

Urban Social Exclusion in Transitional China

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Abstract

This paper demonstrates that urban social exclusion in China does not only include restricted participation by the “underclass” in urban life, but also the deprivation of certain political, social and economic rights. In addition, the paper describes how the character of urban social exclusion has changed over time. The author also examines the social exclusion of rural workers living and working in urban areas. The paper concludes by arguing that urban social exclusion in China needs coordinated reforms that target the whole set of problems in the urban “underclass” lacking political rights, social protection and economic opportunities.

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Urban Social Exclusion in Transitional China

Concerns over social exclusion in China appeared in the late 1990s (Tang, 2002). The term “social exclusion” was first introduced to China through the agreements reached in the “World Summit for Social Development” held in Copenhagen in 1995. A document produced in the summit, “Copenhagen Declaration on Social Development and the Programme of Action of the World Summit for Social Development” (United Nations, 1995), points out that poverty, unemployment and social exclusion affect every country and are barriers to social development. Although it attracted some attention, the concept of social exclusion, its existence and influence in the contemporary society of China had not been researched in depth until very recently. Tang (2002) expresses the concerns of many researchers. He talked about the reason for the lack of enthusiasm in studying social exclusion: the term “social exclusion” (shehui paichi) had a lot of political connotations. The government authorities would not accept the concept of social exclusion, and it would not become part and parcel of social policy research unless scholars are not too politically oriented, are not emotional about the difficulties faced by vulnerable groups, and do not seek direct confrontation with the government. Despite the challenges, the term “social exclusion” appears frequently in academic journals in China. The core idea explored was “how to establish a more inclusive society and improve social solidarity” (Tang, 2002). The cautious but steady progress in the study of social exclusion suggests that the social consequences of social exclusion can no longer be neglected. Research on social exclusion is needed to identify some of the most important issues during the rapid social and economic changes. They are also necessary for policy makers for future policy development.

This paper tries to answer three questions. First, regardless of the political sensitivity attached to social exclusion, is social exclusion a new phenomenon in China? Secondly, what does social exclusion mean in the context of contemporary China, i.e. a developing country going through major socio-economic transformations? Thirdly, what can the study of social exclusion in China contribute to the overall picture of social exclusion in the world?

Searching for a working definition

Social exclusion is a “contested idea” (Hills, 2002) even in European countries, where the term was first introduced to social policy studies. This is not a term that is readily used in research on China. So far, the most widely quoted definition in the Chinese literature is the one used by the Social Exclusion Unit of Britain:

Social exclusion is a shorthand term for what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health and family breakdown (The Social Exclusion Unit).

The reason that this definition has attracted more attention than other definitions is because the British government (for example DFID) and some academic research units (such as IDS) have funded a number of research projects on poverty and other social policy issues in China. What is more, the definition is practical and, at the same time, leaves room for interpretation across countries. As emphasized by the Social Exclusion Unit, social exclusion is related to the lack of coordination between different policies and policy units; therefore, the socially excluded can be a small group of people, a neighbourhood or an area that is “left out” by the overall policy structure.

So far in the Chinese literature, social exclusion mainly covers people living in long-term poverty and looks at the interaction between the majority and the minority, the mainstream and the marginalized, as well as the rich and the poor (Sun, 2002a; Tang, 2002). For example, although Tang (2002) starts from the concept of social exclusion, the discussion is very much limited to households that suffer from basic poverty. The states of these individuals or families such as living under bare subsistence, not being able to afford healthcare and education, and not being sociable, as discussed by Tang, are ultimately “economic destitution”.

However, the definition of social exclusion, shaped in the European socio-economic context, overlooks some important features of developing countries when adopted without any “added value” (Kabeer, 2000; de Haan, and Maxwell, 1998). The British experiences suggest that the socially excluded are vulnerable, powerless and voiceless, but NOT the majority in terms of the population. Gore (1994) points out that unlike developed countries, poverty is a mass phenomenon rather than a small “underclass” in developing countries. Neglecting the differences between developed and developing countries might lead to failure in addressing the main issues that are faced by large groups or even the majority of the population and only pay attention to the minority that are vulnerable only to a less extent. Similarly focusing on the minor, marginalized and long-term poor has limited the analytical power of the concept of social exclusion in China.

First, despite of the recent rapid economic growth, the percentage of the vulnerable, powerless and voiceless who stay in or fall into poverty remains very high. According to the official data announced by the Poverty Relief Office of the State Council, PRC, 3 per cent of the rural population are living in

absolute poverty and 10 per cent in relative poverty. Urban poverty is rising rapidly (Hong, 2003; Zhu, 2002).

Secondly, the market-oriented legal and policy frameworks are still under construction and are subject to change. In the Central Planning era, the dual system divided urban and rural areas, with the majority (80%) of the total population living in rural areas. It is hard to tell who were actually in the “mainstream” and who were the marginalized, although the urban-centric view would prefer to claim an urban dominance. Nowadays, the old dual system still affects many aspects of the society. But the socio-economic scene is fairly changeable. The percentages of the vulnerable, powerless and voiceless people may not be reduced but the overall composition changes over time (Lu, 2002). On the one hand, reforms have integrated people in the “improved” policy frameworks; on the other hand, reforms also create new “left-outs” while “redefining the rules of games” (Tang, 2002).

Thirdly, the social network and the traditions of family support have made the poorest not necessarily completely supportless, at least in the short-term (Sun, 2002). However, there are groups of people who are not necessarily poor in terms of income, or can cope at the moment, but subject to potential deprivation in the prevailing institutional arrangements. Sun (2002a) discusses the social exclusion that the urban unemployed will have to face in the years to come.

A definition of the United Nations Development Program attempts to include social exclusion in both developed and developing countries. Social exclusion is defined as lack of recognition of basic rights, or where there is recognition, lack of access to political and legal systems necessary to realise the rights (Burchardt, *et al.*, 2002). More than a fashionable way of talking about poverty or a simple subset of the poor, it does not only include the people who are left out of a certain realm of the society (or marginalized), but also the people who are rejected from participation either legally or politically. These people are not necessarily the poorest among the poor. But their being denied political, social and economic rights may put them in a very vulnerable position and under constant threats to their life and property.

