

# China's Old Working Class: Impoverished and Cast Aside

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**Abstract:** *For about a decade from the late 1990s until the early 2000s, the Chinese state commanded loss-making and other small- and medium-sized enterprises to dismiss tens of millions of older (over age 35), unskilled workers, as it prepared to join the World Trade Organization and the global market. These uncompetitive laborers were left with little or no income or benefits, and many protested. In response, the regime instituted a so-called “social assistance” program, which, this paper shows, did little to address the predicament of these people; the legacy of their layoffs remains to this day.*

**Keywords:** *workers, poverty, welfare, social assistance, dibao, protests, dismissals, pensions*

Bitter poverty in China’s cities is the direct product not of the workings of the market.

Nor did it arise from the country’s subjection to the vagaries of the global economy. Instead, it emerged from the programmatic choices of rulers perched at the helm of the polity--to order weaker enterprises across the country to dismiss tens of millions of less-qualified, but previously lifetime-secure, workers in the late 1990s, as China prepared to enter the World Trade Organization. This politically-driven indigence derives from the developmental imaginary of these leaders for thrusting the nation onto the pathway of “modernity”— in

which cast-aside workers became the new urban poor.

These now impoverished people are the artifact of the enactment over a generation of a set of official preferences for the better bred and more highly talented over the ordinary among the Chinese populace. Thus, throughout the past quarter century the appearance of working-class hardship in the metropolises has not been accidental, I contend. These new paupers were deliberately discarded.

When speaking of China in recent years, quite a different narrative is rife: Reports of miracles of accomplishment abound. Commentators marvel over the country’s “rise,” not just in its steadily inflating power abroad, but particularly in its having “pulled millions up from poverty” at home. Such stories of success generally have one of two foci: if the narrative is about “rise,” the locus of attention is the burgeoning urban middle and rich classes; if the point is to look at privation, the focus is the peasants. Moreover, most investigations of Chinese destitution have considered just the phenomenon of penury itself, or the efficacy of efforts at reducing or eliminating it (Park, Wang, and Wu, 2002; Cheng, Zhang, and Fan, 2002; Khan and Riskin, 2001; and Meng, Gregory and Wang, 2005). The result has been an emphasis on upward trajectories. But there is much more to that story that is rarely told. Specifically, the new urban poor have been confined to a space of exclusion from which few can escape. Fashioned, then, as the “other” side of the “modern,” these unfortunates are as if shucked away (Rofel 1999, xiii, 3; Anagnost, 1997, 77).

In 1999, the Party launched a program of relief for these retrenched, sometimes riotous, workers to address the protests they mounted against their new joblessness. This was the Minimum Livelihood Guarantee [*zuidi shenghuo baozhang* 最低生活保障, for short, *dibao* 低保]. But this approach has done little to address the plight of the tens of millions of low-skilled, older (over age 35) workers who at that time had recently been sacked from their once-lifetime factory positions as China prepared to enter the World Trade Organization and more fully to join the world market. In what follows I convey some sense of the situation of these rejects under the *dibao*. First, a consideration of penury in Chinese cities among the urban-registered population.

## Urban Poverty

As suggested above, a familiar account that has won China international acclaim asserts that the regime has delivered hundreds of millions of poor people from poverty between 1978 and 2015 (Ding, 2016, 22; Yang and Liu, 2020).<sup>1</sup> But, impressive as those results were, particularly in the early years (Rawski, 2011), the publicists fail to note that what they are telling is wholly a *rural* tale. So, in recent announcements, it was the impoverished population in the *countryside* that was “lifted up,” whose numbers declined from 94.2 million at year-end 2000 to 36 million in 2009, such that the national poverty rate—but, again, only in the rural areas—fell from 10.2 percent to 3.8 percent over those years.<sup>2</sup> By mid-2020 850 million people were said to have been “raised out of extreme poverty” (Ding 2016, 24; Hernandez, 2020).

It is true, and often remarked, that urban citizens’ incomes rose steadily from the 1980s, with median income growing at 6.1 percent per annum between 1988 and 2013 (Gustafsson and Ding, 2020, 248-49). But such reports reveal little about how the lowest segment of

society has fared. Indeed, for many urban residents holding non-agricultural household registration [*chengshi hukou*, 城市户口] (thus, omitting rural migrants), poverty has increased in cities, and continues to do so.



**Party Chairman Xi Jinping greets construction workers, 2013.**

The major cause has been notable hikes in unemployment, chiefly mass dismissals of those seen as obsolete workers, primarily between 1995 and 2004. The Party encouraged local governments to abandon, i.e., release to the play of market forces, the mostly smaller, but also some medium-sized, enterprises within their jurisdictions that were doing poorly. Tens of thousands of state-owned firms were sold off in part or in whole (often to their managers), leased to private businesspeople, merged according to official orders, converted into shareholding companies with mixed public and private ownership, or, frequently, made to go bankrupt (Chen 2003, 237). According to Zhiming Cheng, by the end of 2001, this was the fate of fully 86 percent of state-owned firms whose total numbers declined from 63,737 to 27,477 by 2015 (Cheng 2010, 144; Garnaut, Song, and Yao 2006, 38). Locally-owned loss-making firms (both state-owned and “collective”), especially those without strategic

significance to the larger economy, were the primary targets. This process inevitably entailed removing from the rolls tens of millions of members of the prior workforce (Knight and Li 2006, 105; Andreas 2019, 197). Researchers have calculated that those retrenched ranged from 50 to over 70 million workers, including those in state-owned and collective firms (Giles, Park, and Cai 2006, 587; Hu 2001, 9; Hu 2002; Wang, D. P. 2001, 24; Wang, S.G. 2004). The World Bank concluded that the number was greater yet: between 1994 and 2006, its researchers found, employment in state and urban collective firms fell by 73 million, with the total of those at work dropping from 145 million to 72 million (The World Bank 2009, 39).

