enterprises. This would also necessitate a change in the welfare and pension systems. There was a drastic cut in the welfare budgets of the enterprises and employees – however, this was sought to be tackled by bringing in other agencies to take on some of the responsibilities (this shall be discussed later in this chapter)

Many “new laws on recruitments, dismissal, contract employment and bankruptcy were promulgated, to facilitate labour mobility and work incentives” (these have been discussed in detail later in this chapter, under the sub-heading Employment-based Welfare and Social Security). These moves “represented a shift from the model of full state responsibility and obligation in welfare” (As quoted in Li, 1999: 94).

The State and the Rise of the ‘Market’ Forces

The rise of the market and its impact on social welfare was significant. In formulating the economic reforms, which were adopted in the aftermath of the Third Plenum of the 11th Central Committee in December 1978, the Deng administration was considerably influenced by the model in East Europe, especially Hungary. Guided by the Market Socialist model initially proposed by economist Oskar Lange, and later propounded by Włodzimierz Brus of Poland, E.D.Kaganov of USSR and Ota Šik⁵³ of former Czechoslovakia, the overall approach was to relax the tight controls of the command economy system and bring the market forces into play.

Learning from the East European Experiences

The Market Socialism model in East Europe was built over the Stalinist model of Command Planning of the Socialist countries, in the late 1950s and early 1960s. It emerged in response to bottlenecks like increased bureaucratic control, insufficient information on production capacities in industries, lack of innovation and incentives, and inherent dangers of corruption. A “market socialist economy eliminated or greatly restricted the private ownership of the means of production, substituting for private ownership some form of state or worker ownership. It retained the market as the mechanism for coordinating most of the economy, although there were usually restrictions placed on the market in excess of what was typical under capitalism. It may or may not replace wage labour with workplace democracy, wherein workers got, not a contracted wage, but specified shares of an enterprise’s net proceeds” (Schweickart, 1998: 10). Four main points by advocates of market socialism are:

- “The market should not be identified with capitalism.
- Central Planning was deeply flawed as an economic mechanism.
- There existed no viable, desirable socialist alternative to market socialism, thus meaning that market was an essential mechanism for organizing a viable economy under conditions of scarcity.

⁵³ Ota Šik was an economist and political leader in former Czechoslovakia. He was a firm proponent of the model of Market Socialism.

- Some forms of market socialism were economically viable and vastly preferable to capitalism.”

(Ibid)

The “economic reforms in Eastern Europe were a series of different attempts to steer out of a planning system which tried, albeit without great success, to control all details of economic activity” (Hussain, 1983: 92). In fact, Włodzimierz Brus, the Polish economist had pointed out that “while the planning centre had also in the future to decide upon net investments for reasons of growth, structure, stability and employment, it could and should be “freed” from the day-to-day management of the economy. The centre should concentrate on what only it could do; the enterprises would decide upon their day-to-day operations on the basis of profit-oriented market criteria. This was to be planned economy with a built-in market mechanism” (Brus, 1975, as quoted in Sutela, 1990: 62). There was “an incessant re-patterning of the governmental organs and redistribution of the responsibilities between them, which was a permanent feature among socialist economies” (Hussain, 1983: 96). There was also a change in the status of enterprises in East Europe, with “massive mergers” and “creation of conglomerations” (Hussain, 1983: 98). “Side by side with state enterprises, there existed cooperatives in agriculture and in the service sector....[A] number of East European countries also overcame the aversion to joint marketing and production agreements between enterprises and capitalist firms” (Hussain, 1983: 103). In certain sectors, Foreign Direct Investment (FDI) was also allowed. Thus, market forces were increasingly brought into play and great attention was given to raise the material well-being of the people. In the later stages, the “East European economic reforms were in a process of transition towards a mixed market economy with a dominant non-state sector, market pricing and freedom of entry and exit for foreign capital” (Sutela, 1990: 63). The state was an important factor in the reform process, thus leading to a strong linkage between politics and economics in the entire exercise. This led to the assessment that “a strong state was flexible and responsive to changing circumstances in a way that could enlist the cooperation of the populace” (Miller, 1996: 77). In the Soviet Union after the death of Stalin, there was a paradigmatic change in the approach for the economic development, thus leading to the economic revival through reforms. “In 1957, Nikita Khrushchev sought to shift the administration of the national economy from the central government and central departments to regional government...[I]n 1965, the Soviets led by Aleksey Kosygin – who succeeded Khrushchev as Premier - initiated new reforms featuring

the easing of planning control, expansion of enterprise autonomy, and the systematic introduction of economic accounting” (Wu, 2005: 21). But these could not prevent “Soviet economy sliding into fifteen years of stagnancy in the early 1970s due to the intrinsic defects of the planned economic system” (Wu, 2005: 23). Later Gorbachev assuming office in 1985, put forward his formulations of *Glasnost and Perestroika* to add new energy to the economy and rekindle the sagging spirits.⁵⁴

While the Chinese drew inspiration from East Europe in general, they were mainly influenced by the reforms in Hungary. Under leadership of Janos Kadar, a senior communist leader, Hungary launched the New Economic Mechanism (NEM) reform on January 1, 1968. Since the revolution of 1956, Hungary was undergoing some sort of transition during which,

“pioneering personal mechanisms were introduced whereby production and marketing by private, collective and state farms became integrated as well as the collective and state farms were gradually permitted to set up entrepreneurial ventures in industry, construction and the services...[D]uring the late 1950s and early 1960s, many industrial enterprises were merged and large trusts established to improve the functioning of the traditional centrally planned system. These large units were given additional powers to make decisions, thereby leading to the implementation of limited administrative decentralization without changing the planning mechanism’ (Marer, 1989: 53).

Under the NEM concept, “central planning was not abandoned, but its scope was to be reduced and its instruments changed...[D]irect planning in the micro sphere was to be limited to investments in infrastructure, larger investments in high priority sectors, the administrative regulation of defence industries, the supervision of domestic supply responsibilities for key products such as consumer goods, and the fulfillment of CMEA trade obligations. To fulfill macro objectives, the centre had to rely on a combination of market forces and government adjusted economic indicators like prices, exchange rates, interest rates, taxes and subsidies. The uniform application of the regulators was to be achieved gradually over a period of five to ten years” (Marer, 1989: 54).

⁵⁴ But these reforms proved to be too radical, as the massive USSR collapsed leading to the formation of different independent republics. The collapse of the Soviet Union was widely projected in the west as marking the end of the Cold War.

“The NEM proposed an ‘open character to the plans, with the plan targets being given as ranges and this could be revised during implementation. Instead of compulsory plan directives to enterprises, firms were to formulate their own plans in the context of the national economic plan and the regulators they faced and discuss them with their superiors, but the plan fulfillment was not necessary. Enterprises became more profit-oriented. Current production decisions by enterprise management became more flexible. Managements were told to maximize profits, but controls remained in many areas, such as price and wage determination, foreign trade, and investments...[I]n sum, the reforms devolved to enterprise managers, many decisions regarding inputs and outputs and some decisions concerning personal compensation and investments” (Marer, 1989: 54-55).

The principal reforms involved changes in the price system, in the wage system and in the regulation of enterprise income. The country also invigorated the market forces, under the rubric of the central plan. The policy makers were very clear in their analysis on the need to employ market-type instruments to guide enterprises, thus displaying their unwillingness to effect a radical break with the past, leading to non-relinquishing of central planning.

The economic transition towards market reforms presented significant challenges of dismantling existing structures and reducing entitlements for some groups while extending provisions to others. “Efficiency replaced equality or egalitarianism as the primary goal of social distribution”, with the “use of bonuses and piece rates”, “tolerance of unemployment and bankruptcies”, “cost containment in social security”, and the “fostering of markets in areas like labour, housing, health and education” (Wong, 2001: 41). The need to sustain social stability was one of the key tasks of social policy. It is in this context, that Sarah Cook has employed the term “safety nets” in examining the functions of social welfare since the late 1990s. “Social safety net (*shehui anquan wang*) is used to refer to the public provision of a minimum level of entitlement to social support or assistance, generally concerned with the maintenance of immediate consumption. It usually refers to state or local government provision, in particular relief for those who fall outside the formal systems of social security and insurance” (Cook, 2002: 620).

Diversification of Sources of Funding for Welfare in the PRC

The resultant and gradual expansion of the agencies involved in administration and financing, in health, education, housing and welfare have been characterized by Linda Wong as, “socializing social welfare” (As quoted in Wong, 2001: 41). “Socializing social welfare”

referred to all activities aimed at meeting the urgent needs and solving the more serious problems of the masses in their daily life, through mobilization of people's power and community resources. It implied that social welfare needed to be "by the community, with the community and for the community", wherein the role of the government was to give all possible encouragement and support (Mok and Liu, 1999: 145). The economic reform paved the way for welfare innovations and flexibility in the system of administrative control. "The shift from "welfare by enterprises" (*quban fuli*) to "welfare by society" (*shehui ban fuli*) earmarked a relaxation of state monopoly on welfare provision towards shared responsibility and community care" (Chan and Chow, 1992: 71).

There were also changes in urban enterprises' organization and management in the enterprises with regard to social welfare policies. As discussed earlier, reforms in the industrial sector had focussed on imparting greater decision-making autonomy to the enterprises, in the matter of their operations, staffing and remuneration. There was also a "devolution of responsibilities taking place both in the funding and administration of welfare. The devolution of the funding of welfare services was a consequence of the economic and fiscal decentralization initiated in the late 1970s. Because of these reforms, central government's share of GNP declined drastically and deficits accrued. A Joint Circular in 1985 by the central government, rendered local authorities responsible for the financing of welfare services" (Rutten, 2010: 7). The intent of the central government was to limit its role to that of regulator and supervisor. Within this larger aspect of devolution, instead of using direct intervention, individual efforts were encouraged by the state, in a bid to reduce the dependency on state agency.

The aspect of funding is a very critical component in the study of social welfare. The two major sources of welfare funds were "state allocations and collective funding - with the former coming from the central and local governments and the latter from incomes of rural governments (communes, brigades and teams) and urban neighbourhoods" (As cited in Wong, 1990: 26). While prior to 1978-79, the "share of welfare funds was about 1.6%, it only marginally increased to 1.67% between 1979-1991. Further on, the increase in insurance and welfare bill for urban workers – from 7.8 billion in 1978 to 109.5 billion in 1991 - and diminishing fiscal powers of the central government as a result of the policy of fiscal decentralization introduced in 1980, led to pressures on the central treasury" (Ibid). Consequently, in addition to the funds allocated by the different levels of administration, "the

policy of using “multiple levels, multiple channels and multiple means” (*duo cengci, duo qudao, du xinshi*) of financing were adopted:

Multiple levels meant both vertical tiers (central government, province, county/city, *xiangzhen*/street organizations, villager/resident committees) and horizontal sectors (state, collectives, groups and individuals) in the welfare nexus. Multiple channels refer to diverse sources of funding, including, *inter alia*, funds allocated by different levels of administration, retained profits from *xiangzhen* (township and village) and neighbourhood enterprises, levies and contributions from the people, donations, income generation by service units, welfare funds, and other sources. Finally, multiple means denote various methods of raising income, for instance fee charging, running businesses, holding auctions and performances for charity, selling welfare lotteries, creating designated funds, and so on” (*Gaige kaifang zhong de Zhongguo shehui fuli: Guangdongsheng zhuanji*, 1989, as quoted in Wong, 1994: 316-317).

While user fees were introduced in institutions like hospitals, community homes and old age homes, these institutions also initiated entrepreneurial/business activities, ranging from selling home-grown vegetables, flowers, fish and chicken, to running holiday resorts and restaurants.

The various initiatives of state financing were:

- “Control was loosened over the use that could be made of disaster relief funding. While earlier such money could only be spent as grants to disaster victims, later the government diverted some of the funds as loans to help poor households start a business or create employment projects. Known as *fupin*, “dead money” (grants) was converted to “live money” (loans) when families made repayments that could be used to help others, thus aiding in lifting people out of poverty.
- The government popularized the use of the contract responsibility system in disaster relief budgeting. This meant that local areas that participated in this scheme had to manage their budgets within pre-set agreed-upon limits, whereby the localities kept the unspent portion, but had to give up the right to ask for extra money except under extreme circumstances.
- Another significant aspect was the Ministry of Civil Affairs and Ministry of Finance *Joint Circular Regarding Adjustment to Preferential Treatment and Relief Standards*, whereby local autonomy was granted in standard-setting and financing, with the

central government only concerned with statutory grants to martyrs, disabled soldiers and incapacitated veterans in institutions. This further underscored a hands-off approach by the central government.

- Apart from the central and collective financing, the government also moved to exploit new sources of funds. Under this scenario, welfare home and enterprises run by state and neighbourhood facilities were asked to engage actively in income generation. Through wider fee-charging and profit-making activities, greater self-sufficiency was promoted that resulted in improved services, bonuses for staff and better amenities. This resulted in self-financed access to social welfare homes and healthcare by early 1990s that was largely unequal.⁵⁵
- Various entrepreneurship practices were also encouraged by the government among agencies, varying from modest ventures such as selling home-grown vegetables, flowers, fish and chickens to ambitious undertakings like running factories, holiday resorts and restaurants. It was estimated that the state-run homes earned 77.4 million yuan from such pursuits in 1991.
- Another innovative step was the introduction of welfare lotteries in 1987 by the Ministry of Civil Affairs, whose earnings were to be divided, with 35% for the prize pool, 15% for administrative purposes and 50% for a welfare fund. In fact, by 1992, the authorities had sold a billion yuan worth of lottery tickets and had generated 300 million yuan for welfare projects.
- Another source of welfare financing was through the money going into designated funds: subscriptions for rural pension funds, funds for the relief of poverty and disasters, social security and so on.”

(As quoted in Wong, 1994: 317-320)

Thus, even though the “role of the state in financing welfare” was still important, but an equally significant element was “the drive towards self-sufficiency” (Wong, 1994: 321). The economic reforms, which initiated among other things, greater role of market forces, reduced the direct responsibility of the state in welfare provisioning and brought an end to the “cradle

⁵⁵ Inequities resulting from this withdrawal of the state will be discussed in Chapter Four.

to grave” framework of the Maoist period. While this had imparted a sense of security in people’s minds, ensuring their unstinted contribution to production processes, it had also developed a sense of entitlement in so far as social welfare and benefits were concerned. This has been analyzed as “an explicit social contract between people and the party-state: support for its legitimacy or mandate to rule in return for social security, welfare and services” (Croll, 1999: 685).⁵⁶ The rapid pace of market reforms and the withdrawal of the state led to an increasing sense of insecurity among China’s citizens. To address their concerns, the social security and welfare system had to be substantive and comprehensive in coverage.

Social Welfare in Urban Areas

Since 1949, the PRC’s social welfare policies were largely urban centric, with priority accorded to the workers and employees in State-Owned Enterprises, thus leading to the creation of a certain privileged class. The focus on the urban – and industrial - sector continued in the post-Mao period as well. Urbanization was a key policy objective of both the central and local governments.⁵⁷ Infrastructure, development and flow of FDI that followed in the wake of the economic reforms, further augmented this process. Thus, the larger orientation towards making urban centres as the bridgehead of economic growth, had become explicit in the policy measures and governance. The policies promoting urbanization were also found to influence the approach to social welfare, against the backdrop of the pursuit of high economic growth and development.

Prior to 1978, the State’s urbanization policies were shaped by the following objectives: “to control the growth of cities; to restrict growth within smaller urban places; and to shift urban development from the eastern coast to the less developed interior regions” (Yeh and Xu,

⁵⁶ Elizabeth Croll points out that through the 1990s, the role of *guanxi* or dyadic inter-personal exchange relations based on mutual expectation and obligation was extended as a concept of reciprocity between the individual and the state. In fact, she argued that such a contractual relationship, based on the state’s obligation to provide welfare, had become one of the main measures to rate the performance of the party cadre, which extended to the aspect of political legitimacy or mandate to rule. Thus, the state not only had to meet the obligations and expectations as mapped out in the previous welfare regime before reforms, but also had to strive to establish a new system of social welfare according to the changing economic and demographic conditions in the country.

⁵⁷ For the strategies of urbanization in China, post 1978 economic reforms, see: Jae, Ho Chung (1999), *Cities in Post-Mao China: Recipes for Economic Development in the Reform Era*, New York: Routledge; Logan, John (ed.) (2011), *The New Chinese City: Globalization and Market Reform*, Oxford: Blackwell Publishers; Wu, Fulong, Jiang Xu and Anthony Gar-On Yeh (2007), *Urban Development in Post-Mao China: State, Market and Space*, New York: Routledge.

1990, as quoted in Leung and Nann, 1995: 83). The *Hukou* system of household registration had effectively controlled the flow of rural migrants into the city. However, things started to change in the 1980s, “with relaxation of residential mobility”, leading to more migrant flows into the cities. In an effort to “reduce population flows in cities, the growth of towns and rural industries were encouraged” so as “to absorb surplus labour and keep them from moving into cities” (Gao, 1992, as quoted in Leung and Nann, 1995: 83).

Urban welfare reform was deemed by the authorities to be in greater need of reform, as the protection afforded by life-time employment and work-based benefits tied workers to their employers, leading to immobility between jobs and occupations. The bills for “pensions, healthcare, housing and other collective amenities were burdening the state enterprises”, and their chances for competing with the private enterprises⁵⁸ were affected. “The state was faced with twin challenges: major economic reforms, which often entailed restructuring of the enterprises had to go in tandem with high growth even as social security and social welfare benefits had to be continued so as to fulfill workers’ needs and enthusiasm/commitment”. The post-Mao leadership thus sought to ensure that “social welfare and social policies were aligned to the larger economic goals” (Wong, 1994: 325).

Welfare Provisioning

The Ministry of Civil Affairs⁵⁹, in its *Eighth Five-Year Plan 1986-1990*, envisaged an expansion and transformation in the area of welfare services.

“The mode of welfare provision would change from state monopoly to joint involvement by the government and local communities. To improve standards of care, residential care would change its nature from being a venue for relief (*jiuji xing*) to a place that provides welfare (*fuli xing*). The service orientation would progress from material support (*gongyang xing*) to integration of physical care and rehabilitation (*gongyang yu kangfu xiang jiehe*). Programme development had to be well-planned and coordinated, with large and medium-size cities

⁵⁸ These were not private in the manner of those in the advanced capitalist countries. While these are not State-Owned, they were under the ownership of Collectives, or Township and Village Enterprises.

⁵⁹ In March 1998, the Ministry of Labour and Social Security was established directly under the State Council to oversee and administer social security and welfare measures for the workers mainly related to labour force management, labour relationship readjustment, various items of social insurance management and legal construction of labour and social security. This was rechristened as Ministry of Human Resources and Social Security in 2008 after its merger with Ministry of Personnel). For further information, see: URL: http://english.gov.cn/state_council/2014/09/09/content_281474986284102.htm, Accessed 18 October 2014.

needing to build model facilities to serve as demonstration projects. Residents would enjoy higher standards of support, and working conditions of the staff would be improved” (Ministry of Civil Affairs, 1986, as quoted in Wong, 1998: 115).

The Ministry of Civil Affairs admitted cases of fee-paying and thereby opened its doors to the public. Thus, the emphasis, as was discussed earlier, was now on “socializing welfare responsibilities” and raising living standards. But rather than the state, the local communities played a bigger part in the funding of and running the various programmes. There was increase in the facilities within the social welfare residential homes, in terms of doubling the capacity of beds and other attached items. “Qualitatively, standards of food and other aspects of the inmates of these homes have also risen significantly, thus leading to the attainment of better living standards” (*Dashiji*, 1988: 738, as quoted in Wong, 1998: 116). Linda Wong rightfully assesses that compared to larger cities and urban centres that had enhanced municipal amenities, the “smaller cities and county-seats had weaknesses like low ratio of professionally trained staff, and general lack of programmed facilities”, primarily due to lack of motivation. This had led to many of the welfare centres being “forced to hire helpers from the countryside, very often poorly educated village women without the faintest professional service mindset. The meagre budgets resulting from lack of proper resources had led to many such centres and homes turning into income generation, which adversely affected the care tasks” (Wong, 1998: 117).

Welfare for the Disabled

The nature of social welfare enterprises underwent changes in the 1980s, whereby they repositioned themselves from being centres of employment creation and providing incomes for the disabled, to becoming an important source of income. The Ministry of Finance and Ministry of Civil Affairs through a *Joint Circular on Payment of Income Tax by Welfare Production Enterprises* in 1980, sought to encourage them by “exempting units employing disabled persons accounting for at least 35 percent of operation staff exempted from income tax; one year exemption in income tax commencing on the first month of operation; and exemption from commercial tax and income tax for units producing prostheses for the disabled” (*Fagui Xuanbian*, 1986: 167-168, as quoted in Linda Wong, 1998: 119). In another circular, Ministry of Finance *Circular Concerning Tax Exemption Matters for Social Welfare Production Enterprises Operated by Civil Affairs Bureaux* in 1984, “concessions were applicable to units run by street and rural collectives: exemption from turnover tax on

incomes earned in labour services, repair and service activities in units with disabled workers amounting to over 35 per cent of the operational workforce; exemption from turnover tax and product tax or value-added tax for units with disabled workers amounting to more than 50 per cent of operational staff. Units employing at least 35 per cent disabled workers could be treated similarly if they encountered deficit or made low profits; exemption from product tax on items made for the use of disabled persons, e.g. prostheses, wheelchairs” (*Fagui Xuanbian*, 1986: 206-207, as quoted in Linda Wong, 1998: 119). The impact was telling as by the end of 1995, welfare production became a significant operation with “some 60,000 units employing a total workforce of 2.2 million, out of which 940,000 were disabled workers” (*China Statistical Yearbook*, 1996: 727, as quoted in Wong, 1998: 120).

Apart from the welfare production, urban relief aid also acquired some importance in 1980s and 1990s. Article 45 of the 1982 Constitution of the PRC recognized the “right of the people to state assistance” to maintain their basic standard of living (*The Constitution of the People’s Republic of China*, 1983: 36-37). However, the financially strapped *danwei* or work-units, were unable to render help to the workers and their dependents. The unemployment insurance and social relief was also lacking in this regard. “With rising unemployment, more employees were unable to receive their pensions and wages, particularly under rampant inflation in the early 1990s” (Leung, 2003: 83). This necessitated the government to “restructure the traditional social assistance programme in 1993, with the aim of extending its coverage, raising the level of benefits and securing financial commitments from the local governments. The targets of the programme included the traditional recipients of social assistance (the “three NOs: those with no source of income, no capacity to work and no family support), families with financial difficulties due to unemployment and unemployed people who were ineligible for unemployment benefits/whose time-limited benefits had been terminated, and pensioners with inadequate income” (As quoted in Leung, 2003: 83). Subsequently, this system was restructured and came to be known “as the *Minimum Living Standard Guarantee System* (*Zuidi shenghuo baozhang xian*). It was a means-tested programme providing assistance to persons with urban household registration status” (Ibid). Leung’s study of this programme inform us that “the assistance line was calculated according to the minimum standard of living, often based on expenditure surveys of low-income households and the financial capacity of the local authority. At a subsistence level, the assistance covered basic food and clothing costs, while taking into account fuel, rental, medical care and tuition

expenses. In some cities, special allowances were provided for widows and orphans. The rates were revised according to the rate of inflation” (Ibid).

The scheme was first introduced in Shanghai, “where the financial assistance was mixed with in-kind assistance, as recipients had vouchers to obtain grain, edible oil and fuel from neighbourhood shops...[B]eing community-based in operation, recipients could make applications to the local street office. The street office cadres carried out investigations, made recommendations for assistance, delivered benefits, kept records and periodically reviewed the situation of the recipients. With the funds allocated from city and district governments, the street office was responsible for delivering the payments to the recipients” (Ibid). However, the issue of financing a common safety net was an extremely challenging one. There were three models of financing in operation, as of 1994-95. These were:

- a) “The Dalian formula, wherein the state entirely took up the funding and notably, the city and district administrations divided up the bill, channeling the money to Civil Affairs departments, which dispensed the relief.
- b) The Fuzhou formula, most commonly followed, was one in which responsibility was fragmented among all stakeholders; for instance, workers who belong to a work unit got relief from their *danwei*, insolvent enterprises got funding from their superintending bureau, social insurance bureaux relieved paid-up subscribers, trade unions helped retired workers, Civil Affairs departments paid for the ‘three no’s’ and so on. In essence, money was collected from all available sources, with each agency taking care of the constituency under its jurisdiction.
- c) The Benxi accumulation model, was a comparatively newer approach, where the municipal treasury injected 2 million yuan to kick-start a relief fund, set up for the purpose in 1995. From 1996 onwards, regular sourcing came from 50 percent of personal income tax, which was augmented by social insurance subscriptions, levies from profitable enterprises and donations from cadres and party members. This model relied on multiple sources of funding like the Fuzhou model.”

(As quoted in Linda Wong, 1998: 125)

In 1997, the State Council recommended the implementation of the *Minimum Living Standard Guarantee System* in all cities by 1999. The “number of recipients soared rapidly,

from only 2 million people in 1997 (average monthly allowance of 48 yuan per person) to 4.16 million people in early 2001 (average monthly allowance of 60 yuan per person)” (*China Internet Information Center*, 14 August 2001, as quoted in Leung, 2003: 83). “Among the recipients, about 80 per cent were unemployed persons, layoffs and retirees. In 1998, to celebrate the 50th anniversary of the establishment of the PRC, benefit levels in all cities were raised by 30 per cent” (Leung, 2003: 83). The 1999 *Regulations on the Minimum Living Standard Guarantee System* prescribed all city governments to include social assistance expenses in city budgets. Thus, it brought about a nation-wide basic protection scheme to poverty-stricken urban residents.

Mutual Aid

Also, at the heart of China’s welfare enterprise was Mutual Aid, which was a very important part of common welfare in urban neighbourhoods. The “urban community services (*shequ fuwu*) under the jurisdiction of the Ministry of Civil Affairs, sprouted rapidly, reaching upto 69,700 welfare offices by 1988. In fact, at the end of 1996, there were 1,27,000 social service facilities and 2,59,000 service outlets offering housework, repair and livelihood services (called convenience services, or *bianmin fuwu*) to local residents” (*China Civil Affairs Statistical Yearbook*, 1997: 172, as quoted in Wong, 2001: 54). A city is divided into administrative districts, under which street offices and residents’ committees are organized. “Street offices, the agency of the District People’s Government, were mandatory in cities with population over 100,000 people, optional in cities with population between 50,000 to 100,000 and not required for cities with population less than 50,000 people” (*Regulations on the Organization of the Street Office*, 1954, as quoted in Leung and Nann, 1995: 84). Street Offices were the lowest level of government in the urban areas in the PRC and had a number of political, social, economic and welfare functions. The *Regulations* describes their welfare functions as generally “rehabilitative and ameliorative”, with facilities ranging from an “elderly home, a welfare factory, a daycare centre for disabled children, a work therapy workshop for mentally disabled people and a service station for martyrs’ families” (Ibid). The absence of a standardized and bureaucratic approach seems to be one of the strengths of the Street Office, though their work is supervised by the corresponding CPC committee at that level.

“The Residents’ Committees⁶⁰ were self-managed, self-educated and self-service mass organizations, which usually represented 100 to 700 households, and having paid staff to carry out day-to-day work. Each Residents’ Committee had at least five working sub-committees, which included one on social welfare. The functions of social welfare carried out by the Residents’ Committees included taking care of the elderly, job placement for the disabled, assistance for families or individuals in financial hardship, care for the retired and demobilized servicemen and help to families of martyrs” (Leung and Nann, 1995: 86).

Other than this, these committees also mediated in local disputes, worked on public security and promoted aid to women. Leung and Nann argued that the major source of financing of urban neighbourhood welfare came from the profits gained by commercial enterprises operated by street offices, which ensured that high priority was placed on the development of profitable enterprises and businesses; in addition, the street offices and resident committees also offered a wide range of practical services as a means of earning income. It is to be noted that due to the limited financial assistance from higher government offices, development of a profitable local economy was crucial in the neighbourhood system.

Central to the Mutual Aid system was the aspect of Philanthropy. Due to the realization that state support alone could not meet the needs adequately, the government clearly gave the signal to tap into donations from society at large. “The establishment of the China Charity Federation (*Zhonghua Cishan Zhonghui*) in 1994 was a significant milestone in harnessing the potential of philanthropy....[D]esigned to be the largest national comprehensive charity organization approved by the Chinese government, the agency styled itself after organizations like United Way in the United States and the Community Chest in Hong Kong” (As cited in Wong, 2001: 55). In the pre-Reform period, since the state had the near total monopoly on resources, such a dimension would have been considered as ‘revisionist’. With the onset of Reforms and ‘Opening Up’ to foreign capital, greater flexibility was displayed in order to promote fund raising. Organizations like the China Disabled Persons Foundation, Amity Foundation and other Hong Kong-based agencies were now embraced by the state, in order to outsource some functions of social welfare from the government’s hands.

⁶⁰ The Residents Committees have been discussed in Chapter One, in the section dealing with Urban Welfare.

Employment-based Welfare and Social Security

Employment-based welfare was the most important component of the newly established PRC's social welfare policy. The *danwei* or the work-units had been central to the “Iron Rice Bowl”, around which the life of employees was organized. The work units functioned as mini-welfare states, guaranteeing people life-time employment and along with it, a host of benefits to the employees and their families. The enterprise management, especially in the SOEs, fulfilled the needs of the workers within the ‘cradle-to-grave’ system, thus not only ensuring life-long job guarantee, but also taking care of their families and dependents. The Maoist state had assumed complete responsibility for social security, built around the *danwei*.

Under Deng Xiaoping, the government initially maintained this employment-based welfare system (primarily in the SOEs, but efforts were also made to implement these measures in the Collective Enterprises and Individual Enterprises).⁶¹ However, the measure did not produce the desired results other than in the SOEs. In fact, the “central government poured more than 80% of the state bank's (People's Bank of China) financial assets into SOEs to encourage growth in the mid-1990s. The CPC tried to maintain the loyalty of urban workers and local managerial elites by channelling huge subsidies into loss-making SOEs. This was important since some 70% of urban households had workers in the state sector” (Hu, 1998, as quoted in Tang and Ngan, 2001: 254).

Problems with the Maoist social security system began to be recognized by the government in the early 1980s, mainly due to “a rise in welfare expenditures, whereby the insurance and welfare fund soared from 7.81 billion yuan in 1978 (14 percent of the total wage bill) to 131 billion yuan in 1992 (33 percent of the total wage bill)” (*China Statistical Yearbook*, 1993: 815, as quoted in Leung and Nann, 1995: 63). The additional costs of housing and medical care of the employees, apart from the expenditure on pensions were seriously burdening the enterprises. New policies aimed at differentiating workers on the basis of their labour-inputs by bringing in incentives and bonuses for those who produced more, were devised ostensibly to boost the creativity of the workers, encourage competition and bring about labour mobility. It also provided the scope to the employees to choose their work rather than being tied to a

⁶¹ The Chinese enterprise reforms resulted in diversification of industries. While SOEs and Collectively Owned Enterprises continued to be important, new enterprises like privately-owned (both individually-owned employing family members, and privately-owned having non-family workforce), foreign-invested and sharing-holding enterprises were also established. These received government encouragement too.

particular job on a permanent basis. However, labour mobility was seriously constrained due to the absence of almost any “welfare benefits for employees in the gradually growing private sector”. This created two institutionally shaped labour markets in urban China, which also “hindered the mobility of laid-off workers moving from the state to the private sector, in the backdrop of the growing unemployment rates in urban China in the late 1990s” (Gu, 2001: 98).

With the official mandate to boost production, the enterprise management sought to proceed on the basis of fixing targets and revising them upwards periodically. *Efficiency, competition* and *profit-making* were emphasized to ensure rapid economic development. Recognizing the growing concerns of the enterprises, the State Council in 1986 promulgated a series of measures and regulations on dismissals, recruitment, and bankruptcy and introduced a labour contract system.⁶² “In order to promote work incentives, laying-off workers was increasingly used as a tool by industrial management” (Ka and Kangas, 2006: 66). “Contracted workers gradually became the dominant form of urban employees, constituting 16 per cent of the urban employed population in 1992” (*Beijing Review*, 8-14 March 2003, as quoted in Ka and Kangas, 2006: 66). “The 1995 Labour Law provided the basic parameters of the contractual relationship between employers and employees by stipulating the conditions of hiring and dismissal, thus eliminating lifetime appointments; discrimination based on sex or ethnicity was disallowed and workers were to work 8 hours a day and 44 hours a week, with no coercion for working overtime” (As quoted in Kwong and Qui, 2003: 198). They were entitled to holidays after working for a year and could enjoy pensions as well as insurance in case of unemployment, work-related accidents, disability and in medical and maternity cases. Penalties were also imposed for incompetence and transgressions of administrative regulations and laws” (Ibid).

As a consequence, relations between managers and workers also underwent a gradual transformation from “comradely” to a “demand-supply relationship on the labour market”, thus bringing about drastic changes in the foundations of collective welfare (Ibid).

⁶² On “12 July 1986, the State Council issued four sets of regulations regarding contract employment and providing standards for recruitment, termination of contracts and unemployment and other benefits. These four regulations are known as the *Provisional Regulations on Implementation for the Contract System in State Owned Enterprises*; the *Provisional Regulation on the Recruitment of Workers by State Owned Enterprises*; the *Provisional Regulations on Dismissal of Employees of State Owned Enterprises in Violation of Discipline*; and the *Provisional Regulations on Unemployment Insurance for Employees of State Owned Enterprises*” (As quoted in Ke, 2011: 33).

“Economic enterprises that were not making profits had to declare bankruptcy; employees with undesirable performance had to be dismissed; and new recruits had to be employed on contract rather than on a permanent basis” (Ke, 2011: 33). Further, the enterprises could retain their profits after the payment of all required taxes. Leung and Nann argued that with the promulgation of the Enterprise Law in 1988 that prescribed the separation of ownership and management, enterprises were to have more autonomy to decide their policy on labour welfare (wages, bonuses, benefits), personnel, production, marketing and investment. The introduction of the labour contract system in the collectively owned sector meant, “newly employed workers were to be on contract employment, while the existing permanent jobs would also be gradually brought under it” (Fung, 2001: 268). However, apprehending labour unrest, the central government was extremely cautious in taking any drastic measures, involving massive retrenchments. But the increasing autonomy to SOEs also meant that they had to shoulder more and more responsibility in terms welfare measures for the employees. But while being engaged in fulfilling this responsibility, the enterprises and the work units’ financial situation under the *danwei*-based welfare system was also affected significantly. This was reflected in the “heavy financial burden upon the state as well as upon work units, with the growth rate of employees’ welfare funds higher than the increase in GDP and in total wages in many years since 1980” (Gu, 2001: 98). “One of the basic reasons for the increase of financial burden was due to an aging society As the average Chinese life expectancy rose from 57 in 1957 to 69 in 1995, the pool of retirees in urban China has accordingly grown, resulting in a rapid increase in welfare expenditure on pensions and medical care” (*China Sanitation Yearbook*, 1998: 423, as quoted in Gu, 2001: 98). Other than this, there were also some specific factors in the deterioration of the financial situation of the *danwei*-based welfare system. Firstly, “the non-contributory nature of the system has resulted not only in the extremely inefficient operation of welfare services, but also in an unlimited growth in welfare demands. As they were either not, or at best only partially responsible for the financial situation of their work units, *danwei* managers had less incentives to impose tough control over welfare spending. Rather, they were inclined to currently maximize the cash income (i.e., wage and bonus) and non-cash incomes (i.e., a variety of welfare benefits) of all employees including themselves” (Walder, 1989: 243, as quoted in Gu, 2001: 98) Secondly, since the *danwei*-based welfare system did not involve any social insurance schemes, there was no institutional arrangement by which funds accumulated during the financially solid years could be made available in the financially lean years” (Gu, 2001: 98). Thirdly, “the

older an enterprise was, the more retired workers it had, and heavier welfare burden hard enough to bear” (Lin *et al.*, 1998: 426, as quoted in Gu, 2001: 98). Thus, it led to the absence of a level-playing field for different enterprises. There was steady deterioration of China’s SOE sector throughout the 1990s due to this unwieldy welfare burden.

Social Welfare in Rural Areas

The welfare system since the onset of the Dengist reforms was in favour of urban centres, as in the Maoist period. Welfare provisioning in the rural areas continued to be primarily the responsibility of the Communes. The process of de-collectivization in the countryside, through the HRS (which relocated the family or the household as the basic economic unit in the countryside) started to unravel the institutional basis of welfare provisioning to the rural citizens. The cooperative medical schemes, particularly the “barefoot doctors” (as discussed in the previous chapter) that had ensured the access of the peasantry to guaranteed primary healthcare, collapsed in the latter half of 1980s, as the state instituted a system of fee payment for medical services. Questions of access also began to arise. Even in the pre-Reform period, the rural areas were never wholly brought under the state welfare mechanism; instead, with the Communes, cooperative rural neighbourhood networks and families shared the responsibilities in this regard. Primary Health Centres were not always conveniently located for a large number of far-flung rural areas, which had heretofore been serviced by the barefoot doctors.

After the initiation of the reforms, a new institutional framework was established for administering rural welfare. The “County (*xian*) and Township (*xian/zhen*) people’s governments are grassroots political organs of the re-organized rural administrative structure that are appointed by the local people’s congresses. Beneath them are village committees, which are self-governing mass organizations” (*China Statistical Yearbook*, 1993: 329, as quoted in Leung and Nann, 1995: 103).

While the “overall responsibility for welfare policy rested with the Ministry of Civil Affairs and its departments, welfare services in townships were usually coordinated by a local committee on civil affairs and social security, with the cadre, who was responsible for civil affairs coming under the direct supervision of the township director. The village committees, as mass organizations based on mutual-help, comprise representatives elected directly by the residents. Their overall responsibilities include economic production and management,

maintenance of political order, and provision of social, cultural, educational and welfare services” (*The Constitution of the People’s Republic of China*, 1983: 80).

As mentioned earlier, the elderly, disabled or PLA veterans with no ability to work, no income and no family support, were “eligible for the “five guarantees” of clothing, shelter, medical care and burial expenses, subsidies for social services and aid for establishing income-generating activities” (As quoted in Croll, 1999: 690). “In 1992, an estimated total of 2.3 million people were eligible for the Five Guarantees Scheme (3 million people in 1985), about 77 per cent of them were elderly people” (*China Statistical Yearbook*, 1993: 808, as quoted in Leung and Nann, 1995: 104). But most of the rural elderly had to rely on their own savings and family support for livelihood. Such people continued to work beyond the state’s official age limit. While some provinces had set up pension schemes with contributions from individual peasants, topped up by the village, by and large, the peasants did not have a social security programme that included retirement pensions as were disbursed to the urban workers in enterprises. Once they ceased to be in employment, they had to depend on the family network. However, gradually pension schemes picked up, with the Civil Affairs Ministry supervising pensions for rural inhabitants and finally “in 1993, a special department was set up in charge of rural social insurance (*nongcun shehui baoxianci*)” (*Zhongyang Zhengfu Zuzhi Jigou*, 1995, as quoted in Wong, 1998: 99).

Leung and Nann further note that social relief consisted of “assistance to poverty stricken households” and “assistance to victims of natural disasters”, which was either in the form of “direct payment or interest free loans to poverty-stricken households and to ex-servicemen and dependents of martyrs. Or it could be in the form of reduction or remittance of taxes, priority in purchasing the products for those living in poverty, supplying them improved seeds and farms outputs, subsidies to buy such inputs, and provision of technical education and advices...[T]he government policy in disaster relief was to encourage people either to participate in disaster insurance schemes, or to contribute to a savings fund set up by village committees” (Leung and Nann, 1995: 106). There was no significant medical care available, with the peasants being treated on the same level as individual entrepreneurs, having to bear their full medical expenses, in sharp contrast to the urban workers, who had their expenses paid by their work units. As highlighted by Leung and Nann, the financing of rural welfare came from a variety of sources like “income from Collectively Owned Enterprises (COE)”, from the “profits of welfare factories”, “local government subsidies at the township level”,

“funds from peasants’ collective incomes reserved for welfare purposes”, “private donations” and “individual contributions”. Three approaches were adopted by the Ministry of Civil Affairs to tackle problems of social security in rural areas:

- “The “Assistance Approach””: For poverty stricken areas, the major focus was on providing direct relief and technical assistance while emphasizing mutual help.
- The “Welfare Approach””: For areas with stable income, peasants were encouraged to organize themselves into some form of mutual-aid trust fund. Welfare services included homes for the elderly, welfare workshops for the disabled, centers for the PLA veterans and their families, and associations for burial affairs.
- The “Insurance Approach””: For the more affluent areas, the development of cooperative insurance schemes for medical care and retirement were encouraged.”

(Cui, 1989: 129, as quoted in Leung and Nann, 1995: 108-109)

In social welfare in the rural areas, significant attention was given towards poverty alleviation (*fupin*). Poverty alleviation was the focus of official attention in rural areas, especially in Guangdong, Hubei and Sichuan. “China’s approach to poverty alleviation was area-based...[O]fficial attention, in particular focused on poor counties where physical conditions were harsh, transport poor, and cultural and infrastructural facilities inadequate. Such places were found primarily in the north-west and south-west” (Wong, 1998: 100). “In 1982, the CPC Central Committee and State Council allocated 200 million yuan a year (for ten years) regional aid to poor areas in the arid north-west (central Gansu, Shaanxi and Ningxia)” (*Wenjian Huibian*, 1984, 2: 214-217, as quoted in Wong, 1998: 100). “Agricultural taxes were reduced and exempted for three to five years in 1985...[T]he State Council set up the Leading Group on Poverty Alleviation that promulgated policy and coordinated the national efforts in 1986” (As quoted in Wong, 1998: 100). The state launched the “so-called “8-7 programme” in 1993, with the “aim of lifting 80 million out of poverty in seven years”. The core components included a food-for-work programme to build roads, wells and other necessities; soft loans for industrial and agricultural projects; and a twinning scheme whereby the central government departments sent cadres to poor counties to fight poverty” (*Sunday Morning Post*, 28 April 1996, as quoted in Wong, 1998: 104-105). There has also been

powerful external backing for China's poverty reduction programme, especially by the World Bank.⁶³

“In officially designated “poor counties”, primarily located in the interior provincial-level units, government funds were made available to subsidize local services like schools, clinics and elderly homes – but there has been a shift in the use of poverty alleviation funds to support self-help income-generating activities rather than assisted welfare, services and relief...[C]oastal township and village governments with profitable enterprises have emulated city state-owned enterprises by allocating funds to collective welfare and setting up social security systems with similar levels of protection, service and assistance” (Croll, 1999: 690). However, “inland townships and villages without enterprises seldom have local revenues to add to the minimal levels of township and village welfare assistance. In the absence of enterprise funding, any welfare services are almost certain to be financed by the imposition of local government levies or by charging substantial user fees, both of which can make heavy demands on the small cash components of farming incomes” (Croll, 1999: 691).

Serious divide still exists on the basis of favourable treatment for coastal provinces compared to those in the interior. “As in the cities, the pattern of rural welfare provisioning is also cellular, confined as it is to privileged enclaves, where welfare funding, almost entirely reliant on local enterprise growth and good management, is at risk” (Ibid).

Social Security Reform Experiments

Experiments had been underway for reforms in social security in some regions in the country from the early 1980s. One such was in Shanghai in 1981.

It “began as an effort to provide coverage for those employed in collectively-owned enterprises and included mainly medical and retirement insurance. For medical insurance, participatory enterprises contributed 3 yuan per month to an insurance company for each worker employed. When a worker fell ill, he/she would be entitled to reimbursement of 70% of the medical expenses and the rest would be paid by himself/herself. As for retirement insurance, participatory enterprises contributed for each worker employed at three different

⁶³ China's engagement with international agencies, like the World Bank is a significant departure from the Maoist period, when the emphasis was on self-reliance. Under the Open Door policy of the post-1978 economic reforms advocated by Deng Xiaoping, the emphasis was on learning from the experiences of the rest of the world.

levels, from 5 to 10 yuan per month; the level of payment was determined by the enterprises in accordance with their own financial situations. Upon retirement, an insured worker would be eligible for a monthly payment calculated according to the level at which his enterprise had contributed on his/her behalf and the total number of years of contribution” (Zhuang, 1984, as quoted in Chow, 2000: 50).

Such experiments were also carried out in “Guangdong and some enterprises in counties in Fujian, Jiangsu, Liaoning and Sichuan in the first half of the 1980s” (As quoted in Chow, 2000: 51).

Onset of Reforms in the Social Security System

“The decision to reform the Chinese Social Security system was first announced formally in 1985 in an outline of the 7th *Five-Year Plan for National Economic and Social Development*. The CPC approved the outline in September 1985” (State Council, 1986, as quoted in Chow, 2000: 64). The reform was on the basis of the experiences at the provincial levels, and the compelling need to reform social security, in order to align it with the economic reforms.

“The Plan stipulated that the system must be compatible with the conditions and capabilities of the nation, and should not exceed the responsibility limits of the state, enterprises and individuals. It further stated that the responsibility to provide the benefits should not be confined to the State; traditional protective networks like the family system and assistance provided by friends and local communities should be revived...[I]t pointed out that the Government must take up a greater role to coordinate and plan the development of different welfare provisions, although individual enterprises should still be left with the responsibility to run their own businesses...[T]he arrangement of having the enterprises individually responsible for their own benefits should be transformed so that the administration could take responsibility collectively” (State Council, 1986, as quoted in Chow, 2000: 64-65).

“In order to improve policy planning and administration, the state centralized responsibility for social insurance, hitherto split among the Ministry of Labour (responsible for pay and welfare of enterprise employees), the Ministry of Personnel (responsible for cadres), the Ministry of Civil Affairs (responsible for peasants and marginal groups), the Ministry of Public Health (responsible for health insurance), the Economic System Reform Commission (responsible for policy planning and reform), and various other ministries (with oversight for staffing matters in firms and units under their jurisdiction) into a new Ministry of Labour and Social Security” (which was rechristened as the Ministry of Human Resources and Social

Security) (As quoted in Holliday and Wong, 2003: 272). The objective, as Wang puts it, “was to bring about “a gradual socialization of social insurance”. The point of the socialization is to change the system of insurance, previously managed and financed by different enterprises and institutions, to a system of socially planned management which is independent of enterprises” (Wang, 2004: 112).

Significant changes were brought forth in the area of social insurance (formerly known as labour insurance). “From 1969 to the late 1990s, social insurance costs had been borne by each work-unit individually after the agencies responsible for administering social security (namely, the Ministry of Labour and trade unions) ceased to operate. This changed the essential character of the programme from a pooled scheme to a firm-based benefit” (Wong, 2001: 42). However, under market conditions, firms that had large numbers of older workers were vulnerable and at a disadvantage vis-à-vis the ones with a younger workforce. This often resulted in improper payment of wages, less pensions, health and other insurance benefits.

“With the development of a more versatile economy, the status of urban employees has been gradually diversified. Urban private economic development has already resulted in expansion of employment while foreign investment enterprises employ a great number of Chinese employees. Correspondingly, social insurance, which had always been only applied to the state-owned enterprises and some collective enterprises, has been gradually applied to different systems of ownership. The social insurance system began to expand to individual business⁶⁴ in some areas in the early 1990s” (The Ministry of Labor and Social Security, 1998, as quoted in Wang, 2004: 102).

A new social insurance system was envisaged that would compensate for all types of income risks like retirement, occupational injury, health, unemployment and maternity. Further, the system was sought to be unified in the long run, thus underlining the need for a centralized management structure, making entitlements universal in the future and correcting all the present exclusionary tendencies as well as equalizing social rights across the employed sections in the urban centres. Towards building such a comprehensive social insurance

⁶⁴ Individual Business refers to smaller enterprises, or Start-Ups, owned by individuals or families, and involving smaller workforce and less machinery. In line with the efforts to diversify production, the government also encouraged the setting up of these enterprises. However, definitive studies on the social security and its operation within these enterprises could not be located.

system, an incremental strategy was adopted for pensions, unemployment, and health insurance. Even the housing policy that had also come under the *danwei* system also underwent reforms.⁶⁵

Pension Reforms

With a looming financial crisis in the backdrop of rising number of retirees and increasing burdens on pension expenditures, the most significant reforms were with regard to Pensions, which were formally adopted in 1984. “During its early stages, pension reform focused on establishing a variety of so-called “social pooling” (*shehui tongchu*) schemes for pension funding, administration and delivery”, wherein the “responsibility for pension management shifted from individual enterprises to groups of enterprises joining the pooling within an area. This new system was intended to spread risks and burdens, and help ensure payments to pensioners from enterprises in poor financial health” (World Bank, 1997: 2, as quoted in Gu, 2001: 105). All cities were encouraged to set up pooled funds for pensions in 1985, thus making enterprises with different numbers of retirees sharing their costs. Under the contract labour system in 1986, both enterprises and contract employees had to contribute to a funding pool; working on a pay-as-you-go basis, participating work units paid contributions to the fund at a defined rate, with retirees drawing out their benefits from the same source. “The rate of contribution for each work unit was primarily based on the amount of pension payment made each year with a small accumulation normally being permitted. The funds were managed by the local labour bureaux rather than by the employing enterprises” (Leung, 2003: 78). “The establishment of pension funds was aimed at transferring the management responsibility from enterprises to the local governments” (Ibid).

“There were three main kinds of pension schemes in China: the pension scheme for civil servants and employees of public institutions⁶⁶ (budgeted pension scheme covering nearly 30 million people. Military personnel had a similar but independent pension scheme), voluntary

⁶⁵ Housing which normally would not come/within the insurance ambit, was also reformed.

⁶⁶ “Pensions were based on the individual employee’s salary and were calculated according to the years of service; in recent years, a move is happening to gradually reduce the government’s financial support to the institutions and incorporate those that are partly or not at all funded by the government into the basic pension scheme” (Zhu, 2002: 41).

rural pension scheme⁶⁷ and the basic pension scheme for urban workers” (As quoted in Zhu, 2002: 41). The basic pension scheme for urban workers, which combines social pooling with individual account, was based on the 1986 State Council *Decision on Establishing a Unified Basic Old-Age Insurance System for Enterprise Workers*. It “covered all kinds of enterprises with foreign investment, Chinese urban enterprises and public institutions managed as enterprises (as well as self-employed workers in certain places at the discretion of each provincial government), with around 106 million people in 2001” (State Council, 1986, as quoted in Zhu, 2002: 41).

“During the mid-1990s the Chinese government gradually formulated a clear goal for the pension reform - namely, the establishment of a unified, three-tier pension system in the urban areas by 2000. The new system comprised (a) contribution-based social insurance schemes for basic pensions administered by local governments; (b) supplementary pension insurance programmes established and funded by work-units; and (c) individual pension insurance programmes chosen by each, run by commercial insurance companies”⁶⁸ (Song *et al.*, 1997: 46-58, as quoted in Gu, 2001: 105). In this way, a “pluralistic pension system was established within which different funding pools, targeting different types of employees, would have different management organizations, contribution rates, payment standards and pension benefits; in general, pooled funds could be managed by the labour departments (for employees of SOEs), the personnel departments (for employees in government offices), the insurance companies (for employees in COEs) and the civil affairs departments (for employees in township enterprises)” (As quoted in Leung, 2003: 78). “This three-tier, or three-pillar concept, with funding from the state, the enterprise and the individual worker, had

⁶⁷ Implemented in 1991, it is “administered separately by county-level rural social insurance organizations. It is financed by voluntary personal contributions supplemented by a collective subsidy. An individual account is established for each participant who, at age 60, would be entitled to a benefit based on the accumulations in the account....[S]ince the second half of 1999, rural pension scheme had undergone a process of rectification and standardization, with the aim of privatization than being managed by the county-level government” (Zhu, 2002: 41).

⁶⁸ Some of the main commercial insurance companies in China are China Life Insurance Corporation Limited, PingAn of China, China Pacific Insurance, People's Insurance Company of China Group and New China Life Insurance Company. For more, see URL: <http://www.investopedia.com/articles/markets/090315/5-biggest-chinese-insurance-companies.asp>

long been favoured by World Bank as a means to diversify pension finance and enhance both stability and savings” (World Bank, 1989, as quoted in Selden and You, 1997: 1662).

Edward X. Gu notes that due to its decentralization, even though the process of pension reforms in China had many local variations, one feature common to all was that individual accounts had been introduced into the institutional framework of pension, “a mixture between defined-benefit and defined-contribution model that is called the “combination of social pooling and funded individual accounts””. The experiment was implemented in a comprehensive manner “in the city of Shenzhen in 1992” and later “in 1993, in Shanghai”. It was “finally institutionalized in 1995 by the central government, whereby the funds in basic pension insurance were deposited into two kinds of accounts: a social pooling account and individual account. The proportion of funds deposited in the two accounts and the rules for withdrawing pensions from them were decided by the local government” (Song *et al.*, 1997: 50-60, as quoted in Gu, 2001: 105). “While individual accounts could encourage individual contributions and fund accumulation, the pooled fund could function to pay for existing retirees and those retirees with insufficient years of contribution. Pointing towards the prevalence of flexibility, different provinces and cities could adopt different pension models with different proportions of pooled funds and individual accounts”. Thus, there were “significant regional variations and uneven development” (State Council, 1995, as quoted in Leung, 2003: 79). The two-account model created chaos and led to “a clash of interests between older state and collective enterprises and newer private, joint venture and TVEs, and between central and local administrations” (Selden and You, 1997: 1665). To reform this scenario, “in 1997, drawing on the experiences of a number of pilot projects, the government recommended a unified model for pension arrangements. Under this model, the total contribution allocated to individual accounts equalled to 11 per cent of the employee’s monthly wages. Individual contributions would increase by 1 per cent of the individual’s wage every two years, from 4 per cent to 8 per cent” (As quoted in Leung, 2003: 79). In May 2001, the nationwide average pension contribution rate reached 22 percent of payroll for employers and 5 percent of payroll for employees. “An individual account equivalent to 11 per cent of payroll was established for each worker. It is composed of the total individual contribution and a supplement from the employer’s contribution. The rest of the employer’s contribution, an average of 16 per cent of payroll, went into the local pooling fund” (State Council, 1986, as quoted in Zhu, 2002: 42). The retirement age was 60 for males and 55 for

females. “The employees were expected to supplement their pension benefits with other types of insurance schemes. The government attempted to unify the contribution, individual account operation methods and calculation of benefits” (Leung, 2003: 80). To look at the pension funds and their disbursement statistically, the “unified funds covered about 93.2 million employees in 1999, representing 44.3 per cent of the urban population in work”, in which “68 per cent were from SOEs, 16 per cent from COEs, and only 9.7 per cent from other types of enterprises like privately owned, foreign-owned and the self-employed” (Wu, 2000, as quoted in Leung, 2003: 80). The “minimum pension amount of 25 yuan per month in 1978, was periodically revised in 1983, 1985, 1988 and amounted to 60 yuan per month in 1992” (Song, 2001: 111, as quoted in Leung, 2003: 80).⁶⁹

The social security system was nevertheless besieged by problems of narrow coverage, high and uneven employer responsibilities, poor management and investment of funds as well as low transferability, all of which forced the government intervention at regular intervals. “In September 2000, the State Council announced the establishment of the National Social Security Fund”, which was “a non-contributory fund financed with central budget appropriations, social welfare lottery income and proceeds of the divestiture of state-owned enterprises, etc.”, with the aim of subsidizing local authorities facing difficulties in making payments to the laid-off and the retired (As quoted in Zhu, 2002: 44). Moreover, pilot social security reforms projects were also carried out to improve the social security system. “In July 2001, a social security reform project was carried out in Liaoning province”, and the main measures included increasing the employees’ contribution rate from 11 per cent to 8 per cent; increasing the pension benefit under the pooling scheme from 20 per cent to an average of 30 per cent, by providing 20 per cent for 15 years of contribution and a certain percentage increment for each additional year of contribution; and encouraging private or occupational pension schemes through tax concessions” (Ibid).