The following sections will make use of a framework based on the political, economic and social rights to:

- 1) trace the history and root of social exclusion in China since 1949;
- 2) briefly look at social exclusion in China since the beginning of economic reforms; and
- 3) use the framework to analyse a particular case of social exclusion in urban China: rural workers in urban areas.

Pre-reform period (1949-1978)

The central planning economy came to an end in 1978. In the pre-reform period, economic activities were dominated and governed by the state and collective sectors. Because of shortages in resources and the state's determination to support industrial accumulation, especially in heavy industries, individual income was kept at a minimum (Lin, *et al.*, 1994). In this system, income was fairly equal and there was not much room for a person to strive to achieve higher income and higher living standards than the rest. It is quite easy to come to the conclusion that in this highly redistributive and "equal" society, social exclusion did not exist. However, one need consider the way that the set of references that people used to distinguish "them" from "us" was different from that in market economy. If we look at the political, social and economic factors, the claim that leads to "no social exclusion" is not justified as it appears to be.

Political factors

In 1949, the new Communist government wanted to put domestic disputes and overseas pressure under control very quickly. A political system based on class struggle was quickly established (Kraus, 1983). Workers as the ruling class were united with peasants and soldiers. Capitalists (in urban areas) and landowners and rich farmers were to be suppressed (in rural areas), and intellectuals were to be kept at a distance. In this class system, everyone had a label in his or her personal archives, which were kept by their work units or the local government. Women were labelled according to their husbands' social classes and children inherited their parents' labels.

Labels were useful in many circumstances. Politically, people with "bad" labels were not allowed to join the Communist Party. Labels were used to launch harsh strikes over "bad" classes in the series of political campaigns from the early 1950s to the late 1970s. Economically and socially, these labels were crucial in terms of employment, education, and even welfare provision. For example, children from "bourgeois" families were not allowed to go to good schools. In the 1970s when the "Cultural Revolution" reached its peak, young people with "bad roots" were deprived of the opportunity to attend universities. Because the authorities were responsible for allocating jobs, a "good root" may lead to a more desirable job. In urban areas, family members could inherit their partner or parents' jobs after they retired, which could be desirable jobs but not available to the other people without these connections. As to housing, the most important welfare provision during the planning era, a good background was clearly useful for better housing. When looked closely, even the "good" people were treated differently. Communist party members could enjoy better welfare and had better chances to voice their needs (Walder, 1986, Bian, *et al.*, 2001).

Economic factors

Having been sapped by the long lasting wars, the economic basis of China in the early 1950s was very weak. People were living in bare subsistence. There was a clear intention to develop heavy industry to maintain self-sufficiency and improve military defence by the state. This strategy led to a dual system in which urban areas served as the core of the economy and rural areas the support (Lin, *et al.*, 1994). As a result, rural labour costs were strictly controlled. Farmers received minimised wage. The purpose was to provide food and raw materials for urban people at as low a cost as possible. Rural residents were not covered by the state welfare system. They were expected to rely on family to provide basic and practical assistance. In some special circumstances, such as basic healthcare, some support could be obtained at the community level (in the villages) or from urban volunteers (such as the “bare foot doctors”).

In urban areas, a welfare system was designed to minimise labour costs. Urban employees could only receive very low wages and get in kind benefits from the state through their work units. These benefits covered various basic needs, such as food, clothes, heating, healthcare, housing, pension, and childcare. People without work units would not be able to enjoy benefits as such. Some work units did not have the capacity to offer welfare to the employees (usually very small state factories or collectively owned factories). In such cases the local government took up the responsibility to provide benefits to the employees.

All these benefits were available only to urban residents. To distinguish urban people from rural people, permanent urban residency (*hukou* or registration) became a crucial document for urban administration. Urban residents should present *Hukou* in many occasions, from receiving food and clothes vouchers, to school registration.

The state strictly limited labour mobility. Local governments were ready to enforce the labour control policies, as with their limited budgets they were reluctant to hand out benefits to “outsiders”. *Hukou* was used to control labour mobility across the country. Local police kept the *Hukou* information of each local resident, and employers held archives for all employees. The archives recorded each person’s political, schooling and working histories. Employees had no access to their archives. The files only moved among employers. A person without official approval (of *Hukou* and archive transfers) would not be able to get registered in another city or even move to another job in the same city. If a work unit (even in the same city) was willing to hire a person, whether the recruitment could be realised depended on his previous work unit’s willingness to “release” the archives. Even if there might be some collectively owned factories that would like to offer an informal job, the person would not be eligible to any benefits. The low wage system and non-existence of private

market made it almost impossible for individuals to obtain from other sources the necessities distributed as state benefits. Thus, the people outside the system would not be treated as the majority were. Once falling out of the system, there would be little hope to get back again.

Social factors

The emphasis on comprehensive control and the scale of the operations demanded extremely efficient planning and administration. However, shortage in resources and technology made it impossible for the Central Government to obtain sufficient information about the periphery. However, there were ways to reduce the burden of the government. The first is work-based provision. As mentioned earlier, people without a job were “naturally” discounted. The second is male oriented provision. It was assumed that all the people would get married. Therefore, only one family member was reviewed for the eligibility of benefits. Gradually, the practice had been taken for granted that women, unmarried single men and women would not be considered for housing provision as well as some other benefits (Li, 2002).

Social Exclusion

The political, social and economic factors had all contributed to a planned socio-economic system in which people were treated differently. The system set the boundary between “insiders” and “outsiders”. Outsiders could not join insiders even if they were willing to. Social exclusion existed in four dimensions. First, urban society was not opened to rural residents. The latter did not enjoy the benefits that were available to urban residents. Secondly, politically “bad” people were deprived of many social rights that were enjoyed by the rest of the society. Thirdly, people were left out (exposed) by the system because of the strict control over job and welfare allocation. Finally, people who fell out of the system by moving to an area or sector to which they didn’t “belong” administratively meant the system would no longer cover them as before.

Post-reform period

Reforms removed many controls of the planning era. Many rules were rewritten and the boundaries of responsibilities redefined. China adopted a gradual reform approach right from the beginning. It means the government did not abandon the earlier policies overnight. The reforms have so far lasted for more than 25 years and have not yet ended.