What lay behind this sudden jump in shock to income? In the 1980s, the total of exceptionally destitute urban poor was estimated to be below one million (Mo 2003, 39-40). By 1995, however, the National Bureau of Statistics announced that 12.4 million urban families were living in poverty (subsisting on less than 5,000 yuan per year or 416 yuan per month, around US\$1.50 per day)<sup>3</sup> (Wong 1998, 124; Wu, Webster, He and Liu 2010). But Linda Wong termed this “definitely an undercount.” She reached this conclusion by adding in 10 million workers owed back wages, 1.5 million retired people whose pensions had been cut or stopped altogether, and 5.2 million registered unemployed, along with their dependents. Accordingly, she argued, by 1995 there were some 30 million urban citizens (8.5 percent of the urban registered population) living in dire poverty (Wong 1998, 124). In an internal journal, sociologist Li Peilin wrote that, “Up to 2002 ... there were 20 million urban citizens surviving on the *dibao*, with incomes between 150 and 300 yuan per month,” 70 percent of whom (14 million) were laid-off staff and workers and other unemployed people (Li, P.L. 2003, 10).

Even more remarkable, referring to a 1998

National Bureau of Statistics sample of 17,000 households in 146 cities and 80 rural county seats, Athar Hussain found that if based on household expenditure rather than on per capita income, the number of the poor would have more than doubled, from 14.7 million to 37.1 million, not including rural migrants living in cities (Hussain 2003, 16; Tang 2004, 121; Woo, Li, Yue, Wu and Xu 2004; Ravallion n.d.). Worse yet, Jiwei Qian and Ka Ho Mok estimated that 72 million city residents were poor in 2003, citing the World Bank (Qian and Mok 2016; The World Bank 2009). Relatedly, poverty scholar Peter Townsend remarked that had the poverty line been drawn “50 percent higher than the very stringent threshold in fact adopted, 20 percent or nearly 90 million urbanites” (perhaps--though he does not specify--including migrants, who are not eligible for the city *dibao*) could have been considered destitute in 1998. The figure would have been higher yet, he figured, if subsistence costs were used as the basis for the line (Townsend 2009, 250).

In 2009, World Bank researchers tripled the 2009 World Bank poverty line, then 1,124 yuan per person annually (93.66 yuan monthly). Even three times that line amounted to just 281 yuan per month, then equal to about US\$1.17 per day. Thus, they reasoned, “The urban disadvantaged population (those with incomes below 281 yuan per month) [would have amounted to] about 34 to 72 million people in 2003, or 10 to 20 percent of the urban population” (World Bank 2009, 72). Additionally, while just seven percent of the urban populace had per capita incomes below 60 percent of the median income in 1988, that proportion rose to 15 percent in 1995, to 19 percent in 2002 and 2007, and then climbed to 21 percent of city residents surviving on an income beneath the national median in 2013 (Gustafsson and Ding 2020, 243, 253, 262).

Most striking: in 2018, Li Zhengang, a researcher at the Chinese Academy of Social

Sciences Social Policy Research Office, wrote that since the Eleventh Five Year Plan (2006-2010), the number of peasants living in extreme poverty had decreased, while numbers of urban residents in extreme poverty [*tekun ren yuan*, 特困人员], conversely, had moved upward (Li, Z. G. 2019, 77-90; 374). So how do these impoverished city dwellers subsist with the “relief” provided by the *dibao*?

### Living in Poverty With the *dibao*

Survey research and in-home interviews address this query. One 2007 study of 1,209 people in six cities, to cite one example, found that only three to seven percent felt that the benefits they were receiving from the *dibao* covered their basic livelihood (Gao 2017, 63); another, in 2008, by wealthy Shanghai’s Bureau of Civil Affairs, showed that for as many as 82.5 percent of the 1,182 people living in the 400 *dibao* households covered by the study, even essential necessities were unaffordable (H.M. Zhang 2016, 227).

The following dialogues with deprived *dibaohu* [低保户 *dibao* households (families receiving the *dibao*)], even if from over a decade ago, can likely still approximate the situation that many endure. The first came from a poor 37-year-old woman living in Chaoyang City in frigid northeast Liaoning (Q is Questioner; R for Respondent):

Q: How much are your monthly expenses?

R: Haven’t calculated concretely, but we spend almost all that’s earned.

Q: Including rice, noodles, grains, oil, salt, soy, and vinegar, plus daily necessities, like for washing-clothes powder, what do you spend?

R: A lot, each month we need a bag of rice and one of noodles, that’s 150 yuan! [a yuan is a Chinese dollar, equal at the time to about US\$.12] oil, salt, etc., probably about 20 or 30 yuan, each month use two packs of laundry soap, several yuan.

Q: Do you normally eat meat; how many eggs/month?

R: Very rarely eat meat, just once last month, just over a *jin* [斤], a bit more than a pound], about 15 yuan, eat more eggs than meat, but mostly give the eggs to the kids, we eat them very little.

Q: Your rent?

R: 180 yuan, our *dibao* isn’t even enough for that.

Q: When you cook what do you usually use?

R: We use coal.

Q: And how much do you spend on that per month?

R: Don’t know exactly; we buy some coal and use it for two to three months, that’s 400 or 500 yuan, so about 100 yuan per month.

Q: Do you have a subsidy for warmth?

R: We got it last year, but only 100 yuan; they said our one-story building gets only a small amount of coal; basically it’s not enough, and don’t know if we’ll get it this year.

Q: Any other subsidies?

R: No.