Reforms in Unemployment Insurance⁷⁰

The Maoist policy of public ownership and the larger policy of orienting programmes towards achieving full employment, for long unemployment has been critiqued as a form of

⁶⁹ The amount for the year 2016 could not be found.

⁷⁰ This section has benefitted from the study done by Joe C. B. Leung. The facts enumerated in this section have been drawn from his study.

“disguised unemployment” (Gu, 1998: 282; Porket, 1995: 38-42). With the reforms in the enterprise management system, especially that of the larger State-Owned Enterprises, lay-offs became inevitable.⁷¹The *Waiting for Employment Insurance Scheme* set up in 1986, was “aimed at such employees in SOEs, which declared bankruptcy and terminated employee-contracts and thus was under-utilized due to its narrow coverage. The scheme catered only to those employees in SOEs declaring bankruptcy, with their employment contracts terminated and being dismissed by their employer....[T]hose receiving assistance from the scheme were mainly workers whose contracts had been terminated and laid-off employees, who had spent two years in the re-employment service centers but had still been unable to find a job” (Yuan and Feng, 1998, as quoted in Leung, 2003: 81). Though unemployment benefits were tied to the wage level, with retrenchments and job losses on the rise, they “became a more important means of providing assistance” (Ibid). These schemes offered a basic living allowance to the unemployed for a maximum period of two years. “In 1986, the State Council promulgated the Unemployment Insurance (UI) Scheme, which required the employer to contribute 1 percent of the payroll to the UI fund. Initially confined to contract workers in SOEs, participation in the scheme has now become compulsory for all wage employees in urban areas. Since the enactment of the State Council *Regulations on Unemployment Insurance* in January 1999, the fund has been financed by a contribution of 2 percent of the payroll from the employer (with a further rise to 3 percent) and 1 percent from the employee” (State Council, 1999, as quoted in Zhu, 2002: 47).

Leung notes that the revised regulations in 1993 saw the “benefit level lying between 120 and 150 percent of the local poverty line and brought in new categories of the unemployed. Now, the unemployment benefit ranges from 60 to 70 percent of the minimum wage, as determined by local governments, which may differ among districts in a city with the maximum duration of the benefit being two years” (Ibid). Yukun Zhu further clarified that by the end of 2000, the “scheme covered 104.48 million people (77 percent of the target population), 85.01 million of whom were from enterprises and 19.07 million from institutions; in the same year, a fund of 16 billion yuan was raised from which 12.3 billion yuan was disbursed”.

⁷¹ The lay-offs resulted from the restructuring of the SOEs, under the Enterprise Reforms in 1983. For more on this, see: Byrd, William (1991), *The Market Mechanism and Economic Reforms in China*, New York: M.E. Sharpe; Groves, Theodore (1994), “Autonomy and Incentives in Chinese State Enterprises”, *Quarterly Journal of Economics*, Vol. 109, Issue 1, February: 185-209; Hsu, Robert C. (1991), *Economic Theories in China*, Cambridge: Cambridge University Press; Naughton, Barry (1995), *Growing Out of Plan: Chinese Economic Reform, 1978-1993*, Cambridge: Cambridge University Press.

However, the single biggest challenge confronting the Chinese government was the high level of retrenchments of workers from SOEs as part of the reforms. “From the early 1990s onwards, SOEs were gradually permitted to lay-off workers. Known as “*xiaogang* employees” (XG) or “off post” employees, they had not been counted as unemployed before because they still maintained labour relationships with their employers” (Wu, 2000, as quoted in Leung, 2003: 81). After the 15th National Congress of the CPC in 1997, a further impetus to reform and reorganization in the form of downsizing and mergers, led to more retrenchments. Most of the people laid off, who were aged, in poor health and low skilled, were accommodated in a number of reemployment service centres, where provisions were made for living allowances, re-training and job referrals. However, enterprises that had more than 5 percent of their classified as surplus workers and those in the process of merger or bankruptcy, needed to establish such centres. In actual practice, the local governments had to shoulder the responsibility for supporting these centres.

“According to the *Notice Concerning the Problems of Strengthening the Management of XG Employees and the Establishment of Re-employment Service Centers*, published by the Ministry of Labour and Social Security in 1998, XG employees entering the service centres had to sign a three-year agreement specifying a set of mutual obligations, whereby the signatories were issued with a certificate that enabled them to receive an integrated package of services like financial support, retraining and job referrals; in case anyone refused to sign the agreement or enter the center, their relationship with their employer was terminated immediately. In theory, an unemployed person could receive support for a maximum of five years (three years with the re-employment center and two years with the unemployment insurance scheme). Employers also could receive subsidies or tax reductions by employing XG employees” (Ministry of Labour and Social Security, 1998, as quoted in Leung, 2003: 82)

Health Insurance Reforms

Post-1978, the health system in China had undergone serious transformation. The barefoot doctors, as discussed earlier, who were an integral part of the health sector in the pre-reform period, rendering services primarily in the rural areas, disappeared in the aftermath of the reforms, thus affecting affordable healthcare in the countryside. A pattern of inequality and fragmentation appeared in the sector, with “3.7 million barefoot doctors, midwives and rural medical workers leaving their jobs between 1978 and 1986. Village-level co-operatives that offered collective insurance (*hezuo yiliao*) programmes to defray hospital costs and provide basic health care to all participants had largely disappeared” (China Health Yearbook, 1987:

493, as quoted in Davis, 1989: 587). But Deborah Davis points out that unlike in the pre-reform period, “when brigade and commune clinics’ referral was needed for accessing facilities in county or city hospitals, now the rich peasants could have better treatment at hospitals of their choice”. Fee charging and payment from the patients’ own pockets became standard practice in the urban areas. The labour insurance programme (*laodong baoxian*) also underwent changes in the post-reform period. “Prior to the reforms, the health insurance system in the urban areas consisted of two primary programmes: the Government Employee Insurance Scheme (GIS) for civil servants and employees of public institutions, and the Labour Insurance Scheme (LIS) for SOE employees, retirees and their dependents; both these covered about 9 percent and 40 percent respectively of the urban population” (Yip, 2001, as quoted in Zhu, 2002: 45). Medical expenditures were reimbursed by the employer in both the schemes. “The reforms were formally started in April 1988”, with the “basic goal to replace the existing system with a variety of medical insurance schemes”. “Unlike pension reform, which seemingly affected only pensioners, medical care reform influenced the immediate interests of everybody” (Gu, 2001: 106). But given the rising costs of the medical care system in the 1980s, the government was pressurized to act. “The central government allowed two special economic zones - Shenzhen city and Hainan province - to launch comprehensive reforms, combining medical care and pension insurance together” (*Handbook of Reforms in China, 1978-1991*, 1992: 17, as quoted in Gu, 2001: 106). But the fiscal crisis continued. “In November 1994”, the government commenced medical insurance reform pilot projects, first in the “two cities of Zhenjiang in Jiangsu province and Jiujiang in Jiangxi province. Similar pilot health reforms also took place in Shenzhen and Shanghai. In 1996, the central government decided to expand it to 50 other cities in 29 provinces, autonomous regions and provincially ranked municipalities across the country” (World Bank, 1997: 56-59, as quoted in Gu, 2001: 107). “During the initial stage, health care reform concentrated on reducing the medical care expenses rather than building a new insurance system. One of the commonly imposed reform measures was that individual patients had to share 10-20 per cent of outpatient fees and 5-10 per cent of hospitalization fees, and expenditure on individual workers was capped at 5 percent of their annual wage” (*Handbook of Reforms in China, 1978-1991*, 1992: 17, as quoted in Gu, 2001: 107). The two experimental models in practice were the “two-jiang model” and “Hainan model”. “One common feature of these models was that individual accounts were incorporated into the whole institutional framework, like in the case of pension reforms. In both models, employers contributed 10 per cent and employees 1

percent of their total wage to the insurance programme, and normally, 5 per cent of the contributed funds were deposited in social pooling accounts and 6 per cent in individual accounts” (Cong and Wu, 199: 17-23, as quoted in Gu, 2001: 108). Furthermore:

“In the “two-jiang model”, medical expenses were paid for in the following order: (a) by funds from individual accounts; (b) by patients, upto a total of 5 percent of their annual wage; and (c) by funds from social pooling accounts under the condition that patients share 5-20 percent of the payment. In the “Hainan model”, in comparison, outpatient treatment was paid by individual accounts, and emergency medical care and hospitalization were paid by social pooling accounts” (Ibid).

However, there were shortcomings due to the low rate of coverage among urban employees since most of the employees in non-profit and administrative units covered by the old “public medical care system” were yet to join the new schemes. To address this, the State Council by the end of 1998 issued a *Decision on Establishing a Basic Medical Insurance System for Urban Employees*, which conceptualized “an innovative system with low benefit levels; cost-sharing among employees, employers and the state; wider coverage; and a combination of social pooling with individual accounts...[T]he employer contributed 6 percent of the payroll, of which 30 per cent was credited to the employee’s individual account and the balance paid into the social pooling fund. An employee paid only 2 per cent, which was fully credited to his or her individual account” (State Council, 1998, as quoted in in Zhu, 2002: 45). “The benefit paid from social pooling accounts was subject to minimum and maximum amounts, 10 per cent and 400 per cent of the patient’s annual wage, respectively. The cost of healthcare services below the minimum benefit level was paid by patients out of their own pockets, and that above the maximum level was covered by commercial insurance” (State Council, 1998, as cited in Gu, 2001: 108). “Local governments could adjust the contribution rate according to local circumstances. The government also contributed to the scheme by way of tax concessions and subsidies for administrative cost as well as complementary schemes for civil servants” (State Council, 1998, as cited in Zhu, 2002: 45). The “administration of the basic health insurance schemes was in the hands of government bodies under the leadership of the Department of Labour and Social Security, and supervisory bodies comprising representatives from the government, employing units, hospitals, trade unions and medical professional communities had to be set up” (*People’s Daily*, 7 December 1998, p.12, as quoted in Gu, 2001: 108). However, the future challenges lie in “introducing different levels

of commercial health insurance subsidies to employees in accordance with the efficiency of enterprises. All health insurance funds must be administered and managed by professional insurance companies with strictly-defined responsibilities according to the health insurance law” (Wang, 2004: 109).

Reforms in Employment Injury and Maternity Insurance

The *Experimental Measures on Employment Injury Insurance* (EII) enacted by the Ministry of Labour in 1996 was

“intended to cover all enterprises in the country, but was applicable mainly to those in the urban areas. The scheme was financed solely from employer contributions according to differential rate (to be adjusted every five years) and a floating rate (to be adjusted each year according to the accident rate of the enterprise in the previous year). In 2001-01, the rate throughout the country ranged from 0.3 to 2 percent of the total payroll. The fund was not only used to pay for various benefits, but also for accident prevention, occupational rehabilitation, safety bonus, promotion and research, as well as administrative expenses of operational agencies and labour appraisal committees....[B]y the end of 2000, EII covered 43.5 million people and the annual revenue amounted to 2.48 billion yuan as against an annual expenditure of 1.38 billion yuan, with an aggregate reserve of 5.79 billion yuan” (Ministry of Labour, 1996, as quoted in Zhu, 2002: 48-49).

However, it was felt that the law was not binding enough, with many enterprises defaulting or underpaying. “After the reorganization in 1998” - and establishment of a special ministry for social security – “only the EII function remained with the Ministry, while the occupational health supervision was transferred to the public health authorities and occupational safety supervision function being shifted to the State Economic and Trade Commission and subsequently to the newly created State Administration of Work Safety” (Ministry of Labour and Social Security, 1996, as quoted in Zhu, 2002: 49).

With regard to maternity insurance, an employer liability scheme and a social pooling scheme co-existed. “The employer liability scheme, which has been in existence since the early 1950s, mainly applies to government organizations, civil organizations, public institutions and some urban enterprises”. Under employer liability scheme, “a female worker was entitled to a maternity leave of 90 days and had her medical check-up fee, midwife fee, operational charges, hospitalization fee and medicine costs incurred during pregnancy covered by the employer, who also had to disburse her wage/salary during the maternity leave, as usual”

(Ministry of Labour and Social Security, 1998, as quoted in Zhu, 2002, 49-50). “The pooling scheme was based on the 1994 Ministry of Labour *Experimental Measures on Maternity Insurance (MI) for Enterprise employees* and that too for those in urban enterprises. In most areas under the social pooling scheme, the employers contributed 0.6 to 0.8 percent of the total payroll to the MI fund that was managed by the local labour and social security bureau” (Ministry of Labour and Social Security, 1994, as quoted in Zhu, 2002: 50). Despite different funding approaches, benefits and eligibility criteria were the same for both schemes. “By the end of 2001, the pooling scheme had been adopted in close to 1,400 cities/counties in 27 provinces and covered 33 million workers, who account for nearly 30 per cent of the target population” (Zhu, 2002: 50). However, there were still issues regarding the inadequate level of benefit guarantee, narrow coverage and low level of pooling along with a unified MI law, as the employer liability aspect could not be fully guaranteed in case of bad performance/bankruptcy of the enterprise.

Housing Reform

Under the Iron Rice Bowl system, urban residents could obtain housing assigned to them by their work units, with the rents being very low and affordable. Early in 1980, as in the case of other parts of the *danwei*-based welfare system, reforms also started to affect the prevalent system and practices in this sector. The main objective of the government was to drastically curtail the severe financial burdens. The goals formulated at the outset were “commercialization and socialization of housing”: while commercialization meant the “transition from housing as a welfare benefit to housing as a commodity”, socialization signified the “delinking of the relationship between public housing and work units, bringing the investment, construction and management of housing under public operation”. “The two were related and mutually supportive” (Gu, 2001: 100-102). The reforms proceeded very slowly and in time led to the emergence and development of “a real estate market for commercial housing”. In the early years of reforms in this area, the “duty of financing in housing construction was decentralized from the government to the work units...[F]rom the mid-1980s, work units, particularly SOEs, became the most important investors in urban housing construction. At the same time, many work units bought houses directly on the emerging commercial housing market, and then assigned them to their employees as welfare benefits” (Ibid).

It was only “in mid-July 1998, that the central government unveiled a new housing reform policy which had four major components: (1) stopping the welfare public housing allocation system by the end of 1998; (2) establishing a supply system of affordable housing for low-income families; (3) simplifying regulations concerning mortgages; and (4) developing a market for second-hand housing exchange” (*China Reform*, 22 July 1998, p. 1, as quoted in Gu, 2001: 102). The efforts were to make the work units turn “a proportion of their original funds for housing construction and purchase into various forms of housing allowances, which were to be paid to employees either on a monthly basis or in a lump sum. Employees would then have to resolve their own housing problems through either purchase or rental housing from the market” (Gu, 2001: 102-104). Thus the larger objective was the transformation of the country’s housing sector from a state socialist one to a market-based one.

“Through institutional change imposed by the state, the *danwei*-based welfare system was transforming itself into an earnings-related, contributory social security system, shifting the responsibilities of welfare provisions from individual work units to government bodies” (Gu, 2001: 91-111). Even though such reforms have been ushered and implemented with periodic revisions and incremental approaches, challenges and inadequacies still lie ahead for the government. According to Cui Naifu, the Minister of Civil Affairs in the 1980s, the social security system in China needed to have the following features:

“People should have equal opportunities to enjoy the same rights on the same footing. Rights must be commensurate with obligations. By means of a policy of rational redistribution of incomes and balancing the social contradictions resulting from differences in incomes, it should ensure the satisfaction of basic needs to all the people. It must reflect the spirit of socialist humanitarianism and preserve people’s values, rights and dignity, and in this way it will be able to influence people’s behaviour so that they may accept social security not as a kind of favour or alms but rather one of their rights which the state is duty bound to grant. The government must take legislative measures to ensure that all members of society enjoy the right to social security and it must set up relevant functional institutions to be responsible for the administration of its work. It must take into account differences between urban and rural areas, between enterprises, and between the incomes of individual working people. It must also reflect their diversified needs for different programmes and standards” (Cui, 1988: 175).

The “socialization of social security” has been one of the stated goals of the central government, which has systematically ensured a restructuring process. The Work Reports show that over the years, the expansion of the social insurance system has implemented the declared policies through the vehicle of law, thus highlighting the increasing attention given to legislative processes. “The need for a national insurance law” and the obligation to “link up social security legislation with other departments’ legislations to ensure an effective enforcement of the social security legal system” are some of the serious issues before the state (*Government Work Report* 2000, 2001, as quoted in Wang, 2004: 110). China has also been receptive to the policy suggestions given by the World Bank, for “establishing a multi-pillar social security system, and thus move towards welfare pluralism”, wherein the state welfare needed to be jointly provided by the “government, the *danwei* (employers), the voluntary sector⁷², the private sector, and the individual” (World Bank, 1994, as quoted in Gu, 2001: 109). Kwong and Qui opine that the idea was to “create a system compatible with the ethos and structure of the economy’ and bring about a ‘well-financed and sustainable system without affecting as much as possible the interests of the workers so as to maintain social and political stability”, which are of critical importance for the legitimacy of the party-state (Kwong and Qui, 2003: 206). Such a step also involves a good amount of pragmatism and innovations, especially at the provincial and sub-provincial levels.

Finally, it is interesting to note that in some spheres, the production of social services by the state has been restructured with the explicit intention of meeting the perceived needs of consumers and the market, with the “impact being felt in the type, quantity and quality of social policy output produced by the Chinese public sector” (Flynn, *et al.*, 2001: 8). The market’s growing influence could also be reflected in the “increased competition between suppliers”. Multiple providers like “NGOs, independent agencies, community groups, commercial operators and volunteers” were encouraged to “establish themselves alongside state agencies as an alternative source of social protection” (Ibid). Another aspect that was activated with the integration of market reforms in social policy was the “adoption of cost-recovery as the central principle in determining service provision. The state subsidy was curtailed in many social policy sectors and consumers were expected to pay for what they

⁷² Voluntary sector refers to the third sector, apart from the public and private sectors. It consists of non-profit making organizations, Non-Governmental Organizations, charity groups and other similar social & philanthropic organizations.

need or want. Notable examples were private medicine, for-profit nursing homes, private schools and market housing” (Flynn, *et al.*, 2001: 9). This is related to the “downsizing of the public sector, decentralizing responsibility from the central state to local authorities and communities, increasing competition and efficiency” (Ibid). This contracting out of state services to private operators comes under the rubric of public service management, influenced by market dynamics.

A seemingly developmental or production oriented philosophy, is sought to be used to “curtail the reach of the state, extend the role of the market and impose greater responsibility on individuals” (Holliday and Wong, 2003: 279). The enhanced role for the market also requires the development of proper regulatory frameworks for governance and administration. While philanthropy has largely been able to fill the existing gaps in welfare delivery and has induced innovation in services it cannot substitute publicly funded services. There is a strong requirement for the state to be hands-on in ensuring and enforcing social security and welfare rather than being merely an enabler or facilitator. The interventionist role of the state has to be built on the foundations of properly defined laws for social security and welfare. Other than the laws, the administration of social security and welfare requires a dedicated ministry and department for the formulation of related policies, for implementing the laws and also ensuring sound monitoring practices. These are discussed in detail, in the next chapter.

CHAPTER THREE

INSTITUTIONAL RESPONSES OF THE STATE: LAWS, REGULATIONS AND POLICY MEASURES FOR SOCIAL SECURITY AND WELFARE

More than three decades of market reforms and economic transformation has brought about tremendous changes within China, thereby resulting in the far-reaching and fundamental shifts in the role and responsibility of the state, especially with regard to the workers. As discussed in the previous chapter, the reforms in the industrial sector of the economy had brought about both, greater diversification of the enterprises and also greater autonomy in the production process (which included increased control by the enterprises over the amount and extent of welfare provisioning). The diversification was reflected in the structural changes in the industrial sector and the marked attention being given to the Non-State sector, whereby Small and Medium Enterprises (SMEs) were encouraged alongside the large State-Owned Enterprises (SOEs).⁷³ The changes made by the Party-State with regard to incentivization, flexible labour relations and so on - to change the work culture - were introduced primarily in the State-sector in the early 1980s, which later flowed down to the non-state enterprises. The top-down management system (which was a total departure from the worker-led system during the Maoist period) brought fundamental and commensurate changes in industrial production and in the labour relations and work culture across these enterprises, with autonomy in production relations within the SMEs being a significant feature. The *Danwei* system of work units being at the centre of labour and industrial life for the workers also underwent changes. Along with diversification, we also see Informalization⁷⁴ in labour

⁷³ The active promotion of SMEs by the Chinese government can be found in the following works: Fan, Chunyun (2003), "Government Support to Small and Medium-Sized Enterprises in China", *Problems of Economic Transition*, vol. 45, no. 11, March: 51–58; Hilgers, Lauren (2009), "SMEs in China", *Insight*, April 2009; Jia, Chen (2006), "Development of Chinese Small and Medium-sized Enterprises", *Journal of Small Business and Enterprise Development*, Vol. 13 No. 2: 140-147; Li, Xue Cunningham and Chris Rowley (2008), "The Development of Chinese Small and Medium Enterprises and Human Resource Management: A Review", *Asia Pacific Journal of Human Resources*, Vol. 46, No.3: 353-379; Sun, Laixiang, Edward X. Gu and Robert J. McIntyre (1999), "The Evolutionary Dynamics of China's Small and Medium-Sized Enterprises in the 1990s", *World Development Studies*, Working Paper No. 14, United Nations University-World Institute for Development Economics Research (UNU-WIDER), [Online web] Accessed on 8 December 2013, URL: <https://www.wider.unu.edu/sites/default/files/wds14.pdf>; Yang, Tracy, Jamus Jerome Lim, and Toshiki Kanamori (2008), "Strategies for the People's Republic of China's Small and Medium Enterprise Development within the National Innovation System", *ADB Institute Research Paper Series*, No. 73, November, [Online web] Accessed on 16 October 2013, URL: <http://www.adb.org/sites/default/files/publication/157222/adb-rp73.pdf>;

⁷⁴ "Informalization represents a situation in which the ratio of the informal labour force to the formal labour force - or the share of the informal labour force in the total labour force - increases over time....[T]he informal

relations. These changes underline the intertwined nature of the relationship between economic production and labour relations.

Many of the practices of the Maoist period such as life-long employment in one particular enterprise, which were assessed as ‘rigid’⁷⁵, were discontinued, leading to the emergence of a more flexible labour market. In tandem with the focus on urbanization, these changes also imparted greater labour mobility, leading to a constant and considerable flow of migrants from the countryside to the newly rising cities. Most of the emerging Non-State Enterprises were based in the new urban centres and the workforce in most of these enterprises comprised migrant workers from the interiors of the country.⁷⁶ It was not just in the labor-intensive manufacturing sector that this labour force was accommodated, but also in the services sector. Thus, the pre-reform framework of workers and labour relations began to change significantly, which will be examined at greater length in the next chapter.

The growing diversity and informalization of the labour relations also necessitated parallel changes in the model of welfare and social security within the country. Within the framework of the “Iron Rice Bowl”, Social Security and Welfare were channelized through the *Danwei* system that was itself considered to be a mini “welfare-state” (Leung and Nann, 1995: 56-57). However, the breaking of the Iron Rice Bowl in order to bring more autonomy and

labour force includes the self-employed in informal enterprises (that is, small and unregulated) as well as the wage labourers employed in informal jobs (that is, unregulated and unprotected) in both urban and rural areas” (Chen, 2009: 191). Informal labour encompasses “rural self-employment, both agricultural and non-agricultural; urban self-employment in manufacturing, trade and services; and various forms of informal wage employment (including casual day-labourers in construction and agriculture, industrial outworkers, and more)” (ILO, 2002).

⁷⁵ The rigidity in thought – which is also reflected in actions – has been dealt with at length by Deng Xiaoping in his speech, “Emancipate the Mind, Seek Truth from Facts and Unite as One Looking to the Future”, delivered at the closing session of the Central Working Conference, which made the preparations for the Third Plenary Session of the Eleventh Central Committee of the CPC that immediately followed. This speech was thus, the keynote address for the Third Plenary Session. In the words of Deng, “once people’s thinking becomes rigid, they will increasingly act according to fixed notions...[P]eople, whose thinking has become rigid tend to veer with the wind. They are not guided by Party spirit and Party principles, but go along with whatever has the backing of the authorities and adjust their words and actions according to whichever way the wind is blowing. They think that they will thus, avoid mistakes. In fact, however, veering with the wind is in itself a grave mistake, a contravention of the Party spirit which all Communists should cherish...[O]nce people’s thinking becomes rigid, book worship, divorced from reality, becomes a grave malady. Those who suffer from it dare not say a word or take a step that isn’t mentioned in the books, documents or the speeches of leaders: everything has to be copied” (Deng, 1978: 153).

⁷⁶ Various enterprise managements whom I interviewed during my fieldwork in China during August-September 2013 for the thesis – and later in October 2014, for another project – informed me that the migrant workers employed by them came from provinces such as Sichuan, Hubei, Jiangxi and Anhui.

reforms within enterprises, had led to changes in the model of welfare dissemination. Even though the paradigm of employment-based welfare still continued, the institutions involved in the operative aspects as the delivery mechanisms were reformed. These changes need to be mapped, with particular reference to the policymaking processes, organs, interest groups, government legislations and directives as well as the methods of financing. It is also equally important to study the evolution of the labour relations as well as the role and functions of trade unions, as the patterns in the Social Security and Welfare system also had similarities with the changes in labour.

A caveat is necessary at this point: Social Welfare is a broad category that encompasses the set of measures and policies undertaken by the state, with or without the cooperation and coordination of various other entities, towards eliminating the asymmetries resulting from the socio-economic conditions and thereby reaching out to sections of the population, who are disadvantaged and at the margins. In the broad understanding of welfare, key aspects like health and education are inherent components. However, given the fact, that this thesis is concerned with the workers in the non-State Small and Medium Enterprises and responses of the Chinese State, the use of Welfare in this research has been nuanced and specifically focussed on those components that are intricately/intrinsically linked to the welfare of the working class. This necessitates the need for bringing up the category of Social Security, which is fundamentally associated with any analysis of labour and production relations in a socialist system.

Mention may also be made of the specific meanings that emerge from its usage within the Chinese language. While “Social Welfare (*shehui fuli*) is broadly referred to as assistance and services to the vulnerable sections of the society”, the Chinese prefer the usage “Social Security (*shehui baozhang*) as an inclusive concept to cover all types of social arrangements for social care and support” (Wong, 1998: 9). Lu Mouhua, a noted civil affairs educator and ideologue, presents a substantive definition of social security:

“Socialist social security in China generally means measures to protect and actively enhance security in the material and spiritual life of the people by the state and society. Social security, when manifested in the form of compensation for physical handicaps, overcoming and prevention of hardships, and raising the quality of life is *social welfare*; when manifested in non-compensatory assistance in relation to natural disasters and poverty is *social relief*. In the main, social security is the total system of comprehensive protection of life for all members of

society under socialism. Social insurance, social welfare and social relief are instruments of its implementation or concrete forms. They are indispensable parts of the social security system” (Lu, 1986: 90, as quoted in Wong, 1998: 9; Emphasis added by Wong).

This definition would typically subsume various other categories that in a way are representative of the thinking of the government. For the purposes of this study, Social Security would include the critical aspect of Social Insurance that defines the welfare regime vis-à-vis industrial labour. In other words, both Labour and Social Security have to be positioned alongside each other, and common patterns in them have to be identified as well as the similarities in their functioning.

Debates on Economic Reforms and Employment

The labour system in the Maoist period was a “constraint on growth since it was too rigid and centralized, impeding the flexibility needed for a dynamic economy reproducing unacceptably low levels of labour productivity and retarding technological development” (White 1988: 185). With the introduction of the market forces into the socialist economy by the ruling CPC leadership and following from their emphasis on efficiency and competition, SOE reforms were aimed at breaking down the monopoly of the predominantly state-owned sector in Industry. In the new perspective, the Iron Rice Bowl system was marked by “restricted labour mobility or a stagnant workforce”, “hidden unemployment”, and “low work incentives and productivity” (*Beijing Review*, 1988, as quoted in Leung and Nann, 1995: 64). The consensus in this regard appeared to be guided by the need to look towards effecting reforms in the labour relations and allocation.

As discussed earlier, the reforms imparted greater autonomy to the enterprises, wherein the managers were given enhanced powers to make decisions about workers’ recruitments, retrenchments, and work related incentives. At the 13th Congress of the Communist Party in 1987, the then General Secretary Zhao Ziyang had stated that “Whatever is conducive to the growth [of the productive forces], is in keeping with the fundamental interests of the people and is therefore needed by socialism and allowed to exist. Whatever is detrimental to this growth goes against scientific socialism and is therefore, not allowed to exist” (Zhao, 1987: XXVI). The policy of guaranteed permanent employment “reduced the motivation of workers to leave state jobs and reinforced the administrative controls imposed by a socialist government wishing to prevent unemployment” (Zhao, 2 March 1982, as quoted in White,

1988: 185). Prioritizing full employment had “brought considerable direct costs in terms of under-utilization of labour within enterprises and even greater opportunity costs in that state surplus labour could be employed more productively in the non-state sector” (White, 1988: 185).

After the 13th Party Congress, reforms in the labour system got a fresh impetus. Greater flexibility and labour mobility, introduction of fixed and short-term contracts, as well as new labour allocation institutions outside the state sphere accompanied the other changes in enterprise management. While the diversification and informalization (with the complex system of contracts) on the one hand ensured greater freedom for workers to move between jobs, it also gave enterprise managers the power to crackdown on the incompetence/inefficiency of the workforce in response to the changes in production needs and market dynamics.

The far-reaching market reforms undertaken by the Party-State have also been fascinating in the sense that these were formulated and overseen by, as also implemented under the guiding role of the Communist Party. The dual and mutually complementary roles of the state and market have, over the years, given rise to great debates over this experiment of marrying two seemingly antithetical concepts and putting them into concrete practice.⁷⁷ In 1982, Chen Yun had described the state and market relationship using the analogy of the “bird and the cage” phrase.⁷⁸ In the following years, the state-market relations began to acquire a greater degree of complexity due to the increasingly competitive environment, and the demand for greater flexibility on the part of the enterprises.

⁷⁷ For detailed studies on the complementary role of the state and market in socialist systems, see: Kornai, Janos (1985), *Contradictions and Dilemmas: Studies on the Socialist Economy and Society*, Translated by Ilona Lukács, Julianna Parti, Brian McLean and György Hajdu, Budapest: Corvina; Šik, Ota (1967), *Plan and Market under Socialism*, New York: International Arts and Sciences Press.

⁷⁸ Chen Yun, one of the architects of the post-1978 reforms had articulated the need for a dual-track development model in China by offering the analogy of a “bird in the cage” – with the bird being the market and the cage was the state, Chen Yun argued in favour of the market operating within the larger framework and supervision of the state. While the size of the cage had to be large in order to not stifle and suffocate the bird, the cage was also meant to ensure that the bird did not fly away. Chen Yun’s ideas of combining plan and market, can be studied in: Hsu, Robert C. (1991), *Economic Theories in China, 1979-1988*, Cambridge: Cambridge University Press; Naughton, Barry (1995), *Growing Out of the Plan: Chinese Economic Reform, 1978-1993*, Cambridge: Cambridge University Press; Riskin, Carl (1987), *China’s Political Economy: The Quest for Development Since 1949*, Oxford: Oxford University Press.

Article 1 of the Chinese Constitution adopted in 1982, describes the People's Republic “as a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants” (*The Constitution of the People's Republic of China*, 1983: 9). It was therefore important for the party-state leadership and policymakers to locate the market reforms within the socialist framework and provide a political-ideological rationale for the changes and reforms in the labour sector. According to Deng Xiaoping, the previous labour system under Mao, was characterized by problems of “rigidity, misallocation, waste of scarce skills, slack labour discipline and low levels of productivity” (White, 1988: 187). Critics of the market reforms have argued, “full employment, job stability and security were the major distinguishing characteristics of a socialist regime, with guaranteed employment and welfare system as a right. Apprehensions were also raised that labour reforms could usher in divisiveness within the labour-class, like divisions between fixed and contract workers, or between the employed and the unemployed” (*Zhengming Daily*, 24 July 1981, as quoted in White, 1988: 187). Furthermore, it was argued that the superior performance of enterprises was based on “a stable workforce”, which was necessary to “enable workers to exercise their rights within the enterprise” (Jiang, 1985, 11-13, as quoted in White, 1988: 188). Therefore, they go on to argue that “productivity goals can be met by other means: “tightening of labour discipline”, introducing more effective wage and job responsibility systems, improved training facilities, purchase of more advanced technology, and better relations between managers and workers” (Yi, 1986, as quoted in White, 1988: 188). On the other hand, an economic response would view guaranteed employment as “neither effective nor efficient” (White, 1988: 188). Clearly, the commodification of labour relations, which was the point of intense debate dividing both the reformers and their critics, had to be delicately and creatively negotiated - it was indeed a serious challenge confronting the policymakers in the Party-State.

Deng moved decisively to bring the majority within the CPC by advancing the slogan of “Economics in Command”. He emphasized the correct integration of theory and practice in an article in *Guangming Ribao* (*Guangming Daily*) on May 11, 1978, titled “Practice is the Sole Criterion for Testing Truth”⁷⁹ (Deng, 1978). In a subsequent speech, “Emancipating the

⁷⁹ It was subsequently published in *People's Daily* (*Renmin Ribao*) and *PLA Daily* (*Jiefang Ribao*), on 12 May 1978 and was essentially a critique of Hua Guofeng's “Two Whatever's” that had sought to blindly uphold whatever Mao had said and done. But using the same phrase as Mao, Deng attempted to focus upon Practice - rather than individual actions - as the only determinant of the correctness of any formulation. It was thus a

Mind and Seeking Truth from Facts”, Deng underlined the need to move away from old conventions and not be divorced from reality. Taken together with the “Four Modernizations” principle, the aim was to correct erroneous ideas and concretely evaluate challenges in the context of the prevailing situation. These thoughts recurred in his later writings and speeches and were to constitute the ideational underpinnings for market reforms and “Socialism with Chinese Characteristics”.⁸⁰ Among the foremost votaries of labour reforms, Zhuang Hongxiang broke the shibboleth about not viewing labour as a commodity within the wider framework of the “socialist commodity economy”. He argued, “while workers owned the means of production, they could hardly sell labour power to themselves” (Zhuang, 1986, as quoted in White, 1988: 190).

The prioritization of economic efficiency and growth over equity in the post-1978 period led to an imbalance between economic and social development, as the high-speed economic growth stimulated by the reform and opening up policy was accompanied by a shrinking of the government’s role in social security. The criticisms on welfare spending in the West were also reflected in the thinking of Chinese policymakers – “high levels of social welfare impose financial burdens”, “welfare feeds laziness and idleness”, “undermines family obligations, etc.” (Xu, 2004: 139). This was further developed to suggest that the government’s withdrawal would go hand in hand with encouraging non-profit organizations (such as local communities, neighbourhood groups, and mass organizations), which could take up the responsibilities hitherto carried out by the state to meet exigencies of government’s withdrawal and effective supervision of these organizations.

Clearly, while the government could not completely withdraw from the arena of social security and welfare, and outsource its responsibilities as it were, it to a plethora of new

critique of the rigidity and dogmatic attitude that had come to occupy the political centre-stage in the immediate aftermath of Mao’s death.

⁸⁰ The origins of this phrase can be traced to Deng Xiaoping’s discussions with the Japanese delegation to the second session of the Council of Sino-Japanese Non-Governmental Persons, on 30 June 1984. Deng stated that “...[S]ocialism is the primary stage of Communism....[T]his calls for highly developed productive forces and an overwhelming abundance of material wealth. Therefore the fundamental task for the socialist stage is to develop the productive forces”. He believed that as the productive forces developed, “the people’s material and cultural life will constantly improve....[S]ocialism means eliminating poverty. Pauperism is not Socialism, still less Communism”. Emphasizing on Socialism, Deng also underlined the need to “open to the outside world”, as a “closed-door policy would hinder construction and inhibit development”. Deng stressed that, “by accumulating new experience and trying new solutions as new problems arose, along with keeping an “open door to the outside world”, China would “develop rapidly” in realistic terms. According to Deng, this is “Building Socialism with Chinese Characteristics” (Deng, 1984: 73-75).

actors and social groups, neither could it return to an all-embracing role of the Maoist period. The role envisaged for the state was one of a regulator or facilitator, supervising and stepping in only to plug the loopholes or gaps.

We shall now turn to the institutional and structural reforms, which would change the decision-making processes and the various legislations that governed the social security system

National People's Congress and the State Council

The party-state polity in China encompasses a dual bureaucracy, with the dominance of the Party over the government bureaucracy. While the Chinese Communist Party has a leading role and is the main policymaker, the highest organ of state power in the PRC is the National People's Congress (NPC), which is composed of around 3000 deputies elected from the country's provinces, autonomous regions and municipalities and of deputies elected from the armed forces. Articles 57 to 78 of the Constitution of the PRC promulgated in 1982, describe the powers and responsibilities of the NPC. "Elected for a period of five years, the NPC meets once a year, in what is known as a Plenary Session. When the NPC is not in session, it functions through its permanent body called the NPC Standing Committee; both the NPC and its Standing Committee exercise the legislative power of the PRC and Standing Committee has the power to enact laws except for the basic laws" (*The Constitution of the People's Republic of China*, 1983: 45-59). Within this governmental apparatus, the State Council (SC) namely, the Central People's Government is the highest executive organ of state power and also the highest organ of state administration. Articles 85 to 92 of the 1982 Constitution detail the powers and responsibilities of the SC. "Consisting of a premier, vice-premiers, state councillors, ministers in charge of ministries and commissions, the auditor-general and the secretary-general, the SC is responsible for carrying out the principles and policies as envisaged by the CPC as well as the laws adopted by the NPC; being the central government of a unitary country, the SC directly oversees the various subordinate governments in the provinces" (*The Constitution of the People's Republic of China*, 1982: 63-69). While the Premier heads the SC, which together have a five-year single term of office, reappointments cannot exceed beyond one more term. The main organization within the SC is its Standing Committee that meets twice a week. The SC is composed of a wide range of departments and agencies, which could be divided into ministries and commissions, bureaux, executive

offices, and institutions, directly under its authority.⁸¹ Further, these could be classified into four categories as follows: (i) macroeconomic control departments, responsible for the management of national economy like Ministry of Finance and the State Economic and Trade Commission; (ii) specialized economic management departments, which are those ministries responsible for managing specialized economic and industrial sectors; (iii) departments administering education, social security and resources management like Ministries of Personnel, Labour and Social Security, and Education; and (iv) state organs that administer state and political affairs like ministries in charge of state and public security or law and order. With regard to social policymaking, the SC possesses wide-ranging powers, with the main functions being to formulate administrative regulations and measures, issue policies and orders as well as monitor their implementation, to draft legislations for submission to the NPC or its Standing Committee; and to prepare the economic plan and the state budget for deliberation and approval by the NPC.

Under the SC, the important ministries that deal with social policy are Civil Affairs, Health, Education and Construction, along with Labour and Social Security. The Ministry of Civil Affairs (MCA) deals with issues ranging from funeral services to marriage registration, managing old age homes and working towards poverty alleviation. The MCA also undertakes welfare measures and initiatives to support disadvantaged and marginal groups, like individuals with no family support, the mentally ill, disabled, old people, demobilized soldiers and orphans. Special efforts were initiated to develop community services and tackle urban poverty, with the Minimum Living Standard Scheme, pioneered in Shanghai in 1993, being the main feature of the ministry. The Ministry of Health is mainly concerned with the provision of health information, improvement of health education and awareness, ensuring comprehensive access of health services and monitoring the quality of services. The Ministry of Construction was established in 1988 and was responsible for policy matters in the context of standards of infrastructure and construction, real estate market, housing reform and public works. Even though it is more oriented towards the economy, it plays a leading role in

⁸¹ For more detailed studies on China's administrative institutions and the policy making process, some of the notable works are: Lieberthal, Kenneth and Michel Oksenberg (1988), *Policy Making in China: Leaders, Structures, and Processes*, Princeton: Princeton University Press; Lieberthal, Kenneth (1995), *Governing China: From Revolution through Reform*, New York: WW Norton and Company, Inc; Saich, Tony (2001), *Governance and Politics of China*, New York: Palgrave; Tanner, M.S. (1999), *The Politics of Lawmaking in Post-Mao China: Institutions, Processes and Democratic Prospects*, New York: Oxford University Press.

earmarking housing reform measures and policy formulations. With the increasing role of the migrant workers in building the new urban landscape of China, the ministry also has the responsibility towards protecting their rights and interests.

Ministry of Human Resources and Social Security (MOHRSS) - The Pivotal Agency administering China's Labour and Social Security

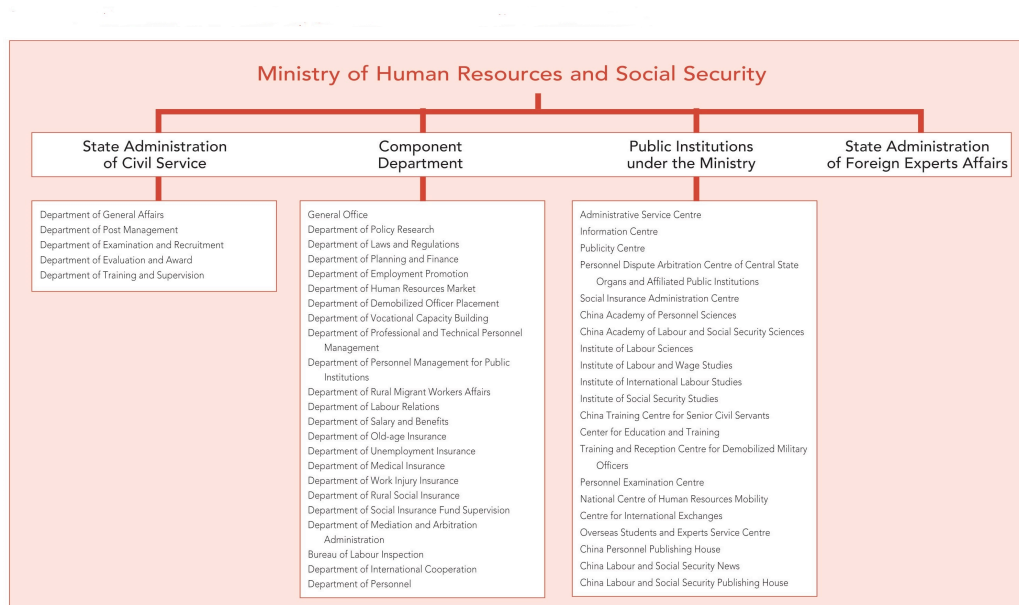
The pivotal agency in charge of social security and labour administration in China is the Ministry of Human Resources and Social Security (MOHRSS). As stated in the beginning of the chapter, changes/reforms in both labour and social security need to be studied together, as there is considerable overlapping of both variables, thereby underscoring their dialectical relationship. The MOHRSS was created to bring both labour and social security under one umbrella, considering their intertwined relationship.

Labour Administration

For some years after 1978, the labour administration system in China was segmented and compartmentalized in different ministries and departments. The major drawback was the lack of or inefficient system of cross-linkages, which had over a period of time become highly bureaucratic entities impeding the development of a more multi-layered coordinated system. To address this problem, in 1982, the “Central Government established a Ministry of Labour and Personnel, which was further divided in 1988 into the Ministry of Labour and Ministry of Personnel”. In 1998, the Ministry of Labour changed its name to the Ministry of Labour and Social Security (MOLSS) and during this period, one of the landmark developments in labour administration, was the adoption of the Labour Law of the PRC in 1994. This in many ways summarized the achievements of the labour administration reforms underway for over a decade, thereby providing “a legal framework for governing the labour market that meets the requirements of the socialist market economy” (Ministry of Labour and Social Security, 2009, as quoted in Casale and Zhu, 2013: 3). Further restructuring in 2008 saw the rechristening of this ministry as “the Ministry of Human Resources and Social Security (MOHRSS) that integrated the functions of former Ministry of Personnel and Ministry of Labour and Social Security”, thus “reflecting a shift to a more balanced social and economic development strategy which prompted a people-centered principle in labour administration and policy-making” (Ibid).

Figure 1 illustrates the highly complex and comprehensive structure of the MOHRSS and the various bodies encompassed within it. The ministry has four wings, namely State Administration of Civil Service, Component Department, Public Institutions and State Administration of Foreign Experts Affairs. Under the first three wings, there are specific departments including personnel management, rural migrant workers' affairs, as well as on the various employment-based insurance schemes. There are dedicated think-tanks within the ministry like Institute of Labour Sciences and the Institute of Social Security Studies for advanced studies and research

FIGURE 1: Structure of the Ministry of Human Resources and Social Security



Source: Giuseppe Casale and Changyou Zhu (2013), "Labour Administration Reforms in China", Geneva: International Labour Organization. p. 4

A MOHRSS publication in the Chinese language, *Functions and Organization of the MOHRSS* (2008), Beijing: China Labour and Social Security Publishing House, (and quoted by Giuseppe Casale and Changyou Zhu in their report on China's labour and social security system published by the International Labour Organization) details the functions and key objectives of the Ministry. Its main functions are concentrated in two areas, namely "social management and public service" - with the core functions in "promoting employment, maintaining labour relations and improving the social security system" - and "public personnel administration-management of public servants in government organs and public

institutions”. Taking this forward in specific terms, they emphasize that these functions include implementing “employment promotion strategy”, accelerating “improvements in various social insurance systems”, furthering the “reform of the income distribution system”, strategizing “development of human resources”, along with developing “harmonious labour relations” and protecting “legitimate rights and interests of the workers”. Further, apart from drafting the relevant laws and regulations on human resources and social security as well as ensuring their implementation, supervision and inspection, formulating salary distribution policies, initiating management policies regarding different categories of personnel, framing comprehensive policies and programmes for the burgeoning number of rural migrant workers, and working out methods and vehicles for labour dispute mediation and arbitration, a very significant function of the MOHRSS is the “establishment of a social security system”. Some key objectives for the ministry are:

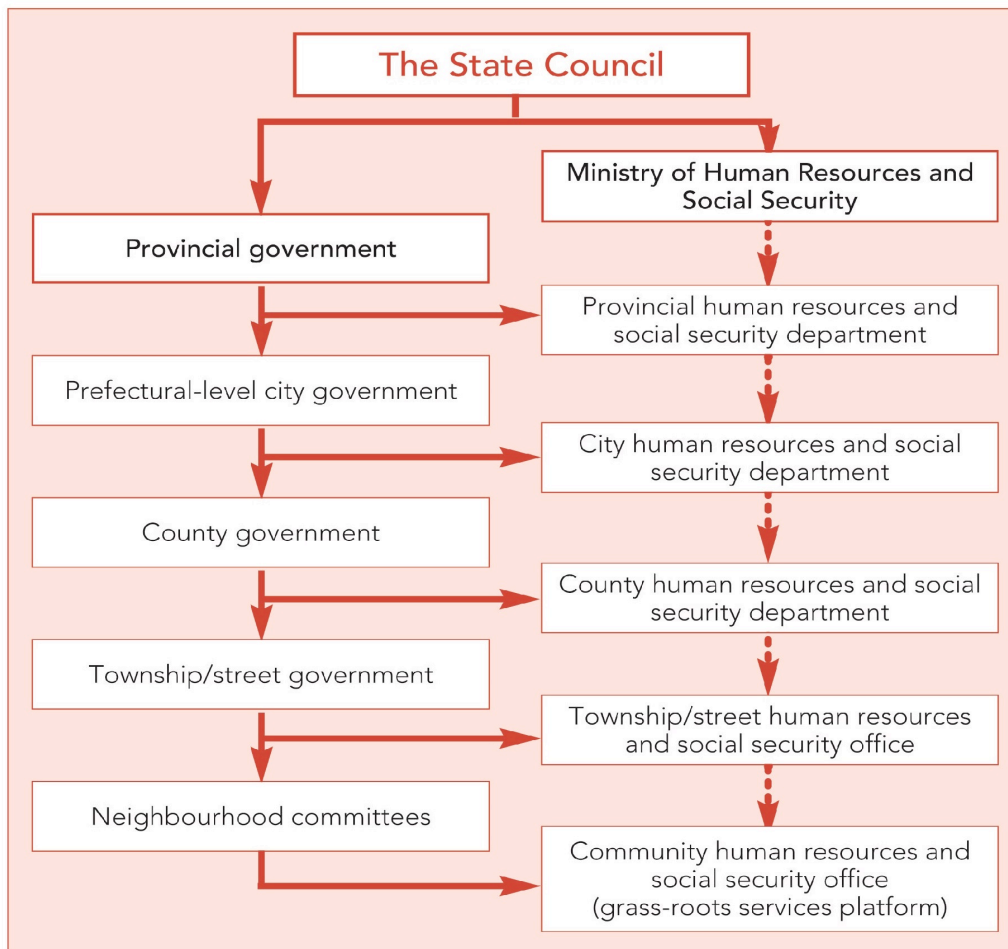
- Frame a system that covers both urban and rural migrants;
- Coordinate and formulate policies and standards covering social insurance and supplementary insurance for residents in urban and rural areas;
- Organize the formulation of integrated methods for transferring social security accounts nationwide and integrated methods administering basic old-age pensions;
- Gradually upgrade the management of social security funds pooling;
- Establish management and supervision systems governing the budget and final accounts of social insurance funds; and
- Participate in the formulation of social insurance funds investment policies.

One of the hallmarks of the Chinese governance and administration system is *decentralization*, which was practiced in all the state institutions, to ensure smooth functioning and better coordination. Decision-making, policy formulations and financing are exercised with the sub-national layers occupying greater prominence. This is also reflected in the labour and welfare regime in the country, whereby the arrangements vary from locality to locality. “One key reason for the diversified welfare regime is that the Chinese state has never had the resources to develop a unified national welfare system. As a result, the central government delegated more and more of its welfare functions to local government

authorities, especially at the county level. With the intensification in marketization and decentralization during the Reform era, the Chinese welfare system has become more diversified and localized” (Chan *et al.*, 2008: 55). In fact, the argument goes further to posit the greater diversification and localization of the Chinese welfare system in the context of the intensification of marketization and decentralization. Such a system also had its own share of constraints and imbalances in terms of service delivery and more importantly, in, financing. To address the latter concern, efforts were made to improve the tax-sharing system and raise the income of the central government, thereby strengthening its hands regarding national finances. However, such a rearrangement was restricted between centre and provinces and did not include the sub-provincial levels, which were the pivotal agencies in terms of welfare and social security dissemination. Gaps remained for the local governments whose financial conditions were more often, non-robust.

The MOHRSS, as the “highest labour administration organ under the State Council, developed national labour policies”, and “supervised the implementation of policies at local levels, thus playing a guiding role” (Casale and Zhu, 2013: 7). It was therefore further structured, with sub-levels flowing down to provincial, city, county, township/street and community levels. This was parallel to the decentralized model of the State Council, which was built down from provincial, prefecture, county, township/street governments and neighbourhood committees. There was a system of “dual interaction” between the decentralized departments within the MOHRSS as well as between the various levels of sub-national governments and the relevant HRSS body. This is illustrated in **Figure 2**, thereby explaining the dynamic nature of interaction between the parallel bodies. Casale and Zhu point out that the MOHRSS develops, promotes and reviews the national labour policies by various means like annual conferences; the local labour administration under the direct leadership of the local government at the same level, works and innovates to address the local situation. In fact, it is also pointed out that such innovations in the local practices have often been fine-tuned and moulded into national policies.

FIGURE 2: Relationship between Labour Administrations at various levels



Source: Giuseppe Casale and Changyou Zhu (2013), “Labour Administration Reforms in China”, Geneva: International Labour Organization, p.8

All-China Federation of Trade Unions (ACFTU) and All-China Women’s Federation (ACWF) – Other Actors in Chinese Social Policy

In addition to these bodies, the other actors who were also involved in social policy were the All-China Federation of Trade Unions (ACFTU) and All-China Women’s Federation (ACWF). Their importance was reflected in their intertwined relations with the party-state due to their function as “transmission belts”⁸² between the people and the state. The solely

⁸² V.I. Lenin likened trade unions to a “transmission belt” – they connected the party and the masses in the same way as the “transmission belt did with the motor and the machine” (Lenin, 1922). In this regard, the function of the trade unions was: “Downwards, they transmitted the party’s policies to workers, and upwards,

officially recognized trade union, the ACFTU had the “moral responsibility to protect workers’ interests and rights, thus having not only a say in matters related to them, but also participated in the drafting work of labour policy and legislation” (Chan, *et al.*, 2008: 53). On similar lines, the ACWF was also organizationally a “hierarchical pyramid”, parallel to the government structure, with the “mission to represent and safeguard women’s rights and interests”, along with the promotion of “equality between women and men”. It was also tasked with “uniting and mobilizing Chinese women” to contribute to the country’s “modernization, economic development and social well-being”. The ACWF provided “education services, offered a wide range of training programmes, especially for unemployed female workers to improve their technical and professional skills” (Ibid).