With the on-going economic transition, the problems of social exclusion also change. First, reforms have included some previously excluded people and

excluded some previously included people. Clearly, a fairly large proportion of the population are not yet included in the “mainstream”, i.e. the part of the society that follows actively during the rapid changes and thrive on the long lasting economic growth or protected by the newly evolved social safety-net. Secondly, the ongoing reforms may eliminate some forms of exclusion, which was generated not long ago.

Many people argue that since the reforms are gradual and trial-and-error based, policies will become increasingly inclusive (Tang, 2002). However, this view should not discredit the attempt to examine the exclusion generating factors. So far, social exclusion (or inclusion) has not yet been a policy concern. Even the intention to tackle policies that may lead to exclusion is absent, not to mention using socially exclusion as a comprehensive approach to look at the situation of disadvantaged people. Social exclusion potentially has long-term effect on the people affected. By identifying the exclusion inducing factors in a policy or a set of policies and the people who are “left out” in each reshuffling of rule of the game, we can work out who are the ones that need to be “picked up” and what can help people to avoid getting socially excluded.

To identify the exclusion inducing factors, we need to look at the sequence of reforms that have taken place in China in the last twenty-five years. The reforms began in rural areas. They were then not the “kernel” of the economy. The household responsibility system, which began to allow rural households to take charge of their own land and agricultural activities, had enhanced work incentives and productivity of farmers. The urban private sector reform followed soon. Initially, private enterprises gained the right to co-exist with collective and state enterprises. Then, rural township enterprises were encouraged to develop. Later, state enterprises started to operate like real enterprises, i.e. profit driven and with autonomy. At the same time, price controls were largely removed. Thus, markets for many products and materials evolved. In the same period, the state also gradually removed wage controls in urban areas. These reforms overlapped with each other in time but the general principle was to gradually let the market function and allow market prices (including prices for commodities and labour) to adjust the balance between demand and supply and achieve greater economic efficiency. The most recent reforms focus on the urban social welfare system.

The reforms aimed at replacing a centrally controlled system with a market system. The theoretic support for such changes was government failure and the belief in the market’s magic power to remove all the inefficiencies in the system and boost economic growth. As a result of these reforms, the economy has grown continuously at very high speed around 7 to 12 percent per year for more than 15 years. However, has economic growth generated an inclusive society in

which people have equal opportunities to be financially better off? In the following sections, I focus on the changing vista of social exclusion in China. I argue that the political, social and economic factors continue to generate social exclusion but in a rather different context.

Political privileges and voicelessness

The old social class structure based on class contradiction and struggle became obsolete after the Cultural Revolution ended. Gradually, a new class structure based on the new socio-economic system started to evolve. However, there were very few researches on what was the new structure and how it came into existence. In 2001, partly encouraged by the state to write up new political theory to support further reform, i.e. the campaign for capitalists to join the Communist Party, a number of scholars started to examine the social stratifications in the 1990s (Lu, 2002; Xu, 2002; Zheng, 2002; Sun, 2002b, 2002c; Li_b, 2002). Li (1993) categorises the Chinese society into 5 social classes according to occupations. They are farmers, workers, intelligentsia, managers and private entrepreneurs. According to Lu (2002) and Li and Zhao (1999), income and wealth are also key factors in deciding China's social strata.

A further attempt is to “rank” the existing social classes. Rather than ranking the social classes according to their political connections to the working class,¹ the new ranking practices sort out social classes according to wealth and income levels of different social groups. Apart from financial wellbeing, second order factors, such as political power, social capital, and education, are considered crucial to the acquirement of greater income or wealth. Li_b (2003) suggests that there is a transition from political inequalities to economic inequalities in China in the last two decades. He argues that the serious political discrimination in the pre-reform period was accompanied by relatively small economic inequalities. Later, political inequalities were gradually replaced with economic inequalities. The narrowed political differences between different social classes partially compensated for the shock of economic disparity.

However, this argument did not examine the interactions between social and political differences and also the possible changes in the features of political differences. Earlier political discriminations were based on explicit deprivation of political and social rights of some social classes. In contrast, new class

¹ Although Mao (Mao, 1926) also analysed the economic forces that drove different classes to stay close or far away from the working class, he didn't really try to look at the relationship between the political stances and the economic status of the social classes in a dynamic way. Therefore, the possible breakage and reorganisation of the political partnerships among different social classes when economic conditions changes were left out in his argument.

divisions root in the lack of mechanisms for disadvantaged groups to voice their need or complaints in the new system. In the post reform period, some people (those who have control over organisational, educational and economic resources, see Figure 1) can enjoy privileges and impose strong influences over decision makers (Lu, 2002). For example, public sector employees (high in administrative level, well educated) as beneficiaries to the reform are able to force through policies for them to get even higher pay or benefits than the rest of the society (Gong and Li, 2003). At the same time, there is a serious lack of institutionalised channels for the underclass to voice their opinions. According to Lu's survey (2002), urban manual workers, rural labourers and the unemployed are at the bottom of the society. They have very little resources and enjoy less protection than the other social groups. The problems are not only limited to the economic situation of these social classes. They become voiceless or have to depend on the sympathy of other social groups to voice their needs. Quite often, they are merely neglected.

Economic opportunities and inequalities

In spite of increases in income, at the bottom end of the income distribution, people still live in extreme poverty.

PROFILES OF POVERTY

Extreme poverty has never been eliminated. On the contrary, it is getting more noticeable in urban areas.

In the early 1980s, the rural reform quickly improved the living standards of rural households in some areas. The most rapid changes happened between 1978 and 1984. The incidence of poverty reduced from 33 percent to 11 percent (Ministry of Agriculture, 1998). Income per capital increased by 15 per cent every year. The number of rural poor fell from 260 million to 89 million. However, the speed of improvement did not hold. From 1985 to 1988, the annual income growth was 5 per cent and further reduced to 2 per cent during 1988-1991 (Lu, 2001). The progress in rural areas was soon shadowed by urban reforms (Fan, *et al.*, 2000). Up to now, many areas fail to improve and a large proportion of rural population still lives in poverty. There are also people living slightly above or under the poverty line. They fell into deeper poverty fairly easily and temporarily because of unexpected risks such as natural disasters, bad harvest, or shortage of working capital (Jalan and Ravallion, 2000, 1998).