Q: Water?

R: Seems we do, but I’m not clear.



Q: About how much help with school fees per month?

R: For the girl because she's in junior high, about 100-plus yuan per month; son is in primary school, each day he comes home for lunch, several ten yuan is enough; but the school always makes them pay for this and that, it's just arbitrarily collecting fees.

Q: About how much do you spend on medicine per month?

R: Usually he [her ill husband] doesn't take medicine, when it's unbearable he buys some pain medication, his mother continuously takes it; this is the biggest expense, in a month at least 60 or 70 yuan--and it's not even good medicine (Han 2012, 202-03).

Even in Xuanwu District, Beijing, where *dibao* allotments are higher than in other cities, a Ms. Li, aged 43, related her situation:

Q: What are your expenses?

R: Mainly it's medicine, how much do I spend on it each month? about 100-plus yuan, 200 yuan. We two get 690 yuan from the *dibao*, so about 490 is left, let's say 500 is left, but then we have to scoop out cash for rent, water fees, electrical fees, fuel, not mentioning other things; as to the phone--we don't dare use it--monthly limit is 20 yuan, So our daily expenses come to more than 100 yuan [per month]. You save a little water, in a home like ours you have to turn on the light or basically no way to entertain anyone (Han 2012, 79).

In conversations, respondent after respondent

bemoaned his or her inability to manage medical costs, being driven into deeper poverty by trying, taking cheap and inferior medications, or simply not seeing doctors at all. Indeed, frequently encountered were households in which the chronically diseased or disabled lay prone on a bed day and night, bereft of any relief. In one home beset by medical problems, twin 19-year-old sons had had some media training but, without any connections, "basically can't find work that fits their specialty." To raise funds for their education, their mother explained, "I and their father worked day and night, a year ago. We both got so worn out we had to go to the hospital. But as soon as we got in we got right out; it was too expensive, there was nowhere we could afford to go." Children, too, are afflicted and perforce left medically unattended to. In one family, a 22-year-old son was born blind and had never worked, but, according to his father, had no way to acquire entree into a work unit for the disabled (probably, they also had no personal contacts; moreover, such units have often been disbanded in recent years).

Sadly, *dibao* regulations of 1999 aimed at addressing such poverty—to bring the level of household income among the poverty-stricken up to a threshold line set in each city—are in fact often countered in implementation, whether by new pronouncements or by cadres' hidden motives. Once enrolled in the program, *dibaohu* have discovered that it offers much less than promised, marred by promised but frequently uncertain or absent additional benefits and subsidies, secret quotas, irrational exclusions, and onerous and seemingly haphazard prohibitions. Moreover, like all schemes and approaches that give out meager allowances, the *dibao* is degrading, intrusive, stigmatizing, and humiliating.

In sum, the state has dealt with the *dibaohu* in a manner that maintains them and their children in a condition that leaves them either sickly, and therefore off the streets, or

insufficiently schooled to advance in society, out of work and eating too little to grow strong. Parents able to improve their youngsters' prospects by providing extra education or by buying a computer, or to brighten their existence by communicating on cell phones, become for these reasons ineligible to receive aid. So rather than assisting the poor to throw off poverty, the *dibao* forges a sizable, if mostly invisible, urban underclass.

Are there ways for these people to help themselves? Why don't they look for work? The problem is that the labor market is far from capable of generating the multitude of positions needed: "Around here, my god, there are nearly 200 *dibao* households; each one has three people, so that's about 600 people. If we count 400 adults, maybe 100 of them might have labor ability. Where would we have that many positions for them to work in?" vainly asked a street-level cadre in Xuanwu District, Beijing (Han 2012, 332-33).

A Mr. Li, aged 42, in Chongqing, offered one persuasive explanation why he was reluctant to look for work: "If you go out this month, they'll stop your *dibao*; next month there might be no odd jobs and you've lost your *dibao*. Then you have to wait four months to reapply for it. You're better off not working. I tried working for those four months and earned 500 yuan; that's 840 yuan of funds from the *dibao* that I lost" (Han 2012, 410-11).

Then can families help out? Given the Chinese tradition of strong intra-familial support, the expectation would be that the poor should be able to rely on family members' financial aid (Cohen 1970). But a common story is this: in those massive layoffs, many from the same city--often the same family--had been employees in the same enterprise, and had all lost their jobs at once. Besides, the irregularities and precariousness of the informal labor market--usually the only arena in which anyone in their situation can find work, leaves those fortunate

to land a job earning too little to share their wages.

Besides these issues, informants advanced a number of other reasons, some cropping up repeatedly, why they could not count on family: A Mr. Huang, aged 51, a father of two in Wuhan, forlornly disclosed that, "No relatives or friends help because we're too poor so they don't want to get close; everyone would rather get close to people with money" (Interview, August 2008). A 42-year-old Wuhan woman acknowledged that her relatives were "all taking care of their own difficulties, so I can't ask them for any help" (Interview, August 2, 2011).

Slightly better off was a divorced Ms. Hong, age 50, living with her two grown children (ages 26 and 18) in Shashi, Hubei. Her relatives were giving some material help, but usually just occasional fruits and cakes or new clothes for the children - but only at New Year's. Otherwise, extended family might supply what she termed "spiritual assistance," such as tutoring the young (Interview, August 28, 2008). A Jingzhou, Hubei couple, both spouses aged 58, did benefit from a bit of generosity from the husband's younger brother, who provided 300 yuan, but, again just annually, at New Year's (Interview, August 28, 2008).