Administration of Social Security and the Instrument of Legislation

In framing a welfare regime for the people and initiating various policies for effective and speedy delivery, providing a legal basis is of paramount importance. Unless comprehensive laws are in place, accountability in the implementation of the social security policies cannot be guaranteed. An effective legal framework provides a strong instrumental underpinning for effective, efficient and just governance. However, the legislative foundations of Welfare in China, in terms of dedicated national laws, were to arrive later; this practice was systematized and made effective from the mid-1990s. Prior to that, the social policymaking in China was dominated by the SC and since the 1980s, social policies were largely regulated by rules, directives, decisions, circulars and proposals issued by its agencies rather than through laws enacted by the NPC or its Standing Committee. “According to most interpretations, SC “decisions” (*jueding*) and “orders” (*mingling*) are of a subordinate status compared with State Council documents labelled as “regulations” (*tiaoli*), “rules” (*guiding*) and “measures” (*banfa*)” (Otto and Li, 2000: 3). Article 89 of China’s 1982 Constitution “gives administrative regulations (*xingzheng fagui*) issued by the State Council the status of legal documents, which can be superseded in their authority only by formal legislation passed by the National People’s Congress or its Standing Committee” (The Constitution of People’s Republic of China, 1982: 65-68). Several other studies have confirmed this practice and have sought to explain the rationale for the prevalence of administrative regulations over law in the

they transmitted the workers’ concerns to the party leadership for its references in making policies and improving work”.

field of social policy. According to the findings of these studies, the Chinese social welfare system, which has undergone continuous transformation at frequent intervals in the aftermath of the 11th Party Congress could not have been possible through the comparatively slower process of law-making. Besides, it was no easy matter to bring a consensus among the different stakeholders in the social policy sectors. Further, as the administrative regulations had greater flexibility compared to laws, “local governments and enterprises could adapt them to local conditions”, which in turn offered more scope for the central government to broaden the ambit of their regulations (Frazier, 2004: 106).

The Labour Law of 1994 was the precursor to the enactment of the National Law on Social Security, (now known now formally as the Social Insurance Law). Following that, there were also Regulations on Collection and Payment of Social Insurance Contributions promulgated by the SC in 1999 and the Regulations on Work Injury Insurance adopted by the SC in 2003. There was a need for a coordinated codification, given that the various schemes and regulations operating at the time were scattered throughout the country. In this context, the former Ministry of Labour set up a drafting group for the Social Insurance Law in 1993, and the Standing Committee of the NPC promulgated the Social Insurance Law (SIL) on 28 October 2010. It took seventeen years to make the law and bring it into force. “The SIL consolidates the existing rules and regulations, which aimed to establish a comprehensive social insurance legal framework that will cover both urban and rural residents, tighten supervision of social insurance contributions, protect legitimate rights of citizens to participate in and benefit from social insurance and ensure that citizens share in the results of development” (Casale and Zhu, 2013: 14). This new SIL - the first comprehensive law of China - set out the basic framework, principles and schemes of the social insurance system, including the five mandatory insurance schemes: basic pension, basic medical, unemployment, work-related injury and maternity; the law covered all employers within China along with all full time and part-time employees, as well as self-employed individuals working within the PRC. Containing 12 chapters encapsulating 98 articles, the SIL provides the overarching framework regarding the various social security mechanisms. Chapter One of the SIL deals with General Guidelines; the next five chapters pertain to Pension/Old-Age Insurance, Medical Insurance, Work-related/Industrial Injury Insurance and Maternity Insurance respectively. The different methods of financing comes under Chapters Seven and Eight regarding Collection and Payment of Social Insurance Premiums as well as Social

Insurance Funds, the subsequent four chapters are mainly concerned with the supervision of the implementation of the various schemes and associated legal liabilities in case of non-fulfillment of the requisite norms. Article 5 of the law clearly states that the “Governments above the county level shall include social insurance undertaking in the national economic and social development plans” (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 124). Further, this article also points to the state’s endeavour to raise social insurance funds through multiple channels, with the governments above the county level providing necessary outlay support. The responsibility of the governments above the county level in administering and supervising the social insurance funds is also further laid down in the next two Articles, namely 6 and 7. As the major part of the law deals with the five major components of social security system in the China, it is clear that they have to be studied as separate entities (within the context of the various regulations, directives and guidelines before the institutionalization of the SIL).

Overall, in terms of the administration of the social insurance system in the country, the responsibility for coordinating as well as formulating various policies and standards regarding social insurance, lies with the MOHRSS. It is also “in charge of management and supervision of social insurance funds in an integrated manner throughout the country. In fact, the MOHRSS and Ministry of Finance work jointly to strengthen the supervision of nationwide social insurance funds, with the Department of Human Resources and Social Security (DOHRSS) at each level. Furthermore, the DOHRSS works together and coordinates with the Department of Finance, Audit Office and Department of Supervision in setting up a cooperative supervisory mechanism” (Ministry of Human Resources and Social Security, 2008, as quoted in Casale and Zhu, 2013: 84).

There are mainly five pillars, in China’s Social Security system namely Old-Age Pension Insurance, Medical Insurance, Unemployment Insurance, Workplace Injury Insurance and Maternity Insurance. All these five have been analyzed at length, below. Apart from the relevant sections of the Social Insurance Law, which came into effect in 2011, this analysis is greatly indebted to the work of Tian Chenping, *China’s Social Security System*, published in 2008.

Old-Age/Pension Insurance:

The Chinese family system had traditionally been dependent on their children or the extended clan for support in old age. With estimations that by 2037, the population of those above the age of 60 would exceed 400 million, a new dimension was added to the problem of Old-Age Pension/Insurance. Under the centralized system of planning and development, “all revenue from the SOEs was remitted to the state, and all their expenditures were approved and allocated by the state, both of which were included in the government revenue. It was the state that was responsible for accumulating and expending the social security funds, and there was in fact a nation-wide pooling” (Cai, 2003: 34). Following a series of experiments, a socialized old-age security system was set up and it was only by the end of 2005, that the State Council issued the *Decision on Improving the Basic Old-Age Insurance of Enterprise Employees*, which also covered the employees in the non-state owned sector (State Council, 2005, as quoted in Tian, 2008: 49). The Old-Age Insurance, essentially categorized into urban and rural sectors, had two sub-sections within the former, namely those from the enterprises and the government offices as well as public institutions. Since this study is dealing with the workers of the SMEs, the analysis here is confined to the pensions/old-age insurance in the Enterprises. There are three levels in the enterprise old-age insurance scheme:

- (i) ***Basic Old-Age Insurance*** – This is a mandatory scheme, which was enforced by unified state policies and regulations across the country to guarantee basic livelihood of retirees. “Employees of all urban enterprises may participate in this programme and all enterprises and employees in towns and cities have the obligation to pay the basic old-age insurance premiums; by 2002, about 20 per cent of the enterprise wage bill and 8 per cent of personal wages had to be given to this insurance” (*Labor and Social Security in China*, 2002: 22). While “part of the basic insurance premiums from enterprises is used to set up mutual assistance funds, the rest goes to personal accounts” (Ibid). Article 12 of the Social Insurance Law specifies this aspect with regard to both the employing entity and individual workers.
- (ii) ***Enterprise Supplementary Old-Age Insurance*** - The supplementary old-age insurance “is provided by the enterprises in accordance with their financial capability for their own employees in the context of state policies and conditions” (As quoted in Tian,

2008: 50). This is “guided by the state and decided and implemented by individual enterprises; with different functions and at different levels, enterprise supplementary old-age insurance and basic old-age insurance are closely connected in terms of policies and standards” (Ibid).

- (iii) ***Personal Savings Old-Age Insurance*** – Another form of supplementary insurance featuring Personal Savings, comprises “voluntary participation of employees and free selection of agencies. Based on their incomes, the employees pay contributions for personal savings according to relevant stipulations, which go into the personal savings accounts opened by the selected social insurance agencies at banks” (As quoted in Tian, 2008: 51). “The interest is calculated at a rate no higher or lower than the current interest rate of savings of residents in both urban and rural areas, and such generated interest went into the personal accounts, of the individual employees. Further, when the worker reached the legal retirement age, the money was paid back to him/her in full or in installments” (Ibid). A “monthly sum amounting to 20 per cent of the average social wage of the employees and the monthly pension in personal accounts come to 1/120 of the accumulated amount in personal accounts” (*Labor and Social Security in China, 2002: 22-23*). It is also stated that pensions in personal accounts can be inherited.

The “local authorities could decide the level of contribution from enterprises, while the rate of workers’ contributions was limited to no more than 3 per cent of their annual salaries. While personal savings were portable – so that workers who moved from one place to another did not lose out - the government also urged the level of social pooling to be transferred from township level to provincial level” (State Council, 1991, as quoted in Chan *et al.*, 2008: 63). “The central government in China has given localities the “unfunded mandate” to finance a new pension system based on the parameters laid down by Beijing, thus making the pensioners heavily dependent on the efforts of local government agencies to collect sufficient payroll deductions from firms within their jurisdiction; this has meant that pension politics in China has remained a distinctly local affair” (Frazier, 2004: 100). The objective of the state was “to enhance the social pooling level of old-age insurance (pension provision) up to provincial level and to introduce a multi-pillar scheme of social security following the suggestion of the World Bank in 1994, choosing a combined fund raising programme of individual account, social pooling, enterprises annuity and commercial

insurance” (Cai, 2003: 34). The intended aim was to cover as many beneficiaries as possible at relatively low benefit levels.

Given below are the various policies, circulars and regulations governing the administering of the old-age insurance system:

- *State Council Notification on Deepening Reform of the Old-Age Pension Insurance System* in 1995;
- *Decision on Establishing a Unified Basic Old-Age Insurance System for Enterprise Employees*, State Council, 1997;
- *Issues About the Social Pooling of the Basic Old-Age Pension Insurance at Provincial Level and the Transfer of Occupational Pooling to Local Administration*, State Council, 1998;
- *Notice on Continuing to Guarantee the Basic Livelihood of Laid-Off Employees of SOEs and to Ensure the Payment of Pensions to Enterprise Retirees*, General Office of State Council, 2000;
- *Notice on Ensuring Timely and Full Payment of Basic Pensions to Enterprise Retirees and Guaranteeing the Basic Livelihood of Laid-Off Employees of SOEs*, State Council, 2000;
- *Notice on Issues Related to Improving Policies Concerning Old-Age Insurance of Urban Employees*, Ministry of Labour and Social Security, 2001;
- *Notice on Issues Related to Regulating Individual Accounts of Basic Old-Age Insurance of Enterprise Employees*, Ministry of Labour and Social Security, 2001;
- *Decision on Perfecting the Old-Age Insurance System of Enterprise Employees*, State Council, 2005

Sources: As quoted in Chan, Chak Kwan, King Lun Ngok and David Phillips (2008), *Social Policy in China: Development and Well-Being*, Bristol: Policy Press, and Tian Chenping (2008), *China's Social Security System*, Beijing: Foreign Languages Press.

The Social Insurance Law of 2010 further builds on the above-mentioned regulations and directives. Article 15 of the law underlines the “basic pension being made up of the coordinated pension and the pension in the personal account, with the basic pension determined based on factors such as the individual’s cumulative premium payment period, the wage from which premium payment is made, the average wage of the local workers, the amount in the personal account and the average life expectancy of the urban population”

(*Laws and Regulations of the People's Republic of China – Social Law*, 2011: 125). The underlying objective of all these regulations was to put in place a multi-layered unified system covering all types of enterprises, with flexible options for the local governments. The social pooling system was earmarked in the railway industry in 1986 and later spread out to other sectors.

The Old-Age pension system has undergone many changes since 1978. “In 1995, under the State Council directive, *Notice on Deepening the Reform of the Old Age Insurance System for Enterprise Employees*, the Basic Old-Age Insurance costs were to be jointly borne by enterprises and individual workers. The various notifications and regulations in the 1990s – as mentioned above - were aimed at improving the method of the insurance” (As quoted in Tian, 2008: 54). After 2000, a slew of pilot projects - which has been one of the characteristic features of the Chinese economic and development model - were tried out, mainly in Liaoning province, to establish a social security system independent of enterprises and public institutions with diversified sources of funds, a standardized system and socialized management and services. The measures included experimenting with ways of funding like replacing the existing “Pay-As-You-Go model”⁸³ with partial funding and experimenting “to completely separate the individual and social pooling accounts from one another in terms of money utilization and management”, initiating an adjustment fund system at the provincial level, “formulating ways to provide basic pensions” as well as “increasing benefit levels”, and “encouraging enterprises to set up their own annuity programme” called the “enterprise supplementary retirement insurance” (Cai, 2003: 36).

Table 1 explains the existing system of pension scheme for urban enterprises:

⁸³ According to the World Bank, “in its strictest sense, Pay-As-You-Go (PAYGO) is a method of financing in which current expenditure on pension benefits are paid out of current revenues from an earmarked tax, often a payroll tax’ (1994, xxii). It refers to ‘a plan in which the pension welfare of the elderly at any time is financed by contribution from the working population’. Pension benefits are calculated according to a formula based on the worker’s wage, years of service, etc. With a young population, this PAYGO arrangement is politically attractive as the contribution rate is low and the recently retired people could enjoy benefits immediately” (Wong, 2015: 1).

TABLE 1

<p>Financial Systems</p>	<p>A combination of pay-as-you-go, advance funding and government subsidies</p> <p>The pension scheme consists of two elements: the base amount and an individual account</p> <p>The <i>base amount</i> is financed on a contributory pay-as-you-go basis from the pooling fund as well as through subsidies from central and provincial governments</p> <p>The <i>individual account</i> aspect of a pension is financed from the accumulated contributions, plus investment earnings, in a worker's individual retirement account</p>
<p>Contribution Rates</p>	<p>The contribution rate of an enterprise should not exceed 20% of an enterprise's total wage bill</p> <p>The contribution rate, applicable to enterprises in any given province, is determined by the provincial authorities. It can vary within a province from one county/city to another</p> <p>Enterprises employees usually contribute at a rate of 8%</p> <p>Employees of small establishments, flexible employees and the self-employed contribute at a rate of 20%</p>
<p>Pension Age</p>	<p>Eligibility for an old-age pension is conditional on reaching the following ages:</p> <ul style="list-style-type: none"> a) For male employees - 60 b) For female managers (cadres) – 55 c) For other female employees – 50 d) People who have worked in forms of employment that are hazardous or extremely strenuous (for example, coal miners, those working in high altitudes or at extreme temperatures) can qualify for an early old-age pension five years before the age cited above
<p>Contribution Requirements</p>	<p>A worker must have paid his/her share of contributions or been credited with contributions for at least 15 years</p> <p>A worker who has contributed for less than 15 years and who has reached retirement age is entitled to receive the balance in his/her individual account in a lump sum</p>

Source: International Labour Office Study Team (2006), "Extending Old-Age Insurance Coverage in the People's Republic of China", Bangkok: Sub-regional Office for East Office, International Labour Office.

Over the years, the coverage of the old-age insurance has expanded to include self-employed individuals and people in flexible employment, with the participants increasing from "108 million in 2001 to 216 million in 2011" and the number of retirees receiving pensions from this scheme increased from "33.81 to 68.26 million in the same period" (As quoted in Casale

and Zhu, 2013: 81). **Table 2** is drawn from Tian Chenping’s work and shows the comparison of the increase of the Insured and Retirees in 1995-2005.

TABLE 2

(Unit: 10,000 persons)

Year	Employees	Increase over the Previous Year (%)	Retirees	Increase over the Previous Year (%)
1995	8,738	2.87	2,241	7.79
1996	8,758	0.23	2,358	5.22
1997	8,671	-0.99	2,533	7.42
1998	8,476	-2.25	2,727	7.66
1999	9,502	12.10	2,984	9.42
2000	10,448	9.96	3,170	6.23
2001	10,802	3.39	3,381	6.66
2002	11,129	3.03	3,608	6.71
2003	11,646	4.64	3,860	6.98
2004	12,242	5.10	4,100	7.00
2005	13,082	6.86	4,362	6.39
Annual Average		4.08		7.04

Source: Tian Chengping (2008), *China’s Social Security System*, Beijing: Foreign Language Press.

The Old-Age Insurance system has also faced considerable strains over time, with the pressures of early retirement option and the growing number of retirees adding to the financial burdens. This is especially true in the case of heavy contributions by the employers and several of them on various occasions had voiced their opposition to the present 20 per cent (which in certain enterprises sometimes went close to 24 per cent). This has very often pitted many of the enterprises in confrontation with the local governments. “False reporting of payroll records, usually by understating the number of employees and their wage levels, is commonplace, and private firms get away with this more easily. In general, smaller, scattered firms are inherently difficult to monitor...[F]rom the perspective of enterprise managers,

administrative measures since 1998 have given municipal governments far too much arbitrary authority to compel firms to remit fees". They also placed the blame on the "social security authorities" for "violating existing regulations entitling retirees to pension benefits", which even at times extended to "turning down the applications of would-be retirees and forcing them to continue working and drawing upon the enterprise for their pensions" (Frazier, 2004: 109-110). Adding to this was the problem of narrow coverage with the system only accounting for 66 per cent of urban workers, which was also connected to the low level in social pooling. "The essence of pension reform in China, and in many other transitional economies, is to replace a retirement benefit provided by state enterprises with benefits linked to the amount that an individual worker contributes to a retirement account while employed. The idea is to build up individually funded accounts, along with social pools that can provide a minimum pension benefit" (Frazier, 2004: 99).

Role of Local Governments

The role of the local governments has been enhanced with regard to the dissemination and administration of pensions/old-age insurance, in terms of enforcing the norms. The governments have sought to identify and penalize delinquent employer-contributors through a series of local laws and regulations. "The 1999 "Provisional Regulations" allowed urban governments to use the tax collection agencies, with their relatively greater abundance of personnel and other administrative sources. Local tax authorities have more accurate and reliable information about the local firm's employment and wage bills. They can check management's tax filings against the information submitted, along with social insurance fees" (*People's Daily*, 22 August 2000 and 30 June 2001, as cited in Frazier, 2004: 107). "Urban governments have also used their leverage over licenses and inspections to pressure firms to comply", thus binding aspects like "annual renewals of business licenses, tax compliance certifications, public health certifications, family planning compliance (for the one-child policy), and so on" to fulfilling old-age insurance obligations (Frazier, 2004: 107). "Urban governments have made frequent use of the mass media in their pension collection efforts. Many of the local broadcast stations run investigative reports naming the enterprises and managers that have fallen behind on their pension contributions to local pension pools". The urban governments "frequently published the names of delinquent enterprises in local newspapers", along with the MOHRSS in Beijing "routinely releasing a list of enterprises that owe more than 10 million yuan in back payments" (Frazier, 2004: 107-108).

However, the added burdens on the local governments has necessitated the need for new methods of fund raising and financing, like restructuring spending to directly increase input in social security to ensure timely payment. In September 2000, the Chinese Government officially “established the National Council for Social Security Fund (NCSSF)” to handle the pooling fund and ensure standard operation. The “NCSSF was responsible for the management of the social security fund allocated by national finance and collected from other sources as well as some of the social insurance accumulated fund. From 2000 to 2009, the allocated funds from public finance to the fund totalled 380.3 billion yuan” (*National Social Security Fund Council Annual Report, Various Years*, as cited in Wang and Long, 2011: 123). According to Cai Fang, who had headed the Institute of Population and Labour Studies at the Chinese Academy of Social Sciences (CASS), newly emerged enterprises in profitable industries, though operating well and with their employees relatively young and lightly burdened, lacked incentives to participate in social pooling insurance and tried to evade payment for the insurance programme. The challenges within the old-age insurance/pension system still remain, which requires sustained and sophisticated efforts of the governments, both at the central and local levels.

Medical/Health Insurance

Used interchangeably, Medical or Health Insurance is another important component of China’s social security system. Medical insurance (along the lines of Old-Age insurance), comprises three essential groupings - Basic Medical Insurance for the Employees, Basic Medical Insurance for Urban Residents and Cooperative Medical Insurance for Rural Areas. Given the primary objective of this research, the focus here would be on the medical insurance for state and non-state industrial employees. To begin with, it is necessary to contextualize this in China’s overall health expenditure. **Table 3** shows China’s health expenditure growth rate (in percentage terms), 1996-2009.

TABLE 3

Year	GDP Growth Rate	Health Expenditure Growth Rate	Health Expenditure Proportion of GDP
1996	10.01	18.13	3.81
1997	9.30	16.22	4.05

1998	7.83	16.11	4.36
1999	7.62	11.44	4.51
2000	8.43	11.06	4.62
2001	8.30	7.37	4.58
2002	9.08	14.52	4.81
2003	10.03	10.85	4.85
2004	10.09	7.81	4.75
2005	10.43	9.95	4.73
2006	11.65	9.71	4.67
2007	11.93	9.03	4.52
2008	9.00	8.9	4.83
2009	8.7	10.9	4.96

Source: *Zhongguo Weisheng Shiye Fazhan Qingkuang Jianbao* (Brief Reports on the Development of Healthcare Sector in China), Ministry of Health, People’s Republic of China, <http://www.moh.gov.cn/publicfiles//business/htmlfiles/zwgkzt/pnb/index.htm>, in Korolev, Alexander (2012), “China’s Healthcare: Developing a Universal Coverage Plan”, *Far Eastern Affairs*, No.1, p. 47

The table shows that the period of the most rapid health expenditure growth was the second half of the 1990s (1996-2002). Korolev’s study shows that in monetary terms, the annual per capita spending on personal health services in China increased by a factor of 40, from 11 to 442 yuan. Moreover, the composition of China’s healthcare expenditure has also changed; therefore, while the healthcare expenditure did grow between 1996-2002, it had dropped significantly when compared to the year 1978 - “Fall from 32.1 per cent in 1978 to 15.7 per cent in 2002” (Korolev, 2012: 47). **Table 4** provides the composition of China’s Healthcare Expenditure, 1978-2009.

TABLE 4

	Total Expenditure (100 million yuan)	Share of Government (%)	Share of Society ⁸⁴ (%)	Share of Individuals (%)
1978	110.21	32.1	47.4	20.4
1980	143.23	36.2	42.6	21.2
1985	279.00	38.6	33.0	28.5
1990*	747.39	25.1	39.2	35.7
1995	2155.13	18.0	35.6	46.4
1996	2709.42	17.0	32.3	50.6
1997	3196.71	16.4	30.8	50.6
1998	3678.72	16.0	29.1	54.8
1999	4047.50	15.8	28.3	55.9
2000	4586.63	15.5	25.6	59.0
2001	5025.93	15.9	24.1	60.0
2002	5790.03	15.7	26.6	57.7
2003	6584.10	17.0	27.2	55.9
2004	7590.29	17.0	29.3	53.6
2005	8659.91	17.9	29.9	52.2
2006	9843.34	18.1	32.6	49.3
2007	11573.97	22.3	33.6	44.1
2008	14535.40	24.7	34.9	40.4
2009	17204.81	27.2	34.6	38.2

Source: 2010 Zhongguo Weisheng Tongji Nianjian (China's Healthcare Statistical Yearbook 2010), as quoted in, in Korolev, Alexander (2012), "China's Healthcare: Developing a Universal Coverage Plan", *Far Eastern Affairs*, No.1, p. 49.

Steps to reform China's medical insurance system were taken in the 1980s, starting with a cut in subsidies for medical assistance. The "enterprises signed contracts with medical institutions, entrusting them to (*sic*) provide medical services to their employees for a fixed

sum” (As quoted in Tian, 2008: 94). Alongside, measures like restraints on employees from reckless consumption of medical resources were also adopted. The local governments required that the employees pay 10-20 per cent of their medical expenses themselves. In a pioneering move, “instead of individual enterprise-specific labour protection medical care, local governments in Jiangsu and Jiangxi provinces gathered part of the medical care fund from each enterprise, to form a social pool to cover the high medical costs of employees suffering from major illnesses, thus also fostering a sense of solidarity and risk-sharing” (Ibid). Pilot schemes to establish an insurance system by combining social pooling with individual accounts were also launched.

But, it was in December 1998 that the government made the defining move in the direction of reform, by issuing the “Decision on Establishing the Basic Medical Insurance System for Urban Employees” (UEBMI) (*Labor and Social Security in China*, 2002: 24). The UEBMI - the first health security net in post-reform China - was aimed at widening the coverage of health insurance for the urban employees as well as to contain medical costs; the UEBMI system attempted to integrate the two major schemes that had been in operation since the establishment of the PRC. These were “the *Gongfei Yiliao* - the Government Insurance Scheme (GIS) - for all government employees, disabled veterans, college teachers and students, and employees of non-profit organizations, and the *Lao Bao* - the Labour Insurance Scheme (LIS) - for employees in enterprises” (China State Council, 1951, as quoted in Ma *et al.*, 2008: 939). Both the GIS and LIS however differed from the newly created UEBMI in some ways. Under the former, the employer had the obligation and responsibility to provide for the medical care of the employees, thus making it compulsory and binding, and the government earmarked a fixed sum of money making the enterprises pay the medicare fees directly to the service provider. But under the UEBMI, “although enterprises were required to participate, it was not made mandatory and this led to some enterprises opting out of this scheme. In such situation, enterprises that are economically well-off or had a younger demographic profile among the employees have been more likely to stay out or purchase specific health insurance packages on their own” (Xu *et al.*, 2007). The difference between GIS-LIS and UEBMI was also to be seen in the coverage, where the former partly covered the workers’/employees’ family members.

“In case of LIS, employees’ or retirees’ direct relatives could enjoy free diagnostic and treatment services in the enterprise’s infirmary or hospital, or in hospitals engaged with the

enterprise by special arrangement. Enterprises also paid 50% of medical operation fees and prescription charges. Such expenses as precious medicines, transportation fees, hospitalization fees, and nutrition fees during the stay in hospital usually had not been reimbursed, but for households with difficulties, some financial resources were available from the enterprise's welfare funds. As to the GIS, in case of sickness of employees' children, work unit could organize other workers to make a pool for paying health expenses or, as in case of LIS, withdraw some resources from its welfare funds" (Gong, 2002, as quoted in Korolev, 2012: 51).

The "UEBMI system, though it covered both employees and retirees in the public and private and joint-venture enterprises, did not cover any dependents of the insured. The system also did not cover the self-employed, employees in the informal sector and migrant workers" (Ibid).

The UEBMI "combined social assistance programmes with personal accounts, with the funds coming in the form of mutual assistance programmes at prefectural and city levels" (*Labor and Social Security in China*, 2002: 24). The coverage extended across enterprises and various administrative departments and the "social pooling level of the funds had to be above prefecture/county level", thus ensuring that the "insurance had to be managed locally" (As quoted in Tian, 2008: 98). The contributions had to be paid jointly by employers and employees, with the rate for the former being 6 per cent of the total payroll and the same for the latter being 2 per cent of each individual worker/employee's wage. Tian Chengping elaborates that while the retirees were exempted from paying the contributions, the percentages were set in accordance with the medical expenses of the employees as well as the financial capability of the government and enterprises (the exact percentage of the employer contributions were determined by the local governments keeping in mind the prevailing local conditions, thereby pointing to the variances in different localities and places).

The Pooling System

The system also combined social pooling, aimed at mutual assistance, and individual accounts, specifically for individual workers/employees. In operative terms, "while all contributions paid by the employees and about 30 per cent paid by the enterprise managements went into the individual accounts, the rest paid by the enterprises had been earmarked for pooling fund; calculated cumulatively in percentage terms, 3.8 per cent of the total wages went into the individual accounts and 4.2 per cent into the pooling fund" (As

quoted in Tian, 2008: 99). The pooling fund covers the expenses for hospitalization and large-sum medical expenses and the individual accounts took care of the outpatient services and small-sum expenses. As regards the payment limits of the pooling fund, minimum and maximum payments were set apart by the local governments in line with the local conditions and payment ability of the funds; thus, while the minimum, in principle, was about 10 per cent of the average annual wage of local employees, the maximum was about four times the average annual wage of the local employees. Further, while the expenses below the minimum level were funded out of the individual accounts, those that fell in between the minimum and maximum levels were paid from the pooling fund - with a certain proportion paid by the individual - along with subsidies taking care of the part above maximum level. While there was a complete transition to the UEBMI between 1998 and 2003, the fact that the coverage was reduced by 6.6 per cent, as Korolev points out, was a serious issue.

The change in leadership of the CPC in 2002 brought the Hu Jintao-Wen Jiabao combine and their stress on “Harmonious Development” at the helm of affairs. They ushered in a number of measures and policy directions to address the gaps in insurance coverage. In the September 2004 White Paper as well as the Outline for the Eleventh Five Year Plan in November 2006, there was a decisive push for extending the coverage and moving towards establishing a multi-layered system (*Outline for the Eleventh Five Year Plan of Labor and Social Security Development*, 2006). **Table 5** gives, the extent of this coverage of the urban population since 2003.

TABLE 5

Year	Total Number (Million)	Number of Employees Insured (Million)	Retirees Insured (Million)
1998*	—	—	—
2003	109.02	79.75	29.27
2004	124.04	90.45	33.59
2005	137.83	100.22	37.61
2006	157.32	115.80	41.52
2007	180.20	134.20	46.00

2008	199.96	149.88	50.08
2009	219.61	—	—

Source: Ministry of Health, People’s Republic of China, in Korolev, Alexander (2012), “China’s Healthcare: Developing a Universal Coverage Plan”, *Far Eastern Affairs*, No.1, p.53

* The figures for the year 1998 could not be located

The table illustrates that the total number of people covered by the UEBMI has maintained a steady rise since 2003. By the beginning of 2011, “this scheme covered a total of 252.27 million people, including 189.48 million workers/employees and 62.79 million retirees” (As quoted in Casale and Zhu, 2013: 82).

Management of the UEBMI

It is also important to throw some light on the management of the UEBMI, which is “undertaken through basic medical insurance agencies at the local level, who had the responsibility to collect contributions, establish and manage insurance funds, and supervise the medical institutions that provide services to insured employees and pay those institutions for their services” (Tian, 2008: 101). In order to ensure that those covered by the medical insurance “enjoyed basic medical service and that the service charges did not increase too rapidly, the Chinese government has strengthened its administration of medical services” through specifications of “list of medicines, medicare service items and standards of medicare facilities to be covered by basic medical insurance and evaluating the qualifications of the medical institutions and pharmacies” (*Labor and Social Security in China*, 2002: 24). Strict, clear-cut measures to avoid/prevent parallel or duplicate payments, are seen in Article 30 of the Social Insurance Law, which elaborates that in the case of medical expenses arising out of “work-related insurance fund”, or “borne by a third-party” or the “public health authority”, or if the “treatment was undertaken overseas”, the medical insurance scheme may not be availed (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 126). The government has also focused on “controlling medicine prices” and encouraging the development of “community medical services” as also on keeping “separate accounts of medicine sales and medical services” to ensure that the hospitals do not rely solely on profits from the sale of medicines (As quoted in Tian, 2008: 103). Despite the steady rise in the coverage of UEBMI in the country, it continues to face hurdles in further extension of its coverage, especially in mixed ownership organizations and other enterprises (private

ownership, foreign invested, etc.). This pointed to the need for a more integrative programme with universal coverage.

In addition to the UEBMI, there is also a Supplementary Medical Insurance for enterprise employees sponsored by the enterprises, and could be provided by “commercial insurance companies’ or social medical insurance agencies” (As quoted in Tian, 2008: 105). The Supplementary Medical Insurance is also differentiated from commercial medical insurance since it could enjoy favourable treatment in finance and taxation by being brought into the scope of government-sponsored social security programmes. It was aimed at “meeting multi-tiered medical security needs of different groups of people, as an additional cushion, in case the basic system failed to meet the varied needs and requirements of workers/employees...[S]upplementary Medical Insurance Funds are mainly used to cover that part of the medical expenses beyond the employees’ basic medical insurance benefits” (As quoted in Tian, 2008: 159).

The supplementary system is classified as: “(1) those run by social insurance medical institutions; (2) those established by large-scale enterprise groups and by giant enterprises themselves; (3) those run by commercial medical insurance system” (Ibid).

The premiums paid by the enterprises for their employees/workers are listed in financial account items as stipulated by the state: “Of the money paid by an enterprise on supplementary medical insurance for their employees, the part within 4 per cent of its total payroll is listed in costs, whereas the part exceeding 4 per cent of its total payroll is to come from the enterprise’s after-tax profits” (Ibid). Additionally, there are various schemes for commercial medical insurance, which the enterprises and their workers subscribe to on a voluntary basis and according to the required needs.

Unemployment Insurance

Right from the time of the establishment of the PRC in 1949, “when the KMT government fled from the mainland in 1949, it left the country’s economy facing a serious unemployment situation. For example, in Beijing at the end of 1949, approximately 270,000 former staff and workers were expecting the socialist government to pay their wages and provide them with rice. At the same time, the number of unemployed people applying for jobs was 310,000. In less than three years, the unemployment situation was relieved. From this time, through the

early 1960s, unemployment became a derogatory term, applicable only to capitalist societies” (Fang *et al.*, 1991: 52, as quoted in Lee, 1997: 126). It was thus ingrained that unemployment was incompatible with the socialist system and was an economic and social phenomenon specific to capitalism. In fact, before the 1990s, the phrase “waiting for a job” (*daiye*) was used in place of the word “unemployment” (*shiye*), later leading to the latter being accepted academically and officially (Ibid).⁸⁵

The first step in developing unemployment insurance started in 1986, when the labour contract system was first introduced nationwide in China. Given below are the three laws and regulations on Unemployment Insurance in China, post-1978:

- *Provisional Regulations on Unemployment Insurance for State-Owned Enterprises Employees Yet to be Re-Employed*, issued by the State Council in 1986;
- *Regulations on Unemployment Insurance for State-Owned Enterprise Employees Yet to be Re-Employed*, issued by the State Council in 1993;
- *Regulations on Unemployment Insurance*, issued by the State Council in 1999.

(As quoted in Tian, 2008: 75).

In the first phase of the development of the unemployment insurance system between 1986 and 1993, the scheme was applicable only to the “employees of enterprises that had been legally declared bankrupt, with the redundant personnel laid-off and those workers whose contracts had been terminated” (State Council, 1986, as quoted in Tian, 2008: 74). The regulations issued required a contribution of 1 per cent of the basic wage from enterprises in return for unemployment benefits of between 50 per cent and 75 per cent of basic pay up to a maximum of two years, depending on the period of employment and contributions (State Council, 1986, as quoted in Chan *et al.*, 2008: 102). The second phase from 1993 to 1999 saw some sharpening in the unemployment figures, resulting from the further “deepening of the economic reforms and subsequent restructuring as well as readjustment of enterprises”. The changes saw the “coverage of insurance expanding and the management of social pooling of

⁸⁵ For more detailed studies on unemployment and the responses of the Chinese party-state in meeting the challenges therein, see: Lee, Grace O.M and Malcolm Warner (eds.) (2007), *Unemployment in China: Economy, Human Resources and Labour Markets*, New York: Routledge; Meisner, Maurice (1977), *Mao's China: A History of the People's Republic*, New York: Free Press; Riskin, Carl (1987), *China's Political Economy: The Quest for Development since 1949*, Oxford: Oxford University Press.

unemployment insurance funds changing from the provincial level to the city/county level, with an adjustment fund being established at the provincial level. The base for contribution payment along with the rate of contribution....[I]t was clearly ruled that unemployment insurance should be linked with efforts to promote re-employment” (State Council, 1993, as quoted in Tian, 2008: 74). But the contributions remained small as the employees outside the non-state sector were not covered. The third and final phase of the insurance scheme started from 1999 and continues till date. Governed by the January 1999 State Council *Regulations on Unemployment Insurance*, it drew upon practical experiences, and was broadened to include employees in all kinds of urban firms. The “employers paid 2 per cent of their payrolls and individual employees [paid] at least 1 per cent of their wage; the unemployment insurance payment level was higher than the local poverty line but lower than the local minimum wage standard, and the maximum time period for receiving unemployment benefits was 24 months, which was determined by the workers’ length of contribution to the scheme” (State Council, 1999, as quoted in Tian, 2008: 77). Article 45 of the Social Insurance Law laid down strict conditions for eligibility to claim this insurance, by stipulating that the following conditions needed to be met:

- “The employing entity and the unemployed person had paid the unemployment insurance premiums for one year before the person becomes unemployed;
- The unemployed person unintentionally terminated the employment;
- The unemployed person had gone through the formalities for unemployment registration and was seeking employment”.

(Laws and Regulations of the People’s Republic of China - Social Law, 2011: 128)

Article 47 of the Law goes on to state that the “standards of unemployment insurance compensation were to be determined by the governments of the provinces, autonomous regions and municipalities directly under the central government and those should not be lower than the minimum living security standard of the urban residents” (Ibid). “If the employed person is ill during the period he or she is entitled to draw unemployment insurance money, he or she is also entitled to medical subsidies. If the unemployed person dies during this period, his or her family can receive funeral subsidies and his or her dependents can receive pension for the deceased” (*Labor and Social Security in China, 2002:*

26). This has been stipulated in Articles 48 and 49 of the Social Insurance Law respectively. A funding mechanism of “cost sharing between the state, the employers and the employees/workers was adopted for unemployment insurance” with the “funds including unemployment insurance contributions paid by enterprises and their employees in cities and towns, as well as interest of unemployment insurance accounts, financial subsidies and other funds incorporated into unemployment insurance funds in accordance with the law” (State Council, 1999, as quoted in Tian, 2008: 77). The management for the unemployment insurance funds is conducted in “municipalities directly under the central government and cities that are divided into districts; and level of unified management in other areas are to be stipulated by provincial/autonomous regions’ governments” (State Council, 1999, as quoted in Tian, 2008: 79). “Unemployment insurance funds must be deposited in special accounts opened by financial departments at state-owned commercial banks. Their revenues and expenditures shall be managed separately under the supervision of the financial departments in accordance with the law....[T]he interest shall be calculated in accordance with the rates of resident deposits and of the government bonds of the same period” (State Council, 1999, as quoted in Tian, 2008: 79). “Both types of interest are merged into the overall unemployment insurance funds”, which “must not be used for any other purposes or used to balance financial revenues and expenses. Budgeting and settlement of unemployment insurance funds shall be made by social insurance agencies” and “submitted to the government at the same level for examination and approval”. The “administrative departments of the Labour and Social Security of the governments above the county level” are in charge of this insurance work within their respective administration (State Council, 1999, as quoted in Tian, 2008: 79-80). In order to ensure smoother operations and systematic functioning, stringent penalty provisions are enshrined to counter “defrauding, ineligibility, violation of provisions and favouritism’....[T]he sanctions include various measures to ‘recover the misappropriated funds’ and ‘imposition of criminal liabilities” (State Council, 1999, as quoted in Tian, 2008: 80-81). Apart from the insurance mechanism – as well as to offload the financial burdens - vocational training is greatly encouraged and re-employment for the unemployed, is explored for the unemployment through various ways. It is believed that by the end of 2011, “the number of participants in unemployment insurance reached 143.17 million, from 103.55 million in 2001” (Casale and Zhu, 2013: 83).

Industrial/Workplace Injury Insurance

Industrial/workplace injury insurance is another key component of China's employment-based social security system. While it been in place since the Maoist period, the system has undergone changes and adjustments within the context and as a consequence, of the economic reforms. From 1978 upto the early 1990s, several pilot schemes were undertaken in provinces like Guangdong and Liaoning and the Hainan island. Chapter IX of China's Trade Union Law of 1994, specifically Article 73, spells out the Industrial Injury Insurance scheme among the various social insurance benefits (*Laws and Regulations of the People's Republic of China – Social Law*, 2011: 173). Further in 1996, the Ministry of Labour issued *Trial Measures of Industrial Injury Insurance for Enterprise Workers and Staff* as a supporting standard. In the same year, the State Bureau of Technological Supervision promulgated the *Assessment of the Degree of Disability Resulting from the Industrial Injuries and Occupation Diseases*. Following the promulgation of the *Trial Measures of Industrial Injury Insurance for Enterprise Workers and Staff* by the Labour Ministry, an Industrial Injury Insurance Fund, was instituted. "The state standardized the industrial injury insurance's management methods, raised in the level of compensations, expanded the scope of implementation, and emphasized the idea of combining prevention, rehabilitation and compensation in the case of industrial injuries" (Tian, 2008: 124-125). In 2003, with the promulgation of the *Regulations on Industrial Injury Insurance*, the focus moved towards the formulation of "specific implementation plans and support policies, improvement of standards of the operational staff, intensification of regulations and smoothening of the transition to a new system" (Tian, 2008: 125). The various regulations and laws governing the Industrial Injury Insurance, in the reform era are enumerated below:

- "*Stipulation on the Scope of Occupation Diseases and the Treatment of Sufferers*, re-enacted jointly by the Ministry of Health, Ministry of Labour and Personnel and Ministry of Finance in 1987;
- *Rules on the Assessment of Degrees of Disability of Disabled Revolutionary Service Personnel*, promulgated by the Ministry of Civil Affairs, April 1989;
- *Trial Measures of Industrial Injury Insurance for Enterprise Workers and Staff*, promulgated by the Ministry of Labour in 1996;

- *Assessment of the Degrees of Disability Suffered by Employees as a Result of Industrial Injuries or Occupational Diseases*, issued by the State Bureau of Technological Supervision in 1996;
- *Regulations on Industrial Injury Insurance*, issued by the State Council, April 2003;
- *Measures for Determining Industrial Injuries, Measures for Lump-Sum Compensation Made by Units Employing People Illegally for Casualties, and Stipulations on the Scope of Dependents of Employees Who Die on Duty*, issued by the Ministry of Labour and Social Securities in the form of ministerial orders, September 2003;
- *Circular on the Assessment of Working Ability and Related Issues and Notice on the Rates of Industrial Injury Contributions*, issued by the Ministry of Labour and Social Securities in the form of ministerial orders, September 2003;
- *Notice on Industrial Injury-related Issues Concerning Personnel of Public Institutions, and Non-Governmental and Non-Profit Making Organizations*, jointly promulgated by the Ministry of Labour and Social Security, Ministry of Personnel, Ministry of Civil Affairs and Ministry of Finance, December 2005”.

Source: Tian Chenping (2008), *China's Social Security System*, Beijing: Foreign Language Press

The “insurance covers all types of enterprises and industrial units, which are all required to participate in the programme, which are financed through contributions from employees into special bank accounts or used to buy state treasury bonds, with the assessment of revenues and expenditures done separately. The scheme followed the PAYGO method (Pay-As-You-Go), with the contributions collected going directly to pay benefits and other expenses” (State Council, 2003, as quoted in Tian, 2008: 127). The “rate of contributions paid by employers is determined by the insurance management institution in the specific region – notably, the employers with higher rates of industrial injuries paid higher rates of contributions. The rates of the insurance contributions are classified by the type/level of injuries and anticipation of its occurrence, thus depending on aspects like industrial structure, types of production, technology of production and different rates of risk injury” (Ibid).

Article 34 of the Social Insurance Law underlines this aspect, with the “responsibility of determining the premiums of different enterprise units resting with the Social Insurance

Administration Departments of the State Council”, which need to vet them before final approval as well (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 126). Article 36 specifies “a simple and convenient method of identification of eligible individuals”, but stricter means-testing is also mandated in Article 37, in cases where injuries may have been intentionally caused due to a “criminal offense, alcoholism, drug addiction, or injury in the course of attempted suicide, or other situations as prescribed by provisions of laws/administrative regulations” (Ibid). Substantively however, the two necessary conditions for determining industrial injuries are, that they should have been caused during working hours and at the working place. The procedures for their determination requires the enterprise management to “submit an application for the same to the local Labour and Social Security Administration Department within thirty days of the injury’s occurrence or definite diagnosis of the occupational disease, following which the Department makes the necessary investigation and obtains evidence. Thereafter, within sixty days, the department determines the veracity of the injury claim and in the next twenty days, proceeds to issue the certificate for actualizing the disbursement” (State Bureau of Technological Supervision, 1996, as quoted in Tian, 2008: 131). The “worker who is injured or been suffering from an occupational disease, needs to apply for an assessment of his/her work capacity, which is undertaken by a specialized and independent Local Working Ability Appraisal Committee. The assessment procedure requires the enterprise management to send the document determining the industrial injury or occupational disease determination, a medical certificate and other necessary materials to this Committee, comprising medical experts” (Ibid). The decision by such appraisal committees is time bound and final. The benefits under this insurance cover the expenses for medical care, allowances and lump-sum subsidies for dependents upon death.

Maternity Insurance

Finally, we look at a vital component guaranteeing women’s rights and dignity of labour - Maternity Insurance of China’s social security system. This is also directly linked to China’s family planning programme, which is essential for improving the quality of the population as well as to ensure reproduction of the labour force. The maternity insurance programmes are therefore, interconnected with human development. After 1978, as in the case of other components of social security, this programme also underwent changes.

1988 marked a shift of gears in the system, with the State Council “prohibiting any curtailment of basic wages or termination of contracts involving women workers during their pregnancy and post-partum period’. The maternity leave was ‘extended from 50 days to 90 days including 15 days before “lying-in”; 15 days were added to the maternity leave in case of difficult labour, and in case of giving birth to more than one offspring at a time, 15 extra days per child” (State Council, 1988, as quoted in Tian, 2008: 141). In 1994, after some pilot experiments with social pooling of childbirth expenses, the central government initiated the *Provisional Measures on Maternity Insurance for Enterprise Employees*, which stipulates that “the childbirth insurance premiums shall be paid by enterprises instead of by employees themselves. The insurance benefits cover mainly medical treatment for childbirth and monthly childbirth allowance for employees during maternity leave” (*Labor and Social Security in China*, 2002: 28). Given below are the main laws and policies relating to and on Maternity Insurance:

- *Labour Law*, promulgated in July 1994;
- *Provisional Measures on Maternity Insurance for Enterprise Employees*, promulgated by the Ministry of Labour, December 1994;
- *Programme for Development of Chinese Women (1995-2000)*, promulgated by the State Council, 1995;
- *Notice on All-Round Establishment of a Maternity and State Science and Technology Commission*, December 1996;
- *Notice on Properly Solving the Problem of Family Planning Surgical Operation Expenses for Urban Workers and Staff*, jointly issued by the Ministry of Labour and Social Security, the State Family Planning Commission, the Ministry of Finance and the Ministry of Health in 1999;
- *Chinese Women’s Development Programme (2001-2010)*, published by the Women and Children Work Commission under the State Council, May 2001;
- *Guiding Opinions on Further Strengthening Maternity Insurance Work*, issued by the Ministry of Labour and Social Security, September 2004.

“Linked to income levels”, the maternity insurance allowance given to “a woman worker or staff member had to be equal to her enterprise’s average monthly wage in the previous year. The funding is done in accordance with the principle of determining the rate of contributions on the basis of the benefits to be paid along with the maintenance of a basic revenue-expenditure balance” (Ministry of Labour and Social Security, 1994, as quoted in Tian, 2008: 142). While the “enterprises participating in maternity pooling insurance pay the contributions according to a specific rate (no payments in this programme are by the workers), the rate of contributions varies, depending upon the level of economic development between different regions; and this is determined by the local governments, with a ceiling not exceeding 1 per cent of the employer’s total payroll. The benefit-package consists of three main items: Medical expenses on giving birth or having to undergo abortion, maternity allowance including cash subsidies to those who are no longer engaged in remunerable work post-partum as well as family planning expenses”⁸⁶ (Ministry of Labour and Social Security, 1994, as quoted in Tian, 2008: 142-143). The “costs of the maternity insurance is covered by the Maternity Insurance Fund and the method is usually that of fixed amount payment, with the length of maternity allowance based on the three-month maternity leave under the official stipulations. In addition, a fixed number of extra holidays are generally given for late marriage and late child-birth, by the local administrations” (Ibid). The Labour and Social Security Department is entrusted with the administrative responsibility, with some regions assigning it to the Social Security Management Institutions affiliated to the Labour Security Departments. The supervision is undertaken by Local Insurance Supervisory Institutions. At the beginning of 2012, there were “138.92 million people covered by the maternity insurance”, from 34.55 million in 2001 (As cited in Casale and Zhu, 2013: 83).

Financial Aspects – State Liability and Individual Responsibility

Put in a larger perspective, the Social Insurance Law recognizes the greater flexibility in terms of labour mobility available to the workers, and tries to aid a seamless transition between different jobs. The collection of social insurance premiums, especially from enterprise managements have been strictly monitored, with erring entities slapped with fines and penalties, if the payments are not made within prescribed time limits. The “local social insurance administrative departments are entrusted with the task of collecting outstanding

⁸⁶ The family planning expenses including counselling on family budgeting, spacing between children, pre-natal and post-natal care and distribution of contraceptives.

amounts from the employer's bank account" and in the case of these being insufficient, guarantees need to be provided for deferred payments or else, the Department is authorized to move ahead with "seizure, attachment and auction of the employer's assets" (*Laws and Regulations of the People's Republic of China – Social Law*, 2011: 130). Due to understaffing and lack of adequate resources, the necessary documentation and maintenance of accurate records of all those participating in various insurance programmes and premium payments has not been achieved. There are also issues regarding timely payment of benefits, establishment of social insurance agencies in planning areas and making more expansions in terms of coverage, benefits and redressal mechanisms. All this creates serious problems in the delivery process.

But the much more significant set of issues relate to the financing. From a total fiscal expenditure of "263.6 billion yuan in 2002 (which was 10.95 per cent of the entire fiscal expenditure in the same year)", the increase in 2008 led to a "total of 680.4 billion yuan (which was 10.96 per cent of the total fiscal expenditure in the same year)". Furthermore, in 2009, the 'expenditure of five main social insurance funds (old-age, medical, unemployment, work-injury and maternity) reached 992.5 billion yuan" (*China Fiscal Statistics Yearbook*, 2010, as quoted in Wang and Long, 2011: 112). In all of the five main components of China's (Old-Age Insurance, Medical Insurance, Unemployment Insurance, Industrial/Workplace Injury Insurance and Maternity Insurance) social security system, it has been observed that while the bipartite relationship between the workers and enterprise management is the primary axis, at certain levels, the government also offers a cushion, which makes it in some parts, a tripartite mechanism. In the main, the government acts as a subsidy-provider, moving in to make up the insufficiency. Thus, in cases relating to "work-place injury insurance and maternity insurance, employers bear the primary responsibility of footing the premium, whereas employees and the government hardly contribute. Due to a lack of undertakings from employers in old-age insurance" (pensions) and "medical insurance for urban and rural residents, the government provides the majority of financial support so that employees and families who participate in the insurance programmes need only pay a small amount of the premium" (Wang and Long, 2011: 116). **Table 6 depicts** the number of participants in China's social insurance programmes (figures in millions).

TABLE 6

Year	Basic Old-Age Insurance	Basic Medical Worker Insurance	Unemployment Insurance	Work-Injury Insurance	Maternity Insurance
1989	5, 710.3				
1995	10, 979.0	745.9	8,238.0	2,614.8	1,500.2
1998	11, 203.1	1,878.7	7,927.9	3,781.3	2,776.7
2000	13, 617.4	3, 786.9	10, 326.3	4, 350.3	3, 001.6
2001	14, 182.5	7, 285.9	10, 354.6	4, 345.3	3, 455.1
202	14, 736.6	9, 401.2	10, 181.6	4, 405.6	3, 488.2
2003	15, 506.7	10, 901.7	10, 372.4	4, 574.8	3, 655.4
2004	16, 352.9	12, 403.6	10, 583.9	6, 845.2	4, 383.8
2005	17, 487.9	13, 782.9	10, 647.7	8, 477.8	5, 408.5
2006	18, 766.3	15, 731.8	11, 186.6	10, 268.5	6, 458.9
2007	20, 136.9	18, 020.3	11, 644.6	12, 173.4	7, 775.3
2008	20, 136.9	19, 995.6	12, 399.8	13, 787.2	9, 254.1
2009	23, 550.0	21, 937.0	12, 715.0	14, 896.0	10, 876.0

Source: The 1989-2008 data has been collated from the *China Labour Statistical Yearbook 2009* (Beijing: China Statistics Press), while the 2009 data is from *China Human Resources and Social Security Yearbook 2010* (Beijing: Renshi Publishers)

The above table shows that the coverage of social insurance in China has been gradually expanding.

The Revenues, Expenditures and Cumulative Savings of China's Social Insurance Fund is given in **Table 7**.

TABLE 7

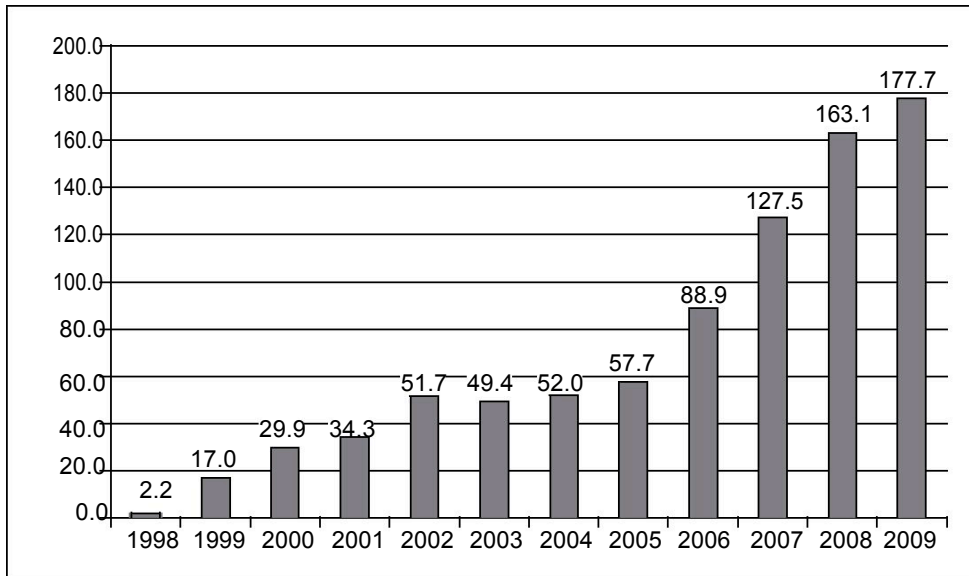
Year		1989	1995	1998	2000	2002	2004	2006	2008	2009
Old-Age insurance	Revenues	14.67	95.01	145.90	227.85	317.15	425.84	630.98	974.02	1,149.10
	Expenditures	11.88	84.76	151.16	2115.5	284.29	350.21	489.67	738.96	889.40
	Cumulative Savings	6.80	42.98	58.78	94.71	160.80	297.50	548.89	993.10	1,252.60
Medical insurance	Revenues		0.97	6.06	17.00	60.78	114.05	174.71	288.55	367.20
	Expenditures		0.73	5.33	12.45	40.94	86.22	127.67	201.97	279.70
	Cumulative Savings		0.31	2.00	10.98	45.07	95.79	175.24	330.36	427.60
Unemployment Insurance	Revenues	0.68	3.53	7.26	16.04	21.56	29.10	40.24	58.51	58.00
	Expenditures	0.20	1.89	5.61	12.34	18.66	21.10	19.80	25.35	36.70
	Cumulative Savings	1.36	6.84	13.34	19.59	25.38	38.60	72.48	131.01	152.40
Work-Injury Insurance	Revenues		0.81	2.12	2.48	3.20	5.83	12.18	21.67	24.00
	Expenditures		0.18	0.90	1.38	1.99	3.33	6.85	12.69	15.60
	Cumulative Savings		1.27	3.95	5.79	8.11	11.86	19.29	33.50	40.40
Maternity Insurance	Revenues		0.29	0.98	1.12	2.18	3.21	6.21	11.37	13.20
	Expenditures		0.16	0.68	0.83	1.28	1.88	3.75	7.15	8.80
	Cumulative Savings		0.27	1.03	1.68	2.97	5.59	9.69	16.82	21.20

Source: Data of 1989-2008 collated from *China Labour Statistical Yearbook 2009* (Beijing: China Statistics Press), while data of 2009 collected from *China Human Resources and Social Security Yearbook 2010* (Beijing: Renshi Publishers)

Reflecting the growth of the balance of social insurance funds, according to the figure above, the “total revenue of the five insurance funds reached 100 billion yuan in 1995, exceeded 1 trillion yuan in 1997 and hit 1.6 trillion yuan in 2009” (Various *China Statistical Yearbooks*, as cited in Wang and Long, 2011: 119). This study also showed that in terms of fiscal expenditure, aided by the shift in priorities in social security away from health and education, government spending in social security has been steadily rising and this has been more significantly since the year 2000. “In 2006, social welfare expenses, the pension fund for retirees in administrative and public institutions and the fiscal allowance for social security accounted for 10.5 per cent of the total fiscal expenditure” (Ibid).