In urban areas, there are people who never managed to lift their living standard to a much higher level (Wu, 2002). In particular, the disabled, the long-term sick and the elderly who cannot get support from their family members. However, in the 1990s, the "new poor" (Knight, 2000) who have lost their jobs or simply could not earn enough to support their own families or the urban

migrants² who survive around the poverty line become increasingly noticeable in urban areas. Some people can get out of poverty fairly quickly through moving to new jobs or start their own businesses or even move to different areas. However, others find it difficult to cope on their own. They are trapped and remain to be poor.

Statistics tells conflicting stories about the urban poor. So far, rural migrants to urban areas are not included in urban population, as they are not registered as urban residents. Even if we do not consider these people, the researchers have very different estimates of the population of urban poor (Hussain, 2003; Li_a, 2001; Khan, 1998; Li and Gustafson, 1996). The most frequently quoted number, “14-15 million”, is the estimate of the Ministry of Civil Affairs, the National Statistics Bureau and All China Trade Union in the surveys carried out independently during 1999-2000. However, many researchers argue that this number underestimates the actual poverty situation in urban China (Tang, 2002).

Income inequality

The rural-urban income disparity has increased and is seriously underestimated in the official statistics. According to *China Statistics Yearbook*, in 2001, the average income of urban residents was RMB6860 yuan and that of rural residents was RMB2366 yuan. The ratio of urban to rural incomes was used as a measurement for income disparity, which is about 3:1 (see Figure 3). However, although both are labelled as “income”, it has very different meanings to urban and rural residents. 40 per cent of farmers’ income was in the form of farm produce. If this 40 per cent was deducted, the monthly income of farmers reduced to about RMB150 yuan only. Farmers usually used around 20 per cent of this 150 yuan to reinvest in next year’s production. Thus the disposable income becomes much less than what the official statistics actually suggested. In contrast, urban residents have, on average, 600-yuan income in cash. If urban welfare and grey incomes were all included, the ratio between the income of urban and rural residents can be as high as 6:1 (Qiu, 2002).

Apart from the historical division between rural and urban areas, the division between different social groups have developed new features. In the earlier stages, the most obvious division is between the insiders and the outsiders of “the system”, the core of the economy that remain unchanged since the reform. It is the result of the gradual reform starting from the periphery of “the system”,

² Hussain (2003) points out the unclear status of the rural migrants who work and live in the urban areas but filed as rural residents. They are not counted as the urban residents in the official statistics in China. However, they do not live in the rural areas nor do agricultural related jobs.

i.e. from rural areas, to private sectors, to collective sectors, to small enterprises.³ As reforms continue, the core is getting smaller and smaller. People in the core are protected by “the system”. They continue to enjoy benefits that were available in the pre-reform period, such as job security, fixed pay and various types of occupational welfare. They are “insiders”. The rest are “outsiders”. Outside the system, there is no control over wage income. Floating and unequal pay is encouraged to reward better performance. In the early stages of the reform, outsiders did not have any social protection. More recently, private sector employees started to enjoy urban social welfare through contribution. Up to now, except for civil servants and some of giant state enterprise employees, all urban employees are supposed to be covered by contribution based welfare schemes, ranging from pension, health insurance and housing provident funds.

In this sense, outsiders are further divided into two (or even more) layers. The majority of urban employees are in the new system, which is outside the old core. People working for enterprises on the verge of bankruptcy are officially covered by the work based welfare system. However, they cannot receive the promised level of welfare. The unemployed and rural residents are pushed further out and become marginalized. The only real insiders are civil servants who continue to enjoy old style benefits. Figure 2 shows the shifting ground for the poor. The society is getting more stratified as a result of economic reforms.

UNEQUAL ACCESS TO RESOURCES AND OPPORTUNITIES

The further exploration of poverty and income gaps in China reveals an unequal access to resources and opportunities. For many years, the doctrine of free economy seems to be the touchstone for prosperity. People who become well off in the reforms are inspirations for millions to follow suit. China seems to have become the land of opportunities. Clearly, this is all about urban China. More accurately, some people get rich first as “allowed” by Deng’s Administration. However, after more than two decades, people start to question the side effects of gradual reforms. When some people get richer and richer, how about the others? Can the rest really become rich in the same way, through open competition in the market?

Lu (2002) analyses the relationship between social classes and resources. He points out that political power (political resources), education (human resources) and economic resources are the key factors that influence the potential of individuals to become better off in the Chinese society. According

³ The gradual reform is also referred to as the “easy to hard reform sequence”. “It addresses the easy problems first and leaves the hard ones until later” (Yueh, 2003).

to his class ranking, rural workers without protection, peasants, unemployed or half employed have become the underclass. They do not have sufficient resources of any of the three types and have little access to the opportunities that are available to the upper social classes.

There is also research on the mobility of underclass people along the social ladder. Benjamin, *et al.* (2001) has two relevant conclusions. First, “economic opportunity” determines the relative positions of the winners and losers in transition. Second, human capital is crucial in allowing households to access these opportunities. Further more, they find that:

Inequality of economic development interacts with the unequal distribution of human capital, leading to more inequality within villages than differences of income across villages... Given the current distribution of education, many of these institutional developments will disproportionately benefit the higher educated. Compounding this, current patterns of capital accumulation suggest that the rich will be better positioned to increase their incomes, and thus their future wealth (Benjamin, *et al.*, 2001).

In urban areas, the most widely addressed issue is unequal opportunities in education. With the growing awareness of the positive correlations between educational level and the opportunity to obtain higher income, issues related to unequal access to education across regions has been regarded as a crucial challenge that China has to face for further development (Chen and Wang, 2001).