Several families with adult sons fared worse. In Qianjiang, a couple had three sons--aged 34, 30, and 41--all living away, in Guangzhou, Qingdao, and Jinmen, Hubei, respectively. All were laid off and sent no money home, needing it for themselves. One relation, an uncle, had once lent some money, but they had been obliged to pay it back (Interview July 6, 2010). A man with a disabled leg and a deaf and dumb wife, both in their early 60s, were living in Xiantao, Hubei. But their two sons had gone off to Dalian and Qingdao in search of work. Neither sent any money back home, nor did they ever return; the parents were even "not

too clear what [their] sons were doing.” No other relatives helped, since “each has his own hardship” (Interview, July 8, 2010).

## Social Assistance?

These miserable stories raise a further question: should the *dibao* really be viewed as “social assistance”? This query is best addressed definitionally and comparatively. First, perhaps most centrally, “social assistance” has been authoritatively defined by Armando Barrientos, a major student of indigence, as “anti-poverty transfer programs” that “provide direct transfers of cash and/or goods in kind to individuals or households experiencing poverty or vulnerability, *with the aim of facilitating their permanent exit from poverty*” (Barrientos 2013, 3). Alternatively but similarly, Qin Gao and her co-authors define the related term, “safety net programs,” as schemes “designed to target those most in need and alleviate extreme poverty ...[which] focus only on a small proportion of the population who are *unable to earn a sufficient living* and would fall below the minimum livelihood level if without the social safety net” (Gao, Yang, and Li 2015, 30). [Emphases added]

That the *dibao* was initially designed to placate and pacify protesting laid-off workers--the great majority of whom were *able to earn a sufficient living*, and not to *facilitate a permanent exit from poverty*--suggests that this policy should *not* be seen as social assistance, as defined above. Two quotations make this point: One Chinese scholar told me, “The *dibao* is not a *tuopin* [脱贫 throw off, or escape from, poverty] strategy, it’s just to maintain livelihood” (Interview, July 26, 2009, Wuhan; also, interview with official at Ministry of Civil Affairs, July 28, 2009, Beijing); and, in mid-2011, years after the program was installed, a provincial-level, civil affairs official in Shaanxi province who had been managing the program for 10 years--almost from its

inception--disclosed that the majority of *dibao* recipients in his province remained laid-off workers. “The purpose of the *dibao* is to cover the *xiagang*” [下岗, laid-off], he averred (Interview, July 27, 2011, Xian).

Besides appealing to standard definitions, I use two comparative approaches to reject the claim that the *dibao* constitutes “social assistance,” both entailing pitting it against other ventures of the same name. First I devised three abstract, ideal-typical goals that drive politicians to allocate welfare. I then took these goals or motives--that explicitly or implicitly guide rulers to succor the needy--as the foundation for three welfare program models, namely, “productivist,” “partisan” and “pacifying/policing,” respectively. In determining where individual states belong within this scheme, I relied on country specialists’ judgments whose assessments were based upon the policies, behavior, and statements of national leaders.

My second approach was to draw on relevant statistics to assess the level of generosity of states’ programs--as, government spending and proportion of the population served--to gauge how Chinese authorities manage their program of relief as against the approaches of officials in other states. The places I considered were: China’s East Asian neighbors and India; Latin American countries, especially Mexico and Brazil; African states and “developing countries” generally; some East European nations and the region as a whole; and European Union (EU) and Organization for Economic Cooperation and Development members (OECD).

## Three Welfare Models

I begin by proposing that states--that is, the politicians at their helms--aspire to attain and maintain their citizens’ views that their governance is legitimate (Aspalter 2006, 290;

Dickson, Landry, Shen, and Yan 2016), and I assert that a basic impetus behind rulers' granting welfare is to convince the ruled that the political system under which they live is appropriate, justifiable, and acceptable. Thus, supplying assistance to the needy is, at the most basic level, done to engender a belief that a regime rightly commands loyalty and obedience, the bastions of legitimacy (Chan 2010; Wong, Chen, and Zeng 2014, 334). On this point, as trials of the *dibao* program were underway in 1995, then-Minister of Civil Affairs Doje Cering explained to a *People's Daily* reporter that one of three reasons China needed this policy was to bolster the legitimacy of the government and the party, in order to demonstrate that the state was responsive to its citizens, while also displaying the superiority of China's socialist system (Pan 2020, 34, quoting *Renmin ribao*, September 14, 1995).

But the welfare bestowed to boost a state's legitimacy is rooted in disparate values in different states. I understand these values as ideal-typical goods: first, a state's ability to foster economic growth and the national power, domestically and externally, that growth bestows. States where the value of economic accomplishment overrides other state objectives, including welfare for its own sake, are generally termed *productivist*. Although funds may ostensibly be transmitted to build up "human capital" in such states, the resources are often directed primarily toward those already poised to succeed. This was so in East Asian and Latin American nations prior to 1990, where much welfare was targeted at formal-sector employees in state firms and government offices, those termed "insiders" (Haggard and Kaufman 2008, 4). Christian Aspalter has called investment of this kind "part of the strategy of nation building" (Aspalter 2006, 291).

A second value driving leaders to fund social welfare is their own political advantage, i.e.,

using allowances as patronage for obtaining electoral support, and legitimacy derives from elections. I refer to this usage as *partisan*. Scholars have often attributed this motive to Latin American politicians (especially in Mexico) and Indian ones. And the third ideal-typical value, and, thus, rationale for relief, is to secure domestic peace, order, and stability, lest those left without sufficient means to survive create disturbances and fuel opposition to the regime, thereby diminishing its legitimacy. This giving I characterize as *pacifying/policing*, which has been an important impetus for the Chinese regime's provision of the *dibao* (Solinger 2010; Oan; Segura-Ubiergo 2007, 260).