Figure 3 portrays the Fiscal Allowance for Social Insurance (in billion yuan):

FIGURE 3



Source: Yanzhong Wang and Yuqi Long (2011), “China’s Fiscal Expenditure on Social Security Since 1978”, *China: An International Journal*, Vol. 9, Issue 1, March

The above figure illustrates a “79.8 per cent increase in the social insurance fund, from 2.2 billion yuan in 1998 to 177.7 billion yuan in 2009”. However, the rising expenditures and burgeoning social security spending barely camouflaged the manifold problems and challenges facing China in its advancement of economic growth and development since the early 1990s. These challenges include income inequality, environmental degradation, corruption and social protests. Within this, the protests arising in the labour sector have been sharp and gained great focus. This will be discussed and studied elaborately in the next chapter.

Enterprise Reforms and its Impact on Labour

As specified at the very outset of this chapter, the study of social security must be examined along with the question of labour reforms. The process began in the early 1980s, with the introduction of the contract system that replaced the “lifetime employment”. The underlying rationale was that guaranteed employment and wage security resulted in undermining the management and thus the performance of the workforce. The introduction of the contracts was a step towards the marketization of labour. Constraining the mobility of labour, “the rigidity of the system not only deprived the managers of the right to fire or lay off unwanted

or unneeded staff, it has deprived workers of the right to quit or transfer jobs” (Howard, 1991: 94). The labour contract system was the most important one, and was “directly related to reforms to increase the authority and autonomy of enterprise managers in relation both to government bodies and to the enterprise workforce on the other. It was related to wage reforms, to innovative systems for recruiting new workers and determining promotions, to the efforts to revise labour code, to reform of labour insurance systems, to reform of the trade unions, to the development of labour service companies, to the rationalization of labour utilization and labour processes, and to changing conceptions of the nature of a socialist enterprise” (Howard, 1991: 95). While the labour contract system emerged out of experiments in Shanghai and the SEZs in 1980, with Shenzhen playing a vanguard role, it was in 1986 that the State Council formally introduced the governing regulations. These comprised four sets of temporary regulations concerning the labour contract system, employment procedures, labour insurance and labour discipline (the right to fire employees). “On 1 October 1986, the labour contract system became official policy to be applied nationwide to the hiring of all new employees who are included in the state labour and wage plans...[T]he 1986 regulations stated that temporary and seasonal workers should also sign labour contracts” (*Zhongguo laodong renshi bao (Chinese Labour Personnel Journal)*, 10 September 1986, as quoted in Howard, 1991: 99). Howard points out that the 1986 regulations provided only rough guidelines as regards the appropriate contract period for workers, which could be long-term (five to twenty years) or short-term (one to five years)⁸⁷. The longer the term of the contract, the less the system actually served to eliminate complacency and poor performance associated with the “Iron Rice Bowl”. The two types of contracts however created a two-way division of the labour force, on the basis of their individual contracts, which in turn was based on their skill-levels. Furthermore, the migrant workers, (the new class that in many ways is defining China’s current labour landscape), were mostly categorized under the short-term contracts.

⁸⁷ According to Article 12 of the Labour Contract Law of PRC, 2008, there are three types of contracts, namely “fixed-term contract”, “open-ended contract” and “short-term ones that expire upon completion of the given jobs”. Explained further in subsequent Articles 13 and 14 of the same law, “a fixed-term contract was one where the ending date was agreed upon between employing unit and the worker”; while the “open-ended contract may refer to a contract that was reached through consensus and consultation that had the provision of renewability” (*Laws and Regulations of the People’s Republic of China - Social Law (2011)*, Beijing: Legislative Affairs Office of the State Council).

The characteristic features of the labour reforms, as dubbed by Hebel and Schucher are “Informalization” and “Flexibilization”. The labour contracts illustrate the aspect of flexibility, which comprises four dimensions, namely “external flexibility (related to hiring/firing); internal flexibility (related to working hours, overtime and part-time work; functional flexibility (possibility of holding more than one job and flexible organization of work), and wage flexibility (related to absence of binding minimum wages or wage indexation)” (Hebel and Schucher, 2008: 18). China has clearly attempted to reconcile this flexibility with security, keeping in mind the need to maintain social cohesion and stability. Informalization refers to all productive, commercial and professional activities that are *de jure* not subjected to labour legislation and administrative rules. ‘Informalization of labour is, the spread not only of traditional types of informal employment, but also of informal jobs within formal enterprises’ (Lee and Eyraud, 2007: 4-5). Other studies expand the definition of informal employment to incorporate “non full-time, temporary, seasonal and casual work in the informal sector. It also includes full-time temporary work in formal organizations, self-employment and those employed by the self-employed” (Wang and Tan, 2003: 545, as quoted in Cooke, 2011: 102). “The proportion of workers in informal employment is relatively low in the state-monopolized industries and monopoly service industries such as telecommunication and finance, but is much higher in competitive industries that are labour intensive such as retail, catering and community services” (Hu and Yang, 2001: 70, as quoted in Cooke, 2011: 102). Clearly, informal employment has significant presence in the private sector and in service industries. Such *casualization*⁸⁸ (emphasis added) of employment points to the reorganization of labour away from the manufacturing sector, and workers in the service sector are consequently subject to the vagaries of the market as well as discrimination and prejudice from the employers. Taken together, the diversification of the labour sector in China, through informalization, casualization and flexibilization is indicative of the commodification that is occurring therein, and the developing of a labour market. Gordon White points out that there has been a gradual shift towards “*destatification*”. “In terms of specific reform policies, this involved on the one side, a redefinition and reduction of the direct regulatory role of state agencies; on the other side, the devolution of decisions over

⁸⁸ Casualization is a term that is being used or employed, to refer to a workforce. Falling within the rubric of Informalization, Casualization means the workforce is employed in non-permanent or non-full time capacity. Such workers were either casual or temporary, with their employment often not providing any formal contracts and ensuring social insurance benefits.

labour allocation from state labour bureaux (both central and local) to non-state agencies of various types” (White, 1988: 192). The increasing deregulation was paralleled by the “redivision of power over labour allocation”, with the aim of “increasing the choice available to individual workers and professional staff” (White, 1988: 192). With most of the financially unhealthy enterprises dependent on centralized insurance funds, which were generally insufficient, “workers increasingly turn to their spouse, children and kin networks to supplement what the state and enterprise failed to deliver” (Lee, 1999: 50).

Another feature of the enterprise reforms in the early 1980s, which was to have a profound and long-lasting impact on Labour, was the increase in the power and decision-making autonomy of the enterprise managers. Since the managers were now saddled with the responsibility of ensuring profitability and increasing production quotas, they were also given control over determining the quality of the workforce, thus having a decisive say in the recruitment, retrenchments, as well as bonuses and other incentives to worker’s performance. Laying-off of workers was thus witnessed in many SOEs, with the enterprise managers coming to occupy significant power. However, the Managers were tasked to sensitively deal with the situation and not exacerbate the unemployment levels, even though these laid-off workers – *xiagang* - received a certain amount of subsidies. “Re-employment Centres were established in all SOEs as a requirement of government, and have the responsibility to pay the pension insurance and basic living allowances to laid-off workers” (Cai, 2003: 33). The government also endeavoured to foster the growth of the labour market “by setting up job retraining centres, establishing labour service companies (*laodong fuwu gongsi*) and public employment agencies, providing information and advice, and offering help to the unemployed to become self-employed through such measures as providing suitable business venues and tax breaks in the first year of their business operation” (As quoted in Ngok, 2008: 47) Prior to this law, the Chinese labour relations were regulated by a series of administrative regulations, State Council directives and other minor laws passed by the NPC from time to time.⁸⁹

⁸⁹ In the 1980s, an increasing number of labour regulations were issued by the State Council concerning employment, wages, social insurance and welfare, labour protection, work safety and hygiene, special protection for female and juvenile workers, democratic management of workers and settlement of disputes. Between 1979 and 1994, more than 160 labour regulations and rules were issued (Kinglun Ngok (2008), “The Changes of Chinese Labour Policy and Labour Legislation in the Context of Market Transition”, *International Labour and Working Class History*, No. 73, Spring).

Adopting a Rule-based Approach – The Labour Law of 1994

The need for a rule-based approach in terms of national legislations in all areas of the polity and economy in general and social security in particular was also synonymous with the overall need for a system based on rule of law that has generated significant debate in China for some years now. This emphatic approach of moving towards adoption of rule of law was also governed by the fact that the country's socialist market economy had to move more towards greater integration with the world economy. Such an integrative model was also needed to boost the confidence of the investors and create suitable conditions for enhanced linkages to the global value chain.

As pointed out by scholars, the promulgation of a national Labour Law is required for enforcing labour contracts and institutionalizing a bureaucratic apparatus for regulating labour relations. This is also in a sense, a process of “legitimation or the creation of consent among the subordinate classes”, and of some means of conflict resolution so that “stability can be maintained for accumulation to proceed on a peaceful and expanded basis” (Friedman and Lee, 2010: 515). A notable change in the Chinese State policy in the context of market reforms has been an emphasis on the role of the Labour Law to regulate labour relations, which has also sought to define or proscribe the role of the state in the matter. This reflects an emerging trend to move away from a system characterized by *rule by law* - the 1994 Labor Law can be also studied in terms of a process of transition towards the *rule of law*.⁹⁰

On 5 July 1994, the Standing Committee of the NPC adopted the National Labour Law, which was the first attempt to comprehensively regulate labour relations and define labour standards, thus abolishing the previous practice of regulating employment relations by category of business ownership, whether private, public or state owned. It came into force on 1 January 1995 and “legalized other labour relations adjustment systems, such as the labour inspection system, labour dispute settlement system and the collective consultation and collective contract system” (*Laws and Regulations of the People's Republic of China – Social Law*, 2011: 161-162). The law also established the labour standards in China, including the “eight-hour workday” and “forty-four hour workweek” (shortened to forty hours in March

⁹⁰ A better understanding of this transition from Rule by Law to Rule of Law is provided in Huang, Yasheng (2008), *Capitalism with Chinese Characteristics: State and Entrepreneurship during Reform*, New York: Cambridge University Press.

1995 by the State Council), “limited overtime work”, and “occupational safety” and “workplace hygiene” (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 168-169).

The key feature of the Labour Law was the establishment of a tripartite framework for regulating/defining labour relations between the employer, worker and the trade union. Specifically, the law stipulated that

“an employer and worker shall establish an employment relationship in accordance with the law, and conclude a written labour contract, with or without fixed terms, or with a period within which the prescribed work must be completed. During the term of the labour contract, the two parties must abide by the principles of equality, voluntariness and unanimity through consultation. More importantly, a collective consultation is legally permitted to conclude a collective contract and this created a new mechanism capable of regulating labour relations at the enterprise level” (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 164-167).

Specific laws and regulations were framed to refine the Labour Law, thereby ensuring protection of women and prohibiting any hiring of people below the age of 16. With regard to minimum wages, Article 48 of the Law stipulated, that “the state shall implement a system of guaranteed minimum wages. The specific standards of minimum wages shall be determined by the people’s governments of provinces, autonomous regions or municipalities directly under the Central Government and submitted to the State Council for the record. Wages to be paid to labourers by the employing unit shall not be lower than the local standards of minimum wages” (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 169). In the view of Casale and Zhu, two kinds of standards were proposed for wages, namely a monthly minimum wage for full-time workers and an hourly minimum wage for part-time workers. Apart from this, while Article 38 guaranteed “a day off per week”, the choice of the day was flexible. Article 40 stipulated the “need to arrange holidays for the workers during the country’s major festivals, which were four in number” (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 168). The law also restricted the employers’ power to dismiss workers, even as it abolished the lifelong employment system alongside and allowed employers the flexibility to act according to economic situations. Overall, the Law represented the state’s attempt to “protect the

legitimate rights and interests of labourers, regulate labour relationship, establish and safeguard a labour system suited to the socialist market economy, and promote economic development and social progress. The law applied to all enterprises, individual economic organizations and labourers who signed labour contracts”, thereby treating all workers equally (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 161-62).

Other Laws as Supplement to the Labour Law of 1994

The Labour Law of 1994, was supplemented by Trade Union Law of 1993. Further on, the Labour Contract Law, Law of Labour Dispute Mediation and Arbitration and the Employment Promotion Law, were passed in 2007 and promulgated in 2008. In the context of the rapid pace of industrialization and urbanization in the country and the diversification of the enterprises and concurrent labour relations, the Labour Contract Law is considered as a milestone. However, the real problem was not the laws *per se*, but their enforcement. “With the Chinese judiciary dependent on local governments for financing and personnel appointment, and with local officials prioritizing accumulation by liberalizing the economy and fostering revenue retention, the courts were under enormous pressure to respond to political contingency in meting out decisions” (Friedman and Lee, 2010: 515). The contingency under which the courts operated was based on the state’s (local governments to be exact) prioritization of development and economic growth. The issues of enforcement, along with the Labour Contract Law and the Trade Union Law and other regulations and concomitant laws, will be studied in detail in the next chapter. Similarly, the Trade Union Law will also be surveyed in that chapter. It will also look at the interest groups and actors within the arenas of Labour and Welfare, resulting from of the second generation of reforms.

Migrant Workers: A Mainstay of China’s Labour System

The post-1978 economic transformation gradually - but significantly - altered the labour relations by breaking down the collective *danwei* system. A system of differentials in the incomes of enterprise workers was put in place to encourage competition and augment production. This often meant that workers in the same enterprises doing the same work were paid differently. The differentiation was maintained to motivate the workers who put in extra efforts and showed enthusiasm to meet the fixed targets.

The rising opportunities available in the cities saw the increasing flow of migrants, with the hopes of getting absorbed in the manufacturing, construction and services sector. **Table 8** shows the distribution of the Migrant Workforce by Industry:

TABLE 8

Industry	Proportion of Total Migrants (per cent)
Construction	16.3
Electronics	13.5
Textiles, Clothing, Footwear	11.7
Hotels and Catering	9.4
Machinery Manufacturing	6.2
Food Industry	4.9
Transport	4.3
Residential Services	4.0

Source: Survey by the Ministry of Human Resources and Social Security conducted in 2007, in Chen, 2007: 5, as quoted in Watson, 2009: 92.

The motive for the diversification of the enterprises was to encourage the development of the non-state sector and provide an impetus to the private sector. This was to pave the way for the emergence of the Small and Medium Enterprises (SMEs) and the informal sector,⁹¹ was thus

⁹¹ The concept of the Informal Sector, was introduced in international usage in 1972, by the International Labour Organization (ILO). The “term “informal economy” has come to be widely used to denote the expanding and increasingly diverse group of workers and enterprises in both rural and urban areas, operating informally. Some of the characteristic features of informal employment are lack of protection in the event of non-payment of wages, compulsory overtime or extra shifts, lay-offs without notice or compensation, unsafe working conditions and the absence of social benefits such as pensions, sick pay and health insurance”. ILO, [Online: web] Accessed 21 June 2016, URL: <http://www.ilo.org/global/topics/employment-promotion/informal-economy/lang--en/index.htm>.

given a significant boost to create a viable sector that would serve as the engine to drive China's growth and development in the years ahead. The areas identified for this purpose were the Pearl River Delta in the proximity of Guangzhou and Yangtze delta, in the proximity of Shanghai - mainly concentrated along the East and South coasts of the country. These river basins were earmarked as the new production centres and were provided with material incentives and support from the government. The SME sector, which was mainly driven by individual entrepreneurs or family networks (at times aided by the government) and diverse production models, grew and flourished in these regions. Later, the Bohai Zone in the proximity of Tianjin, north of Beijing joined the other two delta regions, as the production belt.

The **Map** on the next page shows the location of these regions:

MAP OF CHINA'S MAIN INDUSTRIAL REGIONS



Source: Bryant, David, “The Three Golden Importing Regions of China”, *Chinese Importing.Com*, 27 February 2016, [Online: web] Accessed 8 April 2016, URL: <http://www.chineseimporting.com/three-regions-in-china-you-must-know/>

While these SMEs would further lead to innovation and adoption of new emerging technologies, they could also act as engines linked to the larger industries, thus aiding the production and increasing manufacturing targets of the latter, sometimes working as ancillary units. Within these SMEs, promotions were undertaken towards developing Clusters. The formation of Clusters, which are basically regional agglomerations of SMEs, would provide these enterprises “a platform to share innovation facilities, ideas and production resources in a closer business network, through frequent interactions” (Liu, X., 2008: 52). The SMEs are also closely linked to the global value chain

All these three above-mentioned regions attracted very large numbers of rural migrant labour. Similarly, the rising urban centres also witnessed the steady flow of migrants. **Table 9** details the regional distribution of Rural-to-Urban Migrants.

TABLE 9

Place	Proportion of Total Migrants (per cent)
Own Provincial Capital	19.6
Other cities within own province	21.6
Pearl River Delta	20.9
Yangtze River Delta	11.6
Bohai Area	11.9
Southeast Fujian area (Min Dongnan Diqu)	7.6
Other	6.8

Source: Survey by the Ministry of Human Resources and Social Security conducted in 2007, in Chen, 2007: 4, as quoted in Watson, 2009: 92.

“Migrant labourers, being younger and inexperienced, can be allocated to the most labour-intensive and strenuous jobs on the shop floor, replacing older workers” (Lee, 1999: 60). The increasing migratory flows from the countryside to the urban centres and enterprises was in total contrast to the pre-reform period, when the “movement of labour in China was tightly controlled and restricted through a combination of, *inter alia*, a household registration (*hukou*) system, commune controls, and food rationing” (Knight, *et al.*, 1999: 73). More importantly, the migrants, “officially called *liudong renkou* or floating population”, were not a homogenous group; there was prevalence of great diversity. “Their ranks include migrants whose residence is more stable and on a longer term basis, transients, vagrants and even the *mangliu*, blind drifters who roamed from place to place to seek their fortunes without any job offers or definite plans for survival” (Wong, 1994: 335). “In current usage, migrant workers in China are commonly called *nongmingong*, literally “farmer workers”, who are rural people working outside of agriculture and dependent on their wages for their livelihood. They commonly retain links to the rural economy through their land contract, but do not farm or only occasionally return to the farm during the busy season” (Watson, 2009: 88). This included migrants who shifted to the urban centres from the countryside, and also those who moved to Township and Village Enterprises from

Agriculture. The migrants were generically called as *Wailaigong* (Outside Worker), irrespective of whether they came from the villages or cities. The numbers of migrants has been steadily rising since the onset of reforms, with estimates ranging from 64 million in 1990 to 80 million in 1995. According to China's latest 2010 *Census*, their numbers "increased to 221.4 million from over 90 million in 2000", thus signifying "a rise of 81 per cent" (State Statistical Bureau, 2011, as quoted in Wong, 2013: 416). This meant, "out of the 665.6 million persons found living in urban areas, migrants made up one-third" (Ibid).

However, such continuous flow of migrants has left a profound impact in terms of the social stratification that resulted as also the differentiation between them and the permanent residents of the urban centres. Even though the migrants contribute substantially to the making of urban economy and development, they are rendered greatly vulnerable by the segmentation and stratification under the regime of *hukou* (Registration system). Under the regulations put in place during the Maoist period in 1958, "every Chinese citizen had to register as a member of a *hukou*" and on this basis, "two main types of households were created: urban non-agricultural *hukou* and rural agricultural *hukou*. Nobody could change his/her status without permission from the authorities' (Wong, 2013: 422). This system remained rigid and stringent until 1984, when, in the aftermath of alterations in the urban system following the reforms and the resulting spike in labour demands for construction, manufacturing, petty trade and tertiary services, rural migrants were 'officially permitted to work or do business in cities and towns provided they could raise their own funds, arrange their own rations and find a place to live' (Banister, 1986: 9, as quoted in Wong, 1994: 337). "Henceforth, even though they retained their rural status, setting up a new home in cities was no longer banned" (Wong, 1994: 337). Following this, in 1985, a system of identity cards was put in place, which was mandatory in the daily business transactions. However, even though the migrant flow was not strictly checked, their comprehensive accommodation into the urban life i.e. through access to services and provision of entitlements was restricted through the *hukou*. The availability and willingness of migrant labour to work for lower wages, constituted the bulk of the country's cheap labour that powered China's export-oriented economic model. Linda Wong points out that their working conditions were poor, with long working hours

and higher exploitation; but in her view, a far more serious issue was the denial or limiting of political and social rights. Such marginalization, exploitation and exclusion of the migrant workers, needs to be understood within the framework of conflicts and contradictions emerging in the relations with the permanent residents, over sharing of the city's resources and subsequent pressures therein. The vulnerable migrant workers thus were seen as being "tolerated rather than cherished" and made a scapegoat as well as cause for urban ills (Wong, 2013: 417).

Measures, Mechanisms and Models: Ways to Integrate Migrant Workers

Before analyzing the social security and welfare mechanisms for the migrant workers, it would be useful to examine the perspectives of enterprises and the government on this burgeoning class of labour in China. Compared to the urban workers, the migrants could do the hard, physically demanding jobs; and from some of the skills they possessed, most of them were therefore "retained in employment for longer periods, thereby giving the strong impression that they were fairly indispensable" (Knight, *et al.*, 1999: 93). The responsibility for policy on rural-urban migration was spread among different organs of the government, with the Ministry of Human Security playing "the central role, overseeing the system of "floating" migration. The Ministry is represented at national, provincial, city and county (*xian*) levels, and the different levels are sensitive to different problems. The policy framework emanates from the centre. In its implementation, however, offices of the Ministry in poor, labour-surplus provinces and counties were keen to promote labour migration from their areas, whereas as offices in city governments were concerned to protect resident urban labor against competition from migrants" (Knight, *et al.*, 1999: 97). Through various policy documents in 2003 and 2006 issued by the State Council, the central government has taken an active role in improving the conditions of the migrant population protection. While in 2003, the central government called for abolishing employment restrictions on peasant workers and dismantling cumbersome certification mechanisms that burdened the migrants, they were also made eligible for full rights under the Labour Law, including insurances of various kinds. Local governments were directed to take cognizance of them while preparing their budgets and care was to be exercised in protecting the education rights of their children. In

2006, “a regulation sought to address the issues of fairness and equality, seeking to adapt guidelines to suit local conditions and identify seven areas like low pay, wage arrears, and improving legal mechanisms to work upon” (Wong, 2013: 425). Later on, several initiatives like abolishing the custody and repatriation system, limiting the powers of police and civil affairs bureaus in managing vagrants and beggars were also introduced.

But when it comes to the matter of implementation, we have a different picture emerging. Decentralization - a key element of the administrative apparatus of the party-state – has been emphasized in the functioning of the Ministry of Human Resources and Social Security. The provincial governments and the administration at the lower levels having greater flexibility and autonomy for furthering growth and economic production, do not always act according to the guidelines of the central government. “Decentralization also gives rise to principal-agent problems: bureaucratic units may pursue their own agendas, such as the levying of fees for revenue purposes. Thus, there is a lack of coherence and cohesion in government policy on migration” (Knight, *et al.*, 1999: 97).

The rising importance and near-permanent presence of the migrant workers in the urban landscape has also prompted the party-state to focus more attentively and sensitively on their economic and social well-being and development. This mainly pertains to developing a social security system that is sympathetic to their needs and demands. The *No.1 Central Document* in 2006 clearly advocated the establishment of such a system within that year and proposed speeding up the settlement of work-related injuries, medical care and old-age security, for the migrant workers in 2007. This would strengthen the efforts to build a sound social security system (*China Today*, 20 January 2014). All these things have been cited by Zhang *et al.* as the core ingredients for a sound social security system: protecting basic livelihood of migrant workers established by national legislation and administrative measures in order to prevent the growing number of modern industrial society, unemployment, old age, disease, injury and other risks. They further point out that the main security programmes for the migrant workers was social welfare, social insurance and social relief and aid. Zhang Sifeng *et al.* have presented three experimental models of social

security for migrant workers that are being practiced in the country, as of the first decade of 2000s. These are:

- **Containment-based system model:** This refers to getting the migrant workers into an existing social security system under two main situations. First, practiced largely in Guangdong province, under the existing urban workers' social security system, where since 1994 they have been incorporated into a unified social insurance system. Secondly, there is the system practiced in Shanxi and Jiangsu province that mainly focuses on old-age insurance. "The practice of Shanxi province is: the enterprises pay 10 per cent of the total wages of employees who have agricultural household; the workers pay five per cent of their personal wages: to bring 6 per cent of enterprises' pay and 5 per cent of workers' pay into personal accounts and the remaining 4 per cent into the social pool fund. Migrant workers, who reach the age of 60, could receive a monthly basis through examination and approval" (Zheng, 2007, as cited in Zhang *et al.*, 2010: 5).
- **City-Imitation-based system model:** This is a kind of improved system, which takes into consideration the actual needs of the rural migrant workers, mirroring the existing system for urban workers and introducing further modifications, like lowering pay and standards of treatment. Mainly practiced in Beijing and Zhejiang province, it involved the appropriate reduction in threshold and implementing the "low threshold of entry" and "low standard to enjoy" in the urban areas.
- **Field Independent Style-based system model:** Mainly practiced in Shanghai and Chengdu, this model neither belongs to the traditional rural nor urban systems of social security, but exists as it were, autonomously. It is a different and separate social insurance system for migrant workers, involving comprehensive insurance of establishing subsidies, including old-age security, work injury insurance and patient care. Comprehensive insurance is administered by the human resources and social security department and commissioned by managers of a commercial insurance company.

“A different model of migrant workers’ social security system was established in every region by combining the local conditions. These models were different from each other in many aspects such as in payment standards, the treatment level, and the way of distribution and so on” (Zhang *et al.*, 2010: 6). “At the end of 2008, the *Statistical Communiqué on Economic and Social Development* reported the following enrolments: 24.16 million in pension schemes, 42.86 million in health insurance, 2.61 million in unemployment insurance, 49.42 million in work injury insurance and 1.4 million in maternity insurance” (National Bureau of Statistics of China, 26 February 2009).

Even though the models and frameworks for social security have been formulated and put in place, the serious challenge is in the concrete and tangible implementation of the various programmes. Herein, there exist plaguing flaws, gaps and loopholes. This is in addition to the *hukou* system, which imposes severe restrictions and is by and large understood as the crux of the problem. The “local governments are prepared to accept migrant workers only in so far as they contribute to local economic growth, but they are reluctant to take responsibility for these workers’ social security” (Wang, 2011: 180). A chief issue is the lack of integrated social protection of migrant workers in private firms, as most of them are hired informally without adequate provisions of social security protection.

The various programmes as seen in the above three models are established locally, on the basis of the prevailing conditions, thus lacking a unified national framework that could be implemented across the spectrum. Further, there are impediments in terms of portability, at two levels, which is also flowing from the lack of uniformity. One, in the absence of uniformity between departments, maintenance of ‘contributory continuity’ is difficult as ‘migrant workers move from one job/jurisdiction to another’. “In less developed regions where they maintained their household relations, rural social security systems were often incomplete or non-existent. So, those of them who returned to their households, found it difficult to transfer their personal social security account to their place of origin” (Wang, 2011: 180). While the social security policy allowed migrant workers “to cash in their social security account when they move to another city and work for a different employer, they could only ‘recover the contributions paid into their personal social security account – their contributions to

the social pool are effectively lost” (Wang, 2011: 181). Adding further to the problems is at times, lack of formal employment contracts for migrants and shortfalls in fund accumulation with regard to benefit payment obligations. Another source of complaint for both the employers and migrant workers, according to Zhikai Wang, was the high contribution rates, with the former’s amounting to 28 per cent and 11 per cent of the latter’s wages, which were considered to be steep and often discouraging both from participating in the social security system. The “high mobility of the migrant workers”, seen in the context of their prominence in “labour-intensive and low-technology” industries which are exposed to global economic fluctuations as well as frequent relocations driven by the informal nature of employment relations and short-term contracts, also “create disincentives for social security registration” (Wang, 2011: 182).

“Most of the firms that employ migrant workers are private firms, foreign-invested enterprises, township and village enterprises, or individual industrial or commercial household-based businesses, typically engaged in construction, catering, garment-making and other labour-intensive low-technology manufacturing. These employers focus primarily on profitability, endeavouring to reduce their labour costs by every possible means; they tend not to attach much importance to investment in human capital and are often unwilling to let migrant workers to participate in the social security system...[L]ocal governments take a short-sighted view of social security for migrant workers, with insufficient attention to the overall planning and coordination of long-term socio-economic development” (Ibid).

As there was “no compulsory requirement for extending social insurance schemes to rural migrant workers, local governments and enterprises had no obligation to do so. Furthermore, local governments will face an additional financial burden as a result of extending social insurance schemes to rural migrant workers” (Wang, 2008: 59). Poor awareness and information asymmetries have also served as deterrents to workers’ participation in such mechanisms, along with the complexity in policy designs and other impending concerns. In fact, in a survey among the construction and service sectors in Tianjin conducted in December, 2006, it was found that the “migrant workers actually welcomed people taking a guiding role in providing them with the necessary information so that they can decide whether to participate” in the social security system (Li, 2008: 115).

Broadly speaking, the reluctance of the migrant workers - most of them young and healthy - to participate in long-term social security mechanisms stemmed from a combination of factors such as “unfamiliarity with the concepts of insurance”, “low incomes”, “not owning many personal assets” and unwillingness “to sacrifice part of their wages to a scheme that is unknown” (Watson, 2009: 101). However, with the continuous evolution of the priorities of the migrants along with the changing socio-economic scenario, nuances and subtleties have also appeared, thus requiring a sophisticated analysis and reading rather than just making a broad brush assessment. A 2005 survey, conducted by the Institute of Social Insurance Studies at the Ministry of Human Resources and Social Security, regarding their financial plans for old age, among 347 (mostly young) migrant workers in Jiangsu and Jilin provinces, found that “not only was the majority of migrant workers willing to participate in a social security scheme, but they also had a keen interest in the pension scheme. Indeed, most of the young migrant workers ranked pension as the most important of the five social security schemes” (Ministry of Human Resources and Social Security, 2005, as quoted in Watson, 2009: 102). Another factor, originating from the *hukou* registration system, was the resistance displayed by the local residents against the outsiders, on the ground that “the local security pool belonged to the local economy and to them. They resented the idea that the migrants might have a right to part of it and take it away” (Watson, 2009: 104).

The Ministry of Human Resources and Social Security (MOHRSS) has been from time to time, striving to create more secure water-tight and all-encompassing programmes, aimed at “bringing migrants into urban schemes, as also setting up special ones for them along with placing migrants in rural schemes” (Ibid). The stated aims, illustrated through a series of central documents and experimental procedures, were to ensure “compulsory participation with no withdrawals, reduction in entry thresholds, maintenance of sealed accounts in local pools when migrants move, establishment of a national database for migrant records, and a mechanism for pooling lifetime contributions at the place of final residence” (Watson, 2009: 108). This is in addition to the incremental efforts towards mitigating the constraints that have appeared due to the barriers created by the *hukou* system.

Institutional arrangements are one side of the coin – the other being concrete implementation on the ground, which is the focus of the next chapter.

CHAPTER FOUR

SOCIO-ECONOMIC TRANSFORMATION AND THE NEW DEBATES AND DEVELOPMENTS: WELFARE, TRADE UNIONS AND THEIR ROLE IN LABOUR RELATIONS

Economic Development in the Hu-Wen Era

The remarkable economic growth in China, over the past three decades, has had wide-ranging impact on the society and culture. As we have seen in the previous chapters, the party-state under the leadership of the CPC has been the mainstay in the planning, formulating and overseeing the means and mechanisms to distribute the resources to the people. While the Chinese governance and political system could be described as authoritarian, the party-state has been ever cognizant and aware of the serious challenges that have arisen on the flip-side of the economic growth and metamorphosis. It is in the backdrop of this rather uneven fallout of the economic reforms, that the new debates, discourses and developments in *welfare* and *social security* need to be studied and analyzed. As explained and discussed in the last chapter, the new debates on social security and welfare system cannot be done in a vacuum, but in congruity with the labour system.

The increasing focus on labour and social security reforms by the Chinese state has to be located within the broader framework of governance and thus the larger concerns with legitimacy and stability of the political system. This can be understood in the evolving visions of the state and its relations as well as interactions *vis-à-vis* these questions, particularly from the commencement of the Hu Jintao-Wen Jiabao era. The visible shift in the thinking and re-assessments⁹² found reflection in new initiatives,

⁹² The CPC's new thinking was encapsulated in the report placed by Jiang Zemin at the 16th National Congress of the CPC on 8 November 2002, titled "Build a Well-Off Society in An All-Round Way and Create A New Situation in Building Socialism with Chinese Characteristics". His "Theory of Three Represents" – that he first propounded during his inspection tour of Guangdong Province in February 2000 – was properly crystallized in this report. It reflected the changing social base of the CPC since the late 1980s. Thus, it represented: (a) the development trends of advanced productive forces; (b) the orientations of an advanced culture; (c) the fundamental interests of the overwhelming majority of the people of China. The *theory*, laid the ground for bringing in new social classes into the party fold and set the pace for more market reforms and increased rates of economic growth. But this also came at a cost – "financial and banking crises, corruption, massive unemployment, a rising crime rate, uncontrolled urbanization and overpopulation" (Lewis and Xue, 2003: 927).

such as the policies of the New Socialist Countryside, which imparts a special significance to the post-2002 discourse. In 2006, the Central Committee of the CPC published a resolution on “Building of a Harmonious Socialist Society” (*Jianshe hexie shehui*), fleshing out the ideas of Hu Jintao and building on his vision of a “harmonious society” announced the previous year. The Sixth Plenary Session of the 16th Central Committee on 11 October 2006, adopted this policy, describing it as reflecting the “intrinsic nature of socialism with Chinese characteristics and an important guarantee of the country’s prosperity, the nation’s rejuvenation and the people’s happiness” (*Resolution on Major Issues Regarding the Building of a Harmonious Socialist Society*, 2006, as quoted in Quarterly Chronicle and Documentation – October-December 2006, in *China Quarterly*, No. 189, March 2007, p.261ff). The ‘Harmonious Society’ was thus added to the political lexicon of China, encompassing Marxism-Leninism Mao Zedong Thought, Deng Xiaoping Theory and Jiang Zemin’s theory of Three Represents. The stress on building a “harmonious society” becomes significant in the context of the emerging socio-economic contradictions and challenges, which, as mentioned above, had resulted from rapid growth in the previous decade. Hu described the outcome broadly as achieving “democracy, the rule of law, equity, justice, sincerity, amity and vitality” (Ibid). “This policy is understood to mean a renewed emphasis on *extra-economic* challenges such as tackling rural poverty, income inequality and environmental degradation” (Warner and Zhu, 2010: 286). Dissatisfaction, leading to disorder and disruptions in the developmental process were destabilizing tendencies and antithetical to the economic growth.

‘Social Management’ as a Mechanism for Governance?

Three-decades of economic reforms and material transformation ushered in diversity, complexity and fluidity in the Chinese society, with increased social, occupational and residential mobility as well as social and economic stratification. The government responded to these changes and devised its policies accordingly. The party-state’s strategy lay in “the fact that it was prepared to reinvent itself even while retaining

core Leninist principles that guarantee its authoritarian leading role over the state and society. The key to the party's ability to renew itself and what Pieke has termed as its "organizational charisma", is its skill to redefine its mission to change China" (Pieke, 2012: 150). Pieke further elaborates that under neo-socialism⁹³, 'innovative neoliberal and home-grown governmental technologies, serve to support, centralize, modernize and strengthen the party's Leninist leading role in Chinese society. In conjunction with the idea of the "harmonious society", the party-state also devised various governance strategies with the aim of "Social Management" (*Shehui Guanli*), a term that has been in use since the Third Plenum of the 16th Party Congress in 2004. It was further emphasized in the 12th Five-Year Plan for 2011-2015.

The term "social management" comes from the sub-discipline of Public Administration within which Public Management has increasingly come to be studied as a significant topic. "Public Management is principally interested in how policies impact on behavior and public projects and the functionality of the institutions of public management" (Pieke, 2012: 153).⁹⁴ "Public management extends its scope from the formal government apparatus to the whole public sector. This includes the legislature and judiciary, the state-owned enterprises and political parties, and societal organizations that are part of the "third sector" (between the public and private sectors), such as service units (hospitals, schools), mass organizations, community organizations, charitable foundations, popular and professional associations and other non-governmental and non-profit organizations" (Ibid). However, even within such an understanding, it is important to note the special role of the government, which is at

⁹³ A process of eclectic and selective borrowing and mixing, thus producing a unique and evolving governmental rationality. For more see, Pieke, Frank. N (2009), *The Good Communist: Elite Training and State Building in Today's China*, Cambridge: Cambridge University Press.

⁹⁴ Apart from Frank N. Pieke, some other works featuring Social Management are: Oi, Jean Chun (1992), "Economic Foundations of Local State Corporatism in China", *World Politics*, 45: 99-126; Shambaugh, David (2008), *China's Communist Party: Atrophy and Adaptation*, Washington, D.C. and Berkeley: Woodrow Wilson Center Press and University of California Press; Unger, Jonathan and Anita Chan (1995), "China, Corporatism, and the East Asian Model", *The Australian Journal of Chinese Affairs*, No. 33, January: 29-53; Yang, Dali L. (2004), *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China*, Stanford: Stanford University Press; Zeng, Jin (2013) *State-led Privatization in China: The Politics of Economic Reform*, London and New York: Routledge.

the centre of the public sphere, with the other organizations entrusted with the responsibility of working around it.

The term “social management”, surfaced since “1998 as one of the three basic functions of government (the other two being macro-economic control and public services)⁹⁵. It was subsequently briefly mentioned in General Secretary Jiang Zemin’s final report as to the 16th Party Congress in 2002, as more narrowly an aspect of maintaining public order”⁹⁶ (Pieke, 2012: 155). “Society has to be managed in order to uphold social stability, but the law would have to play a key role in providing the framework and ground rules. The management of society included guiding and shaping autonomous mechanisms that help the government resolve the tensions, conflicts, and dislocations caused by the market economy, supplemented by the modernization of more conventional law and approaches to unrest, crime and disorder” (Ibid). The focus by the party-state was to associate governance with management rather than politics that involved both state and non-state entities, reflected in a major policy speech by Hu Jintao at a research seminar of key provincial and ministry-level leading cadres on raising the capacity for the construction of a socialist harmonious society on 19 February 2005. In Pieke’s assessment, “social management involved a state corporatist strategy in which local Party, government, autonomous organizations and the people worked together” (Ibid).

The emphasis of the “neo-socialist” approach has been on depoliticizing the conflicts of opinion or interests, and marrying two seemingly incompatible entities of the neoliberal development model driven by the globalization discourse and state socialism under the Leninist framework. Pieke argues that even though the corporatist strategy underlying social management is based on the assumption of class harmony and organic unity of society, with segments and institutions of society having a right

⁹⁵ As appearing in Yu Keping (2011), “A Shift towards Social Governance in China”, *East Asia Forum*, 9 September, <http://www.eastasiaforum.org/2011/09/09/a-shift-towards-social-governance-in-china/>, accessed on 18 March 2013.

⁹⁶ ‘We must combine punishment and prevention, with emphasis on the latter, take comprehensive measures to maintain law and order and improve social management so as to keep public order’, in Jiang Zemin, “Build a Well-Off Society in an All-Round Way and Create a New Situation in Building Socialism with Chinese Characteristics”, *Report at the 16th Party Congress*, 8 November 2002, [Online: web] Accessed 16 November 2011, URL: http://english.peopledaily.com.cn/200211/18/eng20021118_106985.shtml

to act autonomously, they have a duty to maintain social discipline to safeguard the needs and interests of the nation-state as a whole. In this context, social management is seen as similar to the traditional imagery of corporatism that sees society as an integrated and coordinated corporate body. The pronounced emphasis on social management gives the impression of a new framework of the party-state to maintain stability and social order. Given the frequent eruption of protests and strike actions in many parts of the country by those left behind, marginalized or at the lower end of the trickle-down growth trajectory, the Chinese party-state is faced with serious challenges as both stability and “social harmony” are pre-requisites for the country’s smooth advancement towards newer rounds and higher stages of economic growth and development. Roping in communities and autonomous social organizations in the direction of sharing governmental functions, mainly at the local level, is to have a network of communication and consultation for working out mechanisms to address people’s genuine complaints and thus ameliorating social tensions. The fifth plenary session of the 17th Central Committee of the CPC in 2010, focussed on strengthening social management along with introducing innovations. The resolution pointed out that “the general principle of social management is party leadership, government responsibility, social coordination and public participation” (Yu, 2011). “Social management mechanisms ought to be based on the central role of party and government and should be a combination of communication and consultation with an emergency control to solve people’s legitimate complaints and resolve social tensions” (Pieke, 2012: 158). Encouraging and developing urban and rural communities to deliver a range of services and public welfare, social management also entailed building up a ‘specialized and professional rapid response system with a unified command system that can deal with disasters, social upheavals and other crises’ (Pieke, 2012: 159). This meant that the law enforcement agencies were professionalized and provided specialization through expertise to deal with emergencies, prevent disasters and unrest. The social management concept also provides the space for the mingling of ideas like “ruling China according to the law, strengthening and modernizing public and national security, developing a non-state, self-governing public sector, the retreat of the state from society and the economy, the strengthening and centralization of the state, and the promotion of the Party as the pivot of the nation” (Ibid). Giving primacy to societal interests, the state was the

entity representing the collective will, tasked to uphold stability and social order through consultation or by force. Through the intermingling of ideas within the space offered by social management, “a variety of ideas and measures have been brought together – regardless of their mutual inconsistency and possible incompatibility – to serve a more important end: upholding social stability” (Ibid). Therefore, it offers the opportunity to explore the possibility of blending the incompatible forces of neoliberalism and socialism.

This is clearly part of the process of constant evolution by the party-state towards the challenges, confronting it. It is within such an overarching framework and discourse of “social management” that the new developments and debates in labour and social security/welfare need to be studied and discussed in detail. Such a study would also encompass the new interest groups, entities and institutions that have emerged, along with an equally focussed analysis of certain older groups, which have also been evolving over this period. The All-China Federation of Trade Unions (ACFTU) falls in the latter category. The Labour Contract Law, in operation in the country since 2008 is one significant measure adopted by the party-state to address the deficiencies in the earlier labour law of 1995. The new law was also formulated keeping in mind the possibilities of discontent emanating from labour disputes and protests.

The New Labour Contract Law (LCL) of 2008

The rapidly changing economic conditions in China, while leading to wealth creation also had its flip-side of uneven development and income disparities. With the Contract System becoming a permanent feature of China’s labour practices, the inevitable social contradictions also affected labour relations. The problem was made more acute by the rapid increase in the numbers of migrant workers from the hinterland towards the urban centres and industrial zones, increasing their participation in economic production, and making them virtually indispensable. Informal contractual relations acted as hindrances, for both the state and employees, thus highlighting the need to safeguard the written contracts. Moreover, the discriminatory or shabby treatment of rural migrant labour also raised serious challenges for social stability. The LCL mandated wage payments and other social security benefits along with ensuring a stable working environment. The 1995 Labour

Law “was a vague and ambitious set of statutes, of which most workers knew little, thus giving employers significant latitude to interpret the law and explain regulations in ways that served their self-interest” (Wang *et al.*, 2009: 486). Furthermore, the absence of adequate enforcement aspect was also highly problematic, given that both fiscal authority and responsibility of welfare had been devolved to the local authorities, i.e., province governors, municipal officials and factory managers. These functionaries were also “responsible for the creation of a business environment that would sustain foreign investment and generate high levels of economic growth in their quasi-autonomous regions. Workers’ interests, including enforcement of the existing labour law, were therefore of little concern among local political and commercial elites” (Ibid). Such a situation was particularly visible in the main industrial-manufacturing centres in the country’s major economic zones in the Yangtze river delta and the Pearl river delta. Since the regime of “contractualization” came into existence as a norm in China, complicated entanglements arose on matters of labour contracts, minimum standards and dispute resolution and the prevalent Labour Law of 1995 could not adequately address or cover this. The shortcomings were thus increasingly exacerbated by the newly emerging complexities. Given below are the various drawbacks and deficiencies of the 1995 Labour Law in the face of the emerging contractual relations, which necessitated the need for a new LCL⁹⁷:

- The provisions dealing with contracts, focussed almost entirely (but not adequately) on *termination*, thereby not addressing contract *formation* in any detail. Thus, the Labour Law had little to say about when a labour contract came into existence, what the default terms were, how the contract could be amended or when a contract or a contractual term was invalid.
- The Labour Law did not inhibit emerging contracting practices, which could be abused by the employers. These practices included requirement of the employees/workers paying bonds to guarantee their continued presence and/or performance at work, the use of ‘rolling’ fixed term contracts to evade

⁹⁷ The following section has been adapted from Cooney, Sean, Sarah Biddulph, Li Kungang and Ying Zhu (2007), “China’s New Labour Contract Law: Responding to the Growing Complexity of Labour Relations in the PRC”, *UNSW Law Journal*, Vol. 30, No. 3: 786-801.

obligations that would be owed to long-term staff, and the insertion of restraint of trade (or non-compete) clauses limiting employees' options when they left a firm.

- The Labour Law did not set out principles governing the proliferating forms of non-standard employment such as labour hire and casual work; neither did it provide indications for distinguishing between employment and other forms of engagement (such as independent contracting).

Further, there was no strict implementation of the individual contract system as most of the migrant workers from the rural countryside, who form the bulk of China's industrial working class have not signed employment contracts in contrast to the larger sections of the urban workers. This will be discussed at greater length subsequently. Furthermore, "the provisions of labor contracts under the Labour Law are vague and lax, thus allowing employers more leverage. For example, the law fails to stipulate the time limit for an employer to sign a labor contract with the newly recruited employee, and it does not require employers to pay economic compensation (severance payment) for workers who are dismissed on the day when their labor contracts expire" (Ngok, 2008: 55). Moreover, factory inspections by the local governments were ineffectual and the Labour Law also did not impose stringent punishments on employers. The laxity displayed by the local governments stemmed from their obsession with economic growth, wherein they sided with enterprise managements, *vis-à-vis* labour. There were also issues of non-operation of the collective contracts in non-state enterprises, especially the TVEs and those, which were foreign funded, of resistance from managements, lack of union representation and lackadaisical attitude of the local governments.

The labour dispute resolution system was "ill-equipped to deal with the flood of labour disputes, and the process was prolonged by having three levels of processing, namely factory mediation, local government arbitration and litigation" (Ibid). The absence of a legal framework in enforcing employment contracts was thus a serious impediment in dealing with the disputes and ensuring harmonious labour relations. Moreover, there was a marked lack of uniformity in the rules, since the decentralization model and the resulting flexibility as well as autonomy had led to

some local governments coming up with their own contract laws, while in many others parts of the country, there were none. Such glaring inconsistencies were considered as undesirable for ensuring an equitable and harmonious labour system. In order to rectify all these loopholes and shortcomings along with the high level of informalization, it became necessary was to evolve and frame a new labour contract system, which would explicitly lay down the rules for both the employers/management and employees/workers. The chief aim of the new LCL was thus to frame the obligations which would be enshrined and institutionalized within a legal framework. As mentioned earlier, the new LCL also needs to be situated and understood in the larger discourse of *harmonious development* propounded by the Hu-Wen leadership since 2002. Through enhancing the role of the central government, the Hu-Wen administration sought to strengthen legal protection mechanisms.

In March 2006, the Standing Committee of China's National People's Congress published a draft LCL on its website and asked for feedback, to which there was unprecedented public response, as "nearly 200,000 comments flowed in during the first month. Two-thirds came from ordinary workers, while the rest came from employers, social organizations and academia; almost all were submitted online"⁹⁸ (Wang *et al.*, 2009: 490). Based on these responses, "the new LCL was revised three times (December 2006, April and June 2007), and was eventually passed on 29 June 2007 at the 28th Session of the 10th Standing Committee of the National People's Congress" (Ibid). The law came into effect from 1 January 2008.

The 2008 LCL categorically emphasizes the importance of protecting the rights of the labourers. As stated in Article 1 of the LCL, "the legislative purpose of the law was to improve the labour contract system, define the rights and obligations of parties to a labour contract, protect the legitimate rights and interests of workers and establish and develop a harmonious and stable labour relationship" (*Laws and Regulations of the People's Republic of China - Social Law*, 2011: 181). The following section undertakes a comparative analysis of both the 1995 Labour Law and 2008 LCL based upon the study by Li Jing, at the Fordham University School of Law:

⁹⁸ The exact number was 191,849, including 1280 in letters and 145 in newspapers (Xin Chunyin, Vice Director of Judiciary Committee, Press Conference on the Feedback of the First Draft of the Labour Contract Law, as quoted in Wang *et al.*, 2009: 490).

“(i) Employers’ Obligation to Sign Labour Contracts:

Article 16 of the 1995 Labour Law stipulates the forming of an employment relationship, which required a written contract. However, many employers had not entirely adhered to the law, specifically with regard to payment of social insurance premiums. The last paragraph of Article 14 of the LCL seeks to close this loophole by stating that if the employer fails to conclude a written contract within a year of the start of the employment, it would be deemed that the former had signed an open-ended labour contract. While Article 98 of the Labour Law simply states that the labour administration bureaus shall order a noncompliant employer to make contracts, there were neither any specific penalties nor punitive damages written into the law as a deterrent. Article 82 of the LCL, thereby made it obligatory for the employers to have written contracts - penalties have been instituted in case of non-compliance. Article 82 further states that if the employing unit takes more than one month but less than a year to conclude the written contract, then it is bound to pay the worker two times his/her salary for each month, starting from the date on which the contract should have been concluded. Also, in case the employer did not sign an open-ended contract within one year of employment, the former had to pay double wages to the workers until such a time when the contract is signed. Articles 11 and 18 of the LCL also have additional provisions regarding compensation for the workers in case of absence of execution of contracts.

(ii) Promotion of Long-Term Employment Contracts:

Short-term contracts of the Labour Law, leading to job insecurity, were often entered into by the management, in order to avoid or reduce compensation payments for terminating an employee before the due date. Article 46 of the LCL sought to mitigate this problem by making it compulsory for employers to give severance pay upon the expiry of even short-term contracts unless if it was the employee who chose to not renew the same on similar or enhanced terms. Moreover, with the aim of promoting long-term employment, Article 14 of the LCL required the management to come up with an open-ended contract, in case the worker had been working with them for a consecutive

period of more than ten years, or if a fixed term contract had been finalized with the worker on two consecutive occasions.

(iii) Invalid Employment Contracts and Security:

Although the Labour Law had specified that in case the employment contract became invalid due to the employer's fault or caused problems for the worker, then the former was liable for damages, it was silent on the employer's obligation to pay compensation to the worker in case the work was undertaken under an invalid employment contract. Invalid employment contracts refer to the contracts for workers "employed in enterprises that exist and operate illegally. Workers who have performed labour for such enterprises do not have the benefit of Labour Law protection" (Dong Baohua, 2006, as quoted in Li, 2008: 1116). The worker was frequently unable to obtain proper compensation in labour disputes. To equip the workers who often were ignorant of their rights, Article 28 of the LCL made it mandatory for the management to pay compensation even if the contract was deemed invalid; further, Article 93 held all employers-irrespective of legal or illegal operation or adhering to proper hiring practices - liable to pay the workers compensation, severance pay and other related expenses. Article 9 of the LCL prohibited the tendency of the managements to tie the workers to their existing employment without providing wages or work conditions, but chose to retain the workers' resident identification card and other requisite papers.⁹⁹

(iv) Limiting the Probation Period:

Another loophole in the LL related to the probation or trial period, which relates to the initial working relationship between the management and workers. This period was mainly used to gauge each other in a more detailed way and usually, though a worker received less pay during this time; there was also an option available for both parties to terminate the probation without any kind of liabilities. While Article 21 of LL stipulated a probation period of only six months, some managements sought to circumvent the obligations and

⁹⁹ Article 84 of the LCL stipulated the penalties and concomitant punitive actions, in the event of the provisions of Article 9 getting violated.

lower the wage costs by repeatedly using the probation period. In order to address this anomaly, Article 19 of the LCL provided that a management can only impose one probation period on a worker and the agreement regarding that has to be compulsorily accompanied by a contract of full employment.¹⁰⁰ With regard to wage payment under the period of probation, Article 20 of the LCL stipulated that a worker's wage could not be lower than the minimum wage for a full employee or less than eighty percent of the wage agreed in a full employment contract. Further, the succeeding Article 21 forbade the management from arbitrarily terminating probation employment.

(v) Collective Labour Contracts and Labour Dispatch:

Collective employment contracts were primarily aimed to accommodate rural migrant workers who could not bargain for better deals with the management. Article 55 of the LCL provided a safeguard to individual workers by maintaining that the terms of individual employment contracts had to be as favourable as a collective employment contract with the management.

Labour Dispatch (*laowu paiqian*) is a growing phenomenon, whereby, dispatch agencies provided enterprise managements with employees according to their needs and demands. Though the workers work under the enterprise managements, they are counted as employees of the particular dispatch agency. The enterprise managements often resorted to using the labour dispatch workers to lessen the wage costs, bring down social security entitlements and also circumvent labour law provisions. In fact, some of the managements resorted to laying-off workers and then went on to re-employ them through the labour dispatch arrangement with the same purpose in mind. In this manner, the managements are able to stave off their responsibilities of being the primary employer and thereby look towards outsourcing the wages as well as social security entitlements to the dispatch agency. In view of this development, the LCL sought to have a clear set of regulations in place to

¹⁰⁰ In case the term of employment was less than three months, then no probation period was allowed. If the term of the contract was more than three months, but less than a year, then the probation period could not exceed one month. If the term is more than a year but less than three years, then the probation period was not to exceed two months.

safeguard the dispatch workers, the majority of whom were part of the migrant workforce. Article 58 mandated the dispatch agencies to pay monthly local minimum wages to their workers during those times when they were not recruited in any of the enterprises. Further, Article 60 also prohibited both the dispatch agencies and managements, which were charging fees from dispatch workers. Article 63 mandated the equal treatment of the dispatch workers, whereby they were entitled to the same wages as the management's own workers engaged in the same kind of work. In order to prevent enterprises from establishing their own quasi-labour dispatch arrangement, Article 66 categorically asked the managements to desist from such activities. Thus, all dispatch workers had to be engaged under fixed term contracts, valid for not less than two years and further, the arrangements between the dispatch and hiring enterprises had to be governed by a formal contract that needed to detail the placements as well as the requisite social security premiums.