Partly related to education, opportunities to work are also different for people from different backgrounds. The most widely discussed is the social control mechanism, the *Hukou* system. It was put in use from the 1950s to restrict labour mobility. However, economic reforms in the urban areas failed to challenge the legitimacy of the urban *Hukou* system until quite recently. On the one hand, local governments and police use the requirement for registration to check rural labourers. The latter can be driven out of the local labour market or even the cities whenever local governments want. Such actions were often justified by the argument of local job losses and deterioration of local public safety. Registration ensures that only local residents can enjoy social benefits, such as housing, pension and healthcare. In recent years, with the marketization of many social services, migrants can get part of these services by paying market prices. But because rural labourers are not considered local residents, they do not enjoy any political rights, such as voting or claiming compensations when they suffer from injuries. Quite often, their wages are not paid on time or they are forced to work extra long hours. There are no trade unions to protect them (Yao, 2001). In this way, the *Hukou* system enforces the division between

urban residents and newcomers and allows discriminations by local governments, urban residents and employers.

In all, people are differentiated with their political and social backgrounds, origin and education. Those at the bottom end of the economy have little access to resources and related opportunities, which are necessary to escape poverty. Meanwhile, the limited access to resources and opportunities of some people co-exist with the advantages for the rich or powerful ones through corruption (Li_a, 2002, Johnston, 2001; Fan and Grossman, 2001; Li_b, 2001) and even policy guidance (Gong and Li, 2003).

Social protection and vulnerability

Economic reforms in China have broken the rigid divisions between urban and rural areas in the way that people who were outside the state welfare system have the opportunities to survive in urban areas with market supply. Meanwhile, several groups of people became completely uncovered by the policies and marginalised in the society.

THE NEWLY INCLUDED

In terms of social services and public goods, public and private provisions and various derived forms of provisions exist at the same time. Individuals and households can have more choices. For example, instead of waiting for employers to offer public houses,⁴ employees can buy their own houses in the private market; parents can pay for private education or pay market price to study in the desired public schools.

But the effects can be mixed. On the one hand, the originally excluded, such as migrants, can obtain private services at market prices that are higher than the state controlled prices. However, a precondition for paying market price is financial affordability, i.e. wealthier people can buy their way through market and become included in the sense that they can enjoy the necessary social services to maintain livelihood in urban areas. On the other hand, the poor (such as rural residents and the majority of urban migrants) who cannot afford private services continue to be excluded by “the system”.

As shown in Figure 2, with the withdrawal of universal welfare to urban residents and the establishment of social pooling and contribution-based welfare, rural residents together with the other members of the “under-class” were increasingly exposed to various risks generated by the market.

⁴ Before the comprehensive housing reform in the 1998.

The most recent reforms required employers not to act as direct providers and administrators of in kind benefits. However, employers still undertake important responsibilities such as delivery of cash benefits via forced saving schemes, i.e. individual accounts. Since these accounts do not target households but individuals, women and unmarried employees stop being excluded from the welfare system.

THE NEWLY EXCLUDED

However, the pro-growth economic strategy fails to establish, especially in the private sector, effective labour protection. Local governments and policy makers are often more willing to protect investors rather than protecting the basic working conditions of the employees. Rural labourers, women and children often become the victims of employer exploitation (Wiseman, 2001; Pringle, 2001; Chan, 2001; ADB, 2002).

The attempt to improve enterprise efficiency, especially in the state sector, has resulted in serious urban unemployment. Many state enterprise employees had received low wages in the hope of lifetime welfare protection. Since the reform, it is not rare that an employee is dismissed from his/her job getting little compensation. They are “laid off (xiagang)” workers. It means, administratively they still attach to their employers and can enjoy the in kind benefits as they did before. However, many enterprises went bankrupt since the reform. Quite often, laid-off workers lost their “work units (*danwei*, workplace)” and subsequently, the benefits. Even for the surviving enterprises, the market pressure prevents them from offering benefits to the laid-off workers as they did before. According to the newly established welfare schemes, individuals have to contribute to individual accounts in order to receive pension and healthcare in the future. Laid-off workers and the unemployed are not able to contribute to their own accounts. In the future, they will not be able to receive benefits (Sun, 2002a).

In general, the economic reforms have redefined the roles of the state, the market and the society. Unlike the United Kingdom, social exclusion in China bears more features of a developing country in the process of changing from state planning to market economy. Compared to poverty, social exclusion does not only involve the poor or subgroups of the poor, but also the lack of enforceable civil and social rights—such as the right to voice their needs, equal access to resources and opportunities and equal social welfare treatment—for the whole population.

The next section focuses on a new form of social exclusion that is challenging the existing political, social and economic establishment. I will continue to use the framework proposed earlier to analyse the case in greater details.

Rural-urban conflicts—rural workers in cities

This section looks at rural workers in urban China. The term “rural worker” is used to describe the farmers who give up agricultural activities and went to urban areas to work. They are not urban citizens. In some published papers and documents, they are called “migrant workers”. However, urban migration in China is not limited to rural-urban migration. There are also a lot of people moving between different urban areas, such as university graduates living in large cities like Beijing, Shanghai and Shenzhen and new working migrants moving between urban areas. This paper focuses on people from rural areas only. I use the term “rural worker(s)” for this specific type of migrants.

The trend and reasons of rural labour mobility in post-reform China

In the late 1970s when the economic reform started, farmers began to leave the farmland and look for non-agricultural jobs outside their hometown. Figure 4 shows that at the end of 2001, more than one third of the rural labour force worked in non-agricultural sectors. The average growth rate since the late 1990s is 8-10 million people per year. According to a survey by the Ministry of Agriculture, in 2001, it is estimated (conservatively) that there are altogether 78 million people working outside their hometown, 15 per cent more than the year before. The expected growth for 2001-2005 is 5 million to 6 million per year (Hu, 2002).

Why do so many rural labourers want to go to cities? Socio-economic changes since the reforms have provided several good reasons and opportunities for farmers to give up agricultural activities (Huang, 1996; Hare, 1999). First, the size of farmland per capita is too small in the agricultural sector. Even before the reform, rural labour was under-employed. Although they worked in rural areas, there was not enough work for them to do and the productivity was very low. The Household Responsibility System allowed individual households to be in charge of their production and keep the proceeds of each year’s production. It greatly enhanced the productivity of the agricultural sector and farmers’ work incentives. As a result, one person can be much more productive than before and many farmers became “useless” and redundant in their hometown. According to the Ministry of Agriculture, up to now, there are 480 million people in the rural labour force, among which 320 million work in the agricultural sector. However, the actual demand for labour in rural areas is only 170 million persons. About 150 million persons are redundant.⁵

⁵ The number is only a rough estimation. There are different estimates. OECD (2002, p522) is less optimistic than the Ministry of Agriculture, PRC. In 1999, if the GDP contribution per worker employed in farming were equal to the average for non-agricultural work, the rural hidden unemployment reaches around 250 million. If the

Secondly, the profit rate for traditional agriculture, especially farming, is very low. In contrast, income levels of urban employees are much higher (see Figure 3). Farmers realise that it is easier to earn money in urban areas. One or two persons working in the city can support a whole family back at home. In 2002, the total amount of money earned by the rural workers in urban areas was RMB527, 800 million yuan, in which RMB327,400 million yuan was sent by post or carried in cash to home (*People's Daily*, 03-04-2003).