Some scholars allege that this motive lies behind U.S. authorities' disbursal of welfare benefits as well (Piven and Cloward 1993; Soss, Fording and Schram 2011; Katz 2013; Wacquant 2009). Chinese administrators and policymakers explicitly instituted, assess the success of, and defend the *dibao* largely in light of its role in quieting social disorder: Patricia Thornton contends that the Communist Party handles those on the "lower rungs" of society with surveillance and "preemptive cum coercive strategies of control" (Thornton 2017, 260-61, 270, 273).

Under all three of my rubrics, funds or goods are, admittedly, usually allocated to people in some distress, regardless of the giving government's deeper political purpose, and therefore on that basis alone might qualify as "social assistance" (but not according to the definitions above). But the level of generosity of the allowance is also relevant, as measured by the total amount bestowed as a percentage of the state's gross domestic product (GDP) and/or of governmental expenditures; and also by the allocation's percentage of national (or local) average per capita income and/or of national (or local) average wage. If one or more of these percentages is notably small compared with those in other states, one could debate



whether the subsidy ought genuinely to be viewed as social assistance, as defined above, by Barrientos.

Programs having either a productivist or a pacifying/policing (like China's) bent tend to be notably stingier than partisan ones. This is apparent in the productivist East Asian reliance on private spending. Another uncharitable dimension of such programs is that they frequently target just those incapable of working, excluding from assistance the able-bodied poor, as China's *dibao* did increasingly after about 2009. I go on to use statistical comparisons to assess China's *dibao*'s level of beneficence.

### China's *dibao* Ranked Comparatively

According to research by Martin Ravallion, as of 2004, when the *dibao* existed only in the cities and about 22 million people were receiving it, 7.7 percent of the Chinese urban-registered population was technically eligible for it, i.e., households whose per capita income was below a locally-set threshold, as regulations about it demand. But only 28.6 percent of these people were actually being given the *dibao*, such that a tiny 2.2 percent of the city-officially-registered population was getting the funds. Also, while 3.9 percent of the urban population were beneficiaries of the *dibao* nationwide that year, as many as 43 percent of these takers were not eligible for it (Gao and Zhai 2017).<sup>4</sup> The situation had improved by 2007, when 39 percent of the *dibao*-eligible poor were benefiting from the program (Ravallion, n.d.; Zhang and Tang, 2008, 60-61).. But by 2018, just 46.19 million people (both urban and rural) were being granted the funds, or 3.3 percent of the nation's population that year ([source](#)).

It is obviously difficult to make inter-national comparisons on these points without knowing just what "poverty" means across and within

individual nations. But one can at a minimum consider what percentage of those the government counts as poor that it chooses to subsidize. Thus, in Mexico, by contrast, where partisan motives were in play, 40 percent of the rural population and about 11 percent of the total population were targets of the PROGRESA (a scheme of conditional cash transfers, the Programa de Educacion, Salud y Alimentacion (Program for Education, Health and Nutrition)) (Dion 2010, 201). By 2004, under a new name, Oportunidades, this policy had reached 24 million people, accounting for as much as 22 percent of the entire Mexican people (Hanlon, Barrientos and Hulme 2010, 40). Of course it is possible that in Mexico a higher percentage of the populace was poor (or was officially deemed to be poor) compared to China. But still, China was definitely less generous. In the OECD member countries, there was quite a range: in 1992, just 0.7 percent of the people in Greece received benefits, but in partisan New Zealand 25 percent of the population was getting aid (Gao, Yoo, Yang, and Zhai 2011, 114).

Looking at another measure, Gao and her collaborators write that in the first quarter of 2008, the national average *dibao* threshold (or poverty) line amounted to just 17 percent of average per capita disposable income in urban China (Gao et al. 2011, 116), a substantial decline from 2002, when the average was 22 percent in cities nationwide and as high as 28 percent among twenty-one major cities. The figure dropped to 16 percent in cities in 2010 (Gustafsson and Gang 2013, 304; Tang and Xiu 2011, 212-13), and then to just 15 percent by 2017 (*Zhongguo minzheng tongji nianjian* 2018).<sup>5</sup> CHANGE THIS FN. # TO # 5

Too, between 2007 and 2011, the norm's average increase rate per annum was over 7.5 percent less than the average rate of the increase in the consumer price index (Tang 2013, 215). In 2010, the average growth rate of the norm was "obviously lower than the rate of

increase of per capita GDP, that of the average wage, and that of per capita financial income and expenditure across various provinces and cities,” two Chinese scholars report (Xiang and Zhao 2018, 44). Nations in the European Union, governed by the partisan model, “generally” had a social assistance norm of 50 to 60 percent of per capita income (Tang and Xiu, 2011, 213). Also well above China’s after 2005, Mexico’s cash grants amounted to 27 percent of the average household income of the rural poor and 20 percent of the urban poor’s (Hanlon, Barrientos and Hulme 2010, 41), where, again, partisanship influenced the outlays.

Relatedly, Asian Development Bank data show that China’s spending on what it counts as “social assistance” (*dibao*) for both the urban and rural *dibao* combined amounted to a mere 0.25 percent of GDP in 2009, whereas the average for similarly-focused programs among other developing countries was much higher, at 1.6 percent (Gao 2017, 39). In East Asia, Japan spent .21 percent of its GDP on family cash benefits in 1995 (Schoppa 2006, 46). As Japan’s economy stagnated, however, the economic downturn led the government to tighten eligibility and decrease its allowance level; the numbers of recipients saw a decline as well. (Miura 2012, 32, 51). For Korea, one observer noted that in 2018 the ratio of social welfare spending to GDP was just half the average among OECD countries (You 2019, 57); another reported that in 2012 social expenditure in total in Korea was only about 39 percent of the average among OECD nations (Yang 2013, 458). One could surmise that a productivist heritage, married to economic troubles, accounted for Japan’s and Korea’s lower levels of generosity as compared with countries in Western Europe.. Many more cases could be cited.