(vi) Nationwide Unified Social Security Account System:

The LCL also focussed on the obligations of the managements to pay the requisite and proper social security premiums for the workers. Article 100 of the 1995 LL fixed specific time limits for orderly payment of the premiums and in the event of default or ignorance of the labour administrative bureau's order, financial penalties were imposed on the managements. However, most of the Small and Medium Enterprises found ways to sidestep this provision. To plug the gap, Article 49 of the LCL called for the state to take effective steps to establish a nationwide social security account system that allowed workers' social insurance accounts to be transferred from one region to another. In the absence of non-transferrable personal social security accounts (which were in fact collected and managed by regional and sub-provincial governments), the migrant workers faced an uphill task in carrying over their accumulated benefits when they shifted between different regions. Thus, the larger aim was to free up China's social security system from a localized to a larger nation-wide model.

(vii) Wage Arrears:

A serious grievance faced by the workers over the years was the settlement of pending wage arrears. Article 50 of LL clearly prohibited embezzlement or unjustified delay in wage payments and Article 90 of the LL builds in penalties for building up arrears in wages. Article 30 of the LCL provided the workers an option to undertake a wage-pay order from local courts that bypassed the arbitration instilled under the LL; Article 85 of the LCL stipulated that the managements needed to pay additional damages in cases where compensations were overdue.

(viii) Labour Supervision and Inspection Responsibilities:

Violations of labour rights is also largely due to inadequacies and tardiness in government supervision and implementation of labour laws - and the LCL sought to address the problems stemming from these limitations. Article 95 made labour administration and related government officials subject to sanctions and criminal liabilities, in the event of their failure to perform their responsibilities, causing harm to workers or the managements. Further, Article 16 of the LCL clearly underlines the need for a worker to possess a copy of the written contract, which may be required in case of disputes. Moreover, under Article 32 of the LCL, the workers also had the option to refuse work or employment in unsafe conditions or environment.”

(Li, 2008: 1083-1131)

Considerable debate ensued in the period following the drafting of the LCL until its final passing for implementation drew near. While the central government sought feedback from the relevant as well as concerned sections in the labour arena, the wider public was also invited to send in their reactions/suggestions. Some of the strong voices of opposition against the new draft law were international business organizations, like “the American Chamber of Commerce in Shanghai (AmCham), US-China Business Council and the European Union of Chamber of Commerce, who put up a concerted effort to actively lobby against” it (Leung and So, 2013: 140). Their objections were informed by their “opposition to measures which would limit

the capacity of corporations to structure their employment arrangements as they chose”. As Cooney rightly remarked, “[T]hey were couched in language commonly used in neo-liberal criticisms of “labour market regulation” but the criticisms were not always consistent with the neo-liberal economic principles” (Cooney *et al.*, 2007: 789). Thus, they specifically targetted their criticism at “provisions requiring union or employee representative consent to changes to general working conditions, several draft articles requiring interpretations in favour of the employee in the event of ambiguity; clauses restricting dismissals and requiring substantive severance payments, and provisions converting short term employment to permanent employment after the passage of certain time periods” (as appearing in various articles in the first draft of the LCL. Quoted in Cooney *et al.*, 2007: 789). “On the other hand, less consistent with a neo-liberal perspective, they also took exception to clauses striking down wide non-compete clauses in employment contracts” (Ibid).¹⁰¹

These organizations were also driven by fears of an “interventionist role” from China’s primary trade union, the All-China Federation of Trade Unions (ACFTU) (Leung and So, 2013: 141). The former thus demanded reversals, revisions and further watering down of the regulations. More significantly, they also hinted at possible ‘flight of capital’, or the withdrawal of investments from the country, in case their concerns were not addressed. Apart from these transnational groups, business lobbies in China felt that the legislation was ‘overprotective’ of the working class and could jeopardize the functioning of the enterprises and their effective/efficient management. Consequently, the “first draft of the Labour Law was modified, but not to the extent sought by the business groups” like American Chamber of Commerce in Shanghai (AmCham), US-China Business Council and the European Union of Chamber of Commerce (Cooney, *et al.*, 2007: 790).

¹⁰¹ Under the Articles 23-25 of the LCL, employers had the right to sign non-compete clauses with key employees, like senior managers, senior technicians and other persons, enjoining a confidentiality obligation to the employing unit. Non-Compete clauses were to prevent the possible transfer of ideas and expertise, in case the employee moved to a rival/competitive firm or enterprise. In the Chinese case, under this clause, for a maximum period of 2 years following termination of the employment relationship (for whatever reason), the former employee could not work for a competitive firm/enterprise. In return for this commitment and during the period of non-competition, the former employer had to pay compensation to its former employee, even if this was not specifically agreed in the employment contract.

The enterprise managements also evolved a variety of novel ways to circumvent and/or bypass the regulations under the LCL. In one particular instance in Shenzhen, workers were “forced to sign “blank or incomplete contracts” - without specifying the name of the employer, work position, wages, working hours, social insurance and benefits, and the terms of changes, renewal, and termination of the contract. In some cases, workers were asked to sign contracts written in English rather than Chinese” (Chan J.L. (Forthcoming), as quoted in Wang *et al.*, 2009: 491). Other than this, the managements also increased the charges of canteen services and dormitories, in order to offset the wage costs; furthermore, the employers downloaded sample contracts from bigger, labour-intensive cities through the internet and arbitrarily revised them so as to fit their needs, which was later presented to the workers as a “formal document” (Worker Empowerment, “New Ongoing Violations After the Implementation of Labour Contract Law in China” (2008), translation of the original document by the Shenzhen Dagongzhe Migrant Worker Centre, as quoted in Wang *et al.*, 2009: 491). In the opinion of Haiyan Wang *et al.*, with the introduction of the LCL, the employers have found it harder to hire cheap labour without signing a formal contract, and in case of abdication of responsibilities or violations of the signed contract, the former faced costly lawsuits. Further, some of the companies sought to get around the law by laying-off workers before the date of enforcement - giving the impression of “voluntary dissolution” of contracts - and then re-hiring them. In this manner, they could effectively break their consecutive working period before the new law taking effect, thereby avoiding the signing of open-ended contracts.¹⁰²

Apart from this, the involvement of labour dispatch agencies was another form of evasion, whereby the managements terminated the contracts of their long-term workers, and then made them sign contracts with designated dispatching agencies, which then leased them back to the enterprise managements. This was termed as “Reverse Dispatch” (Zhang, 2007). In my questionnaire answered via e-mail, Professor Wang Dehua of the Chinese Academy of Social Sciences stated that labour

¹⁰² In fact, there were also cases wherein, some of the workers who were laid-off were not taken back (‘Huawei claims that all the resignations were voluntary’, *Sina.net*, 5 November 2007, URL: <http://tech.sina.co.cn/t/2007-11-05/00141831426>, as quoted in Wang *et al.*, 2009: 493).

dispatch was only applicable to temporary, auxiliary or substitute jobs. While the enterprises pay the dispatching agency for the workers they outsource, the latter is responsible for their wages, benefits and other entitlements. According to Dr. Zhu Yapeng, Associate Professor at the School of Government, Sun Yat-sen University in Guangzhou, whom I interacted with during my field-work, the factory/enterprise management, by relying on outsourcing the employment of workers to dispatch agencies rather than directly hiring them, was abdicating its responsibility as the primary employer, which was a matter of concern in most of the private non-state enterprises. Another issue for the employers was the definition of ‘labour’ within the new law that included professional and technical staff, along with the blue-collar workers. Under this, while the law provided substantial freedom to workers to dissolve their contracts, the extreme difficulty in finding replacements to the technical and professional workers in comparison to blue-collared workers, was a serious handicap for the enterprise managements. Prior to the LCL, enterprise managements resorted to holding up the wage arrears/entitlements of workers to prevent them from moving out. However, the LCL ensured timely and proper remuneration for the workers under Articles 29-30 and allowed them, under Article 37, to leave by advance self-termination notice. Thus, to some extent, the workers’ hands were strengthened.

On the other end of the spectrum, the LCL provided an opportunity to view the response of China’s primary trade union, the ACFTU - which was positioned between the workers and industry managements and local officials. The trade union saw the LCL as an opportunity to revitalize itself, from the criticisms of not being adequately effective or protective. These criticisms have been discussed at length, later in this chapter. This confidence also emanated from the augmentation of the powers of the trade unions. Through Article 51 of the LCL, a collective contract - applicable to all workers of the enterprise - could be signed by the labour union after “bargaining on an equal basis with the employer”. The law also incorporated “Specialized Collective Contracts” that addressed certain specific issues like labour remuneration, working hours, rest and vacation, occupational safety and health, insurance, protection of the rights and interests of female employees, wage adjustment, etc. (*Laws and Regulations of the People’s Republic of China – Social Law*, 2011: 194-95). The ACFTU showed some assertiveness in speaking up against possible violations by

critiquing the countermeasures adopted by various managements against the new law. Haiyan Wang *et al.*, illustrate a case in Guangdong involving negotiations between the workers and Huawei management over massive lay-offs. During the course of the negotiations, the ACFTU advocated the

“need for the management to listen to the workers before making key decisions and insisted on periodic consultations with the trade union on working conditions and social security entitlements. The views and inputs from Labour Rights NGOs were also significant in the finalization of the LCL. While on the one hand, they welcomed the addition of a new legal instrument for ensuring the rights of the workers, on the other, they remained sceptical of the larger implications inherent in the legalistic regime promoted by the central government, one ultimately designed to contain dissent and promote a party/state definition of the “harmonious society”” (Global Labour Strategies, 2008, as quoted in Wang *et al.*, 2009: 496).

“At the base of the ambiguity lies the historical tension between the push for local economic accumulation and the felt need for some kind of legalistic legitimacy” (Chan J.L. (Forthcoming), as quoted in Wang *et al.*, 2009: 496)¹⁰³. Nevertheless, following the adoption of the LCL and an Arbitration Law¹⁰⁴, the NGOs have

¹⁰³ Ching Kwan Lee elaborates this tension while pointing to the rise of protests resulting from commodification of labour. He characterizes labour commodification, as a result of “the state strategy of decentralized accumulation and legal authoritarianism...[In] oversimplified terms, decentralization makes local government responsible for developing a pro-business local political economy, while the same local government agents are called on to implement labor laws promulgated by the central government eager to resolve labor conflicts and to maintain social stability. This tension between accumulation and legitimation, between the interests of the local and the central government, gives rise to endemic violation of labor rights and entitlements. The local state becomes the target of worker resistance” (Lee, 2007: 10-11).

¹⁰⁴ In legal terms, Arbitration is the second stage of the three- stage process of dispute settlement in China – the other two being Mediation and Litigation. ‘The 1993 PRC Regulations for the Handling of Enterprise Labour Disputes and the Labour Law of 1995, which expanded the three-stage process, were promulgated as a means of moving from a strictly administrative approach to labour relations and labour dispute resolution toward mechanisms for the settlement of labour disputes, according to the Law’ (Ho, 2003: 3-4). The Arbitration Law in China, was adopted at the Ninth Meeting of the Standing Committee of the Eighth National People's Congress on 31 August 1994 and promulgated on the same day, was “formulated in order to ensure the impartial and prompt arbitration of economic disputes, to protect the legitimate rights and interests of the parties and to safeguard the sound development of the socialist market economy” (Article 1 of the Law). The Law has Eight Chapters and Eighty Articles. “Arbitration Law of the People's Republic of China”, [Online: web] Accessed 8 September 2014, URL: http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content_1383756.htm

attempted to educate the workers and raise awareness of their rights. They have also moved to develop support mechanisms for “aggrieved workers in making rightful claims for compensation through arbitration and litigation” (Wang *et al.*, 2009: 497).

The overall assessment of the new LCL has to be made keeping in mind the responses/views of the relevant actors or entities, namely the Enterprise Managements, Labour and the Party-State. As stated above, the business sections adopted the twin strategy of belligerence by hinting at possibilities of closing or relocating operations as well as coming up with novel attempts to circumvent the LCL before it came into effect. They also introduced increased charges for various amenities other than wages, and adopted more stringent disciplinary measures in the form of penalties and fines. As far as the Workers were concerned, the law served to enhance their consciousness, empowering them with a better sense of their rights and entitlements. After the LCL came into effect, there was a surge in labour disputes with the arbitration offices across the country receiving increased number of cases, testifying to the workers’ determination to get justice from the managements through the legal route, rather than opt for the path of mediation as earlier. There was an increased and visible resistance from the workers in the form of strikes and other collective actions “as the labour law also made the official trade union, more active” (Leung and So, 2013: 150). Even though the law still fails to clearly define the legal status of migrant workers, its scope extends to all labourers who had established labour relations with enterprises in China. However, while migrant workers are labourers in legal sense, they are not extended the same treatment as urban workers “in terms of wages, social security and other employment-based benefits due to the differential policies adopted by the local governments. In other words, migrant workers are laborers in a legal sense, but they can be treated differently by policies adopted by local governments. This way, the rigidity of law and the flexibility of policy are integrated perfectly to demonstrate the subtle relationship between labor legislation and policy” (Ngok, 2008: 60). The Party-State has also maintained a flexible stance in this regard, wherein, while on the one hand it loosened the stringent

controls on media coverage of the protest actions by the workers¹⁰⁵, on the other, it has put in place mechanisms to manage the tensions and conflicts. However, Parry Leung and Alvin Y. So believe that the LCL in itself cannot be the only mechanism to resolve the labour-management conflicts, even though it did provide a legal basis for a concrete tripartite collective bargaining system involving the trade union, management and the local government, within the enterprises to negotiate salaries, social security benefits and other workers' rights.¹⁰⁶ The ACFTU is working towards implementing a collective bargaining system in the enterprises, which have trade unions on a nationwide basis.

A deeper analysis of the LCL and its attendant debates provides insights into the relationship between the state, enterprises and labour relations within a larger perspective. Being a manufacturing hub of the world, China has nodes of linkages with the global production chain; this export-oriented production has been largely anchored in labour-intensive industries, which primarily work on the availability of cheap labour along with flexible production relations. This flexibility has resulted in an *informalization* of the labour relations, which have been reflected in more authoritarian and disciplinarian structures surrounding the working class. This structural constraint at one level has also marginalized the workers, conveying an erroneous impression of submissiveness and docility. The LCL was seen as providing a more humane basis to the management-worker industrial relationship. At another level, in the aftermath of the “Global Financial Crisis of 2008 and the decline of the advanced Western economies, has led to a new push towards restructuring of China’s model from export-led industrialization to a more balanced development based on both exports and domestic market. In order to enlarge the domestic market, it is necessary to increase the wages and living standards of the Chinese workers so they

¹⁰⁵ This loosening of control on media reporting was intended to reflect the desire for higher wages among workers. Higher wages for the country’s workforce would aid in boosting domestic consumption. After the high growth rates post-1990s, the Xi Jinping-Li Keqiang administration since 2013, have stressed the need to shift priorities from investment-led growth towards domestic consumption.

¹⁰⁶ The original draft of the LCL had entrusted the management with the “responsibility to sign a collective labour contract with the employees’ representative within an enterprise...the ‘final version had eliminated this clause’, thereby effectively impeding the right of the ‘workers to independently negotiate with the management” (Leung and So, 2013: 152-53)

can buy more products” (Leung and So, 2013: 154). This would be helpful in checking workers’ militancy in the face of challenges posed by labour shortages, spiraling wage hikes and high turnover rates. The new law is “part of the larger government strategy” to, “defuse social conflict and shift Chinese growth along a pathway that emphasizes higher domestic living standards, technologically upscale production, and a [bring about a] greater balance between the impoverished countryside and the rapidly urbanizing coastal provinces” (Wang *et al.*, 2009: 497).

The strategy of the Party-State, to seek public opinion/feedback on various drafts of the law and permitting protests and strikes cautiously rather than resorting to stringent repressive measures, is indicative of their larger strategy to bring about “legal absorption” of workplace conflicts. Haiyan Wang *et al.* elaborate it further: The new labour law is “an effort to harness conflict within a legal framework, thereby channelling anger away from direct labour militancy against the government. By providing favourable legal provisions from the most oppressed workers, the new law actually encourages them to channel the fight for their legal rights to their own employers - rather than merely rail against an “unfair society”” (Wang *et al.*, 2009: 498).

As has been argued in the previous chapter, the analysis of newer debates and issues surrounding social security in China has to be undertaken in tandem with the changes in the labour relations. The relationship between labour and social security is such that it is not possible to examine them in separate compartments. The introduction of the LCL is only one segment of the broader range of labour relations, which is indicative of the party-state’s emphasis on institutionalizing the conflicts and undertaking a “legal absorption” of the disputes arising in the field. The larger issue of labour relations also encompasses the aspects of labour management, the specific characteristics of the relatively smaller and medium enterprises, the significant concerns of migrant labour and role of the trade unions. These constitute the broad spectrum of range of issues surrounding the working class in contemporary China. The dynamic nature of the transformations in the Chinese economy necessitates an examination of Labour before coming to the changes in the nature of the relationship between welfare and social security.

The post-1978 official Chinese narrative on labour issues used the term “labour relations” (*laodong guangxi*) replacing the old terminology of “labour-capital relations” (*laozi guangxi*) (Warner and Zhu, 2000: 24). This was not only politically correct, but was also in keeping with the mixed realities of a socialist market economy, and was popularized to underscore the existence of public and private capital. As Pringle aptly notes, “[f]or the party-state, continuing with the term “labour-capital relations” would have meant that ‘the post-1978 economic transition might be possibly interpreted as a return to capitalism, or at the very least, a step in that direction’” (2009: 223).

The problems of unemployment, harder living conditions for the workers and the challenges of putting in place enforceable labour standards to ameliorate the regimented and highly-disciplined employment atmosphere, have seriously challenged the party-state since the market reforms started to take effect in the late 1980s. The rising conflicts within the working-class further exacerbated the tensions. This effectively brought together the question of labour relations and social management in the arena of *governance*. But the welfare measures and social security entitlements instituted through legal means or policy announcements were also intended to regulate and govern the workers. In this context, Marc Blecher sees the state-run welfare programmes “working as a lightning rod for the party-state to channelize the anger and frustrations of the beleaguered workers”.

A serious issue emanating from the non-official discourse on Labour in contemporary China is the fragmentation of the working class, with stratification ranging from younger-older workers, skilled-unskilled labour, to local-migrant workers and even employed-unemployed/laid-off proletariat. In fact, the “fragmentation based on localised origins, skill levels, employment status and gender was a persistent feature of Chinese labour in both the pre-revolutionary and the post-1949 periods” (Lee, 1999: 65). In terms of the governance dilemma, the “fragmentation cuts both ways: while on the one hand it undermines the capacity of the working class for unified collective action, on the other it makes the political task of monitoring and regulating the working class more difficult” (Blecher, 2004: 201). It laid bare the dual disposition of the party-state: At one level, “the material difficulties, declining capacity to monitor unemployed workers, regular protests, the gradual as well as

uneven welfare schemes, along with despotic managements made governance of the working class difficult. At another, the growing fragmentation of the working class, the availability of numerous coping strategies (like informal labour markets and employment), the dominance of the market reforms, apart from structural state-enterprise separation and the state's vast monopolistic organization to an extent facilitated such governance" (Blecher, 2004: 200). As Blecher puts it rather lyrically "in the rising frequency of protests, various agencies of the party-state work in well-practiced collaboration to provide some combination of an eye to identify the protestors, an ear to grasp and record the source of problem, a hand to provide some material relief, and a fist to mete out punishment to unruly ringleaders".

In another research article, Blecher studies the nuances of Chinese labour politics in the era of Globalization in three Chinese regions in the south-east, north-east and around Tianjin. He problematizes globalization to understand the nature of the discourse and resistance of the working classes along with the other, participating actors and the surrounding issues. A highly globalized, "export-oriented", hyper-competitive economy, centered in the south-east had produced a "despotic labour regime" reliant on migrant labour wherein the workers quiescence punctuated by legal measures as well as mainly "cellular", enterprise-based strikes and protests focussed on daily struggles. The scenario in the state-run, import-substituting, heavy industrial sector in the north-east, where a labour force of younger, middle-aged and older workers facing unemployment and forced to survive on meagre state profits, could be termed as "decay". In the third case in the area around Tianjin, we have an "adaptive" pattern, wherein "a mixed economy of state and collective enterprises has managed to adjust to the new market forces on the one hand, and newer private or joint-venture enterprises have developed....[I]t has produced growth without cutthroat competition by the capitalists to exploit labour", thus ensuring that the "workers have enjoyed a smoother transition. Such adaptive characteristics had engendered a lower level of labour protest when compared to the other two patterns" (Blecher, 2010: 98-99). On the whole, while 'the specific economic relations have been major structural determinants of these differential labour responses, there also exist "social factors" (like generational attitudes or concerns among workers towards the working

environment and their rights along with social space)¹⁰⁷, and political ones (such as the state's monopoly of organization and its carrot and stick policy towards protestors) have also shaped the various patterns of protest" (Blecher, 2010: 107). The party-state's approach has largely been to carefully modulate its course of action by separating the leaders and protestors, ensuring a legal superstructure to channelize protests and even attempting to pre-empt them and activating the primary trade union.

Labour Relations in Non-State Enterprises/Foreign-Funded Ventures/Small Commercial Businesses:

Since the economic reforms, the labour system in China has generally been shaped by the withdrawal of the state in labour relations in the enterprises and increased diversification and marketization. The primacy and dominance of the SOEs has also gradually given way to an emphasis on small and micro firms¹⁰⁸, most of which were based on informality or familial ideologies and individual entrepreneurial spirit. "Individual enterprises, small operations with fewer than eight employees, classified as self-employed (*getihu*), were officially approved in a series of policy statements and regulations, with the individual economy being earmarked as a necessary supplement to the socialist economy" (Cooke, 2005: 24). These small firms were expected to generate more employment, utilize resources more efficiently and lead to higher incomes. They were further classified on the basis of whether the source of their investment was domestic or foreign.

Labour Relations also underwent a concomitant change in keeping with the changes in production patterns and organizational features. Rather than smoothening the

¹⁰⁷ The Maoist-era *Danwei* (work unit) system, while enabling the state to supervise the population, also served as a ready fount of solidarity to fuel protests even while they were confined within the precincts. However, the reform era and diversification of labour relations have seen the creation of newer social spaces for the workers to join ranks for collective resistance. Dormitories or canteens are a major space. Such spaces are more visible in the first two regions in Blecher's study.

¹⁰⁸ The small and micro firms have come to constitute the bulk of enterprises in all economies of the world and are making a major contribution to private sector output and employment. The diversification of production and ownership wherein the state has stepped back from its enforcing and regulating role, has also impacted the labour relations in the smaller and micro industries. Labour as an organized force has undergone transformation to become informal and segmented. The changes in the production relations needs to be situated within the neoliberal economic order that has accompanied the globalization of the economy.

power relations shaping the management process, “the nature of labour process in small businesses hinges on the dynamic balance between conflicts and harmony as well as control and consent shaped by a web of social and economic relationships in which such firms are embedded” (Barrett and Rainnie, 2002, as quoted in Cooke, 2005: 20). This is a more nuanced understanding of the tripartite relationship that involves the party-state, enterprise managements and the trade unions. Given the increasing promotion of the SMEs by the party-state to supplement the public economy, expand employment opportunities and stimulate individual entrepreneurship, an informalization induced by market reforms has appeared. This informalization has also been reflected in the labour relations, wherein a regimented work ethic and disciplinarian attitudes have developed in enterprises, with the management exercising greater powers. In such a scenario, there has been relative marginalization of the workers, who have been subjected to the flexible labour conditions and informal work patterns. Such regimented work culture and less favourable working conditions have also opened up sources of conflict. With the infusion of foreign investment, Foreign Invested Enterprises (FIEs) have emerged as a strong growth engine, especially in the southern part of the country around the Pearl River delta. The major investors in this region are Chinese from Hong Kong and Taiwan. Studies have assessed the management pattern within these enterprises as authoritarian, even as the “ethnic Chinese entrepreneurship” is held up as a marvel, along with accompanying qualities of “inter-personal trust, Confucian ethics, reliance on ethnic social networks and alacrity in adapting to the market” (Chan, 1998: 129). In factories and production units under Hong Kong and Taiwanese entrepreneurs, which are largely low-skilled and labour intensive, the cases of worker abuse has also

been remarkably high.¹⁰⁹ Apart from wage arrears, workplace health and labour safety standards are the major issues of concern in these enterprises.¹¹⁰

The New Narratives/Discourses/New Inputs in Management

Violations of labour rights and the authoritarian workplace practices have constantly served as source points of conflicts. Most of these enterprises and units were characterized by what has come to be known as Taylorist management practices. Propounded by Frederick Winslow Taylor in his work *The Principles of Scientific Management* in 1911, Taylorism refers to management practices that attempted to rationalize, to “make scientific”, and to intensify the labour process so as to raise labour productivity. But in actual practice, these principles were highly undemocratic and extractive, thus heightening the antagonistic relationship between labour and management.¹¹¹ The managerial class within the SMEs in China showed great proclivity towards the adoption of Taylorist management techniques, which were instrumental in “tightening labour discipline, imposing heavy penalties, raising production norms and restructuring the award system” (Chan, 1993: 42). Originally meant for “unskilled labour-intensive work”, Taylorist management techniques are found predominantly in the “more labour-intensive Chinese industries....the most exploitative kind of management practices were mainly found in the small and medium-sized factories that are either collectively or privately owned” (Ibid).

¹⁰⁹ Anita Chan has pointed out that the investors from Hong Kong and Taiwan were often officially designated as “compatriots (*tongbao*)”, (especially in the case of the latter who needed to be welcomed back to the fold of the motherland. When cases of labour violations and abuses surfaced involving these investors, “the references in the mainland press” were very often used ambiguously like “foreign capital (*waizi*)”, in an attempt to manufacture a non-Chinese “foreign out-group...The image of the “foreign devil” which emerges in this process in the media is the standard one involving the “white man from the West”, thus camouflaging the violators (*Liaowang*, 1994: 26-29, as quoted in Chan, 1998: 132).

¹¹⁰ Various annual reports of *China Labour Bulletin* (CLB), a Hong Kong-based non-profit organization focused on labour relations in Mainland China. The CLB is connected with a network of Labour NGOs, especially those in the industrial zones in the Pearl River Delta, in South China. For the detailed reports, see: <http://www.clb.org.hk/content/depth-research-reports-研究報告>

¹¹¹ Frederick Taylor explained that the idea was not exploitative or extractive with regard to the workers’ labour, but to bring about an identification of interests between workers and management, leading to a realization of harmonious worker-management relationships. However, as mentioned above, it morphed into a production process in which the labourer’s activities were being controlled by the “machine”, which has been described as “de-skilling”.

Similarly, the adoption and implementation of the concept of Human Resources Management (HRM) within the Chinese industrial sector, further substantiates this point. HRM, a management philosophy “taught in Western business schools is premised on the idea of nurturing people as a resource, thus adopting a more consensual management style having the drive for achieving corporate success” (Chan, 1998: 126). The HRM discourse, which appears to be in alignment with the concept of “Harmonious Society” (*hexie shehui*) adopted by the Chinese leadership in 2003, works to channelize the management’s focus on supervising remuneration systems and personnel matters, thus effectively replacing the functions of the Personnel departments in enterprises. These departments, seen as part of the Maoist tradition, were identified as organs of political and social control. The concept of HRM was translated as *renli ziyuan guanli*, or labour force resources management. With the “government’s emphasis on reducing workplace conflict by addressing the question of workers’ rights and improving working conditions”, an HRM approach aimed to ensure “social harmony” (Warner and Zhu, 2010: 292). The adoption of the HRM discourse was intended to harmonize employment relations and thereby, prevent the spiraling of frequent labour-management conflicts. The new mode of people-management through HRM practices, is largely observed in the non-state sector of the country and largely deals with short-term issues like wages, welfare and promotion. While globalization has facilitated increasing interactions and connections between nation-states and freer as well as quicker interchanges and movements with regard to capital, goods, services and technological information, it has accentuated the impression of HRM being universally appealing. This is further reinforced by the similarities characterizing the global state-market dynamics in transitional economies. There are striking convergences in management practices between the West and China arising out of separate but “parallel narratives in terms of industrial development and rural-to-urban migration flows”, validate the universal tendencies of management practices (Cunningham and Rowley, 2008: 363). However, there are equally significant divergences, which problematize the universality and transplantation of management practices and tools within nation-states and societies having different value systems and hierarchical structures. This is particularly true in the case of the Small and Medium Enterprises in China. To start with, HRM is primarily applicable to the managerial class and white-collar/blue-collar employees

rather than the lower rungs of workers in the enterprises and manufacturing units. In China, on the other hand, the Confucian ethic, which hinges on according importance to “harmony”, “hierarchy”, “collectivism” and “family” does not sit comfortably with the general HRM practiced in the West (Cunningham and Rowley, 2008: 365). Moreover, the socio-cultural and politico-economic features of the PRC create barriers for the wholesale implementation of HRM in labour. Cunningham and Rowley feel that HRM as a policy instrument for improving labour relations is at a “nascent stage” in China (2008: 360).

Position and Role of the Primary Trade Union: Historical Background

Given the rapid transformation in the context of continuing reforms and the resultant challenges thrown up in labour relations, the ACFTU has been closely watched and studied. Within the non-state manufacturing sector, greater importance has been accorded to smaller and medium enterprises; the ACFTU consequently has had to reform its approach and practices to represent the workers employed in them.

The All-China Federation of Trade Unions (ACFTU) is the only collective entity in the labour system, which is recognized by the party-state as representing the workers and their interests. The origin of the ACFTU dates back to the evolution of the CPC in 1921, when the Secretariat of the China Labour Association was set up to launch a nationwide labour movement. The “first National Labour Congress, which was held in 1922, laid the ground for the establishment of a national trade union body” (Zhu *et al.*, 2011: 128). Following a second National Labour Congress in Guangzhou in 1925, the founding of the ACFTU was announced, which would represent the Chinese working class as a national entity in terms of a union.¹¹² The Trade Union Law of

¹¹² The ACFTU was “part of the nine mass organizations (*qunzhong tuanti*) created by the CPC to represent the key social interests in society; apart from the ACFTU, the other two major ones were the All-China Women’s Federation (ACWF) and the Communist Youth League (CYL), aimed at representing the interests of women and youth” (Howell, 2003: 3-4). For more on the ACFTU, see: Lee, Lao To (1986): *Trade Unions in China 1949 to the Present*, Singapore: Singapore University Press; Pringle, Tim (2011), *Trade Unions in China: The Challenge of Labour Unrest*, London: Routledge; Warner, M. (1993) “Chinese Trade Unions: Structure and Function in a Decade of Economic Reform: 1979–1989”, in S. Frenkel (ed.) *Organized Labour in the Asia-Pacific Region: A Comparative Study of Trade Unionism in Nine Countries*, Ann Arbor, MI: Cornell.

1950, which anchored its organization and functioning, alluded to V.I. Lenin, who had likened trade unions to a transmission belt, which connected the party and the masses as the transmission belt did with the motor and the machine:

“Contact with the masses, i.e., with the overwhelming majority of the workers (and eventually of all the working people), is the most important and most fundamental condition for the success of all trade union activity. In all the trade union organisations and their machinery, from bottom up, there should be instituted, and tested in practice over a period of many years, a system of responsible comrades - who must not all be Communists - who should live right among the workers, study their lives in every detail, and be able unerringly, on any question, and at any time, to judge the mood, the real needs, aspirations, and thoughts of the masses...[J]ust as the very best factory, with the very best motors and first-class machines, will be forced to remain idle if the transmission belts from the motors to the machines are damaged, so our work of socialist construction must meet with inevitable disaster if the trade unions - the transmission belts from the Communist Party to the masses - are badly fitted or function badly” (Lenin, 1922: 381-382).

So, while the trade unions transmitted the party’s policies downwards to workers, they transmitted the workers’ concerns upwards to the party leadership for its references in making policies and improving work.

Following the spirit of the “transmission belt”, under state socialism, trade unions “were deeply embedded in the structures of the party-state. The organizational structure of the trade unions mirrored that of the party-state, the majority of their functions were party-state functions and their authority derived from the party-state” (Clarke, 2005: 5). As detailed in the first chapter, the trade unions were responsible for the administration of a large part of the welfare policy of the party-state and they played a significant role in administering it. However, while the trade unions in the socialist period were consulted in the formulation as well as implementation of social, labour and wage policies, they were “junior partners in the power bloc and their role was not to press the sectional interests of their members, but to subordinate their members’ aspirations; in effect, their primary task was to create social conditions and

motivational structures which would contribute to the most rapid growth of production” (Ibid).

The enterprise reform in the late 1980s and early 1990s that brought forth contractualization in the industrial/enterprise relations created differentiation and stratification. For instance, there was a new distinction between unemployed (*shiyerenyuan*) and retrenched workers (*xiaogang gongren*). The breaking of the Iron Rice Bowl and the growth of the urban domestic, private and foreign-invested sector led to the expansion of the workforce in them. This diversification of the enterprises and industrial units employing younger workers and having a significant intake of peasant workers (*nongmin*) or migrant labour, presented a practical problem for the ACFTU to reach them, given that its “traditional base was in state and collective sectors” in terms of how to reach them (Howell, 2003: 3). The challenges and dilemmas confronting the trade unions were largely twofold: first, ambiguity regarding the sections that the trade unions actually represented, and second, lack of clarity on the modalities of representing a differentiated and diffused workforce. The market reforms highlighted a “double identity” (or, double responsibility) for the trade unions. While on the one hand, they had to promote the national interest, on the other, they had to protect workers’ rights and interests. This meant, “the ACFTU could be viewed as an organization that is situated in both the state and society, and had a double institutional identity of being a state instrument and a labour organization in new industrial relations” (Feng, 2003: 1007). With the infusion of market reforms and retreat of the state from a paternalistic role, the state-labour relations were transformed and eventually became highly contradictory, as workers’ interests came into conflict with the remodeling of the economic activities. The dilemma and ambiguity induced by the “double identity” phenomenon, made the ACFTU’s positioning very complex, as they had to be very cautious in negotiating as well as specifying their viewpoints. The “gnawing tension of this dilemma” highlights the challenge “confronting the ACFTU, namely maintaining its legitimacy” (Howell, 2003: 4). The latter acquires a greater importance in the context of the rise in the number of spontaneous protests by the workers in various parts of the country, who are also clearly attempting to come up with alternate ways of mobilizations and organization rather than being limited to the conventional control mechanisms of the ACFTU. Essentially, this means that there was a greater inclination among the

workers to find newer associations and networks rather than rest their hopes on the primary trade union.¹¹³ Several attempts at the formation of new labour organizations since the 1990s have appeared in the country, even while facing constraints of suppression and censorship by the party-state. Calls for independent workers' organizations, with greater autonomy had been vociferously advanced during the 1989 Tiananmen protests. The short-lived Beijing Workers Autonomous Federation during that time was one such instance of an experiment towards an independent union. However, concerns regarding a possible replication of the Solidarity campaign in Poland¹¹⁴ induced greater suspicions. They were therefore, discouraged and decisively put down through penal action by the party-state.

It may be pertinent to recall that in the 1950s, ACFTU leaders like Li Lisan and Lai Ruoyu had made suggestions for some 'organizational autonomy'. These had been "condemned for creating deviations from the dominant official ideology", which "suggested that trade unions at all levels become functional departments of party committees and "unconditionally" accept the "unified leadership" not only ideologically, but also organizationally" (Zhang, 1997: 146). However, from the mid-1980s, there were indications of shifts in the thinking about the relations of the trade unions with the party-state, particularly in an emphasis on the need for mass organizations to manage their own affairs. Further, "the Trade Union Law in 1992 and the Labour Law in 1995 stipulated that trade unions, as 'voluntary' mass organizations, should 'operate independently and autonomously' according to its constitution and laws" (*Gongren Ribao*, 8 April 1992 & 6 July 1994, as quoted in Zhang, 1997: 147). The ACFTU leadership grew increasingly vocal in calling for an organizational separation of the trade unions from the party-state as their interests and roles were markedly different with regard to the sections they addressed. The calls were guided by the logic that "without the active participation of the workers and their

¹¹³ Instances of such associations have been provided in the following works: Perry, Elizabeth (1995), "Labour's Battle for Political Space: The Role of Worker Associations in Contemporary China", in D.S.Davis, Richard Kraus, Barry Naughton and Elizabeth Perry (eds.) *Urban Spaces in Contemporary China*, Cambridge: Cambridge University Press; Wilson, J.L (1990), "The Polish Lesson: China and Poland 1980-1990", *Studies in Comparative Communism*, Vol. 23, No. 3-4: 259-279.

¹¹⁴ in the early 1980s, the independent trade union Solidarity, under the leadership of Lech Walesa, along with a coalition of other forces, had led to the overthrowing of the ruling regime in Poland.

representative organizations, the party-state would not be able to fulfill its developmental goals at a time when the economy and society were becoming increasingly diverse and complex” (Zhang, 1997: 147). Therefore, functional autonomy arising from the ACFTU leadership of the trade unions was a “non-antagonistic” demand, rather than seeking a rupture from the party-state. “From an institutional perspective, the Party needed the unions for two important reasons: first, to keep the workers loyal to its overall authority and prevent any unrest or organized opposition, and second, to smoothen the path to economic reform by mediating between policy-makers and workers” (White, 1996: 441).

While the Tiananmen incident in 1989 resulted in the party-state gaining greater control, there was an effective stop to some proposed reforms, which had been given a go-ahead by the then CPC General Secretary Zhao Ziyang in 1987. While nobody advocated that the trade unions should be banned, the question was how to prevent recurrence of ‘turmoil’ in the future. Gordon White has suggested that a mixture of dependence on the unions and a desire to control them was the basis for a post-Tiananmen pact between the party and the unions. So, while the trade unions were involved in consultative roles in policy-making and efforts were indeed undertaken to strengthen their organization after 1989, in political terms, the unions effectively became allies of conservative party leaders. However, “in the eyes of more radical economic reformers”, they were considered “impediments to the enterprise reforms which were perceived as crucial to create more flexible labour markets and improve labour productivity” (White, 1996: 442).

The trade unions were two-tiered: at the first level, basic trade unions were organized according to the principle of enterprise union system and at the second level, higher level union leadership was overlaid by a combination of the principles of industrial unions and local unions (above the county level); at the top, “the ACFTU remained a nationwide organization with 19 industrial unions and 31 provincial general unions under its control” (Seung, 2000: 49). Most trade unions were under the leadership of local general trade unions, and “were organized in prefectures (*diqu*), cities (*shi*), counties (*xian*) and districts (*qu*)”; furthermore, “in some regions, confederations of trade unions at the street (*jiedao*) level were organized” (Ibid). Reflecting the

structural and operational similarities of other state organs, while the “authority flowed from top to bottom, branches were hierarchically organized from centre to county levels with the cadres being remunerated along a similar scale of grades of state cadres. Each union was answerable to the national-level organization but was linked horizontally to other sectoral unions through the branch of the ACFTU” (Howell, 1998: 158). In the enterprise, the trade union leadership came under the control of the enterprise party secretary and the higher-up union branch.

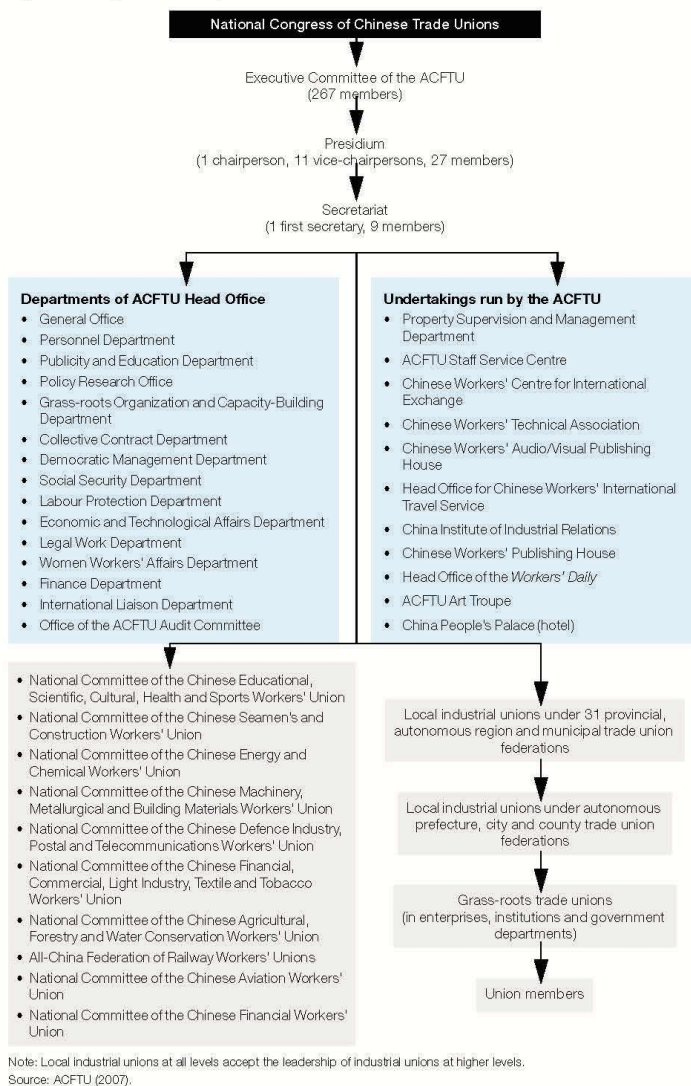
The income of the enterprise trade union is essentially based on contributions partly by the work units, and partly through a membership fee of a trade union to be paid by the members within the union. Usually, “the contribution rates are 2 percent of the total wage bill of a work unit and this also applied to foreign invested enterprises and private enterprises. The contribution by an enterprise is distributed to three organizations: 60 percent used by the enterprise union, 5 percent paid to the ACFTU and the remaining 35 percent paid to the local general unions”¹¹⁵ (Seung, 2000: 50).

The ACFTU is the primary organization and the trade unions in the various enterprises are affiliated to it. **Figure 1** shows the organizational profile of the ACFTU.

¹¹⁵ Known also as territorial unions at the level of county and prefecture below the provincial level structure, they were at the middle of the hierarchical pyramid of the trade union, working as the link to the enterprise unions at the bottom. For more on this, see Traub-Merz, Rudolph (2011), “All China Federation of Trade Unions: Structure, Functions and the Challenge of Collective Bargaining”, *Working Paper No. 13*, International Labour Organization-Global Labour University, Geneva, [Online: web] Accessed 15 September 2013, URL: http://www.global-labour-university.org/fileadmin/GLU_Working_Papers/GLU_WP_No.13.pdf

FIGURE 1

Figure 1. Organizational profile of the ACFTU



Source: Zhu, *et al.* (2011), Employment Relations “with Chinese Characteristics”: The Role of Trade Unions in China, *International Labour Review*, Vol. 150, No. 1-2.

Trade Union in the 1980s and the State Corporatism Framework¹¹⁶

In a useful study on the location and functions of trade unions in China since Deng Xiaoping's reforms, Anita Chan has made a case for conceptualizing trade unionism in China within the framework of Corporatism associated with authoritarian systems. "Corporatism could be defined as system of interest representation in which the constituent units were organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports" (Schmitter, 1974: 93-94). Taking this further, Daniel Chirot cites the example of Romania to argue that communist one-party systems were a variant of corporatist states. The communist state created "vertical functional institutions and placed them under central control, with the express purpose of pre-empting any horizontal coalescing of class interests; workers in a communist party-state were not allowed to establish horizontal linkages freely" (Chirot, 1980: 367-69). "State corporatism recognizes conflicting societal interests", and a corporate structure helps to "keep these interests under control" (Chan, 1993: 36). However, with economic liberalization, changes were also seen in the corporate paradigm with regard to associations and unions. Social groupings, ranging from individuals and work units to bureaucratic organs, move to establish self-organizing relations and linkages.

The change in the theoretical orientation of trade unionism can be analyzed with the use of the category of "Societal Corporatism". Like "state corporatism", which imposed organizational controls from above through state-created and state-controlled hierarchical institutions, societal corporatism is structured sectorally, but unlike state corporatism, it functions in a manner that represents grassroots interests. "Societal corporatism entails a form of interest-group politics, where voluntary associations, semi-official organizations and even government organizations can group and re-

¹¹⁶ This section is based on the study of sociologist Anita Chan, an expert scholar in the area of Chinese industrial relations.

group horizontally, while endeavouring, through the corporatist structure, to further their own interests and the interests of their assigned constituencies” (Chan, 1993: 45). Following up on this, Anita Chan identified three broad sectoral interests in Chinese society in the 1980s. The first group was that of the *technocratic-managerial social engineers* whose views were similar to those of enterprise managers, economists, well-known academics, writers and journalists, in that they privately critiqued the workers but were circumspect on the pronouncements of egalitarianism. Being ‘technocrats’ rather than democrats, the solutions offered by them were characterized more by a sense of elitism and thus were merely vocal about, rather than serious proponents of democratic values. The second group, the *conservative social engineers* of the party nomenclatura, was “much discredited in the 1980s, in part because the language of reform that they used was less radical and less effective than the one used by the reformers: hence the qualifier, ‘conservative’” (Chan, 1993: 48). Victimized during Mao’s attack on ‘revisionists’ during the GPCR, many of this group were seen as the “old” and “established” power elite, wishing to maintain state corporatism and choosing to avert upheaval by calling for a two-way traffic between the state and interest groups. The third group according to Chan, comprised the *labouring classes and their allies*. They included “industrial workers and most of the white-collar employees, less educated than the technocrats, and their access to inside political knowledge was limited” (Ibid). They regarded the ACFTU as their only ‘legitimate’ functional representative. According to Chan, for the workers in the 1980s, “the ACFTU was a bureaucracy that was seen as ridden with inertia and docility, with the trade union cadres at the grassroots often encountering a hostile enterprise management, if and when they assumed an adversarial role” (1993: 55). In such a scenario, “the workers were left with three options: resort to go-slows and absenteeism, seek help from existing institutional channels such as the staff-and-workers’ councils and the trade unions, and set up alternative independent trade unions” (Ibid).

The party-state was driven by the need to maintain industrial peace and stability for increased productivity and capacities¹¹⁷, which in turn augmented financial turn-overs

¹¹⁷ The crucial role of political stability has been consistently emphasized by the party-state as a key requirement in governance and economic development. ‘In a party study session’, in January 2013,

and raised the economic growth. Therefore, instead of rendering the trade union completely irrelevant, a marginal role was envisioned whereby “some legal and institutional space for unions’ role in labour disputes” was opened up. The “Trade Union Law introduced in 1992 (amended in 2001), and the Labour Law in 1994, for instance, were major forms of legislation that, at least formally, provided the unions with legal bases to defend workers’ interests” (Feng, 2003: 1011).¹¹⁸ Cumulatively, they created a framework - of what has been described as ‘contained contention’ by Howell - sanctioned by the party-state, which allowed for the channelization of discontent into the confines of localized disputes, thus enabling the pre-emption of labour agitations. Howell further coins the term “rightful resistance” within the framework of “contained contention”, thus giving the workers alternative ways of dealing with the violations of labour rights in the workplaces. Thus, the role of the trade unions was to placate labour discontentment, thereby seeking to prevent or defuse any confrontation on the part of the workers. However, this cannot be used to construe a generalized picture of the actions of the ACFTU. “Caught in the dilemma of having to ensure production and carry out Party policy whilst also representing workers, trade unions at local levels have reacted with ambivalence to work stoppages, strikes and go-slows”, which makes for a more nuanced and case-to-case approach rather than a uniform one-size-fits-all one (Howell, 2003: 7). In some cases,¹¹⁹ trade union leaders have “acted independently on behalf of workers”, defending their interests and arguing for improved working conditions (Karmel, 1996: 129). However, “in many other instances, they have sided with enterprise managements, emphasizing the importance of stability and production and underplaying or even denying the validity of workers’ grievances” (Howell, 2003: 7). One particular instance of the intervention of the official trade union to forcefully persuade the workers from collective action, was during the strike at a Honda Auto

‘President Xi Jinping stated, “what Chinese people fear is chaos, what they want is stability, and what they hope for is world peace”’ (Xi, 2013).

¹¹⁸ The Labour Contract Law that came into effect 2008 could be added to the list of legislations providing legal fillip to the trade union.

¹¹⁹ In 1994, in several cities of Shanxi province, enterprise party committees and trade unions in over 300 factories, mines, and enterprises were in the forefront of lodging petitions, with the provincial Party committee.

Parts factory in Foshan, in Guangdong Province in May-June 2010. Distinguished by their yellow caps that marked the identity of the ACFTU cadre within an enterprise, they physically confronted the striking workers to get them to back-off from their protest actions.¹²⁰ While the unions have resorted to legal mechanisms in labour disputes and settling them through institutional means, they have been reticent or reluctant in the event of direct mobilizations and collective confrontationist actions. It is interesting that there have been frequent calls within the ACFTU for legalizing the right to strike but they have been rejected by the party-state. “The right to strike is not included in the new laws. But it is significant that strikes are not criminalized – and they have become commonplace. Compared to Vietnam, it is the ultimate balance of power among the different interests involved that makes the real difference in how strikes get resolved, and in China that balance was absent” in the 1990s (Chan, 1998, 142). This is seen in the fact that the right to strike finds no mention in the various laws mentioned above. The ruling out of collective action by the party-state as a legitimate strategy meant that the unions lacked a legal basis for supporting spontaneous actions and they were in fact expected to forestall all measures that moved in that direction. So, in amendments to all laws and legal enforcement measures connected to labour, collective action has been always discouraged and the emphasis has been to get the unions as well as the workers at various levels and sectors to seek redressal of their grievances and demands through the legal route, like arbitration. “Legal contention is a “trouble shooting” strategy that aims to remedy rights abuses in the workplace on a case-to-case basis, rather than to shape labour power capable of preventing or minimizing these abuses in the first place. In fact, by treating abuses as, or converting them into, legal issues, this strategy evaded deeper structural problems and served to prevent workers’ complaints from being politicized” (Feng, 2003: 1017). The insertion of the unions between workers’ acute grievances

¹²⁰ For more on the intervention by the official union at the Honda Factory in Foshan, see: Boy, Luthje (2011), “Which Side Are You On? Lessons from the Strikes at Auto Suppliers in South China”, *Asia Monitor Research Centre*, Issue No. 78, January-March, [Online: web] Accessed on 18 March 2013, URL: <http://www.amrc.org.hk/content/which-side-are-you-lessons-strikes-auto-suppliers-south-china>; Han, Dongfang (2013), “The Fast Emerging Labour Movement in China and Its Impact on the Country’s Future”, Speech at the British Sociological Association’s *Work, Employment and Society Conference*, 3 September 2013, [Online: web] Accessed 15 November 2013, URL: <http://www.clb.org.hk/en/content/han-dongfang-discusses-fast-emerging-labour-movement-china>;

that demanded confrontational collective action and the party-state's categorical rejection of the same, presented a serious challenge that resulted in the development of ambivalent and ambiguous positions, which sent confusing signals to the workers. Circumspection and cynicism have come to dominate their assessments of their trade union representatives. Some scholars are extremely critical of this state of affairs. Clarke opines that in order to find a new justification for their existence following the withdrawal of the state from its active role in the industrial system, the trade unions face a hard choice of "whether to seek to retain or reconstitute their traditional socio-political and management functions or whether to transform themselves into 'real' trade unions (Clarke's opinion), able to articulate and express the aspirations of their members on the basis of their collective organization" (Clarke, 2005: 14).

Trade Unions are thus seen as intermediaries, deemed by the party-state to be "indispensable, for rebuilding state-society relations while preventing or cushioning serious breakdowns and preserving the nation's harmony" (Zhang, 1997: 148). Scholars date the existence of a system of 'intermediaries' from the late Qing and early Republican periods, whereby the intermediary organizations fulfilled functions like "adjudicating disputes, stabilizing prices, setting standards for fair trade and remitting commercial taxes" (Mann, 1987, as quoted in Zhang, 1997: 149). "The intermediary role allowed merchant organizations access to state organs and legitimacy, the state relied on these intermediaries rather than direct intervention to maintain order, especially in the market place" (Zhang, 1997: 149). In the view of these scholars, parallels can be seen in the Post Reform period, as state power was gradually withdrawn from direct administration, granting greater autonomy to the enterprises, which began to function as relatively independent entities. "With the institutionalization of mediation and arbitration procedures, trade unions were entrusted with more roles in the settlement of labour disputes. The chairmen of enterprise trade unions presided as the chair of mediation committees, and higher-level trade unions participated in the arbitration committees as one of the three official numbers" (Seung, 2000: 59).

The Collective Bargaining/Consultation System: Change or Re-definition?

Collective Bargaining is an important instrument in the management-worker dynamics in industrial societies. It is a process of negotiations between the employers and a representative group of the workers in an enterprise, with the aim of concluding agreements for enhanced payments and improved working conditions. The trade unions generally represent the workers in this regard in such negotiations. This is further improved with the involvement of the state, which develops into a tripartite interaction between the workers (represented by the trade union leadership), enterprise managements and the party-state (the local government). The transition towards a market economy in the country has also brought about changes in the collective bargaining strategy. In order to find a “harmonious” middle ground, which suits both the employee and employer, “Collective Consultation” (*jiti xieshang*) gradually replaces “Collective Bargaining” (*jiti tanpan*), which aims to bring about “win-win” agreements without serious contention, work stoppages, strikes and other such disruptive actions. Thus, “aggressive” bargaining reminiscent of western-style trade unions, could potentially be discouraged and/or avoided (Pringle, 2009: 223). This also needs to be understood in the backdrop of the rise in private enterprises and infusion of foreign capital into the economy that necessitated the creation of favourable conditions for rapid growth. Notably, the ACFTU found it difficult to establish unions in these FIEs, even as these were precisely the sites where strong labour protection measures were all the more necessary. In response to this challenge, the “ACFTU set out annual unionization targets and intervened in these FIEs with the goal of establishing enterprise unions” (*Zhonghua gongshang shibao*, 1994, as quoted in Chan, 1998: 135) However, these moves often came up against the developmentalist outlook and investment-friendly mindset of the local governments. Hence, one of the ways to defuse the enthusiasm and vigour of the ACFTU was to weaken its bureaucracy in comparison to other bureaucracies in the context of economic planning and development – “by subsuming it under the party’s tutelage” and by not providing it with “adequate staff and resources” (Chan, 1998: 136). Further, even when the ACFTU was successful in expanding its outreach into the these FIEs, the trade union leadership aligned itself with priorities of the government, rather than discharging their role as truly independent and responsive trade unions.