Thirdly, despite the barriers to settle down in cities, the overall control of labour migrants is less tight than before. In the planned era, urban residents were attached to their work units and received various benefits from the state directly or indirectly. However, rural residents could not enjoy these benefits even if they lived in urban areas. In this way, the old system prevented rural residents from staying in urban areas. Later, some restrictions were gradually lifted; some are still in effect. Generally speaking, the barriers to live and work in urban areas are easier to overcome than before.

Fourthly, since the reform, China has adopted export-oriented industrial strategy. Many manufacturers are eager to use cheaper labour to compete in the world market. Urban employers are happy to hire rural workers who are ready to work hard and willing to settle with low salaries. At the same time, many rural areas set up township enterprises that are collectively owned. These township enterprises locate in the rural areas but are engaged in industrial productions. They often hire workers from nearby rural areas. These enterprises have offered sound opportunities for rural workers to leave the farmland. With experience in township enterprises, rural workers often perceive the opportunities in larger cities that are further away from their hometown.

Fifthly, the rural reform changes farmers' thinking. In the past, "digging food from the soil" was regarded as the proper way of rural life. Later, highlighted materialistic dreams and open encouragement for pursuing affluence have created strong incentives for farmers to seek greater financial rewards for their work. Nowadays, many rural workers who give up their life in rural areas are not necessarily redundant labour. Many of them do not want to be tied up by farming. Quite often, they are stimulated by the "glory" of their town folks' stories of success in cities and cannot wait to wet their own hands in the waves of economic prosperity. As time moves on, many become used to work in urban areas and are not willing to take up farming anymore (Wang, 2003).

GDP contribution per worker in agriculture is set at a modest 50 per cent of the non-agricultural level, the estimate of hidden unemployment declines to 200 million.

Rural workers and urban social exclusion

However, it has never been easy for rural workers to settle down in urban areas. They are from the outside and considered to be “inferior” to local residents, and are so treated. As more rural workers come to the cities, the disturbing treatment that they have to face and the conflicts between rural workers and urban residents become more noticeable. Rural workers have to face several major problems when they come into the cities.

HUKOU, CITIZEN’S RIGHTS AND VOICELESSNESS

As discussed earlier, *Hukou* prevents rural people from staying in big cities permanently. It was originally designed to keep tight control of labour mobility during the central planning period.⁶ Before the reform, without an urban *Hukou*, people from the “outside” including rural areas and other cities could not move and live in a city freely. Over the years, although control of urban labour mobility becomes less tight, the differential treatment through the *Hukou* system remains unchanged (Mao, 2003; Li, 2003).

Identification, eviction and little support

Rural workers are required to obtain various certificates before they can start working and living in urban areas. When they are in cities, rural workers should present on spot temporary residency (*zanzhuzheng*), work permit (*dagongzheng*) and ID (*shenfenzheng*) upon requirement. Failure to show the required documents means arrest or even eviction. The legal basis for spot-checking is a regulation issued by the State Council, “Administrative Measures on Arresting and Eviction of Urban Vagrants and Beggars” (State Council, 1982). According to this regulation, all the cities should set up “Arrest and Eviction Stations” (AES, *shourong qiansong zhan*) targeting rural residents begging in cities, urban residents as vagrants and beggars and other homeless people. The AES should check the ID of these people and send them back to the places where their *Hukou* was registered. The regulation had been effective since 1982. In practice, local police set up the AES. Policemen patrolled the streets every day. Rural workers who failed to present the required documents were arrested, evicted, or sent for forced labour.

On 20 June 2003, the 1982-regulation, which had become the nightmare of rural workers for more than 20 years, was finally replaced with a new regulation, “Administrative Measures on Helping and Administration of Poor Urban Vagrants and Beggars (Draft)” (State Council, 2003). According to the new regulation, the poor people and those who have to live in the street and depend on begging should be advised to go to Help Centres. Help Centres should:

⁶ The earliest *Hukou* system was adopted in 1958.

- 1) provide food up to the food standard regulations;
- 2) provide accommodation that can meet basic requirements;
- 3) send emergency patients to hospital in time;
- 4) help these people to contact their families or relatives or employers; and
- 5) if necessary, provide travel tickets for them to go back to their home or work places.

The new regulation does not grant police the right to arrest and evict rural residents. It emphasises on helping and supporting the poor regardless of their origins. The new regulation offers social benefits for the vagrants and beggars living in urban areas. However, the new regulation has no intention to set up similar institutions in rural areas. Even though “residency” stops to be a defining standard for entitlement, it continues to acknowledge the division between urban and rural areas.

Urban citizens’ discriminatory actions

Urban residents can easily identify rural workers, especially the new comers, through their behaviour, accents and clothes. The majority of rural workers are employed for manual jobs.⁷ They often wear old and dirty clothes. They have to live in low-cost houses that naturally segregate them from urban residents, especially the urban middle class. Urban residents often consider themselves superior to rural workers. It is not uncommon that some urban residents bully or mock rural workers in public (Li_c, 2003). Rural workers are not welcomed or even forbidden in many public places. One most reported occasion is public transportation. Many bus drivers and conductors in large cities refuse to let rural workers get on. In Qingdao, some citizens suggested to set special seats for the rural workers’ on the buses so that they can be separated from urban citizens. In Beijing, some public toilets collect fines if rural workers are found using them (Cai, 2002; Yang, 2002).