This comparative exercise is by no means rigorous; if anything, it is impressionistic. The goal was simply to grapple with the nature of

China’s *dibao* by, roughly, examining it comparatively. But the material here substantiates my assertion that China’s *dibao* fails the test of true social assistance in the sense of being an anti-poverty program that has “the aim of facilitating the permanent exit from poverty” of the indigent population it purports to aid (Barrientos 2013, 3).

Besides, according to statements made by leaders who instituted this project, and the words of local officials who administer it, it has had as its chief purpose ensuring stability (first, by quashing the protests of retrenched workers). One further indication of the *dibao*’s focus on pacification is this: After the dismissed workers were silenced, the numbers of *dibao* recipients slowly but surely dropped off, to a rather alarming degree. And yet research on urban poverty has shown that it has only increased over time. This goal of calming demonstrations is quite unrelated to the generic issue--pure poverty--that social assistance as public policy should address. Thus, neither in terms of its target nor in relation to its objective, should the *dibao* properly be cast as “social assistance,” as usually understood.

What, then, is the official explanation for this diminution, and how accurate is it?

### **Did the Numbers of *dibao* Recipients Drop Drastically Because Beneficiaries No Longer Needed It?**

There have been not just cutbacks but also a heightened stinginess in admitting new applicants. Moreover, almost a full two-thirds (i.e., 14.9 million) of the urban beneficiaries supported at the peak (23.5 million in 2009) had disappeared from the rolls within a decade, resulting in a mere 8.6 million beneficiaries left in the cities by 2019. So did this decrease occur because the discarded laborers had gotten pensions that substituted for the *dibao*, as

publicly claimed? Given their more advanced age by then compared with when they were dismissed, and given their lack of skills and education, it is unlikely to have gained employment that could sustain them.<sup>6</sup>

After 2014, when numbers began to slide severely, officials and scholars insisted that the reason was that once-laid-off workers had become able to survive without the *dibao* because of having received their pensions (Li Z.G. 2019, 80, 90). The allegation was that these individuals got pensions so long as they had paid their annual premium fees into their enterprises' funds for the requisite 15 years prior to their layoffs.<sup>7</sup> The other answer advanced was that someone in the recipient's household had managed to find employment. But in fact, as circumstantial evidence suggests, it is likely that hordes of workers dismissed from their units never saw a pension; nor did they or a family member manage to land a "job," properly speaking.<sup>8</sup>

Another sign of the waning significance for decision-makers of the *dibao* was a big change in its relative value. In 1998, the average *dibao* norm nationally equaled 20.5 percent of the mean wage in the largest cities. But by 2007 that proportion had sunk by a full 50 percentage points, down to 10.3 percent. Even in 2011, the year in which the total number of *dibao* recipients (urban and rural combined) reached its all-time high, at 75.86 million, the average urban norm amounted to a tiny 7.8 percent of the mean wage in urban state firms compared to 20.5 percent in 1998, when the program was new, and, to its designers, urgent.

One more calculation reveals that the significance of the *dibao* must have declined in importance for planners: In 2007, urban *dibao* expenditures accounted for .10 percent of GDP, rising to its highest percentage during the financial crisis in 2009, but up to just under .14 percent. One could argue that GDP was climbing, along with average incomes—and

indeed they were—such that the *face value* of the allowances increased. But despite that growth (and thus the state's growing financial capacity to assist the poor), the government's expenditure on the urban *dibao* as a percentage of GDP remained tiny and even fell, by 2018, to .06 percent. It would seem that the worth of provisioning the urban poor (which genuine social assistance would have taken as its mission) progressively declined for central politicians once these people no longer threatened regime stability.

### Obtained a Pension?

So is there evidence that *dibaohu* numbers dropped because older beneficiaries obtained their pensions? Despite the government's claims, this appears unlikely, for several reasons. First, firms suffering severe losses or going bankrupt were rampant in the initial decades of the new millennium. Tang Jun, then directing a research center at the Chinese Academy of Social Sciences, averred that, in addition to loss-making firms, numerous bankrupt enterprises of all ownership types in heavily industrialized regions were unable to provide pensions for their retirees in those years (email, February 21, 2019). A 2014 source notes, "Since 2000, more than 74,000 enterprises have defaulted on their pension contribution" (Li B. Q. 2014, 289). As two researchers explained, "Payments to retirees...are only as reliable as a given firm's finances and are not backed by the state" (Hurst and O'Brien 2002, 348). Similarly, a functionary in the training center of a district-run labor market admitted, "If an enterprise no longer exists, its staff will be listed as unemployed" [meaning no recompense and, of course, no pension], even if the firm had been state-owned (Interview, September 7, 1999).

Other research also casts doubt on whether pension receipt might have pushed *dibao* beneficiaries over the eligibility threshold for

the allowance. One nationwide study found that those who “should have” gotten pensions were usually at best granted less than they should have been, or else their pensions remained in arrears (Easterlin, Wang and Wang 2017, 63). Most persuasively, a 2013-15 survey of 16,000 households depending on the *dibao* in five provinces reached this important conclusion: “The increase in the number of new urban pension recipients has not been sufficient to fully explain the decline in *dibao* coverage (Westmore 2017, 8).