While targets were set for establishing certain number of unions in FIEs¹²¹, the concerns about overall stability clearly outweighed the consideration for protecting workers rights.

The individualization of labour relations has been used as a mechanism to diffuse collective consultation. This is exemplified in the writing of contracts, whereby individual contracts were given preference over collective contracts. While the “Ministry of Labour favoured the regulation of labour relations through individual contracts”, the “ACFTU saw collective contracts as an extension of the system of “democratic participation in management” and the principal means of labour regulation in a market economy” (*Workers Daily*, 13 December 1994, as quoted in Clarke, *et al.*, 2004: 239). While the ACFTU began initiatives on their own to get enterprise managements to sign collective contracts, the reluctance on the part of the latter slowed down the process, thus forcing the “ACFTU to enlist the support of the party and the state administration at the local level; and the campaign only really gained momentum when it finally secured the endorsement of the party-state....A joint circular was thus issued on 17 May 1996, by the Ministry of Labour, the ACFTU, the State Trade and Economic Commission (STEC) – the body responsible for SOEs, and the China Enterprise Management Association (CEMA)” (Clarke *et al.*, 2004: 239). This reflected a degree of formalism and a top-down approach through external pressure from the party-state associated with collective contracts.¹²² There was also no significant negotiation of the collective contract between the managements and employees in independent terms, with the trade union advancing only such proposals it considered would be acceptable to the management. Moreover, the “employers” reluctance to add anything substantive to the collective contracts apart from issuing reminders of employers’ legal “obligations” and the lack of “an

¹²¹ In 1993, the ACFTU and the government declared that all FIEs should have unions by the end of the year. In 1994, the target was set at 50%. Later in the year, the target was revised to 100% by the year-end (*Japan Economic Newswire* (1994), 21 February 1994; *Zhonghua gongshang shibao* (China’s Industrial and Commercial News), 21 October 1994, as quoted in Chan, 1998: 135).

¹²² It points to the prevalence of some ambiguity and tension embedded in the dual role of both the state and the trade union – of representing the interests of the workers on the one hand, and ensuring the flow of economic production without any disruptions. Both the entities were tasked to maintain this fine balance and had to play their roles adequately.

effective channel for articulation of aspirations and grievances” of the trade union members to the leadership, further constrained the development of a more robust and dynamic collective consultation system (Clarke, *et al.*, 2004: 250-251).

The entry of foreign capital only further weakened the tripartite worker-enterprise-state relationship at the enterprise level, with “the local government being unable to act as a neutral arbitrator” and the trade unions unable to push the managements beyond certain levels (Chan, 1998: 141). Furthermore, the collective consultation mechanism was also problematized by the role envisaged for the trade union within the enterprise, by the management and the party-state at the local level. This meant that the predominant functions of the trade union at the workplace tended to be synonymous with the management’s functions.¹²³ The protection of workers’ interests was identified with conforming to the relevant laws/regulations and ensuring the proper implementation of social security/welfare policies. Another key aspect identified by Clarke *et al.* regarding the subordination of the trade unions to the management, was the close-knit relationship between the trade union officials and the management. The trade union leaders were largely drawn from the ranks of the management, with a full-time trade union president being paid by the employer and this responsibility was often considered equivalent to that of a deputy director-general of the company. The personal careers and interests of the union leadership thus aligned closely with that of the management. Such “close integration” of the two entities indicated a “consensual” approach by the trade unions and there was no attempt, at a “reconciliation of differences of interest, going further to not seriously challenge the prevalent asymmetrical power relations” (Clarke, *et al.*, 2004: 244). Thus, the non-state sector¹²⁴ in China did not make any substantial headway vis-à-vis the “collective consultation system”.

¹²³ This entailed making economic development as the central task, by encouraging workers to increase productivity, enforcing labour discipline and conducting extensive propaganda on behalf of management. The following works focus on the aspect of trade unions’ adoption of management functions: Biddulph, S. and S. Cooney (1993), “Regulation of Trade Unions in the People’s Republic of China”, *Melbourne University Law Review*, 19: 253-292; Ding, D.Z., K. Goodall and Malcolm Warner (2002), “The Impact of Economic Reform on the Role of Trade Unions in Chinese Enterprises”, *International Journal of Human Resource Management*, 13: 431-449; Zhu, Y (1995), “Major Changes Underway in China’s Industrial Relations”, *International Labour Review*, 134: 37-49.

¹²⁴ “The concept of the non-state sector is simply defined as all production units except those in the

Trade Unions and Migrant Labour

More than three-decades of market-oriented economic reforms in the country have also witnessed phenomenal rural-to-urban migration. The drive towards urbanization, with industrialization as the backbone, and the infusion of foreign direct investment, have transformed China into the ‘factory of the world’. Transnational capital was allowed to set up off-shore production centres in the country. Most of these enterprises as well as private entrepreneurial initiatives and capital, was based on the harnessing of inexpensive labour, which was primarily made up of peasant workers from the countryside. The migrant workers were known by various terms, but the commonly used ones are *nongmin* (peasant workers) or *dagongmeizai*, which was used for young female and male migrant workers.¹²⁵ An inseparable constituent of modern China’s socio-economic landscape, the migrant workforce in the country is spread across various sectors of the economy. While they are a significant group in the manufacturing sector, they are also equally prevalent in the services sector. Though the migrants in the country’s urban centres are rather commonly referred in a generic sense, it is important to differentiate them in terms of background, social-educational category and their levels of employment skills. Moreover, there are also differences and divergences in the migrant workers from different generations. The new generation has greater life expectations, are more educated and therefore have greater aspirations, apart from high level of individualism and greater attraction to urban consumer culture. Furthermore, there is a greater propensity within the new

state sector...Under this rather broad definition, the non-state sector can be classified into collective enterprises, private enterprises, and enterprises of other ownership forms. Nominally, a collective enterprise is owned either by workers employed in the firm or by a group of community members, such as all the residents in an administrative jurisdiction...Private enterprises are owned by private individuals. Private enterprises can be further classified into “individually-owned” (*geti qiye*) and “privately-owned” (*siying qiye*) enterprises. The difference between these two types of enterprises is that the former either involves no hired labor or hires immediate family members only, whereas the latter hires non-family members...Enterprises of other ownership types include foreign-invested companies and shareholding enterprises without government as major shareholders.... Typically, joint-venture firms between state-owned enterprises and foreign investors are also counted as non-state enterprises” (Bai *et al.*, 2001: 5).

¹²⁵ *Dagong* means “working for the boss or “selling labour”, connoting “commodification and a capitalist exchange of labour for wages, wherein the labour is sold to capitalists under the auspices of the state”; in contrast to the term *gongren* for worker which carried the highest status in the socialist rhetoric of Mao Zedong’s day, the term *dagong* signified “a lesser identity as a hired hand in the market” (Pun, 1999: 2).

generation of peasant workers to be involved in spontaneous collective actions at the workplace and factory floors. While the labour flows from the hinterlands to the urban centres, mainly in the eastern and southern coast of the country are driven by a variety of considerations, viz., limited education and employment opportunities in the villages, low prices for agricultural products and patriarchal oppression among others. This is also to some extent due to the proletarianization process promoted by the party-state for exploring inter-provincial labour cooperation and coordination programme initiatives. Thus, the systematic outflow of peasant labour is encouraged by the local governments of the hinterland provinces, since they “benefit from the remittances sent back by the rural migrant workers” (Pun *et al.*, 2009: 136).

Despite the fact that migrant workers were an intrinsic part of the country’s economic system, the party-state did not play a corresponding or adequate role with regard to labour protection and social position.¹²⁶ As examined in detail in the previous chapter, the *hukou* registration system, which strictly classified the population into urban and rural categories, marginalized the rural migrant workers within Chinese cities, in terms of access to various welfare services. While the labour of these workers was increasingly required for the growth of production, the ambivalent attitude by the local governments in granting social rights in the cities made them “legal transients”, or semi-citizens.¹²⁷

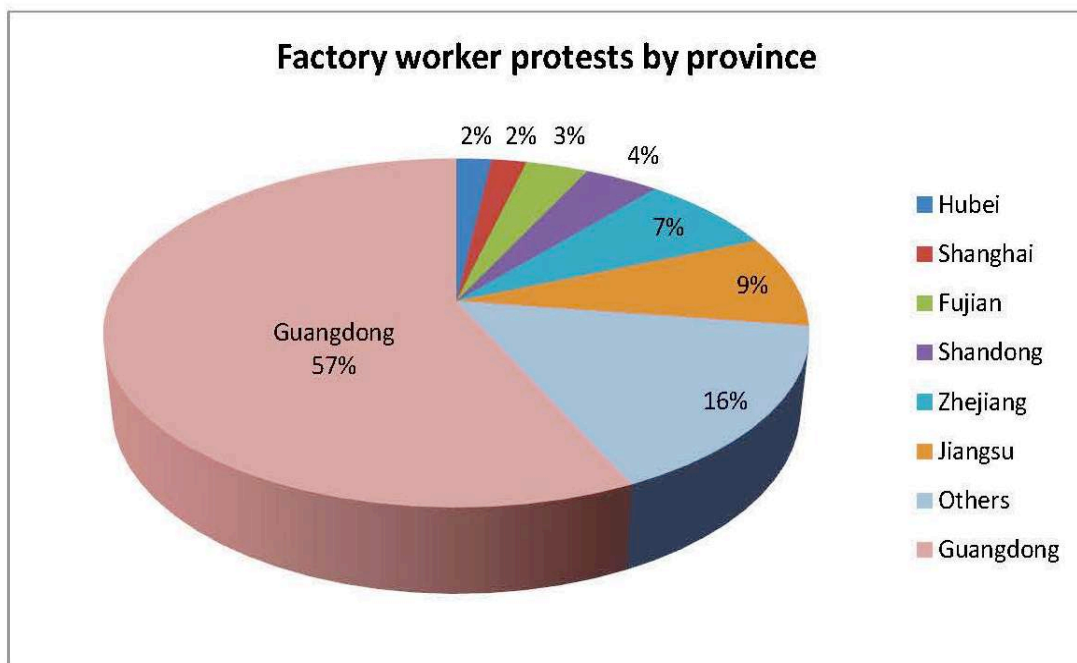
The retreat of the state, at various levels (provincial/local) from social protection and social policies, on account of the transient nature of migrant workers, along with the

¹²⁶ Some of the scholarly works featuring critiques of the party-state’s inadequate role are: Wong, Linda (1994), “China’s Urban Migrants: The Public Policy Challenge”, *Pacific Affairs*, Vol. 67, No. 3, Fall: 335-355; Wong, Linda (2013), “From Apartheid to Semi-Citizenship: Chinese Migrant Workers and their Challenge to Social Policy”, in Misa Izuhara (ed.) *Handbook of East Asian Social Policy*, Cheltenham: Edward Elgar; Zhang, Li (2001), *Strangers in the City: Reconfiguration of Space, Power, and Social Networks Within China’s Floating Population*, Stanford: Stanford University Press.

¹²⁷ The term “Legal Transients” was the third of the four ranks of citizenship in urban China, as classified by sociologist Wu Jieh-min. This hierarchy was based on the civil, political and economic rights available to the urban population. While “citizens” and “denizens” were the first two categories based on the freedom of residence and occupation as well as full coverage of welfare benefits, the legal transients “enjoyed partial freedom of residence and occupation”, and “partial access to urban public goods at higher prices” (Wu, 2010: 56). The last category, “ghosts”, were “deprived of civil rights and social rights” (Ibid).

tendency of enterprise managements to circumvent written labour contracts, has promoted an environment for the sprouting of labour conflicts - both active and passive. While active protests are spontaneous strikes, go-slows and confrontational actions, the passive ones were largely disputes through legal mechanisms. While “without strong leadership and formal organization, most of the labour conflicts are triggered squarely at the point of production, with the reproduction space as the bedrock for labour mobilization”, they definitely create serious worries and anxieties for the state (Pun *et al.*, 2009: 141). Between 2011-13, in data compiled by the *China Labour Bulletin*, 470 strikes or protests by factory workers across the country were recorded; this represented 40 percent of the 1,161 total number of worker protests across all sectors during that period. Figure 2, depicts the province wise distribution of factory worker protests:

FIGURE 2

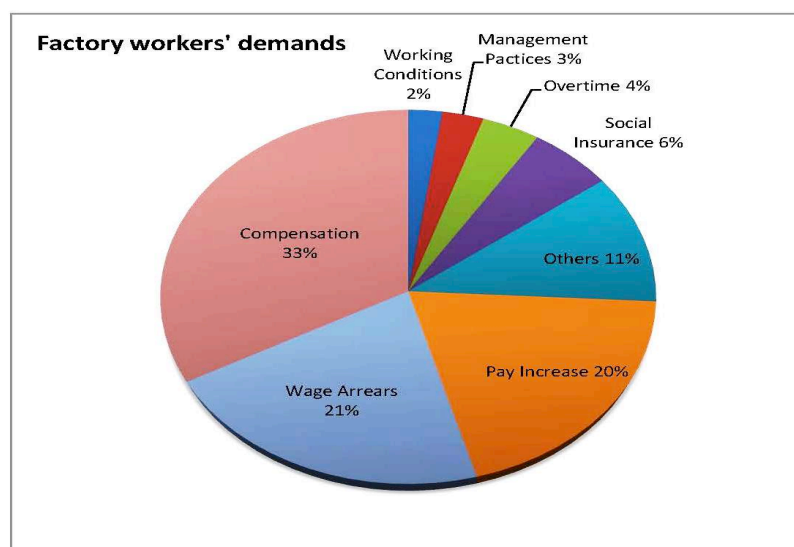


Source: *China Labour Bulletin* (2014), “Searching for the Union-The Workers’ Movement in China 2011-13”, Page No. 17, [Online: web] Accessed 10 March 2014, URL: http://www.clb.org.hk/en/sites/default/files/File/research_reports/searching%20for%20the%20union%201.pdf

The distribution clearly shows that the bulk of the protests emanated in the manufacturing heartland in Guangdong in the Pearl River delta. Protests were significant in Jiangsu, Zhejiang and Shandong provinces, which were largely in the Yangtze River delta. According to the Report mentioned above prepared by the China Labour Bulletin, protests in the manufacturing sector were concentrated overwhelmingly in private, foreign and Hong Kong, Macau and Taiwan-owned businesses, accounting for 85 per cent of all strikes and protests.

The increased spurt of protests in the labour sector in the last 2-3 years has been due to a variety of reasons. The economic slowdown following the Global Financial Crisis of 2008-09, had seriously affected the manufacturing sector, leading to low cost labour intensive businesses seeking to move into either inland provinces from the coast or to other countries such as Cambodia, Laos, Vietnam, and Bangladesh, with more favourable economic conditions. The fluctuations also resulted in many of the manufacturers also seeking to balance their reduced profits by undertaking cutbacks on bonuses and other benefits of the workers. Further, the downsizing, closure, relocation and mergers of many businesses, have adversely affected the working classes. All these issues have served to accentuate the labour conflicts and sharpen the labour-management contradictions. Figure 3 depicts the major demands of the factory workers that become the source points of strikes and protest actions:

FIGURE 3



Source: *China Labour Bulletin* (2014), “Searching for the Union-The Workers” Movement in China 2011-13”, Page No. 18, [Online: web], Accessed 10 March 2014, URL: http://www.clb.org.hk/en/sites/default/files/File/research_reports/searching%20for%20the%20union%201.pdf

According to this figure, demands for compensation (following mergers and relocations), wage arrears and pay increases accounted for a large portion of all demands for protests and strikes. It is also to be noted that the demand for Social Insurance in the last three years (2011-13) only constituted 6 per cent.

Apart from these collective actions, it is also important to look at labour disputes, which are sought to be addressed through arbitration or juridical-institutional means. This is due to the party-state’s strategy to channelize the grievances from collective-confrontational means to more of an individualized form.

Table 1 provides the figures of arbitrated labour disputes in China between 1994-2008:

TABLE 1

Year	Arbitrated Labour Disputes (cases)	Arbitrated Collective Labour Disputes (cases)*	Total Employees Involved
1994	19,908	1,482	77,794
1995	33,030	2,588	122,512
1996	47,951	3,150	189,120
1997	71,524	4,109	221,115
1998	93,649	6,767	358,531
1999	120,191	9,043	473,957
2000	135,206	8,247	422,617
2001	154,621	9,847	556,230

2002	184,116	11,024	608,396
2003	226,391	10,823	801,042
2004	260,471	19,241	764,981
2005	313,773	16,217	744,195
2006	317,162	13,977	679,312
2007	350,182	12,784	653,472
2008	693,465	21,880	1214,328

Source: *China Labour Statistical Yearbook 2009*: 469-70 (Tables 9-1).

The location and interventions of the trade union within the migrant workforce need to be understood in this context. In late 1994, under the government's instructions a campaign was launched to establish unions in those enterprises that did not have one, especially FIEs and the focus was mainly the migrant workers. Further, in August 2003, prior to its 14th National Conference, the ACFTU "classified the rural migrant workers in urban areas as "members of the working class" and made efforts to organize them in accordance with the instructions set out in the Trade Union Law (2001) and the Labour Law (1995)" (Cooke, 2007: 570). The "ACFTU's strategy was to recruit as many migrant workers as possible, disregarding where they were from, what types of jobs they do and how long they work" (*Workers' Daily*, 25 February 2005, as quoted in Cooke, 2007: 570). According to Fang Lee Cooke, the two ways adopted for organizing migrant workers were through "Workplace Organization" and "Distant Organization". In the former, the motive was to gain recognition of the workplace and then unionize the workers with the support of the enterprise. While membership level was usually high once the union was recognized, the task of getting recognition by the management was very difficult due to the prevailing resistance and indifference towards unions in most of the private enterprises. In the second form of organizing workers, namely distant organization, those migrant workers "who were already in employment or were in the process of seeking jobs, were recruited outside the workplace through offers of a range of services" (Cooke, 2005: 572). The methods used for recruitment included "public campaign to raise the profile of the union,

collaboration with local government authorities and community bodies and word-to-mouth campaigns” (Cooke, 2005: 587). The range of services included training, employment information and legal aid-advice.

With the emphasis on the maintenance of a “harmonious relationship” under the Hu Jintao-Wen Jiabao leadership, the ACFTU was also encouraged to formulate and come up with new initiatives to encompass the nearly “100 million registered migrant workers”, employed mostly in small and medium-sized firms “engaged in labour intensive manufacturing, construction and service industries” (ACFTU, 2007, as quoted in Zhu, *et al.*, 2011: 135). Accordingly in 2004, some initiatives were taken to extend union coverage to migrant workers, but these were mostly at the local level. Two examples or models of such initiatives, which served as test cases for the pilot schemes experimented and adopted at various levels are:

- **Xinyang Model:** This was based on an initiative developed in Xinyang in Henan province, a very important region having significant migrant outflows amounting to about “two million annually and their remittances accounting for about one third of the region’s total income. To protect the outbound migrant workers of the region, the local government and trade unions using the branch of the local union as the central organization, started recruiting workers to become members before leaving for other parts of the country for work. Following this, the local branch would liaise with other union branches in industrial locations like Shanghai and in Zhejiang province and transfer the memberships to the new locations. Further, the local government and the local union branch also worked in unison to come up with Migrant Workers’ Protection Service Centres in various industrial regions in the country to aid the workers in signing labour contracts and secure the payment of overdue wages, apart from rendering legal assistance in industrial injury and labour disputes” (Feng, 2006, as quoted in Zhu *et al.*, 2011: 136).
- **Yiwu Model:** This model was “developed from local trade union initiatives in Yiwu, in Zhejiang Province” (Lou, 2007, as quoted in Zhu *et al.* 2011: 136). In order to protect themselves against discrimination and unfair treatment,

migrant workers from the same villages or regions started to organize themselves by forming self-defence associations (*tongxiang hui*). These associations were “unofficial, unprofessional and sometimes resorted to extreme measures in handling disputes between groups of workers’ *inter se* and ‘between labour and management” (Cooke, 2007: 569). However, since most of these actions were violent and disrupted ‘social harmony’, the local government and trade union branches strove to “re-organize these workers into “safe” local union branches” (Lou, 2007, as quoted in Zhu *et al.* 2011: 136). With this formal union representation, the migrant workers were provided protection by the local branches in the areas where the Migrant Workers’ Protection Service Centres were prevalent.

However, it needs to be stated that most of these initiatives were somewhat insignificant when compared with the scale and scope of initiatives and programmes that need to be undertaken. There is enough ground to be covered and greater space for interventions when it comes to trade unions and their role concerning the migrant workforce. There are several barriers and constraints in trade union functioning when it comes to the migrant labour. “Coupled with the employers’ formidable resistance to union recognition is the lack of demand from workers to establish a trade union, partly because they are unfamiliar with the concept of workplace representation but more so because they fail to see the benefit of having a trade union” (Cooke, 2007: 575). While the migrant workers do have their fair share of grievances and concerns, the trade unions have been generally either been unable to gain access to many enterprise units and/or make significant inroads into the latter. As discussed earlier, the inability of the trade union leadership to go in for direct confrontation with the managements and hesitation in taking bold initiatives when faced with the need to encourage collective actions to raise the workers’ demands, has also led to the rise of pessimism and cynicism among workers towards unions and its leadership. The role of the party-state in circumscribing the powers of the ACFTU has only complicated the perceptions of the workers. “Very few workers seek union help in disputes; most protesting workers consider unions incapable and ineffectual in defending their interests” (Zhu, 2004: 1021).

The diversification of the production structures and the economy not only altered industrial-labour relations but also resulted in the lack of institutionalized labour regimes in many of the non-state enterprises, especially the private enterprises. Since the autonomy of the trade union is dependent on the policies and perspectives of the party-state, the migrant workers have also begun to devise different mechanisms for building solidarity through collective actions. Mostly visible in the industrialized Pearl River delta region, these labour actions are mostly interest-based, relying on their own pre-existing local networks. There is also extensive use of residential dormitories within the workplaces' and enterprises' compounds "for collective worker organization by accelerating consensus-building and strategy development" as well as developing various strategies (Chan and Pun, 2009: 292). The ACFTU was unable to react swiftly and efficiently to workers' initiatives, becoming increasingly out of touch with existing realities. An interesting development has been the appearance of labour NGOs, especially in the south-eastern provinces, where there is a significant concentration of migrant workers. "Offering camaraderie and practical support to migrant workers", the efforts of the labour NGOs have "revolved around legal support for workers whose rights have been violated and/or who had been injured at the work. Through lectures, workshops and publications, labour NGOs provided migrant workers with information about their rights under law, occupational health and safety, job search techniques, tips for urban living and health issues for women workers, etc." (*China Labour Bulletin*, 2014: 40). An important feature of the interventions of the labour NGOs is the shift from addressing individual concerns to a more collective focus, emphasizing collective bargaining and constructing solidarity networks. However, such initiatives are also monitored by the party-state, which maintains its caution and vigilance against any attempts towards independent union activities. "There is clearly a stronger sense of class-consciousness among China's workers now, not only in individual workplaces but across factories" (Han, 2013). Even though the skills to translate the consciousness into effective action is still lacking, through more collective actions, Han Dongfang, Director of the *China Labour Bulletin*, envisages that the workers will learn to create stronger solidarity, enhancing their organizational ability and eventually leading to the building of strong trade unions. However, it needs to be noted that Han's speech, though strong on polemics, does not provide the actual blueprint for building stronger unions. While he does give the examples of the

rising number of protests in factories and usage of smartphone technology by the workers as tools of mobilization and sending out information to the Chinese newspapers and TV stations, his belief in the local governments and the official trade union is rooted in more subjective criteria.

Social Security and Welfare in the Current Discourse

This section will focus on the relationship between social security and welfare – which as stated earlier, is intrinsic to the discourse on the labour system. This becomes significant in the context of the concept of *Harmonious Society* promoted by the Hu Jintao-Wen Jiabao leadership. Given the priority accorded to maintaining stability, the central leadership was clearly anxious to find solutions to the range of challenges, viz., unemployment, the rural-urban divide, regional and income disparities, corruption and environmental degradation. The creation of a “harmonious society” necessitated a serious policy shift from economic growth and efficiency to social development, social stability and social justice. This required an increased focus on the people and higher investment in social security and employment assistance. Improving the coverage and effectiveness of the welfare system is an important goal of the government and therefore, building safety nets was a crucial step in relieving and ameliorating urban and rural poverty. City-wise pilot projects were initiated to provide social assistance to the needy urban residents and explore ways to “increase the number of beneficiaries, along with institutionalizing assistance standards, funding sources and proper application procedures” (Wang, 2008, as quoted in Wong, 2013: 130). However, the requisite grants and assistance standards were extremely low with variations more skewed against the countryside. Accordingly, amendments in the rural relief regulations by simplifying tax structures and exempting peasants from agricultural tax were initiated, in addition to a shift in the source of government funding from local levies to specific allocations for the countryside after 2006. The countryside however still lagged behind the urban centres, in terms of government focus and attention.

Notable advances were made in the gradual institutionalization of the five-component social insurance system, viz., retirement insurance/pensions, health/medical insurance,

unemployment insurance, work injury insurance and maternity insurance. Apart from the State-Owned Enterprises (SOEs), workers in the collectively owned, private and other non-state sectors were also gradually brought under the umbrella of state welfare. As mentioned in the previous chapter, while the Ministry of Human Resources and Social Security is responsible for the overall policy and administration, social insurance bureaus at the city-level or provincial-level deal with collection, management and distribution of insurance funds, which are now a joint employee-employer contribution, rather than solely funded by enterprise managements.

The table below summarizes the scope of China's social insurance scheme by the end of year 2008. (Only figures up to the year 2008 are being provided here, as those beyond that year could not be found. Further, the time period explored in the thesis also ends in 2008)

Scope of Social Insurance in 2008

	Scheme Participants (million persons)	Revenue (billion RMB)	Expenditure (billion RMB)	Accumulated balance (billion RMB)
Retirement Insurance	218.91, of which: employees 165.87 retirees 53.04 migrants 24.16 rural participants 55.95	974.0 Subscription 801.6	739.0	993.1
Health Insurance	318.22, of which: employees 199.96 residents 118.26 retirees 50.08 migrants 42.86	304.0	208.4	343.2

Unemployment Insurance	124.0 participants, of which: Migrants 15.49 Number of Beneficiaries 2.61	58.5	25.4	131.0
Work Injury Insurance	137.87 participants, of which: Migrants 49.42 Number of Beneficiaries 1.18	21.7	12.7	33.5
Maternity Insurance	92.54 participants Number of Beneficiaries 1.4	11.4	7.1	16.8

Source: Adapted from *Statistical Communiqué on Labour and Social Security Development* in 2008, [Online: web] Accessed 11 October 2013, URL: http://www.stats.gov.cn/english/NewsEvents/200905/t20090522_26166.html; Also in Wong, Linda (2013), “Improving the Chinese Welfare State in the New Millennium”, in Eric Florence and Pierre Defraigne (2013), *Towards a New Development Paradigm in Twenty-First Century: Economy, Society and Politics*, Abingdon: Routledge.

The table shows that there is considerably more coverage for health and retirement insurance in comparison to the other three components. However, the continued exclusion of rural peasants, migrant workers and informal sector employees, is a serious deficiency of the social insurance system in the country, where there is crying need for a more universal coverage. The continuing relegation of the rural migrant workforce to the margins and the differential treatment accorded to them through segmentation, is at odds with the frequent pronouncements made by the party-state to relax the controls of *hukou*. During my field trip to China in 2013, I interviewed Dr. Zhu Yapeng (Associate Professor in the School of Government, Sun Yat-sen University, Guangzhou) and Ms. Yang Xiaoping (Researcher on Urban Governance and Policy, Shanghai Academy of Social Sciences). In their opinion, a fair degree of flexibility was adopted in social insurance schemes *vis-à-vis* the migrant workers, especially the retirement insurance or pensions. Dr. Zhu was of the opinion that the migrant workers were willing to make contributions to medical/health insurance and

workplace injury insurance, rather than to pensions. In terms of monthly expenditure, the major share of their income went towards fulfilling their immediate needs. Ms. Yang mentioned that the savings made by the migrant workers were informed by the possibility of switching to retail businesses or other smaller activities upon retirement. During my field visits to private Small and Medium Enterprises and interactions with their managements – which have been detailed and analyzed in Chapter Five – I noticed that the migrant workers’ ambivalence towards pensions and retirement schemes and their mobility, were used as excuses by enterprise managements to slacken on social security contributions, and selectively implement social insurance schemes.

The State Council has sought to reform the pension schemes by attempting to unify the two different systems in place for the urban and rural residents. Furthermore, they have promoted “a common pool of the pension funds, from individuals, employers and governments at various levels, with the central government providing more subsidies to people in less-developed central and western regions” (Xinhua, 2014).

‘Flexicurity’ – A Safety-Net Option for the Workforce

In the aftermath of the informalization and diversification of the industrial system in China, flexibility has emerged as a characteristic feature associated with labour relations. The flexibility operates in four different ways, namely “external flexibility (flexibility in hiring and firing), internal flexibility (flexibility of working hours, over time and part-time work), functional flexibility (possibility of holding more than one job and flexible organization of work) and wage flexibility (absence of binding minimum wages or wage indexation)” (Zhou, 2007: 10). However, building a concomitant safety net for the workforce is a daunting challenge for the government, which in fact leaves many vulnerable sections on the margins. The dismantling of the *Danwei*-based work unit system that functioned as a “mini welfare-state” and emphasis on flexible workplace relations meant that a new connection between labour market and social security had to be established. As Hebel and Schucher have argued, *flexibility* and *security* needed to be interconnected, so as to ensure that China reconciled the increasing flexibility with the need to provide security for its workers.

Such connectivity would also work in building social cohesion and stability. In this context, Hebel and Schucher introduce the term *flexicurity* (portmanteau word combining flexibility and security) on the lines of a working model developed in the European Union, which encompasses a balanced policy that aimed to make the European economy more competitive vis-à-vis global competitors on the one hand and reconciled the centrifugal social and territorial forces on the other (Competition implied continued changes in production techniques, communication, services, etc). Such a dispensation was also introduced due to the rise in the informalization of the labour market in Europe, especially in the bigger countries like Germany. Expanding on the idea of *flexicurity*, Hebel and Schucher argued that its aim “was to combine flexibility with appropriate security in order to enhance growth and overcome segmentation of the labour market on the one hand, and to create a safety net for people, respecting the individual’s life course and periods of social engagement on the other hand” (Hebel and Schucher, 2008: 21). According to them, while “not advocating job stability for the worker at all costs, it favoured conditions under which laid off workers were able to find alternative employment at a faster pace, thus keeping the worker always “employable”, that is, involved in a process of continued qualification, and he must be flexible without losing his safety net. A flexible employment system needs various flexible transition labour markets that combined regular employment with other activities such as learning or social activities and buffer unemployment” (Ibid). Thus, rather than job security, the focus was on employment security.

While advocating the adoption of this model in China, Hebel and Schucher call for changes in the party-state’s approach by emphasizing the need to prepare the workforce to cater to the market needs or rather be qualified with respect to economic restructuring and continuously changing production modes under the phenomenon of globalization. In effect, this meant creating avenues for attainment of technical knowledge and upgradation of skills. Moreover, their focus incorporated the need for ensuring the portability of the safety net, given the mobile nature of the labour market, where the worker must be able to safeguard his/her rights when changing from one employer to the other. The transient nature of labour relations under the regime of informalization pointed towards transferable rights for all workers. Such an approach

would also in turn, work towards overcoming the stratification and segmentation of the population into a privileged urban component and an underprivileged rural segment. The ‘Portability’ of social security mechanisms, when the workers moved to workplaces in other urban centres, was independently harped upon by Dr. Zhu Yapeng and Ms. Yang Xiaoping during my interactions with them.

Chinese Social Welfare and Developmentalism

The transformation of China’s social security and welfare regime has moved in step with the ongoing macro-economic reforms. Chinese welfare reform has however played the role of a “handmaiden” to the programme of rapid industrialization and marketization (White, 1998: 178). So, while “welfare reforms in different institutional areas occurred at different times, driven by different pressures and progressing at different rates”, they were “pragmatically consistent with the goals of promoting efficiency and competition, facilitating enterprise reform and guaranteeing rapid economic growth” (Sun, 2014: 51). The commercialization drives of various welfare schemes and establishment of entitlements, occurred within the rubric of delivering social benefits, which would serve to legitimize the party-state. But by seeking to adjust welfare policies to suit the pace and consequences of economic reforms, the former was subordinated and adapted to the latter. Even though effort to unify the programmes into a national system has gradually come about, the welfare administration is still crippled by inadequate financial allocations and resources, lack of efficiency in delivery, poorly trained staff and improper information systems.

Continuing this line of argument, under the concept of developmentalism, “rapid economic growth is regarded as the fundamental core element constituting “development” in the society, whereas the distributive consequences of economic growth are considered less desirable and less important, “provided that social inequality was never too severe and that the trickle-down effects of aggregate growth continued to be felt”” (Wong, 2004: 351, as quoted in Sun, 2014: 52). Therefore, “in the developmental state model, social welfare policy is essentially defined as a means to facilitate rapid economic growth, and is practically integrated into a planned development strategy” (Lin, 2011: 682).

“Social policy reform in China is now exhibiting a trend towards a productivist, status-segregated welfare system, which is an important characteristic of the selective developmental state....[E]mployment-based insurance schemes, as a basically developed core welfare system, are fundamentally accommodated to politically powerful or economically important groups such as government employees and industrial workers, while weaker segments of the society such as rural dwellers, urban poor and rural migrant workers are excluded from the security net, though they comprise an overwhelming proportion of the total population” (Sun, 2014: 52).

This developmentalist and market-oriented welfare system that also commodifies the labour force, leads to the “residualization of social welfare” (Sun, 2014: 53). Given the limitations of the traditional *Danwei*-based work unit system of welfare dissemination, the Chinese party-state has also been redefining its role “from being a direct actor in public management to that of a facilitator or an enabler, thereby moving on to set out appropriate regulatory frameworks for governing social policy” (Holliday & Wong, 2003: 271). According to Sun Xiaodong, this withdrawal of the state is conditioned “by the market guidance, which entailed the government’s rollback from welfare provision, financing and regulation, thereby giving more freedom to the market” (Sun, 2014: 53). This in turn led to “a selective, residual welfare regime operating under market-oriented arrangements. The state has also encouraged other actors like social work NGOs, to operate in welfare dissemination. However, they have been kept on a short leash, wherein they are treated as government agents, but not as partners, who have a role to play in the social-development process” (Wong, 2013: 140). In moving out of direct welfare dissemination, the Chinese government showed a strategic preference for occupation-based, contribution-related social insurance in the welfare system, thereby focusing on individual-based contributions with less attention to share of the state. Additionally, the country’s welfare system is highly uneven and stratified, with variations between urban and rural areas. “Chinese social policy in the last two decades has been of neo-liberal character: the reduction of the government’s role in social welfare, the encouragement of the individual’s responsibility for their own security and well-being, and the decreasing public provision in most welfare field” (Guan: 2000: 123).

“These changes manifest the fact that the Chinese welfare regime seems to be intentionally converging towards a neo-liberal welfare order, in which the state’s role is residual to the market, and social inequality and social stratification seem to be intentionally rationalized” (Sun, 2014: 54).

This chapter has focused specifically on the changes in Chinese labour relations, with the economic transformation and the role of the trade unions. China has witnessed a rising number of industrial conflicts between the labour and enterprise managements, along with the growing commodification of labour relations in the aftermath of reforms. Work stoppages, flash strikes and other forms of collective actions challenged the coping strategies of the party-state, especially at the local level. The promulgation of the Labour Contract Law and the Arbitration Law in 2008, to go along with the existing Trade Union Law, while strengthening the legislative framework, also pointed to the willingness of the party-state to consider the ‘rule of law’ as an effective mechanism to counter conflicts and preserve stability. By such strengthening of the legal domain, the party-state aimed to channelize conflicts and provide redressal, while ensuring there were no disruptions to economic production. As has been discussed above, the enterprise managements in the name of ‘flexibility’ were finding ways to circumvent some of the provisions of the Contract Law. Thus, the effective implementation of these laws on the ground was, many a time, not in consonance with the objectives of setting up such legal institutions. Furthermore, the role of the primary trade union – the ACFTU – has been under scrutiny as the labour disputes and protests increase. Laden with the need to maintain a balance between ensuring that the party-state’s economic production targets are met, while also the charged with the responsibility of representing the interests of the workers, the ACFTU in its espousals and activities, reflected ambiguity and tension. While at the local level, the ACFTU has made some interventions in conflicts, the constraint has been mainly due to the lack of autonomous operating space sanctioned by the party-state. With the trade union leadership within enterprises since 1990s, being representatives of the managements or appointed by them, the workers are unable to repose their faith in them. Labour NGOs or other support groups, cannot be expected to replace the trade unions and fulfill the responsibilities of the latter. The party-state needs to be more forthcoming in giving the required space to the trade unions, even

while preserving intact the umbilical chord. The need for establishing unions and making positive and timely interventions in the small and medium non-state enterprises, is a task that the ACFTU needs to fulfill. The other challenge is to find substantive ways in reaching out to the migrant workers in China's urban centres.

CHAPTER FIVE

PROBLEMS AND PROSPECTS OF WELFARE FOR THE INDUSTRIAL WORKERS IN SMALL AND MEDIUM ENTERPRISES (SMEs)

Background

So far, the analysis of labour and social security and welfare in China has been undertaken through the study of the relevant primary and secondary literature as well as the available official statistical data. The major focus has been on the institutional measures adopted by the state in negotiating the complexities and challenges arising out of the continuing market-oriented growth paradigm. Supplementary empirical analysis at the level of the unit, has been incorporated through data pertaining to the social security system in the Small and Medium Enterprises (SMEs), collected during field-work for two months in August-September 2013. This study has focussed on the SMEs. Among the consequences of the state controlled but market-driven economic reforms, was the diversification of the industrial system. SMEs were identified as the engines for boosting production and increasing economic growth and accordingly were accorded more flexibility as well as autonomy in their operations¹²⁸. China's rise as a manufacturing hub for a variety of products today, in a large measure, owes it to the parallel rise of the SMEs and the active support provided to them¹²⁹.

¹²⁸ The encouragement provided for the smaller and medium-term enterprises and the challenges confronting them have been detailed in earlier chapters.

¹²⁹ For more on the growth of the SMEs in China and their importance, please see: Fan, Chunyun (2003), "Government Support to Small and Medium-Sized Enterprises in China", *Problems of Economic Transition*, vol. 45, no. 11, March: 51–58; Hilgers, Lauren (2009), "SMEs in China", *Insight*, April 2009; Jia, Chen (2006), "Development of Chinese Small and Medium-sized Enterprises", *Journal of Small Business and Enterprise Development*, Vol. 13 No. 2: 140-147; Li, Xue Cunningham and Chris Rowley (2008), "The Development of Chinese Small and Medium Enterprises and Human Resource Management: A Review", *Asia Pacific Journal of Human Resources*, Vol. 46, No.3: 353-379; Liu, X. (2008), 'SME Development in China: A Policy Perspective on SME Industrial Clustering', in Lim, H. (ed.), *SME in Asia and Globalization*, ERIA Research Project Report 2007-5, pp.37-68, [Online web] Accessed 28 June 2013, URL: http://www.eria.org/SME%20Development%20in%20China_A%20Policy%20Perspective%20on%20SME%20Industrial%20Clustering.pdf; Sun, Laixiang, Edward X. Gu and Robert J. McIntyre (1999), "The Evolutionary Dynamics of China's Small and Medium-Sized Enterprises in the 1990s", *World Development Studies*, Working Paper No. 14, United Nations University-World Institute for Development Economics Research (UNU-WIDER), [Online web] Accessed on 8 December 2013, URL: <https://www.wider.unu.edu/sites/default/files/wds14.pdf>; Yang, Tracy, Jamus Jerome Lim, and Toshiki Kanamori (2008), "Strategies for the People's Republic of China's Small and Medium

The SME sector is a vast area as it also includes services apart from manufacturing. While the informalization in the labour system has been a direct change resulting out of the reform process, it has been very sharp in the services sector. Thus, the labour force in the services sector has been extremely mobile. Given the spread of the services industry, tracking the workers, mostly migrants, would require huge resources and extended stay in China. I therefore restricted my study to the manufacturing enterprises, even though comprehending the labour system in this area was no less challenging. However, the factory floor provided a more quantifiable space. Also, the workforce organized under one particular roof such as a factory, would be amenable to a more structured analysis in the context of the current research.

The field-work for the thesis was undertaken in August-September 2013, with visits to enterprise units/factories in Shanghai and Tianjin. Before departing for China, a questionnaire was prepared to elicit responses as regards the following issues: social security system within the enterprises, the mandatory legal stipulations in operation, the relations between employees on fixed and temporary contracts, workings of the various social security measures, the level of involvement of the provincial government and the possible role of the central government. A second questionnaire was drafted shortly before embarking on the fieldwork in order to gather information about the background of the enterprises, profile of the staff/workers employed, the appropriate allowances/incentives as well as the various facilities available within the enterprise premises for the staff/workers. While the first questionnaire was directly related to the responses of enterprises regarding social security discourse and dissemination of welfare, the second questionnaire was aimed at understanding the general characteristics of the firm/enterprise and its workforce. Since the study of social security-welfare is inextricably linked with the labour system, the two

Enterprise Development within the National Innovation System”, *ADB Institute Research Paper Series*, No. 73, November, [Online web] Accessed on 16 October 2013, URL: <http://www.adb.org/sites/default/files/publication/157222/adbi-rp73.pdf>;

questionnaires, taken together, offered scope for a more comprehensive analysis. The two questionnaires have been appended as annexures at the end of the thesis.

Preparation of Questionnaires for the Field Trip and Arranging Interviews/Visits to Enterprises

A total of seven enterprises were covered through the questionnaire survey. While six of them fell under the manufacturing sector, the seventh was a logistics and freight transportation firm. Even though the objective was to examine manufacturing enterprises, the addition of a service firm was incorporated to identify divergences or contrasts if any. It needs to be noted that getting appointments and fixing meetings with the enterprise units proved to be extremely arduous and challenging. In addition to the language barrier, there were also apprehensions regarding my identity as a research scholar and doubts as to whether I was working for the government, a foreign entity or perhaps, even for a rival company/firm, in which case, there were possible motives of extracting information for ‘malicious’ purposes.¹³⁰ In this context, building some amount of trust and comfort level was extremely important. However, despite the strenuous efforts, only three enterprises allowed on-site visits, while the rest of them agreed to send in their responses to both the questionnaires through e-mail.

The on-site field interviews were carried out in Shanghai and Tianjin, through proper visits to precincts of the enterprises. Two of the enterprises were in Tianjin; in addition, one among the enterprises from where I received responses by e-mail, was in Tianjin. Apart from availability of liaison personnel and translators in both cities, another important rationale underlying their selection was the difference in their geographical location - while Shanghai was in the east of the country and was part of the Yangtze industrial delta, Tianjin was in the country’s north, part of the Bohai industrial region. The other enterprises, which sent their responses over e-mail were

¹³⁰ This was put suggested by Dr. Aravind Yelery (currently an Associate Fellow at the Institute of Chinese Studies, Delhi), who was then working as a consultant at a French investment firm in Shanghai. He had been interacting with various Chinese enterprises for the past seven years, had accumulated vast experience and was extremely helpful in arranging interviews with some of the enterprises. Later on, during another fieldtrip in October 2015, Dr. Chen Baosheng, faculty member at Department of Business, Wenzhou University, who had also facilitated some of the interviews in the various SMEs in Wenzhou, also indicated the same.

located in Liaoning, Jilin, Zhejiang, and Anhui. Informality played a bigger role in fixing appointments, placing requests for on-site visits and in the materialization of the actual interviews. Very often, these were impromptu, through the help of some university and/or department faculty or even friendly telephone calls overnight. Those questionnaires answered through e-mail took two more months to materialize and therefore, were received only by December 2013. During the course of the waiting period, there were a few additional questions that emerged and which were subsequently sent to the enterprises. However, among the seven enterprises part of the questionnaire survey, only four responded to these additional questions.

Regrettably, direct interaction with the workers was not permitted during the fieldtrip. Also, since the visits and interviews took place during the working hours during the day, it was next to impossible to get the workers to allocate some free time. Moreover, at the outset, the people helping in arranging the interviews informed me that the enterprise managements would be most reluctant to permit one-on-one interaction with workers. It was also made clear that the workers were not comfortable with speaking in the vicinity or presence of the management officials. Keeping all this in mind, the questionnaire interviews were restricted to the enterprise managements - either owners or senior managerial staff. Even though the enterprises did respond to the questionnaires, very often not all questions were answered; most of the replies were neither detailed or addressed the questions in any comprehensive fashion. Constant reminders had to be sent to get the responses to the unanswered questions. However, even after these efforts, there were still some unanswered questions. By February 2014, all the questionnaires, with responses, were gathered. However, answers to some additional questions raised between March-April 2014, went unanswered.

Interaction with Scholars and Interest Groups on Labour and Social Security-Welfare

Along with the visits to enterprise units, the fieldwork in August-September 2013 also involved interactions with scholars working in the area within China. In this regard, interviews took place with scholars in Beijing, Guangzhou and Shanghai. A second field trip took place in August 2014, when I met scholars and interest groups based in

Hong Kong, who were working on Chinese labour and social security. These interviews did not have a structured questionnaire format, and were based on the study of the secondary literature along with insights gained from the visits to the enterprises. The purpose and objective of these interactions was to fill in the gaps with greater analytical clarity on a range of issues pertaining to labour relations and social security in the SMEs. The scholars and interest groups whom I interacted with directly were, Dr. Wang Dehua (Institute of Population and Urban Studies, Chinese Academy of Social Sciences, Beijing), Dr. Yang Zhuping (Associate Professor, School of Government, Sun Yat-sen University, Guangzhou), Ms. Yang Xiaoping (Scholar, Urban Governance and Policy, Shanghai Academy of Social Sciences), Prof. Pun Ngai (Department of Applied Social Sciences, Hong Kong Polytechnic University) and Geoffrey Crothall (China Labour Bulletin, Hong Kong). Other than this, an informal e-mail correspondence also took place with Prof. Mark Frazier (Professor of Politics and Co-Academic Director, India China Institute, The New School for Social Research, New York).

In this chapter, I propose to provide a detailed analysis of all the interviews undertaken with the seven enterprises, as reflected in the two questionnaires.

Fieldwork in Small and Medium Industries

On-Site Interactions: Three on-site visits to enterprises were undertaken during the fieldtrip in the last week of August-first week of September 2013.

1. Yajie Kitchen Cabinets Factory, Shanghai

The visit to this manufacturing unit – which is a private enterprise - was undertaken on 29 August 2013, during which I was accompanied by Dr. Aravind Yelery, who had helped in facilitating the visit. The factory is located at Boshan, in the suburbs of Shanghai, which is fifteen minutes from the city centre through the subway and later by bus. From here, Ms. Hu Mengliu, Executive Manager at the unit drove us to the place in her own car. The drive lasted around ten minutes. After reaching the site, we went to the visitor's room of the factory and sat for a while, after which she took us on a quick tour around the factory for about fifteen minutes. During the tour, I saw around 20-25 workers who were involved in various tasks related to the making of

kitchen cabinets. Following the tour, the representative stated that all questions would only be responded to via email. Thus, there was no question of a one-on-one interaction. Questionnaires were thereafter sent over to Ms. Hu and her answers were received in November 2013. Some additional questions that had risen from her responses were then sent, to which clarifications were received in December 2013-January 2014.

The factory produced wooden kitchen cabinets, which were largely earmarked for exports to Europe. The annual turnover of the unit was calculated to be approximately 300 million RMB. It employed 150-200 workers, of which 120 were male. This included around ten workers each for packing, transport and logistics. The managerial staff also numbered around ten. Approximately 80% of the workforce comprised local populace from in and around Shanghai, while 20% were migrants. All workers were on annual contracts, renewable on the basis of performance. The executive manager indicated that hiring/firing of the workers were very flexible, as there seemed to be no dearth of employable workers. The services of labour dispatch agencies were used by the factory for only hiring the desk staff, with the latter paying a recruitment fee to the concerned agency. The Yajie management was unaware of any supervisory role of the local governments *vis-à-vis* the dispatch agencies. The migrant workers were sometimes hired through informal mechanisms such as village and/or family networks.

On an average, the workers earned 3000 RMB per month. While the nature of work for the male and female workers was not vastly different, heavy machinery was handled by the former. Women workers were not given tasks involving heavy machinery, unless apportioned by the management. Apart from the officially specified national holidays, the workers had five days of leave annually. They had around six days of holidays each during Mid-Autumn and Spring festivals; also, there were exempted from work for three days during the Labour Day Celebrations (1 May) and six days in October, which were part of the Golden Week in the country. That made it a total of 21 free days in a year. If workers were made to work on these holidays, the wages were double the normal amount for this period. There were no residential facilities provided by the management, within the precincts of the factory, nor were there any other kind of alternate arrangements. So, the workers had to take care of

accommodation on their own. Medical facility - mainly first-aid equipment to deal with injuries arising out of on-site accidents - was available in the factory. Ms. Hu observed that the women workers received good attention in medical care.

On the questions of social security, Ms. Hu's answers were a monosyllabic 'Yes' or 'No'; and despite our requests, there was no substantive elaboration of the methods of fixing social security entitlements, the operability of the various social insurance programmes, and possible grievance-redressal mechanisms available for the workers. According to Ms. Hu, while pensions were not provisioned by the factory, medical insurance, accident/work injury insurance and maternity insurance were paid by the factory management.

We were informed about the existence of a housing accumulation fund, without any details about its operability. The factory's social security system is closely aligned to the profits it makes, which was reflected in Ms. Hu's discussion on the welfare model within the SMEs. Unlike the largesse of the State-Owned Enterprises, which provision more resources for social security for their employees, the SMEs' social insurance rises and falls in accordance with the troughs and crests of its profit margins. The counter-checks with the workers on the various social security provisions provided by the factory management was not possible due to reasons like lack of permission to engage with them, and language barriers. However, existence of significant flexibility was visible from the Ms. Hu's answers with regard to operations of the various social security entitlements. Even though the factory management was aware that various national laws concerning the social security system had to be adhered to and periodical supervisory checks were also in order, the workers were unaware of the ways and means to protect themselves in case of infringements. The basis of the provisioning of minimum floor of social security in self-sustaining and government-funded SMEs was the written contract signed by the employee. Unlike the pre-1978 system of the work unit functioning as a mini-welfare state where medical care for children of the workers was the responsibility of the enterprises, along with some aid allowances for the families of the employees, the dependents were no longer covered by the factory.

However, the answers given Ms. Hu to the questions of interface of the factory with the local government with regard to supervision and monitoring hinted at the incongruence between the social security provisioning and disbursement. While Ms. Hu made no mention of any interaction and/or coordination between the factory and the local government with regard to social security, there was a reference to the provincial Labour Bureau's supervisory visits to monitor the compliance of social security measures. Some of the questions in the questionnaire were long and their Chinese translation may not have captured the meaning of what was exactly required. Hence, this could have led to such a disjuncture in Ms. Hu's two answers, as mentioned above.

2. **Huaye Wood Industries, Tianjin**

A privately owned enterprise, this factory is situated in West River Inner Zhachu, Yangliu Qing in Tianjin's Xiqing district. The on-site visit was undertaken on 9 September 2013. The contact to the factory was provided through the Innovation Department, Tianjin University of Finance and Economics. An impromptu appointment was fixed through a telephonic call from one of the office staff of the Department. In this trip, I was accompanied by two undergraduate students of the university – Mr. Junxiong Gao, a third-year student of Economics and Ms. Wu Shuang, in his second year in the Accounting Department. They helped in interpreting the conversation/discussion with the factory management. We reached the destination after a short journey by the subway and later, by taxi. The chief interlocutor was Mr. Zhang Zhikuan, the administrative head of the factory. The appointment materialized largely due to *guanxi* (personal networks) - the factory owner's son was an alumnus of the Tianjin University of Finance and Economics. Since it was mainly a one-on-one conversation, there was scope for some more questions, in addition to those in the set questionnaire.

Established in 1987, the factory manufactured wooden boxes of various sizes to hold generators, car wheels and electronic equipment as well as other machinery. Majority of these boxes were exported to Europe, Australia, Korea and India. The factory employed a total of 35 workers, which included 2-3 women. 25 workers were from various parts of China, though Mr. Zhang was unable to specify their home provinces.

The pattern of hiring the workers - formal dispatch agencies, direct recruitment or informal personal networks - was not mentioned. All the workers were employed on contracts, with differing durations: some had long-term contracts that lasted for 8-10 years, and others had shorter-term contracts for 2-3 years. According to Mr. Zhang, around 15 workers frequently changed jobs and thus, were continuously mobile in seeking as well as gaining employment. If the number of orders given by the clients were very high, then there was difference in payments. He declined to disclose the approximate turn-overs or profits of the factory.

The monthly remuneration for the workforce was 3000-3500 RMB per month and there was no differentiation in this regard between the migrant and local workers. The remuneration was based on the number of boxes made. On an average, 10-12 small boxes and 7-8 medium ones could be produced in a day. However, bigger boxes of 10 by 12 feet took at least five days. Mr. Zhang believed that skilled workers could earn 120-130 RMB per day whereas unskilled ones made 90-100 RMB. The factory also provided incentives/bonuses, whereby 30% of the salary was additionally given to the workers conditional upon the orders received in terms of high/low demand. The workers had an eight-hour schedule, from 8 am until 6 pm, with a two-hour lunch break. There was the option for workers to shorten their lunch break to earn more, but it was completely voluntary. A total of twenty holidays was available for the workers throughout the year. Residential facilities were provided for the workers within the factory; however, there were no provisions for medical services within the factory premises.

Towards social security, the employer paid a total of 500 RMB per worker into the social insurance pool, while each worker paid 200 RMB. Thus, 700 RMB was the total social insurance contribution made available for the factory's workforce. Furthermore, funds were not earmarked for different social security programmes, but placed under one head. Pensions, medical insurance and accident/work injury insurance were the three components covered under the social insurance fund of the factory. The most preferred social insurance programmes were pensions and medical insurance. Only those workers with longer contracts were extended social security benefits, thus leaving out those on short-term contracts. Given the high mobility among the short-term workers, there were problems in fixing social insurance benefits

for them. Other than the social insurance, the factory also provided the transportation fare for the workers' journey to and from their villages/homes during the Lunar New Year celebrations.