Rural workers are also blamed for increased crime rate in urban areas. Urban residents think rural workers show no respect for public order and threaten public security by stealing and robbing. However, little attention is paid to the causes of these crimes. The discriminatory treatment received by rural workers has become a major source of anger. Some researches suggest that many crimes committed by rural workers resulted from unfair treatment (Li_c, 2003; Zhao, 2001). One cannot claim that all the criminal offences of rural workers are because of unfair treatment, but when urban residents blame rural workers for

⁷ According to Li_d (2003), 41.4 per cent of rural workers work in construction industry. There are also rural workers in industrial enterprises, government agencies, schools and hospitals as labourers (31.6 per cent). Another 19.2 per cent work in catering services such as hotels, restaurants, tailor’s shops, electronic and machinery repair stores.

various social problems, they are not aware of the serious discrimination against rural workers.

Discriminatory policy implementation

What causes more concern is the discriminatory or even brutal treatment by some civil servants or local police towards rural workers during daily policy implementations.

In cities, urban residents do not carry ID or work permits. However, rural workers or “outsiders” should present on spot all documents upon requirement. Failing to do so, a rural worker may end up getting arrested and sent back to hometown or to do forced labour work. As shown in the earlier sections, this regulation was only abandoned officially very recently. Before the regulation was withdrawn, it allowed urban police to inspect passers-by in the street or carry out home inspections without prior notice (Li_a, 2003). Some unqualified government officials or policemen abused their power and took advantage of helpless rural workers (Li_a, 2003). However, if the abused rural workers sought legal protection, they often faced harassments (Sun, 2002; Zou, 1996). The withdrawal of the regulation on arrest and eviction has received wide support. However, it cannot prevent rural workers from other forms of discriminatory treatment.

Lack of representation in the political system

In recent years, a democratic election system in rural China at the grass root level has been developed. It means rural representatives and village leaders are elected from the candidates nominated by rural residents. In this way, there is a formal channel to transmit farmers’ voices to the higher authorities. Although the bottom up election system has a lot of loopholes and is subject to manipulations, the grass-root level election is, to a greater degree than the urban election system, able to reflect local interests at the local level (Zhang, *et al.*, 2002; Schubert, 2002; Paster and Tan, 2000). However, although rural workers can vote in their hometowns, since they spend most of the time living outside rural areas, they have very different interests from the local residents in their hometown (*Southern City Daily*, 2003).

In urban areas, local representatives are local urban residents. Local citizens are allowed to vote for the peoples’ representatives who will then represent local interests at the People’s Congress at various levels. Rural workers are registered as rural residents. In the past, rural migrants without urban residency were not eligible to participate in any urban political activities. Nowadays, some local governments granted rural workers who have stayed in a city for more than 2 years the right to vote. However, rural workers have a very high turnover rate. Their settlement is very much related to job availability. What is more, the jobs

they do, such as construction, require them to move from place to place as the employers undertake construction projects in different parts of the country. Therefore, the urban political system does not reflect the opinions of this large group of mobile population.

ECONOMIC OPPORTUNITIES

Rural labour can have three opportunities when they settle down in urban areas. First, if they have close relatives such as partners or children who are urban citizens, they can emigrate for family reunion. Second, they may come to urban areas to work. Third, they can go to universities and, upon graduation, if they can find jobs in urban areas, they may expect to have their rural residency change to urban residency. The first and third opportunities are only suitable for a small percentage of rural population. The absolute majority of rural labours come to the city to look for jobs. At the beginning, rural workers tended to take up jobs that urban residents were not interested in doing, such as work that demand heavy labour, in a dirty environment or in extreme conditions. Urban residents welcomed them.

However, in recent years, the presence of rural workers in urban areas has pressed on the urban labour market. The feeling of pressure is particularly strong as urban unemployment becomes increasingly severe. Figure 5 is the officially published unemployment rate. It suggests that the rate of urban unemployment has increased constantly for over ten years. However, the official data on unemployment, including the people who are fired, have no renewed contract and suffer from work unit bankruptcy, only shows the tip of the iceberg. Several elements that contribute to urban unemployment are not included in official statistics. The most important element is the laid-off workers from state enterprises⁸ (see Figure 6A and 6B). Although laid off workers are not counted as unemployed, they have in practice lost their jobs and are looking for jobs in the labour market. If laid off workers are also included, the urban unemployment rate in China may be as high as 8-9% (Cai and Wang, 2003). What is more, many laid-off workers are now trained for re-employment. They are counted as employed. In the near future, there will be large numbers of

⁸ Laid-off workers appeared in the late 1990s. It refers to the workers who have lost their jobs, but still keep close connections with the previous employers. They receive part (often 60% or more) of the basic salaries and receive social services such as re-employment training. The training programs last for three years. During the training period, laid-off workers do not register as “unemployed”. By the end of 2003, when laid off workers are integrated into the unemployment social security schemes, the former will not be counted separately from unemployed workers.

people completing the training programs and become job hunters. Secondly, the age ranges for the official statistics of unemployment are 16-50 for men and 16-45 for women. The coverage is much younger than the actual retirement age. Thirdly, the people who are not registered with social security services are not counted as unemployed. Therefore, the actual situation of urban unemployment is more serious than what the official statistics suggest.

Fast growing urban unemployment has two effects. First, to protect local interests, local governments try to discourage employment of people from other parts of the county (Cai, *et al.*, 2001). Second, rural workers were blamed for job losses and caused increased resentment among urban citizens.

Permission to work and financial losses

To be able to work legally in urban areas, rural residents have to obtain a number of certificates before they can start working. Table 1 lists the regulations in Beijing and Shanghai, two of the largest cities in China that have attracted large number of outsiders.

There are various charges when rural workers apply for the certificates. According to an investigation by Chen and Qiao (2002) at the end of October 2001, a rural worker had to pay money for all services offered by the local authorities: the costs of producing the Certificate of Temporary Residency, Certificate of Employment, the costs of producing and administration and checking fee for the Certificate of Marriage and Child Birth, the costs of producing and check up fee for issuing Health Certificate, the costs of producing and administration charge for the Card for Registration of Employment Outside Local Areas, Administration Charge for People Coming to Stay in Beijing, charge for Training, Urban Life Garbage Processing Charge, City Population Expansion Fee, Labour Adjustment Fee, Obligatory Blood Donation Fee, etc. If rural workers need to live in private accommodation, they have to pay Contract Filing Fee for Renting Private Accommodation. If they go to a job centre, they need to pay a job introduction fee. If their children need to go to school, the parents have to pay Guest Studying Fee and School Sponsor Fee. They also need to pay Inspection and Guidance Fee for Non State Education, if the children go to a private school. If they need to book the tickets to go back to their hometown, they will have to pay ticket service charge.