Additionally, in my own street interviews in the late 1990s and early 2000s with numerous former employees who were barely subsisting, I encountered a common expression: the subject’s factory had “collapsed or failed totally [*kuale*, 垮了].” In a typical case, two men who had held jobs at Wuhan’s state-owned Number One Shoe Factory, both laid off in 1990, alleged in 2000 that a full 80 percent of their original 300 co-workers had received no money at all from their firm in 10 years of unemployment, whether wages, pensions, or severance payments (Interview, September 16, 2000, Wuhan). Speaking of his past employer, another retrenched worker charged, “*Ta buguan ni; ni yao zhao ren, zhaobudao*” (他不管你; 你要找人, 找不到[they don’t take care of you, if you look for anyone [for help] they can’t be found).” An equally unforgettable once-worker, turned-petty-street salesman told of his wife, once employed at an electrical appliances firm that had disappeared, but somehow was still dispensing funds to former employees. The sum was so tiny--a piddling 100 yuan per month--that, he related sarcastically, “she can use it to buy some toilet paper” (Interviews, September 12, 2000, Wuhan night market).

Such data--and much more--constitute serious challenges to assertions that pension acquisition occurred on a significant scale among the *dibaohu*. The bottom line seemed to be, as one Wuhan subject told me, “If the

enterprise is gone, [no one takes over and] its workers will “be pushed out to society” (Street interview, September 4, 1999, Wuhan). This harsh appraisal meant that such individuals were simply abandoned and left entirely to their own devices, both when they were first laid off and into the future as well, in an incipient market environment for which they had no experience and no qualifications.

## New Employment?

### Adults

So, if, as I argue, pensions did not supplement or supplant the *dibao* for the multitudes of potential recipients and removed-from-the-rolls past beneficiaries, might income from new employment have boosted household income such that it exceeded the *dibao* eligibility threshold? Direct relevant data is missing. But demographic and interview material is suggestive, some about adults, some about their children.

As for the adults: 2014 statistics from the Ministry of Civil Affairs show that, of the 63 percent of the then-nearly 19 million *dibaohu* who were still of working age (16 to 60 for men and 16 to 55 for women), a mere *two percent* had either part- or full-time employment (Gao, Zhai, Yang and Li 2014, 220; Gao, Wu, and Zhai 2015, 868). At the same time, another 23 percent were in unstable, irregular, temporary jobs, which would have provided low wages and no benefits. Another 38 percent were unemployed, 21 percent unregistered and 17 percent registered (Han 2012, 40). Such evidence undermines a claim that dismissed *dibaohu* families had managed to sustain their livelihood by acquiring employment after 2009.

### New Jobs for Children?



Unfortunately, to my knowledge, there is no publicly available quantitative information pertinent to *dibao* offsprings' employment. Consequently, I look at what education has been like for the children of the laid-off, who had scant income, as this should have some bearing on their ability to land a position. First of all, even when a 2006 amendment to the Compulsory Education Law<sup>9</sup> reduced or eliminated basic school fees for the first nine, mandatory years, superior, or even adequate, schooling was out of reach for the poor. So was switching from one's inferior neighborhood school to a better one at any level, for this invariably demanded a hefty fee. Moreover, beyond basic costs, miscellaneous charges often cropped up (for class trips, home tutors, computers) and fees mounted as the student progressed to higher grades, with senior high no longer cost-free as it had been in the past. So the offspring of the poor have languished in substandard local schools, later unable to advance in the face of new and fierce educational competition from their better-endowed classmates (Personal observations and Dang and Ci 2008). Interviews in Wuhan in 2007 bear out the plight of the poor in education. One mother whose husband was serving a sentence in labor reform, had become resigned to her son's having dropped out of school: "He's 16, after finishing junior high he discontinued his studies, staying home. There's no money for him to go on." Or take the words of 50-year-old Mr. Wang, also in Beijing, mulling over his 13-year-old daughter's schooling:

[Besides the subsidy of 200 yuan per month that we get, ] still have to buy books, tutoring materials, uniform...usually there's unscheduled expenses. Sometimes they say, "Tomorrow there's an activity, must participate, pay 40, 50, 60 yuan," so we have to take it out of our livelihood expenses (Han 2012, 122).

Overall, the poor neighborhood schools these students are compelled to attend, and the lack of money in the household for the accoutrements of a normal education--while competition is intense and their peers with employed parents can easily far outshine them--plus the high, prohibitive costs of secondary and tertiary schooling--surely raise questions about the likelihood of these *xiagang* [下岗, laid off]'s youngsters--children whose parents have no steady income--having landed lucrative jobs.

Given all these considerations, it seems safe to conclude the following: neither the receipt of pensions, nor the achievement of well-paid employment, the two justifications often put forward in recent years for the *dibao* cutbacks, accounts for the truly massive cuts in the numbers of *dibao* beneficiaries over the decade 2009 to 2019. One would need instead to attribute this outcome chiefly to major policy changes in "social assistance" once laid-off workers were largely appeased, such that, after 2009, the program was shifted away from the no-longer protesting past-proletarians, and its subjects more and more were just the fully forlorn --the disabled, the aged with no recourse, and orphans.

## Conclusion

The bottom line is simply this: At the end of the 1990s, China's leaders determined it was time to plunge the economy more completely into the world market. They reasoned that "older" workers who--for lack of adequate education and training (due to the Cultural Revolution)--could not compete with labor in modern nations. And so they prescribed that such individuals should be eliminated from the factory floors. The result was, at first, a spate of tumult in the streets, as dismissed workers and staff attempted to restore some of their



lost livelihood and protested vociferously.

The official remedy that these politicians devised—a pitifully inadequate program of “social assistance”—was so minimal as to render—and keep—these people and their offspring impoverished and cast aside with little or no recourse. Too, after some years of peace on the avenues, the *dibao*—the palliative meant to quell the protests—was removed from two-thirds of its one-time beneficiaries, with the alibi that the former recipients had aged sufficiently to obtain a pension—which, it seems—most of them did not. The upshot has been the production of impoverished millions in the cities, a subject that to date has garnered little notice.