Mr. Zhang opined that while the national laws governing the dissemination of social security were mandatory, their implementation at the factory level was marked by flexibility. His factory received no financial support from the government. There was no regular interaction between the local government and the factory, even though labour inspections and monthly reports had to be submitted. The Social Security Bureau of the local government also was mandated to visit the unit to oversee the implementation of the social security programmes. Further, according to Mr. Zhang, in case of infringements or transgressions in the implementation of the schemes, the workers also had a right to petition at the local Labour and Social Security Bureau. There was no such occurrence in the Huaye Wood factory, but he was aware of cases where workers had taken legal recourse against employers and if proven, the latter had to pay the costs involved in the legal process in addition to the social security. The dependents' welfare was taken on a case-to-case basis, depending upon the gravity of the needs. Those not able to afford the education of their children were given support from time to time. However, there was no obligation on the part of factory to extend such assistance. There was no mention of any workers' associations or unions by Mr. Zhang. There was no further correspondence with Mr. Zhang, even though some additional questions were emailed to him after the field visit.

3. Reaping International Freight Forwarder Ltd, Tianjin

As stated at the outset of this chapter, one service firm was identified, in addition to the manufacturing enterprises so as to identify possible convergences or divergences between the service sector and manufacturing sector, when it came to the dissemination of social security.

The selected firm was within the city centre and a visit was undertaken on 9 September 2013. The visit was facilitated by Mr. Junxiong Gao, the undergraduate student in Economics, at the Tianjin University of Finance and Economics, who was related to Mr. Andy Gao, the manager of the firm. Another undergraduate student of

Market in the same university, Yu Jiameng, was also part of the group. Both were extremely helpful in interpreting the conversation and exchanges.

Founded in 1999, the privately owned firm was involved in organizing freight and cargo shipments, for individuals and corporations to transport the goods from manufacturers to consumer markets. Their operations covered the shipping lanes around the world, including India. There were twenty employees in the firm, half of them migrants. However, these migrant employees differed from the migrant workforce in the manufacturing units, in terms of better educational qualifications since they were mainly working on desk and/or administrative jobs. Half of the employees were women and there existed no differences in the nature of work between men and women. Though not explicitly stated in figures, Mr. Gao conveyed the information that the firm had a high annual turn-over and profits amounted to 200,000 RMB. The average salary of the employees, who worked for eight hours per day, was around 1700 RMB per month. The bonus was disbursed as double salary in the month of December; the incentive thus was the salary for an additional month. However, other incentives were contingent upon the spike in the level of profits and annual turn-over of the firm. Employees could avail officially sanctioned legal holidays according to the national calendar that amounted to almost 30 days including the extended days during the Lunar New Year, but the firm was also flexible in giving some leeway for the employees, in need of leave. However, there was a threshold for these off-days - which was not specified – beyond which they could lose their job. There were both long-term and short-term contracts, which depended on work experience of the employee and the nature of work at hand.

The firm provisioned all legally mandated forms of social security, viz, pensions, medical insurance, accident/work injury insurance and maternity insurance although their structure and method of dissemination were not revealed by Mr. Gao. However, he did indicate that the maternity leave amounted to four months with pay. Other than these, there was also a public employment security, whose norms were set by municipalities/provinces/autonomous regions. It was a lump-sum amount that could be as low as 100 RMB and it was paid by the firm. As observed in interactions and correspondence with other factories and enterprise units, Mr. Gao affirmed that the national laws governing social security were mandatory, as were the labour and social

security inspections by the provincial/local governments to monitor the implementation of the schemes and obtain periodic reports even as the firms ensured room for flexibility. Employees could take recourse to petitioning for redressal in the event of violations of the regulations. Though the employees who won their cases against the management had to be heavily recompensed, it was often a long drawn out process, testing the patience of workers. Mr. Gao also made it a point to mention some of the ways in which the firms could get around or circumvent prevailing rules, such as proxy registration of the blacklisted firms.

E-Mail Interactions: Some of the enterprises were not ready to give permission for on-site visits, but agreed to give their responses through email. Therefore, questionnaires were sent in late September 2013. Responses were received in the middle of November. Further, some additional questions that emerged after going through the responses were sent by the end of December, to which replies were received in January 2014.

1. **New Fashion Glassware, Liaoyang County, Shenyang, Liaoning Province**

The first two questionnaires were sent in late September 2013 and responses were received in the middle of November. Started in 1996 in the county of Liaoyang in Shenyang in the province of Liaoning, the factory was privately owned and manufactured glassware, especially glass art wares. The interlocutor here was the Sales Manager, Ms. Kathy Qu. 40% of their products were exported to USA, Spain and other parts of Europe. Ms. Qu claimed that their unit was the only glass art ware manufacturer in North-West China. The annual turnover of the factory was estimated at 50 million RMB; however, Ms. Qu declined to provide a definite or even approximate amount as to the profit margin. She merely stated that profits were steady and consistent.

A total of 100 workers were employed in the factory, with half of them being migrant workers. The migrant workers were mainly artisans and worked in the foundries, while the local workers were apprenticed to them and stepped into the trainers' roles during their absence. The workforce included 30 female workers with no difference in the nature of work between the male and female workers. The salary of the workers was between 2000-6000 RMB per month, with the migrant workers getting 20% more

on an average. The manufacturing unit had contracts in place, wherein the migrant workers had short-term contracts and the local workers had longer contracts. This was an interesting feature, since the migrant workers were mainly artisans and their skills were deemed valuable, providing basis for longer-term retention. However, given the fact that local workers functioned as apprentices under the skilled migrant workers, the longer duration of the contracts for local workers could also be a strategy on the part of the factory management to motivate skill-development amongst them, since the migrant workers were also highly mobile. The relations between the migrant and local workers were without much animosity and tensions. The workers were directly hired through advertisements - the reluctance to go through the labour dispatch agencies explained Ms. Qu, was that they frequently changed their outsourced workers. There was a fixed baseline quota of work, which was kept at 1000 RMB. As part of incentives, during the heavier work season, the extra work hours were limited to 30 hours per month and no more, thereby ensuring quality controls. With regard to sanctioned leave and holidays, there was no formal scheme as such for the migrant workers. However, since they put in more man-hours without many holidays, they were given extended holidays during the festivals. The workers with longer contracts had five holidays every year. The living quarters of the workers were situated in the houses in the proximity of the factory. Also, medical facilities to meet the eventualities of work accidents were provisioned in the factory.

In terms of social security, only accident/work injury and maternity insurance was provided for the workers. Nominal medical insurance coverage - upto 30% of the expenses - was provided by the factory management, on the ground that this was largely covered by the workers' *hukou* permit. Women workers were given three months of paid maternity leave and two months of less heavy work. The factory also provided travel allowance for workers going home for festivities.

Ms. Qu contended that smaller enterprises could be flexible when it came to social security, as they did not get any funds from the government. Still, according to local laws, they had to assure the officials of their adherence to the regulations by displaying the workers' pay-slips and the factory log-books. National laws governing social security were mandatory on the penalty of cancellation of licenses, but there was some leeway available to the SMEs. The signed contract was the guarantee for

minimum social security. The local government provided guidance and exercised economic control through periodic inspections of the unit as also to oversee compliance of social security measures. The queries regarding the existence and/or functioning of a union-workers' association were raised in a subsequent email in December 2013. However, there were no responses from their end.

2. Panshi Handicrafts, Gaosu County, Jilin Province

The responses for this enterprise were provided by the Exports Manager, Mr. Feng Liu.

Started in 1990, this privately owned factory was manufactured wooden handicrafts. Their manufacturing was seasonal and mainly happened during the winter when there were no crops to tend. So, the workers were mainly peasants who worked in the cornfields. They joined the factory only to earn extra money during the agricultural off-season. While the handicrafts were sold in cities like Dalian, Beijing and Shenyang, there was a gradual turn towards exports. They manufactured products for the US brand Hobby Lobby and also sent their products to France. There were fifty workers altogether, among whom ten were women. There was no difference in the nature of work between male and female workers. The work in the manufacturing unit was classified as woodcutting, painting, polishing and other touch ups, apart from packing, and transport. Additionally, there were other office staffs. The workforce was fully local and there was no involvement of any labour dispatch agency in their recruitment. Given that they resided nearby, there was no need to make arrangements for their accommodation. The annual turn-over of the manufacturing unit was 5-6 billion RMB.

The workers earned around 2500 RMB, which could go as high as 5000 RMB, as the enterprise management did not want people to leave mid-way. They also provided an incentive of 100 RMB for every 500 pieces. The work was largely based on the orders given by the clients. Due to the seasonal nature of the work, no holidays were given during the work period. After the winter subsided, they returned to their farms. Medical facilities were provided on the site. On the social security front, the manufacturing unit provided a lump sum payment mainly covering their medical costs. It also covered those in need of maternity care. The small size of the

manufacturing unit meant that it did not classify all five basic social security programmes separately.

Mr. Liu viewed the national laws as mainly guidelines for the past 15 years. He did not classify his enterprise as a full-fledged factory. If the orders were large in number, involving the need to employ more workers, he ensured that there was no laxity in complying with the laws. However, when there was less work, relaxations were seen. Interestingly, neither he, nor (in his view), the rest of the staff were aware of the precise laws and legal aspects with regard to administration of social security in the SMEs. So, the case of violations or otherwise of the guidelines only arose when there were questions raised in that regard. There were no precise stipulations or standards concerning social security and Mr. Li's guiding philosophy was to ensure the well-being of his workforce. The local government promoted them through easy loans and relaxation in tax rules, entailing supervision. Mr. Liu was not particularly concerned about labour inspections since the units did not have to send reports on the compliance with the regulations of social security. According to him, strict adherence to rules was mainly restricted to industrial towns and not mandatory for smaller units like Panshi Handicrafts. The manufacturing unit did not look into the needs of the workers' dependents, as the county administration was anyway tasked to look into the welfare aspects. Clearly, the size of the firm determined the degree and extent of compliance with the labour and social security regulations.

3. Rosegate Garments and Apparels, Thangwu County, Zhejiang Province

Started in 1996, the factory was privately owned and manufactured garments and apparels. The responses were given by the Exports Manager of Rosegate Garments and Apparels, Mr. Tony Wu.

While the supplies were initially for domestic consumption, in 2002, it ventured into exports. However, Mr. Wu considers the domestic market to be better than the export market. The target countries for exports were France and Israel. A total of 150 workers were employed in the manufacturing unit and the entire workforce consisted of local workers. Out of the 150 workers, 30 were women, who were only involved in packing. The nature of work at the manufacturing unit was cutting and sewing. While the annual turn-over of the factory was 3 million RMB, the annual profits amounted

to 10 million RMB. The manufacturing unit only resorted to labour dispatch agencies to recruit better educated and trained workers. For this purpose, the agency was paid consolidated amounts, either on a monthly or annual basis. The labour dispatch agency processed local permits, travel and organized other training programmes. The manufacturing unit did not intervene in the activities and functioning of the dispatch agencies, which were mostly seen as outsourced avenues to recruit the workforce. The unit also went through informal networks of family, acquaintances and regions to employ workers. The workers were engaged on the basis of long-term contracts, lasting for a period of one year.

The workers earned 3000 RMB every month, and further also had an incentive of 0.75 RMB for every extra piece of garment they made, which could go upto a maximum of 1000 pieces. However, this incentive was contingent on the volume of orders given to the unit. There were five sanctioned holidays for the workers, apart from the official national holidays. A canteen with free lunch, and medical facilities were available within the workplace. Since the entire workforce was local, residential accommodation was not provided by the factory. As part of social security entitlements, the factory only provided travel and health benefits, with the latter including free checkup. Maternity care for those in need was given priority. Apart from these, no additional social security programme was provided by the factory, although, at times, the manufacturing unit also took care of the dependents/families of the workers, bearing expenses of food of the children along with gifting them books.

While there is acknowledgement of the mandatory nature of national laws on social security, as well as the sanctity of the signed contract between the employer and employee in terms of providing minimum social security, a strict implementation of these regulations did not appear to be reflected in Mr. Wu's responses. Further, even though he described the interface with the local government in relation to social security (wherein periodic inspections were conducted to supervise compliance), as being good, the responses seemed casual and *pro forma*. Moreover, the central government's regulations appeared to be taken more as guidelines providing a generalized framework. There were no responses to questions on the unions and/or workers' associations.

4. **Taian Hongguan Plastics, Zurong, Anhui Province**

The factory was under private entrepreneurship and manufactured plastic cans, shampoo bottles and garden accessories, with the target markets for the products being Pakistan, Europe and the Middle East. The responses were provided by Mr. Wang Ruan, who was the owner of the factory. The factory employed 200 workers, among whom 20% were migrant labour. Some of the work involved blowing and mould making. While there were 160-165 male workers, 40-50 were females. Though the factory management did not have any special category of work earmarked for the women workers, the latter chose administrative and clerical tasks. All the workers were hired directly, without the involvement of the labour dispatch agencies. Informal familial and acquaintance networks existed in recruiting workers, with the factory management at times also rewarding the introducers by giving 15% extra on the salary. The unit had an annual turnover of 6-7 billion RMB. However, Mr. Wang pointed out that profits were decreasing and the raw materials were not easy to procure. He was also increasingly of the view that plastic was not an ideal market. He pointed to the environmental concerns associated with the production of plastic goods, apart from the lower rates of profit. The workers were on longer contracts and had three holidays in a year, although they could take more if necessary, since there was no limitation in place.

The workers earned 1000-4000 RMB, a month, with 1000 RMB being the fixed baseline quota for work. While the incentives/perks varied, contingent upon the season, there was an annual bonus for the Lunar New Year. The factory had a dormitory to house the migrant workers as well as an in-house kitchen. Besides, medical facilities were available on-site. The management provided only the accident/work injury and maternity insurance to the workers; further, they also provided the migrant workers travel allowance during their trips home for the festive season. Similar to the other factories, which have been part of my case studies, this unit also emphasized the mandatory nature of the national social security laws and the importance of the signed contract in provisioning minimum social insurance. But Mr. Wang reiterated the fact that his factory was relatively small and even as he followed the rules and adhered to the norms of periodic inspections and supervision, there was no political or economic control exercised by the local government. The

manufacturing unit did not have any welfare provision or programme for the dependents of the workers.

5. Heng Plymouth Machine Parts, Tianjin

The introduction to this privately owned manufacturing unit was provided by the staff at the Innovation Department in the Tianjin University of Finance and Economics, Ms. Wei Wei. Her husband was employed in the unit. However, an on-site visit could not materialize due to the limited period of my stay in Tianjin and the dates that were suggested were not convenient for the factory management. Under the circumstances, it was agreed that we would collect the relevant information and data via e-mail. Thus, the questionnaires were mailed to Ms. Wei Wei in the middle of September 2013, who forwarded it to the factory management. The responses were received in the middle of October. The interlocutor who responded to the questions was Mr. Liu Xiaoyun, Assistant Director, Human Resources.

The unit manufactured all types of block hoops, fixed quantity diaphragm, compressors and pneumatic detectors; it was also involved in main engine assembly and unconventional special purpose equipment. The enterprise started from manufacturing simple processors, and later adopted design changes in moving to the next level. The production steadily rose in 2010-13 with increasing number of orders. The target market was within China and Taiwan. Out of the 112 workers, 67 were migrants. Work was designated and delegated on the basis of abilities and aptitude, thereby keeping out any form of discrimination between migrant and local workers. Rational work allocation also happened between male and female workers, based on their physical abilities and with care being taken to not let it appear to be gender-biased. The factory had an annual turn-over of 20 million RMB, while the profits were around 1.6 million RMB. All the workers were given fixed term labour contracts, irrespective of whether they were migrants or local workers. Holidays were sanctioned for the workers according to the national calendar and relevant regulations.

Mr. Liu did not provide specific figures or salary structure, though he indicated that the payroll was based on the business conditions. Similarly, no figure was made available for perks and other incentives except for the comment that they were also tied to the quantity of work and orders received. In terms of social security, the

factory provided pensions, medical insurance, accident/work injury insurance, unemployment insurance and maternity insurance. For pensions and medical insurance, the employer's contribution was around 20% and 5% respectively of the income pool; towards unemployment and maternity insurance, the employer's contribution was 2% and 0.7% respectively of the total overall income pool. The factory had dormitory facilities available for the migrant workers and also had arrangements for transportation for those workers who resided in areas away from the workplace.

According to Mr. Liu, due to the constraints on resources and smaller size of the SMEs, social security provisioning did not strictly adhere to the national laws and guidelines, but operated with some variations in such SMEs. While the local government exercised its supervision and ensured overall compliance the local authorities were also relatively flexible *vis-à-vis* the manufacturing unit. Nonetheless, Mr. Liu highlighted the problems created by the irregular and often unannounced inspections by the local social security and labour bureaus. He also opined that the legislation regarding social insurance did not reflect the changing conditions and needed to be reformed. He did not however elaborate on the nature of the reforms required. The other issues regarding social security confronting the government, according to Mr. Liu, were the need for better enforcement of social security and to strengthen employees' participation in the various programmes. On the last part, better counselling and more education to create awareness was important.

Observations of Scholars

This section would now turn to the views and observations of the scholars with whom I had the opportunity to interact during the course of my research. The discussions spanned both conceptual and practical dimensions of social security and welfare in general and the challenges associated with its successful implementation in the country and many of the valuable insights gleaned therefrom, have been incorporated in the earlier chapters. Here, I intend to put forth only those aspects, which are relevant for labour relations and social security in the SMEs.

According to Dr. Wang Dehua, scholar at the Institute of Population and Urban Studies, Chinese Academy of Social Sciences, Beijing, though there were no

differences in the legal/institutional guidelines between the workers of SOEs and SMEs, the compliance of the latter to the formal rules and guidelines is less compared to the former. However, he did not cite any source/reference while making this comment. While the Social Insurance Law promulgated on 1 July 2011 was the main legislation covering employee social security, there were also numerous other administrative regulations, departmental rules and regulations by different ministries and local governments, which intersected with the national law. While the laws were deemed mandatory, the actual implementation was marked by great flexibility – enforcement was therefore not entirely consistent with the written laws. This flexibility was more visible among the local governments, especially when it came to supervision and monitoring. The recruitment methods of workers in the SMEs were diverse, involving interpersonal connections, informal networks of family and locality, direct recruitment as well as use of labour agencies. According to the law passed on 1 July 2013, labour dispatch agencies can only provide workers for temporary, auxiliary and substitute jobs. While the factory or enterprising hiring the workers paid the dispatch agency, the latter was mandated to pay the wages, benefits and social security entitlements to the workers. While the five forms of social security - pensions, medical insurance, accident/work injury insurance, unemployment insurance, and maternity insurance - were formalized through laws, variations were observed in the implementation. The employer contributions varied from region to region; further, very few SMEs enforced all the five social security programmes. In addition, some of the SMEs had developed their own informal system of employee/worker benefits like travel allowance during the Lunar New Year, special training, and specific incentives/perks. While the local government's human resources and social security departments were responsible for supervising and enforcing the social security measures in the enterprises and factories within their domain of administration, these measures were seldom followed or were given casual attention. The social security system was affected by the problem of fragmentation, as the written laws and their actual implementation were not synchronized. While the flexibility in the operation of the social security system in different regions in the country was an advantage when addressing the specific problems, portability issues arose when workers shifted their workplaces. With retention of employment contributions not being tied to the mobility of workers, social security entitlements

started afresh at the new workplace. In terms of proper country-wide implementation, the lack of portability was an impediment. Also, with the premium rates of social insurance being extremely high, the SMEs were reluctant to participate in the insurance programmes.

In an interview with Dr. Zhu Yapeng (Associate Professor, School of Government, Sun Yat-sen University, Guangzhou), it was pointed out that the lack of comprehensive institutional support by the government was responsible for pushing the SMEs to look for resources on their own. Given the high rates of mobility among the migrant workers, ensuring their participation in social security measures was a challenge for the SMEs. This became a convenient excuse for the SMEs to cover up their own shortcomings. Dr. Zhu also cited some of the tactics adopted by the factories/enterprise to circumvent their social security obligations, like deliberately showing fewer than the actual number of workers on the rolls and implementing the social security programmes not as a package but selectively. In his opinion, the unskilled workers were largely at the receiving end and that implementation of rules with respect to labour relations was better in the Yangtze Industrial Delta than the Pearl River Delta. The local governments were granted autonomy in implementing policy guidelines governing social security and therefore, differences prevailed between regions and cities. While under the regime of Hu Jintao and Wen Jiabao (2002-12), social expenditure had expanded and more clarity emerged regarding the social policy programmes, the crucial problem was in the actual and effective implementation at the sub-national level. The loosening of the *Hukou* system¹³¹ was essential, so that better welfare measures could be instituted to cover the high number of migrant workers, moving into China's urban centres and industrial hubs. Moreover, the high mobility among the migrant workforce in China has necessitated the need for effective portability solutions for seamless transfer of social security contributions, even as the migrant workers criss-cross the country for employment. Given that social insurance mechanisms are participatory, involving both the employer and the workers,

¹³¹ *Hukou* was a system of resident registration for the Chinese citizens. Classified as urban and rural *hukou*, aimed to restrict the high level of population flows from the villages to the cities. Migrant workers from the rural areas, moving into Chinese cities, could not access health and welfare services in the urban areas since they did not possess urban *hukous*. This led to their marginalization and stratification within the urban landscape.

when the latter move to their newer workplaces, they have to forgo the former's contributions. While the new employer's social security contributions began afresh, the worker was unable to make any claim to the accumulated contributions of the previous employer.

Ms. Yang Xiaoping (Scholar, Urban Governance and Policy, Shanghai Academy of Social Sciences), whom I had interviewed in Shanghai, observed that wages and salaries in SMEs were much lower compared to the SOEs, who enjoyed a more privileged status in the Industrial sector. There was a propensity to choose SOEs over SMEs on account of greater work stability as well as payment and social security entitlements. She stated that the level of social insurance cover for the migrant workers was abysmally low; nor did they enjoy all the five types of social security. She also echoed the views of Dr. Yapeng Zhu that the migrant workers who shifted their jobs frequently were not able to carry the employer's contribution of social insurance with them. The *hukou* system further acted as a serious constraint for the migrant workers and along with unsteady contracts, made their lives more precarious. The migrant workers in manufacturing enterprises were more concerned about their salaries rather than social security entitlements. The low - or, virtually no funding - by the local governments for the SMEs, has only accentuated the problems faced by the workers.

In his response through e-mail, Prof. Mark Frazier, Professor of Politics at the India-China Institute, the New School, New York, asserted that a generalization of the social security entitlements within the SMEs throughout China, was not tenable since the interface between the local governments and the enterprise, varied between cities, especially in the periodic inspections, reports on the payroll and social insurance contributions apart from reporting on other taxes and licenses. He was of the view that the term 'SME' did not exist in administrative or legal language within the country. Employees of informal and smaller firms were covered by the social insurance programmes for urban residents. While the 2010 Social Insurance Law provided the legal-instrumental guidance, its practice was deemed flexible. He believed that the enterprises also employed workers outside the contracts. This led to the creation of a workforce, which fell under no particular category, and was thereby treated as

informal. Furthermore, social security entitlements within each enterprise unit/factory were tied to its size, profits earned and resources at hand.

The interactions with Prof. Pun Ngai and Geoffrey Crothall of the China Labour Bulletin pertained to the rising labour conflicts and the changing attitudinal character of the workers. In my interview with Prof. Pun, she described the Labour Contract Law in practice since 2008, as a historical necessity that had emanated from the need to honour written contracts and check the short-changing by the employers. Her specific concerns were however with regard to enforcement. The younger workers presently in China were more aware of their rights and articulated their interests better than the older workers. Despite regional differences, they were able to build cross-boundary linkages and solidarities, displaying an increasing tendency to be involved in more demonstrative course of actions. The rising number of protests by the workers was linked with higher labour mobility. The perpetual movement of workers between various factories and industrial workplaces, without any rootedness to one particular place, have paradoxically, though not entirely surprisingly, imparted greater ability to confront the management. The strength and escalation of any collective action however, was dependent on the numbers mobilized and the efficacy of the demands. Prof. Pun also pointed out that the scale of protests was sharper in the Pearl River Delta in the southern part of China. While the Trade Union presence and interventions were more in the manufacturing sector, the regulatory controls in place checked their functioning. The trade union leadership in the enterprises – where they were allowed – also occupied positions within the management. The instrument of Collective Bargaining, which is significant in industrial relations, was absent in the privately owned factories and smaller enterprises in China. Collective Bargaining existed only when there was a tripartite network of negotiations between the trade union, factory management and the local state. With the trade union presence in privately owned enterprises next to nil, there was no place for collective bargaining either. Her contention was that with the predominance of Capital, labour conflicts were likely to turn sharper by the day. Since, Capital was a reality to be reconciled within China today and the state continued to encourage it willingly, the sharp rise in labour-management conflicts needs to be anticipated. One of the ways to meet this challenge, was to ensure that smaller, privately owned enterprises permitted the presence of

labour associations, or trade unions and provide them visible operational space for effective representation of workers' demands and grievances. The lack of elections and pressure from the lower levels of the All-China Federation of Trade Unions (ACFTU) on the one hand, and the stonewalling and tight control by the party-state, on the other, contributed to reinforcing the dual identity of the ACFTU in the eyes of the workers, which was seen to be rather ineffective in pushing forth their demands and achieving successes.

Mr. Geoff Crothall, whom I interviewed at the office of the *China Labour Bulletin* on 25 August 2014, believed that workers were gradually taking more interest in social security programmes than in the past. Labour relations developed in different ways, with more collective actions concentrated in Guangdong province. The managements also came up with different coping strategies. Thus, the governments of more developed provinces had more experience in dispute reconciliation and deftness in handling collective actions and labour disputes in comparison to the interior provinces. The crucial element thus was the level of economic development of the particular province. The less developed province, eager to attract investments, could adopt heavy handedness in dealing with labour conflicts. He cited the example of Guangdong, which had undergone constant labour protests and had gained sufficient experience to adopt more conciliatory and better coping maneuvers. Rather than the dormitory linkages¹³² as seen earlier, social media and smart phones had developed as an effective organizational tool for the workers in China. He also touched upon the *hukou* system that adversely affected the workers and the continuing resistance by local governments to any relaxations in the urban centres. Though liberalization of the

¹³² Most of the factories in China, especially in the industrial hub, the Pearl River Delta (PRD) in the southern coast, had dormitory facilities for the workers. The dormitories, catered to both the married and unmarried workers. "Since the migrant working class is deprived of citizenship rights to stay in the city, the state through residency controls allows labour mobility, but workers must have employment to support temporary residence. Dormitories facilitate the temporary attachment or capture of labour by the firm, but also the massive circulation of labour, and hence the holding down of wages and the extensive lengthening of the working day, as working space and living space are integrated by the employer and state" (Pun and Smith, 2007: 31). However, the workers were able to use the space to form solidarities and linkages, thus bringing to fore, the organizing capability of these dormitories. "In the dormitories, the workers – already joined to one another along gender, locality, kinship and ethnic lines – are linked to widespread networks inside and outside the workplace setting...The compression of time in the dormitory labour regime that is necessary for production also works in favour of collective worker organization by accelerating consensus-building and strategy development" (Chan and Pun, 2009: 291-292).

hukou was definitely taking place in the smaller towns and counties, it had been dragging in the bigger centres. The spurt in the operations of Labour NGOs was directly proportional to the lack of initiatives and dilution in the pro-active stance of the main trade union, which had lost much of the trust of the workers. High growth through cheap labour, which was seen as the template for China's development story, was increasingly becoming unsustainable. Though still individualized and cellular, the rising labour conflicts created serious challenges for the party-state.

Inferences and Experience Gained in the Field Work

I would now like to highlight some of my own observations from my fieldwork and interactions. To start with, while most of the managerial staff or owners were aware of the mandatory/statutory nature of the national regulations/guidelines, flexibility was paramount when it came to enforcement. While one of the owners was not even aware of the national law on social insurance/social security, the rest, despite acknowledging the overarching legal framework, pointed to the relative flexibility they had in enforcing the prevalent law regarding social security. This was dependent on either the local conditions or the level of interface of the enterprise/factory with the sub-national governments. To take this argument further, while the enterprises did refer to the monitoring and supervision by the local administration through periodic visits and checks on payroll registers, there was also a certain casualness in those references, which could be taken as bordering on a lack of seriousness regarding the monitoring mechanisms. If extended some more, this could be translated in terms of confidence in getting around the mechanisms. The national regulations/guidelines were seen as relevant for overall guidance, and the greater emphasis on 'flexibility' that was a recurring theme, is indicative of flexibilization of labour relations and concomitantly, social security. So, contracts for employing workers were never clearly explained. Along with the changing production patterns, this gave ample room to the development of *informalization* in the labour relations, and also cast shadows on the implementation of social security programmes.

In this context, social security was also operated with 'flexibility'. Social security was dependent on, or rather tied to the economic health of the factory/enterprise. If there was high turn-over or increasing profit margins, then it could percolate down to

generate greater amount of social security for the workforce. The size of the enterprise and its workforce characteristics, also determined the social security entitlements, in terms of its design and implementation. Further, there existed no uniform standard in the disbursement, since no single enterprise disseminated all the five social security programmes. While work injury/accident insurance and maternity insurance were mostly covered, pensions and medical insurance were generally avoided. There was also a tendency to earmark one lump-sum amount for the purposes of social insurance rather than separate contributions to the different programmes. The high labour mobility prevalent among the workers was often cited as a challenge in determining the social security, especially pensions. The problem related to portability of the employer's contribution while changing workplaces, was described as the factor preventing the workers from joining social security programmes. However, it could easily be seen as a convenient ruse by the management, in shirking its welfare responsibilities. The variations in social security entitlements across cities also contributed to the amorphousness in the social security system. The prevalent concerns related to segmentation as well as fragmentation of social security in China, was thus borne out in my fieldwork. Any non-salary related initiative like travel allowance for trips home during the New Year or financial support for the dependents, was also unique to particular enterprises depending upon the largesse of the management. Lack of effective institutional support was also a persistent lament from the managements of the SMEs that I visited or interacted with, which, in a way, was reflected in the fluidity of the social security system.

The SME sector in China, over two decades, has come to be dominated by private enterprises, which have proliferated; their smaller sizes, less resources, lack of institutional support and informal labour standards are having a domino effect on the social security front, resulting in fragmentation. It was also not possible for the various levels of sub-national governments to effectively supervise or monitor these factories/enterprises, due to their rapid proliferation as well as lack of requisite resources on the part of the administration.

During the fieldwork, political factors in addition to language barriers prevented direct access to the workers and thereby, interacting with them. The lack of sufficient

funds also constrained the amount of time that could be allocated to fieldwork. Hence, the number of enterprises could not be increased.

CHAPTER SIX

CONCLUSION

Debating the nature of the Chinese State has constituted one of the major academic preoccupations for scholars of China. From the imperial period to the establishment of the PRC under the leadership of the CPC, the state has figured predominantly in political, economic and social analyses. Since 1949, the centrality of the CPC, in the Chinese political system and decision-making and administrative structures, has underpinned the usage of *party-state*, as a more appropriate concept in the study of modern China. The formation of the People's Republic in 1949 under the guidance of the communist party, *liberated* China from the twin yoke of imperialism and feudalism and was an epoch making event in world history. A communist revolution and the establishment of a socialist system in a country with backward production forces – first in Russia and the China completely transformed international relations and the global balance of power. The leadership of Mao Zedong and his unique integration of Marxism-Leninism with the concrete socio-economic and political conditions in China, provided the context as well as rationale to develop and strengthen an exceptional trajectory of development, that differed from the model that was at work in the Soviet Union. The identification of the peasant and proletariat as a prime axis of the revolution, the land reforms, a strategy of economic development, which sought to industrialize the rural areas by aligning light industry with agriculture, and emphasizing the proletarian work ethic, equality, self-reliance and justice, constituted the foundations for the socialist republic. Mao's politics was aimed at developing a new political consciousness and thereby shaping the *new* man who would build the new socialist society. This goal was sought to be realized by a series of mass mobilization campaigns like Socialist Education Campaign, the GLF and GPCR through the 1950s and the 1960s.

The transition towards market reforms – termed by Deng as the “Second Revolution” - after 1978, was premised on moving away from the largely state-dominated and autarkic approach to development and gradually integrating with the world economy advancing the productive forces to build the material foundations of the economy, enhancing the living standards of the people and providing them with greater

opportunities to enrich themselves. The shift from “politics in command” to “economics in command” as defined by Deng, was further developed by his successors, as market forces came to play a larger role in shaping economic decisions. This contributed to recasting the role of the CPC as it presided over the systematic shift away from the Maoist model of socialist development and construction, the core of which was collectivization in the rural sector, the *Iron Rice Bowl* of guaranteed employment and welfare for the urban industrial sector and a regulatory state mechanism. The formulation of the ‘Primary Stage of Socialism’ at the 13th Party Congress held on 25 October-1 November 1987, encouraged diversity in forms of ownership and production and permitted leeway in prevalence of market forces. This particular economic trajectory by the party-state came at a political-ideological cost – *de-radicalization*, or in other words, a departure from the ideological commitment to *class struggle* – which by all accounts is the foundational principle of a communist party. A gradual shift from the struggle against imperialism on the external front was also witnessed as the PRC became more and more enmeshed in the globalizing economy, with its policy of opening up to the outside world. The internal costs and contradictions thereby generated were not inconsiderable, as testified in the prolonged demonstrations and protests culminating in the Tiananmen Incident in 1989. The party state however has been consistent in upholding the primacy of ‘*growth*’, which was seen as chief plank of the political legitimacy of the party-state.

The Constitution of China adopted in 1982 (with revisions in 1988, 1993, 1994 and 2004) in its Article 1 states: “The People's Republic of China is a socialist state under the people's democratic dictatorship led by the working class and based on the alliance of workers and peasants. The socialist system is the basic system of the People's Republic of China. Sabotage of the socialist system by any organization or individual is prohibited”. However, this tenet of the Constitution is at odds with the realities in contemporary China. The reform period has presided over the steady marginalization of the workers and peasants as the primary support base of the CPC, with addition of constructs like the *Theory of Three Represents* – propounded by Jiang Zemin. The CPC now also – and more importantly - represents the ‘new interests’, indicative of the changing social base of the party-state - and the need to grasp ‘new realities’. The ‘new interests’ in China are the burgeoning *nouveau rich*

and upwardly mobile middle class, beneficiaries of the high consumer growth under the market economy.¹³³ Marxism-Leninism and Mao Zedong Thought has remained more of a formal reiteration, which was in fact, overridden by later additions; the CPC's increasing privileging of the middle class' interests has not only led to the party-state becoming largely urban-centric, but also made it more of a 'managerial' entity, rather than an instrument of change. Governance is increasingly about 'skillfully' managing and/or controlling conflicts, or glossing over the cracks/challenges. This transformation of the *State* in China and rising social contradictions, tensions and conflicts – mainly in the area of labour – only serves to reinforce the widening gulf between the state and the working classes - proletariat and peasantry. The State is no longer the provider and patron of welfare – it has largely withdrawn from its responsibility as the chief sponsor and taken up more of a regulatory role. Active encouragement is given to parallel and private forces; there are increasing demands on the individual and the fact that welfare is no longer an unchallenged right for the workers, but conditioned and skewed by various factors, makes the departure from its pre-reform character more explicit and clearly irreconcilable with its constitutional characterization.

Much of the official and academic discourse around the nature of party-state in China and its prioritization of economic growth and development in the decades following the economic reforms posits it as a logical evolution and a necessary fallout of the gradual retreat of the state from the social arena. However, what we are witnessing today is a hybrid framework that is shorn of ideology and has displayed great flexibility and adaptability to evolve into what has been described by David Shambaugh, as an "eclectic state". Deng had kickstarted the process by denying any room for *class struggle* in the PRC under the leadership of the communist party - and the successive leaderships have equally cast off Mao's caution for vigilance, because

¹³³ According to the 2015 edition of the Forbes China Rich List, there are 335 billionaires in Mainland China. The minimum fortune to make the list was \$830 million. Mainland China stands behind the USA in the Forbes Billionaire List (Russell, Flannery (2015), "Inside The 2015 Forbes List Of China's 400 Richest: Facts And Figures About China's Wealthiest", *Forbes*, 28 October 2015, [Online: web] Accessed 14 July 2016, URL: <http://www.forbes.com/sites/russellflannery/2015/10/28/inside-the-2015-forbes-china-400-facts-and-figures-on-chinas-richest/#69d7a6254b7f>

it was his firm belief that classes and class struggles exist even in socialist societies and old patterns of social organization and exploitative relationships could easily make a comeback. Despite its formal description of being a socialist system, the party-state and its interface with labour in contemporary China, displays contradictory characteristics; in fact, these resemble experiences prevalent in capitalist economies that exploit labour and gives prioritize economic growth. The stress on ‘economics without politics’, which has gained currency in the aftermath of economic globalization, has not left China untouched.¹³⁴

Objectives of this Research

This thesis began with the objective of understanding the changing nature of the relationship between the *State* and *Welfare* in China with the onset of the post-1978 reforms under the stewardship of Deng Xiaoping. It aimed to examine the ideological underpinnings of and the policy framework for, the dissemination of *Welfare* in China. The research focused on the increasing role of the *market* in shaping welfare policies, the institutional response of the Chinese state and consequently its repositioning *vis-à-vis* the working class, as there was a systematic but categorical departure from the policy of the ‘Iron Rice Bowl’. A comparison with the welfare system set up in the newly established PRC under the leadership of Mao Zedong provided the historical context of this shift.

A related - and equally important - objective was to examine the shifting *priorities* of the Chinese *state vis-à-vis* welfare under the reforms, and its outcome for the socio-economic conditions of the workers or industrial laboring classes. To that end, there was a close scrutiny of the institutions involved in policy formulation and a detailed analysis of the various policies – both in terms of their framing as well their operationalization. Particular attention was given to the institutions involved in the administration and delivery of social security and welfare. In this context, case studies of the working class employed in the SMEs in the manufacturing sector were taken up.

¹³⁴ Under Xi Jinping, the new discourse of “New Normal” has been brought into focus by the party-state that seeks to make corrective measures on the economic slowdown and overheating resulting from the market-oriented growth. But that is outside the scope of this thesis.

Encapsulating the Arguments

The *Introduction* provided a conceptual framework by tracing the theoretical evolution of *Welfare*, *State* and the *Welfare State*. The premise here is that the foundations of Welfare lie within the broader category of *Justice* or rather, *Social Justice*. Emanating from the theory of Social Contract, whereby humans moved away from the ‘*State of Nature*’ to ‘Natural Law’ and entered into a contract to give up private use of force, the role of the state is conceptualized as a guarantor of individual protection. This framework rests on John Rawls’ ‘Contractarianism’, from which he evolved his Theory of Justice. For Rawls, Justice had to necessarily recognize the *Difference Principle*, whereby equality was considered essential to freedom and rights. His fundamental argument was that skills that people have, creates privileges since these are acquired socially and hence lead to differences. State intervention to rectify these inequalities, was therefore critical. The other dimension takes on board the severe and atypical physical and mental impairments that could fundamentally disadvantage people. In order to make rational choices therefore, Rawls came up with the ‘Capabilities Model’. This seeks to fill the gaps of the *social contractarian* model, by also considering the increasing interdependencies in the world. It advocates both, a respect for as well as implementation of, a set of core human entitlements, to enable people to access their mental and physical capacities by setting a threshold level for each human capability. Social goals need to be established by provisioning minimum core social entitlements. The notion of *entitlement* was put forward to characterize welfare as a *right* rather than *charity* since the opportunity to develop is central to personal freedom and autonomy, and is closely linked to self-respect and equal citizenship. The modern *State* was a historic phenomenon - a product of human association, to ensure the prevalence of order and social control, with its legitimacy being sanctioned by its citizens. The four main political-philosophical traditions - Liberalism, Liberal Democracy, Marxism and Political Sociology – have provided different analyses of the modern state and have been comparatively assessed in the Introduction. The thesis has used the Marxist and Political Sociology political-philosophical tradition.

The idea of the Welfare State - where organized power was used deliberately for modifying the play of market forces, to guarantee individuals and families a minimum income, narrowing the extent of insecurity and offering everyone best standards available without distinction of status or class - originated in Prussia under Bismarck in 1880s. The appeal of the welfare state gained momentum after World War II, with a major impetus being provided by the ideas of the economist John Maynard Keynes. While the *welfare state* triggered debates on universalism versus selective system of social services, as well as the minimalist versus interventionist conceptions of the state, it also provoked arguments on the notion of individual liberty, since a degree of coercion was implicit in the exercise of governmental power. Different models of welfare state were also seen in practice - while the Scandinavian model emphasized universalistic egalitarianism, the South-East Asian and European Models stressed equity, albeit differentially ordered (different sets of benefit for different strata of workers). Under the neo-liberal framework, the debate oscillated between the categories of universalism and residualism or minimalism. The post-1949 People's Republic of China was mainly influenced by the Soviet Union's economic and developmental model, which chiefly featured *collectivization* and *command planning*. Welfare was envisaged as a comprehensive social institution to prevent social breakdown and eliminate destitution. Work/Employment was the ordering principle in this model of welfare, with the state entrusted with the task of providing work to all able-bodied people. While social security funds in the Soviet Union were mainly financed by the state budgets, the funds of various undertakings, enterprises and collective farms were also made available. The administration of welfare was also decentralized, through the 15 Federated Republics, with each containing a Ministry of Social Security.

Chapter One analyzed the welfare discourse in post-1949 China, under the leadership of Mao Zedong. To begin with, there were efforts to emulate the East Asian experience in social welfare, which had some common features with the Chinese welfare system. This can be traced to the shared Confucian heritage and its value systems among the East Asian countries. Historically, the family had been at the centre of social relations and was mainly responsible for social protection, rather than the state. The state as well as society was shaped by Confucian values such as

hierarchy, duty, compliance, consensus, order, harmony and stability. This legacy underpinned the actions of the modern state in promoting private philanthropy by encouraging non-state agencies like NGOs, community groups, charity organizations and informal associations other than families, to be involved in welfare dissemination. Apart from being a retreat from financial obligations, welfare, in the East Asian context, was subordinated to economic growth and thus, became residual or minimalist. This was termed as 'Productivist Welfare'.

The PRC also drew upon its own history - collective social welfare measures had their origins in the imperial period, with a multitude of family groups forming the basic unit of the social, economic and political structure, conditioned by filial piety. Mao Zedong's economic and political visions of proletarian work ethic, social justice, mutual aid and collective spirit, along with virtues of diligence, frugality, thrift, and self-reliance, were reflected in the post-1949 social welfare programmes. Socialist construction (*shehui jianshe*) was at the heart of policymaking. Equality - distinguished from egalitarianism - and building a *just* society were the cornerstones of the Maoist development model, laying emphasis on moral incentives rather than material incentives. Human will and correct political consciousness were lauded. Welfare disbursement was undertaken under careful scrutiny, to prevent it from going to the undeserving and those with wrong antecedents. Popularized as the 'Iron Rice Bowl', the administration of welfare after 1949 was largely based on employment and urban welfare was concentrated around the *danwei* or work-unit, within each enterprise. These work units, providing job security and a range of welfare benefits, functioned as a mini-welfare state, covering the needs of the workers. The *danwei* became the pivotal mediating institution between the state and the individual. A Labour Insurance programme comprised the core of the welfare system, where the work-units in conjunction with the All-China Federation of Trade Unions (ACFTU) provided a range of welfare activities to the insured workers and their families like pensions, occupational injury insurance, free medical care, maternity leave and other expenses. To disburse welfare to those who did not fall within the coverage of *danwei*-based programmes, a community-based welfare programme was practiced. While it was initially focussed on employing the unemployed and mobilizing local neighbourhoods and local clan networks, these community-based programmes

became quasi-administrative mass organizations that were integrated and self-sustaining. They devolved into levels of municipalities-districts, streets, neighbourhoods and residents' groups. Apart from these programmes, there were also initiatives and delivery mechanisms for the Aged, Differently Abled, Needy Families, Unemployed and Children-Youth. The two mass mobilization campaigns of the late 1950s and 1960s, the GLF and the GPCR also led to modifications in the administration, personnel and policies of the welfare programmes. In sum, the approach to welfare in the Mao period was informed by the pre-eminence given to work/employment/labor and was thus tied to the workplace.

Chapter Two analyzed the market reforms and its impact on welfare in the Deng Xiaoping era. The instability and chaos caused by the GPCR primarily affected the CPC and shook the leadership at the highest levels. Despite having been purged twice in the factional battles within the party, Deng Xiaoping gradually built his support base and rose to the top echelons of the CPC leadership, gaining popularity and control. The Third Plenum of the Eleventh Central Committee of the CPC in 1978 marked the historic turning point, following which fundamental and far-reaching economic reforms were initiated. While Deng's reforms cumulatively amounted to taking the 'capitalist road' criticized by Mao, he also advocated the 'four cardinal principles' – "keeping to the socialist road", "upholding the dictatorship of the proletariat", "upholding the leadership of the communist party", and "upholding Marxism-Leninism and Mao Zedong Thought" - whereby a strong and united leadership of the CPC under the banner socialism, was a critical essential requirement to guide China on the reform path. Through various speeches and talks, Deng called for rejecting dogmatism and rigidity, as well as open the doors to the outside world to learn good ideas for economic development and modernization. Learning from the experiments of market socialism in the planned economies of East Europe – especially Hungary – China adopted the incremental or gradualist path to reforms, which he described as 'crossing the river by feeling for the stones'. The first phase of the reforms were initiated in agriculture and industry, along with opening up select parts and sectors of the country to foreign investment. While the initial phase of reforms (1979-1985) produced remarkable results in spurring production and raising the economic levels, there were also signs of over-heating, resulting in over-

investment in capital construction, rampant commercial speculation, and rising inflation, with spiraling of the prices of food and consumer products in the face of rising demand. The slowing down of the economy also raised debates within the party, with factional politics gaining ground. There was also a rise in the discontentment among the urban populace, especially students and workers disadvantaged by the reforms. The dissatisfaction led to prolonged protests and demonstrations on Tiananmen Square during the summer of 1989, which culminated in the State having to quell the protests forcefully. The incident prompted the party-state to give a tactical pause to the reforms, in order to make proper assessments before re-launching the reforms yet again, illustrated by Deng's tour of the Southern provinces in 1992.

The welfare and social security sector were drastically affected by the market reforms, as the process of de-Collectivization of the rural sector got underway and the 'Iron Rice Bowl' in the industrial sector was systematically dismantled, with 'efficiency', 'competition' and 'profits' becoming the guiding logic. The influence of market forces was also reflected in the state's encouragement of non-state actors like NGOs, community groups, charity organizations, and families to take up welfare responsibilities, in addition to the Ministry of Human Resources and Social Security and its departments at the provincial and sub-provincial levels. Focussing on creating social stability, there was an increased emphasis on constructing safety-nets, to ensure public provisioning of a minimum level of entitlement to social support or assistance. The changes were visible in the organization and management of funding patterns, wherein there was considerable devolution. Instead of state allocations and collective funding by central and local governments, multiple channels or diverse sources of funding like levies and contributions from the people, donations and income generation by service units, were devised and implemented. Monetization through auctions, welfare lotteries and designated charity funds were all mechanisms to create resources for welfare activities. Thus, the Chinese welfare system under the market logic also prioritized the urban areas and was employment-centric.

Under the strategy of urbanization of the 1980s, welfare in cities was stringently ordered through the *Hukou* system of registration. The urban welfare system was also

put under experimentation with pilot projects being encouraged to look into the aspects of cost-sharing. One of the significant welfare measures in cities was the introduction of the *Minimum Living Standard Guarantee System* throughout the country in 1997. Self-managed Street Offices and Residents' Committees functioning under the administrative district were the administrative mechanisms for welfare disbursement in the cities. Employment-based social security continued to be the most prominent component of the Chinese welfare paradigm, despite the dismantling of the Iron Rice Bowl system. The main five pillars of Chinese social security – Old-Age Insurance (Pensions), Medical Insurance, Work-Injury Insurance, Unemployment Insurance and Maternity Insurance – also underwent reforms, with differentiation in employment relations under market reforms and increased labour mobility, altering the production patterns, leading to introduction of labour contracts, and initiation of regulations on dismissals, recruitment and bankruptcy. Reforms in housing were also encompassed within these changes. Experiments and innovations were carried out at provincial levels to work out various mechanisms of social security disbursements. There was a continuous restructuring of the welfare programmes based on local variances and experiences, in order to move towards a national law on social insurance.

The thesis focuses on industrial workers and their location in the new market-oriented welfare narrative. Given the intertwined nature of labour and welfare, the changes in the labour market also affected the provisioning of welfare. *Chapter Three* therefore examined the party-state's institutional responses in terms of laws, regulations, restructuring of administrative agencies and mechanisms, and new policies with regard to welfare. The dismantling of the Iron Rice Bowl, essentially a system of guaranteed employment, was seen as a necessary step to improve labour mobility. Labour contracts were introduced to address the under-utilization of labour within enterprises ('disguised unemployment'). While the ministries of Civil Affairs, Health, Education and Construction were involved in welfare programmes, the pivotal institution of the state in social security and welfare administration was the Ministry of Human Resources and Social Security (MOHRSS). Earlier known as the Ministry of Labour and Personnel, which was established in 1982, in 2008 it was rechristened as MOHRSS, after the merger of Ministry of Personnel and Ministry of Labour and Social Security. Social management and public service were the two main areas in

which the functions of MOHRSS were concentrated. The structure and functioning of the MOHRSS was decentralized, flowing down to provincial, prefecture, county, township, street and neighbourhood committees. Social Insurance, involving the five-pillars namely, Old-Age Insurance (Pensions), Medical Insurance, Work-Injury Insurance, Unemployment Insurance, and Maternity Insurance - was the distinguishing feature of the Social Security system in the country, as it evolved through 1990s and 2000s.

Even though the 1995 Labour Law acted as the precursor for a national law on social security, the definitive legislative mechanism guiding the enforcement of the social security for industrial labour was the Social Insurance Law (SIL) promulgated in 2010. The SIL spelt out the basic framework, principles and schemes of the social insurance system, including the schemes of old-age insurance, medical insurance, unemployment insurance, work-injury insurance and maternity insurance. The provision of financial resources and supervision of nationwide social insurance was jointly undertaken by the Ministry of Finance and MOHRSS, whereby the Department of Human Resources and Social Security put in place a social insurance agency at provincial and sub-provincial levels. Apart from this law, all the five mandatory social insurance programmes were also disseminated through various guidelines of relevant ministries, notifications of the State Council, and related circulars, issued from time to time to time. These programmes, especially old-age insurance and medical insurance operated through participatory mechanisms, where designated premiums were contributed on a monthly basis by both the employer and employee, which was later taken into a social pool. The government's share was often minimum, and they stepped in, only if there was an emergency. The signing of a labour contract was essential for availing or participating in social insurance. But there were problems in the delivery mechanism. Due to understaffing and lack of adequate resources on the part of the government, the necessary documentation and maintenance of accurate records of all those participating in various insurance programmes and premium payments has not been achieved. There are also issues regarding timely payment of benefits, establishment of social insurance agencies in planning areas and further expansions in terms of coverage, benefits and redressal mechanisms.

The enterprise reforms of 1983, that led to the introduction of labour contracts, bonuses and other material incentives, along with autonomy and power to enterprise managements for hiring/firing workers, brought about *flexibilization* and *informalization* of labour relations. Formal enterprises/factories also created space for the operation of informal employment. Non-full time, temporary, seasonal and casual work gained ground, especially in the services sector. Intricately linked to this was *destatification*, or the reduction of the state's direct regulatory role. The 1995 Labour Law regulated labour relations and established a tripartite framework between the employer, worker and the trade union in this regard. Stipulating various measures on labour contracts, the law also had various regulations on minimum wages, holidays for workers and restrictions on the employers' power to dismiss workers, even while providing flexibility for employers to act according to economic situations. The 1993 Trade Union Law, along with the Labour Contract Law, Law of Labour Dispute Mediation and Arbitration and Employment Promotion Law - all passed in 2007 – supplemented the Labour Law in governing labour relations in China.

A burgeoning migrant workforce flowing into China's urban centres during the reform period is a key addition to the labour narrative in China. The migrant workers were mainly employed in the manufacturing, construction and services sector. The emergence of the SMEs, resulting from the diversification of production and encouraged actively by the state, witnessed significant absorption of the migrant workers. Even though these workers found employment, they were marginalized from accessing welfare services and provisions in the urban centres, due to the system of registration - *Hukou*. Different experimental models existed in different cities and provinces to provide social security and welfare to the migrant workers; however, much of these could not translated into a comprehensive, universal coverage at the national level.

The emerging debates on welfare and the role of the primary trade union in labour relations in the context of the socio-economic transformation of the country, is studied in *Chapter Four*. The linkage between labour and social security also needs to be aligned with the question of governance, which brings up issues of stability, order and legitimacy. The building of a 'harmonious society' espoused during the Hu Jintao-

Wen Jiabao era, Stemmed from these concerns. Within the larger framework of a 'harmonious society' was embedded the strategy of 'Social Management' (*shehui guanli*). This was adopted from the sub-discipline of Public Management and combined a *neoliberal* emphasis on the autonomy of the public sector with the Leninist emphasis on the leading role of the party and government. It was aimed at extending the scope of the administrative apparatus of formal government beyond the binaries of public and private sectors, to include service units, mass organizations, community organizations, charitable foundations, popular as well as professional associations and other non-governmental, non-profit organizations. In the context of the rising tensions and conflicts emanating from the highly uneven and iniquitous growth story, the strategy of governance was broadened to encompass the 'management of the society'. Apart from extending governance boundaries, the disposition of social management also in some ways, depoliticized conflicts of opinions or interests. In line with this thought process, was the party-state's consistent emphasis on 'rule of law'.

The promulgation of the Labour Contract Law in 2008 was one such measure in the direction of the 'rule of law'. The Labour Contract Law was brought in to plug the loopholes in the 1995 Labour Law. The initial draft of the law released in 2006, received with much enthusiasm by the ordinary workers, employers, social organizations and academia, who welcomed it and sent in their responses, comments and suggestions. However, following concerns from industrial and business associations, it was watered down. The law was aimed at giving primacy to written labour contracts, limiting probation period, curbing labour dispatch, provisioning labour supervision/inspection and creating a unified social security system. Even as the law was sound and covered good ground, the circumvention and indifference from enterprise managements, especially those in the private enterprises and SMEs stymied the good intentions.