## Afterword

What has become of the regime’s attention to the urban poor and to the *dibao* in recent years? The answer is that both the recipients and their program seem to have vanished from the Chinese press. Two issues appear relevant, one concerning what seems to be an end to officialdom’s resort to the *dibao* that had marked the late 1990s; the second is about the removal of the old proletariat, the *xiagang*, from the priorities of the rulers.

First of all, references can be found repeatedly in later years (during the global economic crisis of 2008-2009, again in 2012, and in the years that followed) to massive layoffs and the installation of programs and policies to deal with them. Indeed, the layoffs do go on: in early 2020, one observer noted the news from the National Bureau of Statistics that, “Nearly 17 million jobs in industry and construction were lost since 2014.” More surely followed once Covid appeared.

Along with the layoffs, there has routinely been a listing of programmatic efforts to mollify those suddenly made redundant. On all these

occasions the government always exhibited concern, even emitting a tone of stress, as it called for succoring the newly laid-off in a range of ways. But in no case were these targeted people the old *xiagang*.

Instructions from the central authorities for the localities included supporting mergers among failing firms, whose regrouped component firms were to absorb the staff and workers from floundering enterprises; providing subsidies for training and professional introduction to new jobs for those sacked; and commanding bankrupted firms to terminate labor contracts. But above all, orders went out to suppress “sudden outbursts”; to strengthen monitoring of those ejected from their jobs in order to guard against “risk”; and to prepare contingency plans to control disruptive action. The regime in addition publicly promised hundreds of millions of yuan in assistance of various kinds for the unemployed.

What is remarkable is that never was there any mention of the *dibao*. One could read this as a sign that the *dibao* was no longer seen as a tool to prevent potential disorder caused by laid-off workers. Clearly, what is left of the scheme has turned away from assisting dislocated employees, and switched to ministering to the neediest and most desperate—those without any source of income, with no family support, and no ability to work, as under the rule of Mao Zedong.

The second issue, as just suggested, goes beyond sidelining the *dibao* program; it underlines a shift in the attention of the authorities as to who should be the proper subjects of employment policy, and about whose jobs should be protected, whose misfortunes and antagonisms mitigated. Perhaps the most significant symbol of change, as Mencius—who emphasized the “rectification of names”—would have it, has been the abolition of the very name “*xiagang*.” It is notable that after the year 2006 *xiagang* was no longer tabulated among the

classifications of *dibao* recipients. Could the erasure of the designation itself be intended to signal the public demise, indeed, the very non-existence of these once-proud members of the old proletariat. Very much like the later forgotten and discarded “sent-down youth” of the 1963-66 Shanghai to Xinjiang migration program, these people appear to be left to die off (Xu 2022, 748).

Redundant workers—especially (perhaps only!) at the time when they are dismissed—continue to be tended to, of course, because, for the regime, their proven capacity for unleashing unrest must be contained. But the gaze of the watchful eye of the leadership has been repositioned, as the workers of what now must seem the distant past, i.e., the proletariat of some twenty-plus years ago, have mostly retreated into their homes. Rather than placing

the primary focus on the socialist-era working class, top politicians demonstrate that what exercises their anxieties in recent years has been the plight of frustrated unemployed college graduates, and the anger of terminated migrant workers.

And what of the hopeful Mao-era slogan, “common prosperity” [*gongtong fuyu* 共同富裕], suggesting a more egalitarian thrust in economic development and a fairer division of wealth among the populace, revived by Party chief Xi Jinping in 2021? By the middle of the following year, as the slower pace of the economy became evident, the term had virtually disappeared.

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## Notes

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The claim is that over 700 million were “delivered.”

<sup>2</sup> There is no national urban poverty line. Each city determines its own line.

<sup>3</sup> Here and below this kind of comparison ignores the far higher cost of living in the U.S. and thus the purchasing power capacity of a given amount of dollars.

<sup>4</sup> Zhang and Tang write that the World Bank and China's State Statistical Bureau found that recipients accounted for about one third of the deserving poor. But in a sample from seven extra-

large cities, just 12 percent of those who should have been given allowances got them.

<sup>5</sup> The Civil Affairs yearbook for 2017 has just under 18 percent for that year.

<sup>6</sup> A *dibao* researcher told me in Beijing on October 7, 2014 that some can scrape by in the informal labor market or through self-employment, the two occupations together amounting to around half of those counted as “employed people” (Wang Huixia, 2013, 133). Examples of survival tactics are creating websites to launch petty businesses, setting up market stalls (which could be confiscated by the *chengguan* (城管), urban management police), renting out parents’ housing, or relying on grown offspring.

<sup>7</sup> Interviews with head of a community *dibao* program, Wuhan, June 26, 2013; a Ministry of Civil Affairs official, October 9, 2014, Beijing; and Liu Yuanwen, Deputy Director of the Department of Trade Union Study at the China Institute of Labor Relations with Professor Lin Yanting, Department of Labor Relations, Chinese Institute of Industrial Relations, Beijing, October 10, 2014; emails from Han Keqing, November 23, 2017; Randong Yuan, January 25 and 31, 2019; William Hurst, February 18, 2019; Tang Jun, February 21, 2019; and Feng Chen, March 26, 2019.

<sup>8</sup> My book, *Poverty and Pacification* (Solinger 2022, Chapter Ten), spells out the basis for my calculations and observations that only a small proportion of the *dibao* recipients might have been given pensions.

<sup>9</sup> The amendment to the education law rendered nine years of compulsory education free (State Council of the People’s Republic of China, “[Compulsory Education Law of the People’s Republic of China](#),” June 26, 2006.)