Given the increasing promotion of the SMEs by the party-state to supplement the public economy, expand employment opportunities and stimulate individual entrepreneurship, an *informalization* induced by market reforms has appeared. This informalization has also been reflected in the labour relations, wherein a regimented

work ethic and disciplinarian attitudes have developed in enterprises, with the management exercising greater powers. In such a scenario, there has been relative marginalization of the workers, who have been subjected to the flexible labour conditions and informal work patterns. This has led to sharpened conflicts, protests and resistance by the workers. The Labour Contract Law and other legal avenues like individual arbitration were brought forth to harness conflict within a legal framework, by channelling anger away from direct labour militancy. The legal absorption of the conflicts created a space for channelizing the anger and frustrations of the workers. In this entire spectrum, the ‘double identity’ dilemma of the primary trade union, the ACFTU - whether to act on the party-state’s mandate to provide assistance in enhancing production, or to fully represent an increasingly differentiated and diffused workforce – posed a huge challenge. Furthermore, since the trade union leadership at the enterprise level was part of the management structure, this also affected their perception by the workers, as to whether they genuinely represented the latter’s interests. It is difficult to generalize the ACFTU’s position as that of complete inaction, as there was ambivalence at the sub-provincial levels, with the trade unions making positive interventions. However, on the other hand, there were also instances of the official trade union siding with the management and making efforts to defuse struggles/protests by the workers. To further compound matters, many SMEs including the foreign-invested and labour-intensive ones, lacked proper functioning trade unions. The ACFTU’s lack of reach amongst the migrant workers is another plaguing weakness. Within this overall dynamics of labour, social security and welfare has been conditioned by *informality* and *flexibility*, with possibilities of the emergence of ‘flexicurity’ – the interconnection of flexibility and job security. It meant working towards ensuring favourable conditions of alternate employment at a faster pace and creation of minimal ‘safety-nets’ *vis-à-vis* welfare.

Chapter Five was based on the fieldwork carried out in factories/enterprises in China, in August-September 2013 and was largely through questionnaires. A total of eight factories/enterprises were incorporated in the fieldwork; three of them were personally visited and the remaining five corresponded through e-mail. Seven of these enterprises were involved in manufacturing, while a service sector firm was added as a supplement. Apart from the visits to the enterprises, interactions were also

undertaken with scholars and interest groups working in the area of labour and social policy. Some key questions that were part of the case-study investigation were: the dynamics between national laws on social insurance and their local practices, operation of social security at factory/enterprise level and the nuances in practice, and the scale of interface between the local government and the factory/enterprise in monitoring/supervision of labour relations and social security entitlements. Flexibility and autonomy were oft-repeated words, with regard to enforcement. Even though there was acknowledgment of the existence of a national law on social insurance, the enterprise managements were extremely flexible in practice. The amount of such flexibility depended on either the local conditions or the level of interface of the enterprise/factory with the local governments. The recurring theme of 'flexibility' could be illustrated by the lack of clarity in responses to questions regarding employment contracts from most of the managements who were interviewed. The development of informalization and flexibility in the labour relations was also reflected in the disbursement of social security measures, which was tied to the economic health of the factory/enterprise. Therefore, the levels and extent of social security implemented within an enterprise depended upon its scale of turn-over or profit margins. The size of the enterprise and its workforce characteristics also served as determining factors in social security programmes, both in terms of planning and implementation. Furthermore, there existed no uniform standard in the disbursement of the various social insurances within each factory/enterprise, as not all the five social security programmes were disseminated together. Enterprise managements often cited the high mobility of the workforce as a formidable challenge in providing social security - especially old-age insurance. Most of the managements also used it as an excuse to be lackadaisical in provisioning and disbursing social security. The ambiguity in dealing with social security entitlements also imparted an amorphous character to the social security system, as there were explicit variances in different workplaces.

Assessment

Following the establishment of the People's Republic in 1949, China followed the Soviet model in charting out its developmental trajectory; Command Planning, focussed on heavy industries was adopted from the Soviet experience. The operation

of social welfare was also initially drawn from the experiences in USSR, with the model of welfare that was adopted being employment based/workplace centric; ensuring work for all the able bodied people was given primacy. Pooling in workers of each work unit, the trade union was the body chosen to take care of the welfare needs of people. Other than the employment based welfare programmes, people who were poor and had special needs were identified by the state for providing support. Decentralization of welfare administration was carried out in both the urban and rural areas, so that relief and income support could be undertaken properly. However, the wider expansion of welfare mechanism in the Maoist period was severely constrained by the lack of resources, as the CPC had inherited a war-ravaged and underdeveloped, semi-feudal semi-capitalist economy at the time of the establishment of the PRC. The various experiments, including GLF and GPCR, while having a strong political-ideological orientation, were also efforts to build financial resources and capital through self-reliance, for economic wherewithal and ensure the wellbeing of the country's population. The lack of a sound and stronger material base for the country's economy meant that various policies including those of welfare, worked under limitations, unable to expand and increase the number of recipients/beneficiaries. The post-1978 economic reforms undertaken under the helm of Deng Xiaoping - that introduced market as a guiding phenomenon - were to raise the material wealth of the people and provide incentives to the workforce.

The "Reform and Opening Up" strategy, apart from invigorating agriculture and industry, also laid ground for the entry of FDI and made China attractive for foreign capital. While begun in incremental and gradualist fashion, the reforms gathered more force in the years after the Tiananmen Incident on 4 June 1989. In the backdrop of more than three-decades of market reforms, the party-state, on the one hand moved in the direction of 'rule of law' by strengthening the legislative framework and promulgating laws on labour relations and welfare, thereby seeking the legal route to resolve conflicts and prevent instability. Along with the laws providing weight, there were dedicated institutions to administer welfare – the Ministry of Human Resources and Social Security, its decentralized administrative structure at the local levels and social security bureaus. On the other hand, by encouraging multiple actors like NGOs, independent agencies, community groups, charity organizations, commercial

operators and other philanthropic entities to establish themselves alongside state administration, as alternative sources of social protection, the party-state has also demonstrated a tendency to move away from its direct regulatory role. The ‘withdrawal’ of the state is reflected in the inadequate financial allocations and resources for the administration and dissemination of welfare. Furthermore, there is lack of efficiency in the delivery of welfare, along with inadequate information systems and poorly trained staff. Though, philanthropy can fill the existing gaps in welfare delivery and induce innovation in services, it cannot substitute long-term publicly funded services, which have a greater reach, are properly planned and have greater stability and legitimacy. Thus, there is a strong requirement for the party-state to be hands-on in ensuring and enforcing social security and welfare, rather than being merely an enabler or facilitator.

The rising number of protests in the labour arena in China presents a significant challenge for the party-state. With a diversified industrial sector and an equally diversified as well as aspirational workforce, the party-state cannot address the rising conflicts by only by relying on legislations like the Trade Union Law, Labour Contract Law and Law of Arbitration. A key measure would be to reinvigorate the primary trade union, the ACFTU. Labour NGOs or other support groups cannot be expected to replace the trade unions and fulfill the responsibilities of the latter. The party-state needs to be more forthcoming in providing the required operational space for the trade union, even while keeping the umbilical cord intact. The need for establishing unions and making positive and timely interventions in the SMEs is an urgent task to be fulfilled by the ACFTU. This is all the more important, as despite the proliferation of the private SMEs, their smaller sizes, and informal labour standards, have resulted in the fragmentation and amorphous/ambiguous application of social security; it impossible for the various levels of local governments to effectively supervise or monitor these factories/enterprises without the requisite resources - human and monetary. Equally, substantive ways need to be found in reaching out to the migrant workers in China’s urban centres.

This thesis was based on three hypotheses: 1) The nature of the welfare system is primarily shaped and determined by state objectives, in the context of Market Reforms; 2) institutional responses to welfare in China since the late 1980s have been

underpinned by the aspect of stability rather than any fundamental social transformation; 3) the post-Tiananmen Welfare System in China was not driven by the objective of ensuring the primacy of the working class in society. After a careful study based on a detailed examination and study of the primary documents, a critical study of the secondary sources and a careful analysis of the data gathered in the course of the fieldwork, all the three hypotheses have been verified as correct.

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9/9/13

Huaye Properties, Tianjin (Manufacturer of Boxes
for Conductors, Car
wheels)
- Mr. Zhang Zhikuan

SME

中小企业情况

调查表

Questionnaire

1)

The name of the unit

公司名称: 天津市华野木业有限公司

Address

地址: 天津市西青区杨柳青西河闸院内

Products

产品: 木质包装箱, 托盘

2)

The full name of the person who is answering

填表人全名: 张志宽

His/her designation

工作职位: 厂长

Address

地址:

Email

电子邮件:

wanda bao zhugang @ 163. com

3)

What the SME manufactures

您的企业生产哪种产品: 木箱

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况, 多年来的生产数量的变化:

越来越多

changes and level operations

您企业的业务层面的变化:

Target market

目标市场:

5)

欧洲. 韩国. 印度.

staff profile

员工简况:

Total Number of Workers

员工总数:

35.

Number of Local workers/Percentage

本地员工数量/比例:

10/35

Number of Migrant workers/Percentage

流动工人数量/比例:

25/35.

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何（流动工人被指定的工作和本地员工被指定的工作）:

No.

6)

Number of Male workers

男员工数量:

32.

Number of female workers

女员工数量:

2.

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话;

No. different

Nature of work of male workers

男员工工作性质:

making box.

Nature of work of female workers

女员工工作性质:

7)

Annual/Monthly/Quarterly turn-over

公司营业额（分为 年/月/季度）:

Profits

公司利润:

定好

8)

Salary Amount of the Workers

员工工资:

3000元/月 ~ 3500元/月 (P/M)

Possible differentiation between the local workers and migrant workers

本地工人工资跟流动工人工资有差异的话:

No different.

本地工人工资:

流动工人工资:

9)

Residence facilities of the workers

员工的居住条件:

在厂里住

Residence facilities for migrant workers

流动工人的居住条件:

Same with the.

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话公司提供通勤安排吗? :

没有.

10)

Medical facilities available on the work site

工作地点的有效医疗配置:

没有.

Sanctioned leave/holidays for the workers;

员工的休假:

20天 . without paid.

Concessions for the female workers

女性员工的优待:

没有.

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件:

有的有长期合同

For migrant workers

流动工人跟公司的合同种类/条件:

有的有短期合同

12)

Fixed baseline quota of work

固定的工作基线配额:

Incentives/perks/bonuses for the extra work

激励/福利/奖金为额外的工作:

30% 的工作奖励

Nature of extra work

额外的工作性质:

记件工资

谢谢您的配合

THANKS FOR YOUR COOPERATION

Social Security in Small and Medium Enterprises
中小企业的社会保障

90% 进口. 韩印德.

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

关于员工社会保障, 国有企业和中小企业有什么区别?

国有企业更全面. 福利更多.

中小企业. 只是法律强制的.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

有什么法律条文管理中小企业里员工的社会保障?

很多. 法律条文. 全国通用的. 有灵活掌握.

3. Are these laws compulsory?

这些法律条文是强制性的吗?

是.

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

这些法律规定是义务的、强制性的, 还是企业只是把它们作为一个参考, 在实施这些法律条文的时候有一定的灵活性?

灵活性.

5. How does Social Security operate in both government-funded and self-sustaining SME units?

在政府资助的中小企业和私人自营的中小企业里, 社会保障实行情况如何?

没有任何的政府资助.

6. Does your SME unit has both permanent and contract employees/workers? If yes:

你们的企业里有永久性员工和合同工两种雇佣性质的员工吗? 如果是的:

根据.

没有永久性员工. 所有都是雇佣性质.

10 本地天津
25 外地员工

(a) Are the rules different? 公司的规章制度对于这两种性质的员工相同的吗?

all the same.

(b) Are monetary benefits different? 他们工资一样的吗?

大: 5天做一个.

记件工. 根据工作年限和技术确定.

7. How are the relations between permanent employees and contract employees?

永久性员工和合同工之间的相处关系如何?

中: 7~8 } 120~130.

小: 10~12 } 90~100

8. What is the percentage of migrant workers in your SME unit?

你们企业里外地工人的比例占多少?

25/35

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

对外地工人的社会保障政策和福利与本地工人相同吗?

误工费
起诉费

相同的. 根据法律要求.

10. If the number of migrant workers is significant, do they get: 如果外地工人的数量很多, 他们有:

(a) Travel Allowance during trip back home during festivities 春节回家期间有旅行津贴吗?

路费报销.

(b) Medical Insurance 医疗保险?

有

(c) Accident/Work Injury Insurance 意外保险/工伤保险?

有.

(d) Maternity and Unemployment benefits 孕妇福利和失业救济?

没有.

11. What is the structure and model of: 以下几点的基本构成是怎么样的:

(a) Pensions 养老金 ^{所有的} 单位 500元, 个人 200.

(b) Medical Insurance and Social Insurance 医疗保险和社会保险

(c) Unemployment Benefits 失业救济

No.

(d) Maternity Insurance and benefits 孕妇保险和福利

No.

(e) Any other schemes that may be available

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

在社会保障方面, 中小企业和省/地方政府之间如何协调的?

没有关系.

13. Does the provincial/local government exercise any economic or political control?

省/地方政府有对中小企业实行任何经济和政治控制吗?

每个月报表到劳动局.

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

省/地方政府有什么机制来监督中小企业是否按照规章来实施社会保障?

上访与投诉到劳动局.

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

省/地方政府会定期到企业进行检查吗? 企业要定期整理社保报告上交吗?

是

是

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

中央政府, 特别是人力资源和社会保障部在这整个过程中起到什么作用? 是总指挥的作用吗?

学习过相关法律.

没有感到任何影响.

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

社保制度是不是也照顾到员工的家属? 有针对家属方面的福利项目吗?

特殊情况的员工. 支付家属教育费

18. What are the significant challenges for both the government and SME units regarding Social Security?

关于社保政策, 对政府和中小企业有什么挑战?

没有. 中小企业提供保险会增加员工积极性.

Andy Gao
Reggie Int'l Freight
Forwarder Co. Ltd.
Tianjin

SME

中小企业情况

调查表

Questionnaire

1)

The name of the unit

公司名称: 天津瑞平东方国际货运代理有限公司

Address

地址: 天津市河西区马场道59号天津国际经济贸易中心A座
2907B

Products

产品: FORWARDER

2)

The full name of the person who is answering

填表人全名: Andy

His/her designation

工作职位: Manage

Address

地址:

Email

电子邮件: andy_gao@reaping.net

3)

What the SME manufactures

您的企业生产哪种产品: 服务业

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况, 多年来的生产数量的变化:

降低了很多. 50%

changes and level operations

您企业的业务层面的变化:

Target market

目标市场:

全球, 印度和美国.

5)

staff profile

员工简况:

50% 外来员工.

Total Number of Workers

员工总数:

20.

50% 本地员工.

Number of Local workers/Percentage

本地员工数量/比例:

50%

Number of Migrant workers/Percentage

流动工人数量/比例:

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何（流动工人被指定的工作和本地员工被指定的工作）:

没有区别

6)

Number of Male workers

男员工数量:

50%

Number of female workers

女员工数量:

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话;

没有. 一样的

*** Nature of work of male workers**

男员工工作性质:

*** Nature of work of female workers**

女员工工作性质:

7)

Annual/Monthly/Quarterly turn-over

公司营业额（分为 年/月/季度）:

很大.

Profits

公司利润:

20万

8)

Salary Amount of the Workers

员工工资:

1700元/日.

Possible differentiation between the local workers and migrant workers

本地工人工资跟流动工人工资有差异的话: 没有. 工资/保险

本地工人工资:

流动工人工资:

9)

Residence facilities of the workers

员工的居住条件:

由员工自身决定. 自己选择居住地.

Residence facilities for migrant workers

流动工人的居住条件:

同上.

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话公司提供通勤安排吗?: 不会

10)

Medical facilities available on the work site

工作地点的有效医疗配置:

不会.

Sanctioned leave/holidays for the workers;

员工的休假:

法定假期.

Concessions for the female workers

女性员工的优待:

产假.

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件:

For migrant workers

流动工人跟公司的合同种类/条件:

是相同的

12)

Fixed baseline quota of work

固定的工作基线配额:

8 hour/per day. 没有加班. 不可以加班.

Incentives/perks/bonuses for the extra work

激励/福利/奖金为额外的工作: 有提成,

Nature of extra work

额外的工作性质:

感谢您的配合

THANKS FOR YOUR COOPERATION

Social Security in Small and Medium Enterprises

中小企业的社会保障

Andy Gao
Reaping Int'l Freight
Founders G.L.H.
Tianjin

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

关于员工社会保障，国有企业和中小企业有什么区别？

没有。

2. What are the laws that govern Social Security in Small and Medium Enterprises?

有什么法律条文管理中小企业里员工的社会保障？

劳动法。

3. Are these laws compulsory?

这些法律条文是强制性的吗？

有。劳动法的规定是强制性的。

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

这些法律规定是义务的、强制性的，还是企业只是把它们作为一个参考，在实施这些法律条文的时候有一定的灵活性？

是强制性的，有很少的灵活性。

5. How does Social Security operate in both government-funded and self-sustaining SME units?

在政府资助的中小企业和私人自营的中小企业里，社会保障实行情况如何？

严格执行

6. Does your SME unit has both permanent and contract employees/workers? If yes:

你们的企业里有永久性员工和合同工两种雇佣性质的员工吗？如果是的：

都是合同工。

- (a) Are the rules different? 公司的规章制度对于这两种性质的员工相同的吗？

不存在。

- (b) Are monetary benefits different? 他们工资一样的吗？

7. How are the relations between permanent employees and contract employees?

永久性员工和合同工之间的相处关系如何？

8. What is the percentage of migrant workers in your SME unit?

你们企业里外地工人的比例占多少？

up 50%

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

对外地工人的社会保障政策和福利与本地工人相同吗？

没有区别。

10. If the number of migrant workers is significant, do they get: 如果外地工人的数量很多, 他们有:

(a) Travel Allowance during trip back home during festivities 春节回家期间有旅行津贴吗?

没有, 有假期. 没有法律强制的.

(b) Medical Insurance 医疗保险?

有 have.

(c) Accident/Work Injury Insurance 意外保险/工伤保险?

有

(d) Maternity and Unemployment benefits 孕妇福利和失业救济?

有.

11. What is the structure and model of: 以下几点的基本构成是怎么样的:

a b c d.

(a) Pensions 养老金

(b) Medical Insurance and Social Insurance 医疗保险和社会保险

(c) Unemployment Benefits 失业救济

(d) Maternity Insurance and benefits 孕妇保险和福利

(e) Any other schemes that may be available

住房公积金.

4 month. with salary.

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

在社会保障方面, 中小企业和省/地方政府之间如何协调的?

跟据地方政府的要求.

13. Does the provincial/local government exercise any economic or political control?

省/地方政府有对中小企业实行任何经济和政治控制吗?

有. 法律要求.

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

省/地方政府有什么机制来监督中小企业是否按照规章来实施社会保障?

有时常检查.

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

省/地方政府会定期到企业进行检查吗? 企业要定期整理社保报告上交吗?

会.

会定期上交.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

中央政府, 特别是人力资源和社会保障部在这整个过程中起到什么作用? 是总指挥的作用吗?

没有用, 不知道, 没有接触.

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

社保制度是不是也照顾到员工的家属? 有针对家属方面的福利项目吗?

会, 比如住房公积金。没有.

18. What are the significant challenges for both the government and SME units regarding Social Security?

关于社保政策, 对政府和中小企业有什么挑战?

习惯了, 必须做的.

Social Security in Small and Medium Enterprises

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

There is no big difference between State-Owned Enterprises and Small and Medium Enterprises. Because there is a compulsory lowest social security regulated by the government, no matter State-Owned Enterprises or SME need to guarantee lowest social security. Of course, normally State-Owned Enterprises will offer more than the compulsory social security limit to their employees. For some SMES, considering their own profits, they will just offer the compulsory social security limit to their employees.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

The Labor Law of the People's Republic of China

3. Are these laws compulsory?

Yes.

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

Yes, these laws are mandatory and without flexibility for the enterprises in implementing them. The government will go to the enterprises periodically to check how many employees they have, the enterprises can not miss social security of any of their employees. Meanwhile, the employees here know how to protect themselves, if the SME do not guarantee their lowest social security, the employees will accuse the employers of not paying for their social security.

5. How does Social Security operate in both government-funded and self-sustaining SME units?

According to the Chinese related regulation, if the employees signed contract with government-funded and self-sustaining SME units, both of them need to guarantee their employees the lowest social security.

6. Does your SME unit has both permanent and contract employees/workers? If yes:

We only have contract employees/workers.

(a) Are the rules different?

(b) Are monetary benefits different?

7. How are the relations between permanent employees and contract employees?

-

8. What is the percentage of migrant workers in your SME unit?

80%-90%

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

Yes.

10. If the number of migrant workers is significant, do they get:

(a) Travel Allowance during trip back home during festivities No.

(b) Medical Insurance Yes.

(c) Accident/Work Injury Insurance Yes.

(d) Maternity and Unemployment benefits Yes.

11. What is the structure and model of:

(a) Pensions - No

(b) Medical Insurance and Social Insurance -

(c) Unemployment Benefits - NO

(d) Maternity Insurance and benefits - Flexible

(e) Any other schemes that may be available
Housing accumulation fund.

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

There is no interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security. Both of them are ruled mandatorily by the National government.

13. Does the provincial/local government exercise any economic or political control?

Of course yes. Different ministrations will supervise the SME units on different parts, for example: labor ministration, tax ministration, environment protection ministration, etc.

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

Labor supervision committee will supervise/monitor the compliance of measures on social security in the SME unit.

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

Yes.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

Before, for the staffs working in the institutions, social security schemes will also take care of their families. The institutions will pay the medical insurance for the children of their staffs and also will offer some aid allowances to some poor families periodically.

18. What are the significant challenges for both the government and SME units regarding Social Security?

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SME

中小企业情况

调查表

Questionnaire

1)

The name of the unit

公司名称 : Yajie Kitchen Cabinets, Shanghai

Address

地址 :

Products

产品 : Kitchen Cabinets

2)

The full name of the person who is answering

填表人全名 : Ms. Hu Mengliu

His/her designation

工作职位 : Executive Manager

Address

地址 :

Email

电子邮件 :

3)

What the SME manufactures

您的企业生产哪种产品：

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况, 多年来的生产数量的变化：

changes and level operations

您企业的业务层面的变化：

Largely export based operation, different from the start

Target market

目标市场：

Mainly Europe

5)

staff profile

员工简况：

Total Number of Workers

员工总数：

150-200

Number of Local workers/Percentage

本地员工数量/比例：

80%

Number of Migrant workers/Percentage

流动工人数量/比例：

20%

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何 (流动工人被指定的工作和本地员工被指定的工作)：

Factory: 115-120 people; packing: 10; Manager and staff 10; transport and logistics 10;

6)

Number of Male workers

男员工数量：

120 approx

Number of female workers

女员工数量：

40

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话；

No, same for everyone

Nature of work of male workers

男员工工作性质：

Heavy machines

Nature of work of female workers

女员工工作性质：

No such difference, but we ask light work and not big machines

7)

Annual/Monthly/Quarterly turn-over

公司营业额（分为 年/月/季度）：

300 ml. RMB

Profits

公司利润：

Not too much, say about 40 ml. RMB

8)

Salary Amount of the Workers

员工工资：

Average 3000 RMB/month

Possible differentiation between the local workers and migrant workers

本地工人工资跟流动工人工资有差异的话；

They work mostly in the factory, the office staff is from local. Factory workers can be found easily and led off without problem

本地工人工资：

流动工人工资：

9)

Residence facilities of the workers

员工的居住条件：

Medical

Residence facilities for migrant workers

流动工人的居住条件：

No

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话公司提供通勤安排吗？：no

10)

Medical facilities available on the work site

工作地点的有效医疗配置：

right

Sanctioned leave/holidays for the workers;

员工的休假：

5 for desk staff, and no holidays except national holidays. 5 leaves + the gov. decided holidays. Such holidays are not fixed but usually 6 days for mid-autumn and spring festivals, 3 for Labour Day Celebrations and 6 holidays for October. Also, if units employ workers on these national holidays the workers need to paid double wages.

Concessions for the female workers

女性员工的优待：

Women workers are not given any priorities unless the same is felt by the management. Medical facilities are given to female workers.

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件：

Annual

For migrant workers

流动工人跟公司的合同种类/条件：

12)

Fixed baseline quota of work

固定的工作基线配额：

Upto 2000 RMB/month

Incentives/perks/bonuses for the extra work

激励/福利/奖金为额外的工作：

The company doesn't work on incentive basis work load.

Nature of extra work

额外的工作性质：

Additional Questions Replied on Later Date

- How are the Workers/Employees/Migrant Workers employed or recruited to these Units? Is it directly by the Unit or some Labour Dispatch Agency?

Desk staff comes from agencies

- How does the Interaction between Labour Dispatch Agency and Enterprise Unit take place? Approximately, how much is paid by the Enterprise Unit to the Agency for hiring workers?

There is a recruitment fee to be paid by the employee

- Do migrant workers also get employed through family or friendship connections? Like one getting introduced through the network of people from the same village/county, etc? In short, family or friend networks?

Sometimes

- Does the Government (Provincial Government) keeps a tight check and supervision on these Labour Dispatch Agencies? In case there are transgressions committed by these Agencies, how does the government intervene to address the workers' grievances and complaints?

No idea

谢谢您的配合

THANKS FOR YOUR COOPERATION

Social Security in Small and Medium Enterprises

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

We are very small. They have money and support. We are small life.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

We follow rules. From local and government in Beijing. No difference.

3. Are these laws compulsory?

Yes

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

Everything here is strict. It is good for everyone.

5. How does Social Security operate in both government-funded and self-sustaining SME units?

According to the Chinese related regulation, if the employees signed contract with government-funded and self-sustaining SME units, both of them need to guarantee their employees the lowest social security. Government has given them some facility but we give them everything.

6. Does your SME unit has both permanent and contract employees/workers? If yes:

(a) Are the rules different? No

(b) Are monetary benefits different? No

7. How are the relations between permanent employees and contract employees?

Good

8. What is the percentage of migrant workers in your SME unit?

20%

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

Yes

10. If the number of migrant workers is significant, do they get:

(a) Travel Allowance during trip back home during festivities Yes. It is based on benkou.

(b) Medical Insurance Government gives them

(c) Accident/Work Injury Insurance We give

(d) Maternity and Unemployment benefits motherhood We give

11. What is the structure and model of:

(a) Pensions - Not Provided

(b) Medical Insurance and Social Insurance - Not Provided by the Company.

(c) Unemployment Benefits - No Benefits

(d) Maternity Insurance and benefits - We give many help

(e) Any other schemes that may be available –

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

We obey rules

13. Does the provincial/local government exercise any economic or political control?

No

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

They check our work

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

Yes.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

-

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

No

18. What are the significant challenges for both the government and SME units regarding Social Security?

No

SME

中小企业情况

调查表

Questionnaire

1)

The name of the unit

单位名称

Taian Hongguan Plastics

Address

地址

Zurong, Anhui

Products

产品:

Plastic

2)

The full name of the person who is answering

填表人全名:

Mr. Wang Ruan

His/her designation

工作职位:

Owner

Address

地址

Email

电子邮件:

3)

What the SME manufactures

您的企业生产哪种产品:

Plastic - Cans, shampoo bottles, garden accessories

4)

A brief background of the SME unit in terms of its production over the years
您的企业(中小企业)的基本情况 多年来的生产数量的变化:

We are very small. We do about 6-7 crores annually.

changes and level operations
您企业的业务层面的变化:

Target market
目标市场:

Pakistan, Europe, Middle East

5)

staff profile
员工简况:

Total Number of Workers
员工总数:

200

Number of Local workers/Percentage
本地员工数量比例:

80%

Number of Migrant workers/Percentage
流动工人数比例:
20%

whether any separate classification of their job profile or what work each set is designated
流动工人和本地工人之间工作分类如何(流动工人被指定的工作和本地员工被指定的工作):
Blowing, mould making.

6)

Number of Male workers
男员工数量:

160-165

Number of female workers
女员工数量:

40-50

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话,

Women do everything, we are equal but they like administration

Nature of work of male workers

男员工工作性质:

Factory work

Nature of work of female workers

女员工工作性质:

Clerk and client

7)

Annual/Monthly/Quarterly turn-over

营业额(分为年月季度):

6-7 crore

Profits

公司利润:

The profits is decreasing, compared to year 2005, the profits is down by 50%. raw material is not easy to buy. Plastic is no market for us.

8)

Salary Amount of the Workers

员工工资:

1000-4000 rmb/month

Possible differentiation between the local workers and migrant workers

本地工工资跟流动工工资有差异的话:

no

本地工工资:

流动工工资:

9)

Residence facilities of the workers

员工的居住条件:

Dormitory and cleaning room

Residence facilities for migrant workers

流动工人的居住条件:

Dormitory and company kitchen

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话公司提供通勤安排吗?: no

10)

Medical facilities available on the work site

工作地点的有效医疗配置:

yes

Sanctioned leave/holidays for the workers;

员工的休假

3 every year, they can more, we don't stop

Concessions for the female workers

女性的特

They don't have work

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件:

Permanent

For migrant workers

流动工人跟公司的合同种类/条件:

12)

Fixed baseline quota of work

固定的配额

1000 RMB

Incentives/perks/bonuses for the extra work

激励/奖金的工作

Different for months and season. Every year an annual bonus for new year (one salary)

Nature of extra work

额外工作的性质

Not fixed

Some Additional Questions:

- How are the Workers/Employees/Migrant Workers employed or recruited to these Units? Is it directly by the Unit or some Labour Dispatch Agency?

All the labour is employed directly.

- How does the Interaction between Labour Dispatch Agency and Enterprise Unit take place? Approximately, how much is paid by the Enterprise Unit to the Agency for hiring workers?

- Do migrant workers also get employed through family or friendship connections? Like one getting introduced through the network of people from the same village/county, etc? In short, family or friend networks?

Yes, we sometimes 15% offer one salary as a bonus for such introduction, but not always.

- Does the Government (Provincial Government) keeps a tight check and supervision on these Labour Dispatch Agencies? In case there are transgressions committed by these Agencies, how does the government intervene to address the workers' grievances and complaints?

We don't know this.

*- The exact concessions/relaxations given to the workers;
Medical expenses are given if accident in factory happens.*

谢谢合作

THANKS FOR YOUR COOPERATION

**Zhejiang Rosegate Garments and Apparels
Thangwu County, Zhejiang**

Social Security in Small and Medium Enterprises

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

No difference. We give everything to workers.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

Government rules.

3. Are these laws compulsory?

Of course

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

Compulsory

5. How does Social Security operate in both government-funded and self-sustaining SME units?

According to the Chinese related regulation, if the employees signed contract with government-funded and self-sustaining SME units, both of them need to guarantee their employees the lowest social security.

Only company

6. Does your SME unit has both permanent and contract employees/workers? If yes:

Only permanent

(a) Are the rules different?

(b) Are monetary benefits different?

7. How are the relations between permanent employees and contract employees?

8. What is the percentage of migrant workers in your SME unit?

0

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

10. If the number of migrant workers is significant, do they get:

(a) Travel Allowance during trip back home during festivities

(b) Medical Insurance

(c) Accident/Work Injury Insurance

(d) Maternity and Unemployment benefits

We give them only the travel and health benefits. Health benefits include free checkup. Maternity benefit is priority and we don't see whether the employee is local or outside, we provide all help.

11. What is the structure and model of:

- (a) Pensions No pensions
- (b) Medical Insurance and Social Insurance Company gives everything
- (c) Unemployment Benefits No
- (d) Maternity Insurance and benefits Company pays
- (e) Any other schemes that may be available – Free lunch, trip every year

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

Very good. They support programmes.

13. Does the provincial/local government exercise any economic or political control?

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

They visit and see

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

Yes.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

They give us law and ask us to run that.

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

Sometime food for children of factory and gift books.

18. What are the significant challenges for both the government and SME units regarding Social Security?

Nothing

SME
中小企业情况
调查表
Questionnaire

1)

The name of the unit
公司名称

Zhejiang Rosegate
Address
地址
Thangwu County, Zhejiang

Products
产品:

Garments, Apparels

2)

The full name of the person who is answering
填表人全名:

Mr. Tony Wu

His/her designation
工作职位:

Manager, Export

Address
地址

Email
电子邮件:

3)

What the SME manufactures

您的企业生产哪种产品:
Garments, apparels

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况 多年来的生产数量的变化:

Company started in 1996. It supplied domestically before starting for export in 2002. The domestic market is good than export.

changes and level operations

您企业的业务层面的变化:

Given above

Target market

目标市场:

France and Israel

5)

staff profile

员工概况:

Total Number of Workers

员工总数:

150

Number of Local workers/Percentage

本地员工数量比例:

100%

Number of Migrant workers/Percentage

流动工人数量比例:

0%

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何(流动工人被指定的工作和本地员工被指定的工作):

Cutting, sewing 30 workers.

6)

Number of Male workers

男员工数量:

120

Number of female workers

女员工数量:

30

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话:

Girls do packing.

Nature of work of male workers

男员工工作性质:

everything.

Nature of work of female workers

女员工工作性质:

packing

7)
Annual/Monthly/Quarterly turn-over
(营业额分为年月季度):

3 crore (Annually).

Profits

公司利润: Yearly Profit 10 million RMB

8)
Salary Amount of the Workers
员工工资: 3000 RMB

Possible differentiation between the local workers and migrant workers
本地工工资跟流动工工资有差异的话:

No person from outside
本地工工资:

流动工工资:

9)
Residence facilities of the workers
员工的居住条件:
Eating room and lunch
Residence facilities for migrant workers
流动工人的居住条件: No person from outside

If they don't live nearby the premises of vicinity of the enterprise, are there any
arrangements made by the management for their transportation;
如果员工住在离公司比较远的话公司提供通勤安排吗?: no

10)
Medical facilities available on the work site
工作地点的有效医疗配置:
yes

Sanctioned leave/holidays for the workers;
员工的休假:

5 every year and many holidays from government
Concessions for the female workers
女员工的特

Less work

11)
Kind of contracts for the local workers
本地员工跟公司(中小企业)的合同种类/条件:
permanent
For migrant workers
流动工人跟公司的合同种类/条件:

12)
Fixed baseline quota of work

固的作量

1000 RMB

Incentives/perks/bonuses for the extra work

激励金额的作

0.75 rmb every piece (maximum 1000)

Nature of extra work

额的性质

As per orders

Additional Questions:

- How are the Workers/Employees/Migrant Workers employed or recruited to these Units? Is it directly by the Unit or some Labour Dispatch Agency?

Few employees have been recruits through agency, Only educated and diploma works are employed through them.

- How does the Interaction between Labour Dispatch Agency and Enterprise Unit take place? Approximately, how much is paid by the Enterprise Unit to the Agency for hiring workers?

The agency gets the consolidated amounts for each month. They process the local permits, travel and trainings. We pay them yearly or monthly, it depends.

- Do migrant workers also get employed through family or friendship connections? Like one getting introduced through the network of people from the same village/county, etc? In short, family or friend networks?

Yes.

- Does the Government (Provincial Government) keeps a tight check and supervision on these Labour Dispatch Agencies? In case there are transgressions committed by these Agencies, how does the government intervene to address the workers' grievances and complaints?

Agencies are nothing but govt. appointed mediators, they get special treatment from government. We avoid them or we accept them completely but we don't intervene, we don't look what they do and how they do.

谢谢配合

THANKS FOR YOUR COOPERATION

Panshi Handicrafts
Panshi Village, Gaosu County, Jilin Province

Social Security in Small and Medium Enterprises

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

We all come from same community and the workers demand less than those in rich places. Yes, we have less profit but we try to give them what we can.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

In this place, we hardly know the rules but we have to obey if anybody raises it.

3. Are these laws compulsory?

Depends. My company is not full fledged factory but in full season I hire full time workers and in that case, I have to obey such laws, in case of less work, I don't care.

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

Perhaps guidelines, I am doing this since last 15 years.

5. How does Social Security operate in both government-funded and self-sustaining SME units?

According to the Chinese related regulation, if the employees signed contract with government-funded and self-sustaining SME units, both of them need to guarantee their employees the lowest social security. There is no boundary set, I see my people are happy. I don't have set standards. You see most important people here are artisans and I keep them happy, other I don't care.

6. Does your SME unit has both permanent and contract employees/workers? If yes:

Seasonal, you can say contract

(a) Are the rules different?

(b) Are monetary benefits different?

7. How are the relations between permanent employees and contract employees?

8. What is the percentage of migrant workers in your SME unit?

All are from local community

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

I am sorry, I don't know

10. If the number of migrant workers is significant, do they get:

(a) Travel Allowance during trip back home during festivities

(b) Medical Insurance

(c) Accident/Work Injury Insurance

(d) Maternity and Unemployment benefits

11. What is the structure and model of:

(a) Pensions

Not, of course

(b) Medical Insurance and Social Insurance

While working they are paid for everything, even if they fall sick

(c) Unemployment Benefits

No

(d) Maternity Insurance and benefits

Yes, we do give a lump sum payment.

(e) Any other schemes that may be available

Nothing

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

Local government is good to support us, loans are easy and tax rules are also fine.

13. Does the provincial/local government exercise any economic or political control?

Yes, we are supervised

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

Most often they will send somebody to go around the town, it is not that they come to my place only.

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

No reports. Government knows everything.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

For small companies, rules come later. Human resource ministry and other offices care less about rules here, it happens in industrial towns. It is not as strict as you are thinking.

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

Here in Panshi, the town council is doing all social programme, we don't need to do something special.

18. What are the significant challenges for both the government and SME units regarding Social Security?

SME

中小企业情况

调查表

Questionnaire

1)

The name of the unit

公司名称:

Panshi Handicrafts

Address

地址:

Panshi Village, Gaosu County, Jilin Province

Products

产品:

Wooden handicrafts

2)

The full name of the person who is answering

填表人全名:

Mr. Feng Liu

His/her designation

工作职位:

Manager, Export

Address

地址:

Email

电子邮件:

3)

What the SME manufactures

您的企业生产哪种产品:

Wooden Handicrafts.

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况 多年来的生产数量的变化:

Started in 1990. Mainly we work in winters when there is no crop and we are till the same in size as we were a decade back. But we are inventing new products.

changes and level operations

您企业的业务层面的变化:

We started selling in cities like Dalian, Beijing and Shenyang and slowly started exporting also.

Target market

目标市场:

US (for brand Hobbylobby) and France

5)

staff profile

员工概况:

Total Number of Workers

员工总数:

50

Number of Local workers/Percentage

本地员工数量比例:

100%

Number of Migrant workers/Percentage

流动工人数量比例:

0%

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何(流动工人被指定的工作和本地员工被指定的工作):

Wood cutters 10, painters 10, polishing and other touch ups 10, Packing 5, transport 2, office staff 5

6)

Number of Male workers

男员工数量:

40

Number of female workers

女员工数量:

10

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话;

No difference.

Nature of work of male workers

男员工工作性质:

everything.

Nature of work of female workers

女员工工作性质:

Not fixed.

7)

Annual/Monthly/Quarterly turn-over

公司营业额(分为年月季度):

5-6 crores/ year.

Profits

公司利润:

8)

Salary Amount of the Workers

员工工资: 2500 RMB. Yearly bonus of 2500 RMB.

Possible differentiation between the local workers and migrant workers

本地工人工资跟流动工人工资有差异的话;

No person from outside

本地工人工资:

流动工人工资:

9)

Residence facilities of the workers

员工的居住条件:

Eating room and lunch

Residence facilities for migrant workers

流动工人的居住条件:

No residence, all are from surrounding houses

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话公司是否提供通勤安排?: no

10)

Medical facilities available on the work site

工作地点的有效医疗配置:

yes

Sanctioned leave/holidays for the workers;
员工的休假

This is a seasonal work, no leaves during season. Once the season is over, it is not sure they work anymore and most of them will look for their farms.

Concessions for the female workers
女员工的待遇

No fatigue work but it is not a 'rule'

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件:

seasonal

For migrant workers

流动工人跟公司的合同种类/条件:

12)

Fixed baseline quota of work

固定的配额

Nothing fixed. But we pay between 2000 RMB to 5000 RMB. Based on skill and commitment, we don't want people leave in between.

Incentives/perks/bonuses for the extra work

激励/奖金/额外的工作

100 RMB for 500 pcs.

Nature of extra work

额外工作的性质

As per orders

Some Additional Questions:

- How are the Workers/Employees/Migrant Workers employed or recruited to these Units? Is it directly by the Unit or some Labour Dispatch Agency?

All the artisans are peasant no migrant and no agency help us.

- How does the Interaction between Labour Dispatch Agency and Enterprise Unit take place? Approximately, how much is paid by the Enterprise Unit to the Agency for hiring workers?

- Do migrant workers also get employed through family or friendship connections? Like one getting introduced through the network of people from the same village/county, etc? Inshort, family or friend networks?

- Does the Government (Provincial Government) keeps a tight check and supervision on these Labour Dispatch Agencies? In case there are transgressions committed by these Agencies, how does the government intervene to address the workers' grievances and complaints?

Because the Panshi unit only employs the local workers, could you ask them about any of the allowances or facilities specific or general for them, similar to that we put across to the migrant workers?

From Aravind – I had discussion with Mr. Feng on this. And He said why they prefer the local workers because they work for corn fields and in part time they join his factory to earn extra cash. The Panshi factory treats them as workers and let's them work as per their convenience. The working hours are flexible.

谢谢配合

THANKS FOR YOUR COOPERATION

**Shenyang New Fashion Glassware
Liaoyang County, Shenyang, Liaoning Province**

Social Security in Small and Medium Enterprises

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?

State owned enterprises are of government and they have good support of funds. When the govt. give them the funds they cannot say no to laws, at least we small companies can be little flexible.

2. What are the laws that govern Social Security in Small and Medium Enterprises?

They are compulsory and we must obey them.

3. Are these laws compulsory?

Yes

4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?

They are compulsory and we must obey them or we would lose our licenses.

5. How does Social Security operate in both government-funded and self-sustaining SME units?

According to the Chinese related regulation, if the employees signed contract with government-funded and self-sustaining SME units, both of them need to guarantee their employees the lowest social security. We don't get any funds from the government but as per the local laws we need to assure the officials that we are obeying the rules by showing them the pay slips and the log books.

6. Does your SME unit has both permanent and contract employees/workers? If yes:

(a) Are the rules different?

The rules are different

(b) Are monetary benefits different?

Yes the monetary benefits are not same.

7. How are the relations between permanent employees and contract employees?

The local workers usually work as permanent employees and non-local work as contracts workers, but the relations are common.

8. What is the percentage of migrant workers in your SME unit?

50%

9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?

Yes, they are same except some travel funds and extra bonus is given to them. The migrant work as per manual hours and don't take many holidays in one year we give them extended leaves when they depart during festivals.

10. If the number of migrant workers is significant, do they get:

(a) Travel Allowance during trip back home during festivities Yes

(b) Medical Insurance They are covered under their respective *hukous* but factory will give nominal coverage.

(c) Accident/Work Injury Yes

(d) Maternity and Unemployment benefits Maternity - Yes

11. What is the structure and model of:

(a) Pensions - No Pensions

(b) Medical Insurance and Social Insurance – We pay 30% of their medical expenses in case of emergency

(c) Unemployment Benefits - No

(d) Maternity Insurance and benefits - Three months of paid leave and 2 months of low work.

(e) Any other schemes that may be available –

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

Local government gives us the guidance.

13. Does the provincial/local government exercise any economic or political control?

Economic control yes, but no political control.

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

Inspection

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

Yes.

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

For elderly, we often organize medical visits.

18. What are the significant challenges for both the government and SME units regarding Social Security?

SME
中小企业
调查表
Questionnaire

1)

The name of the unit
公司名称:

Shenyang New Fashion Glassware

Address
地址:

Liaoyang County, Shenyang

Products
产品:

Glassware

2)

The full name of the person who is answering
填表人全名:

Ms. Kathy Qu

His/her designation
工作职位:

Sales Manager

Address
地址:

Email
电子邮件:

3)

What the SME manufactures

您的企业生产哪种产品:

Glass art wares

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况 多年来的生产数量的变化:

We are total 100 employees. The company started in the year 1996 by Mr. Wang who owned a small glass foundry. We are the only glass art ware manufacturer in the north-east of china. We export 40% of our productions, mainly to Europe and US.

changes and level operations

您企业的业务层面的变化:

Target market

目标市场:

America, Spain and Other parts of Europe.

5)

staff profile

员工简况:

Total Number of Workers

员工总数:

100

Number of Local workers/Percentage

本地员工数量比例:

50%

Number of Migrant workers/Percentage

流动工人数量比例:

50%

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何(流动工人被指定的工作和本地员工被指定的工作):

The non-local workers work in the foundries and they are the artisans. Local workers assist them and work when the non-local workers are off.

6)

Number of Male workers

男员工数量:

70

Number of female workers

女员工数量:

30

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话:

No difference.

Nature of work of male workers

男员工工作性质:

Everything.

Nature of work of female workers

女员工工作性质:

Everything.

7)
Annual/Monthly/Quarterly turn-over
营业额(分为年月季度):

50 million RMB

Profits

公司利润:

It is consistent.

8)
Salary Amount of the Workers
员工工资:
2000-6000.

Possible differentiation between the local workers and migrant workers
本地工工资跟流动工工资有差异的话,
Migrant workers get 20% more payments.
本地工工资:

流动工工资:

9)
Residence facilities of the workers
员工的居住条件:
Houses nearby factories.
Residence facilities for migrant workers
流动工人的居住条件:
Yes

If they don't live nearby the premises of vicinity of the enterprise, are there any
arrangements made by the management for their transportation;
如果员工住在离公司比较远的话公司提供通勤安排吗?-

10)
Medical facilities available on the work site
工作地点的有效医疗配置:
Yes

Sanctioned leave/holidays for the workers;
员工的休假

5 per year for permanent workers. For non-locals, pay by day, no scheme of holidays.
Concessions for the female workers
女生的优待

No
11)
Kind of contracts for the local workers
本地员工跟公司(中小企业)的合同种类/条件:
Permanent
For migrant workers

流动工人跟公司的合同种类/条件:

Contract

12)

Fixed baseline quota of work

固定的基线额

1000 RMB

Incentives/perks/bonuses for the extra work

激励福利金额的工作

The high work season, the overload work hours is limited to 30 hours per month. No overwork is allowed more than these hours. That helps to maintain quality.

Nature of extra work

额外工作的性质

Additional Questions:

- How are the Workers/Employees/Migrant Workers employed or recruited to these Units? Is it directly by the Unit or some Labour Dispatch Agency?

Direct hiring. We employ through advertisements.

- How does the Interaction between Labour Dispatch Agency and Enterprise Unit take place? Approximately, how much is paid by the Enterprise Unit to the Agency for hiring workers?

We don't work with agencies, they often change employees. They don't provide enough time and replace the candidates often.

- Do migrant workers also get employed through family or friendship connections? Like one getting introduced through the network of people from the same village/county, etc? In short, family or friend networks?

Yes, We have migrants coming from Anhui and surrounds.

- Does the Government (Provincial Government) keeps a tight check and supervision on these Labour Dispatch Agencies? In case there are transgressions committed by these Agencies, how does the government intervene to address the workers' grievances and complaints?

谢谢您

THANKS FOR YOUR COOPERATION

Social Security in Small and Medium Enterprises

中小企业的社会保障

1. With regard to Social Security, what is the difference between State-Owned Enterprises and Small and Medium Enterprises?
关于员工社会保障，国有企业和中小企业有什么区别？
国有企业对员工的社会保障相对健全一些，中小企业由于经济基础薄弱，还有待提高。但是缴纳社会保险方面缴纳方式都一样；都是国家统一缴纳基数标准。
2. What are the laws that govern Social Security in Small and Medium Enterprises?
有什么法律条文管理中小企业里员工的社会保障？
《中华人民共和国社会保险法》《中华人民共和国社会保险法》
3. Are these laws compulsory?
这些法律条文是强制性的吗？
是。但是在实际操作中缺乏监管这些条文的实施情况。
4. Are these laws mandatory or seen as general guidelines, with flexibility provided to the enterprises in implementing them?
这些法律规定是义务的、强制性的，还是企业只是把它们作为一个参考，在实施这些法律条文的时候有一定的灵活性？
部分是强制性的，企业必须执行。但是有一些企业会根据自身情况灵活处理。
5. How does Social Security operate in both government-funded and self-sustaining SME units?
在政府资助的中小企业和私人自营的中小企业里，社会保障实行情况如何？
政府资助的中小企业在社会保障方面实施的要相对好些。因为有政府的资金扶持和监管。
6. Does your SME unit has both permanent and contract employees/workers? If yes:
你们的企业里有永久性员工和合同工两种雇佣性质的员工吗？如果是的：
均为合同工
 - (a) Are the rules different? 公司的规章制度对于这两种性质的员工相同的吗？
 - (b) Are monetary benefits different? 他们工资一样的吗？
7. How are the relations between permanent employees and contract employees?
永久性员工和合同工之间的相处关系如何？
均为合同工
8. What is the percentage of migrant workers in your SME unit?
你们企业里外地工人的比例占多少？
占 70%
9. Are the social security policies and benefits for the migrant workers same as those for other workers in the unit?
对外地工人的社会保障政策和福利与本地工人相同吗？
相同，一视同仁
10. If the number of migrant workers is significant, do they get: 如果外地工人的数量很多，他们有：
 - (a) Travel Allowance during trip back home during festivities 春节回家期间有旅行津贴吗？无

(b) Medical Insurance 医疗保险? 有, 和本地工人一样

(c) Accident/Work Injury Insurance 意外保险/工伤保险? 有, 和本地工人一样

(d) Maternity and Unemployment benefits 孕妇福利和失业救济? 有, 和本地工人一样

11. What is the structure and model of: 以下几点的基本构成是怎么样:

(a) Pensions 养老金 企业缴纳比例 20%

(b) Medical Insurance and Social Insurance 医疗保险和社会保险 企业缴纳比例 5%

(c) Unemployment Benefits 失业救济 企业缴纳比例 2%

(d) Maternity Insurance and benefits 孕妇保险和福利 企业缴纳比例 0.7%

(e) Any other schemes that may be available 企业缴纳比例工伤 1%

12. How is the interaction and coordination between the SME unit and the provincial/local government, with regard to Social Security?

在社会保障方面, 中小企业和省/地方政府之间如何协调的?

省/地方政府对中小企业的社会保障实施进行监管, 中小企业应随时向政府汇报执行情况

13. Does the provincial/local government exercise any economic or political control?

省/地方政府有对中小企业实行任何经济和政治控制吗?

对中小企业的社保法律关系灵活处理、激励和扶持

14. What is the mechanism of the provincial/local government to supervise/monitor the compliance of measures on social security in the SME unit?

省/地方政府有什么机制来监督中小企业是否按照规章来实施社会保障?

法律约束, 派遣检查

15. Are there periodic inspections by the provincial/local government? Does the unit have to file periodic reports regarding social security?

省/地方政府会定期到企业进行检查吗? 企业要定期整理社保报告上交吗?

不定期突击检查, 要求上报时上报

16. What is the role of the central government, especially Ministry of Human Resources and Social Security in this whole scenario with regard to Social Security? Is their role that of general guidance?

中央政府, 特别是人力资源和社会保障部在这整个过程中起到什么作用? 是总指挥的作用吗?

是, 协调控制地方政府和中小企业

17. Do the Social Security schemes also take care of dependents/families of the employees? Are there any special programmes for this?

社保制度是不是也照顾到员工的家属? 有针对家属方面的福利项目吗?

暂时没有

18. What are the significant challenges for both the government and SME units regarding Social Security?

关于社保政策，对政府和中小企业有什么挑战？

社保立法应与时俱进，加大社会保障的执法力度，加强员工的参保教育

SME

中小企业

调查表

Questionnaire

1)

The name of the unit

公司名称: 天津恒利机械配件有限公司

Address

地址: 天津市津南经济技术开发区北京街6号

Products

产品: 各种卡箍、定量膜片、定量膜片、各种汽车中小型冲压件、压缩机主机总成冲压件、非标专用设备、气动检测仪器、专用检具

2)

The full name of the person who is answering

填表人全名: 刘小燕

His/her designation

工作职位: 人事专员

Address

地址: 天津市津南经济技术开发区北京街6号

Email

电子邮件: xwmy12@163.com

3)

What the SME manufactures

您的企业生产哪种产品: 各种卡箍、定量膜片、定量膜片、各种汽车中小型冲压件、压缩机主机总成冲压件、非标准专用设备、气动检测仪器、专用检具

4)

A brief background of the SME unit in terms of its production over the years

您的企业(中小企业)的基本情况: 多年来的生产数量的变化:

依据项目的获得情况而定, 近三年来生产订单逐年增加

changes and level operations

您企业的业务层面的变化: 从单纯的代工开始向自主设计转变

Target market

目标市场:

中国大陆、中国台湾

5)

staff profile

员工简况

Total Number of Workers

员工总数: 112

Number of Local workers/Percentage

本地员工数量比例: 45

Number of Migrant workers/Percentage

流动工人数量比例: 67

whether any separate classification of their job profile or what work each set is designated

流动工人和本地工人之间工作分类如何(流动工人被指定的工作和本地员工被指定的工作):

按工作能力分配工作内容, 无区域歧视

6)

Number of Male workers

男员工数量:

Number of female workers

女员工数量:

If there is any differences between the nature of work between male and female workers then;

如果男女之间工作性质差别有的话, 根据男女员工的生理条件和工作能力合理分配工作内容, 无性别歧视和差异

Nature of work of male workers

男员工工作性质:

Nature of work of female workers

女员工工作性质:

7)

Annual/Monthly/Quarterly turn-over

营业额(分为年月季度): 约2000万/年

Profits

公司利润: 约160万/年

8)

Salary Amount of the Workers

员工工资: 根据业务情况发放工资

Possible differentiation between the local workers and migrant workers

本地工人工资跟流动工人工资有差异的话, 无差异, 主要是根据工作内容和效率发放, 按劳分配

9)

Residence facilities of the workers

员工的居住条件: 公司提供宿舍

Residence facilities for migrant workers

流动工人的居住条件: 公司提供宿舍

If they don't live nearby the premises of vicinity of the enterprise, are there any arrangements made by the management for their transportation;

如果员工住在离公司比较远的话, 公司提供通勤安排吗?: 安排, 有班车接送

10)

Medical facilities available on the work site

工作地点的有效医疗配置: 有

Sanctioned leave/holidays for the workers;

员工的休假: 按国家规定要求

Concessions for the female workers

女员工的特殊照顾

11)

Kind of contracts for the local workers

本地员工跟公司(中小企业)的合同种类/条件: 有固定期限的劳动合同

For migrant workers

流动工人跟公司的合同种类/条件: 有固定期限的劳动合同

12)

Fixed baseline quota of work

固定的配额 看懂

Incentives/perks/bonuses for the extra work

激励/奖金/福利/津贴/补贴/加班费/绩效奖金

Nature of extra work

额外工作的性质 有偿作

谢谢配合

THANKS FOR YOUR COOPERATION