The costs of obtaining these certificates vary in different cities. In Beijing, the costs are around RMB500 yuan in total. In Shanghai, farmers need to pay RMB600 before they can start working. In Shenzhen, the costs are as high as RMB1000 yuan. None of the charges are one off charges. Many certificates are only effective for one year. Some even need to be renewed more frequently.

Local governments use these methods to control labour migration. In many cases, money is collected but there is no service. For example, when rural workers apply for Health Certificate in Beijing, they do not get any health check as suggested in local regulations (Chen and Qiao, 2002). The money charged for the certificates can be non-negligible revenue for the local government.

Access to labour market

Governments at various levels issue various policies to prevent rural labour from entering the local job market or limit the types of jobs that they can take (Cai, *et al.*, 2001).

In November 1994, the Ministry of Labour issued “The Temporary Regulation on the Administration of Cross-Provincial Employment of Rural Workers” (Nongcun Laodongli Kuasheng Liudong Jiuye Guanli Zanxing Guiding). The regulation later became a supplement to the *Labour Law*. Article 5 of the regulation sets strict limits for urban employers to hire workers from outside their own provinces. According to this regulation, an outside worker can only be recruited when no local people are qualified and the employer has to obtain approval from the local labour and employment agency. Guided by this regulation, local governments started to issue their own policies.

On 13 February 1995, the Shanghai Bureau of Labour issued “The Regulation on Categorised Usage and Employment of Labour from Outside Shanghai by Local Employers” (Shanghaishi Danwi Shiyong he Pinyong Waidi Laodongli Fenlei Guanli Banfa). According to this regulation, jobs are divided into three categories:

- A. outside labours allowed;
- B. limited usage of outside labour; and,
- C. outside labours forbidden.

In 2001, Shanghai Bureau of Labour and Social Security issued a notice on recruiting outsiders. In the notice, five new types of jobs were closed to the outsiders. They were:

- 1) logistic workers;
- 2) cleaners, staff for horticulture maintenance, and safe guards in the public sector;
- 3) shop assistants;
- 4) housing estate maintenance staff; and
- 5) cleaners for public transportation.

Employees from outside Shanghai who are already in these positions should be fired before the end of June 2001. The employers who failed to follow the rules would be charged with heavy fines.

Shanghai was considered by many other cities in the country as a “successful example”. In 1996, Beijing issued “The 1996 Lists of Jobs That Usage of People from Outside Beijing Is Allowed or Restricted” (1996 nian benshi yunxu he xianzhi shiyong waidi renyuan de hangye gongzhong fanwei) (Beijing Bureau of Labour, 1996b) and the “Notice of Beijing Bureau of Labour on Issues Related to Recruiting Workers from Outside Beijing” (Beijingshi Laodongju Guanyu Yongren Danwei Zhaoyong Waidi Wugong Renyuan Youguan Wenti de Tongzhi) (Beijing Bureau of Labour, 1996a). These two documents explicitly set the principal of “Urban First, Rural Second; Beijing First, Outside Second”. The occupations that are allowed to hire rural workers and outsiders are mainly heavy labour works that would not be taken up by local residents. In 1999, Beijing Bureau of Labour and Social Security (1999) “The 2000 Requirement for Hiring People from Outside Beijing: Industries, Occupations, Educational and Professional Qualifications” (2000 nian Beijingshi yunxu he shiyooong waidi laijing renyuan de hangye, zhiye ji wenhua chengdu, zhiye jishi nengli).

In Qingdao, Shandong Province, regulations require that outsiders do not consist of more than 14 per cent of the total number of employees in local companies. To employ an outsider, an employer had to pay 50 yuan; but to employ a local people who had been unemployed for more than 6 months and older than a certain age (35 for women and 40 for men), an employer could get 3000 yuan of subsidies from the government.

In Wuhan, Hubei Province, the “Wuhan Labour Market Administration Rules” (Wuhanshi Laodongli Shichang Guanli Tiaoli) issued on 22 January 1999 announced that employers who recruited local unemployed and laid-off workers would be eligible to benefits from the local government; but those who recruit outsiders should follow the instructions in the local guidelines for limited usage of outside labourers (Jiang, 2002).

These regulations have effectively prevented rural labour to enter the urban labour market (He, 1998; Chen and Qiao, 2002). Even if rural workers succeed in settling down in urban areas, the job restrictions suggest that they are only allowed to do manual work.

Unequal pay

The salaries of rural workers are often below the local minimum wage or lower than the salaries of urban workers doing the same job. It is not uncommon that rural workers receive only half or even less than half of the salaries received by their urban peer workers (Dong and Bowles, 2002; Zhao, 1999; Chan, 1998). Rural workers usually receive their pay annually. Quite often, they have to cope

with serious delays in getting the pay for their work (Xu and Wang, 2003; Jin, 2001).

There are four occasions when wage payment is delayed. First, some enterprises, especially loss generating state enterprises, have difficulties paying their employees, including rural workers. Also some foreign enterprises facing financial difficulties cannot pay wages on time. In extreme cases, some employers run away without paying any salaries to the workers, so the latter's whole year hard working is in vain. Secondly, some employers deliberately delay the payment to rural workers. It happens very often in restaurants, garment manufacturers and shoe makers. These employers use the unpaid money as working capital. Thirdly, some construction companies delay payment because of inefficient settlement practices in the whole bidding, undertaking and construction process. It is always rural workers who are the last ones to get paid. More than 50 per cent of the salaries in the construction industry are paid behind schedule. Fourthly, when disputes arise, some employers delay payment to keep their own interests in control (Xinhua News Agency, 2003a, 2003b). According to All China Federation of Trade Unions, by the end of 2003, employers owe up to RMB100 billion yuan salary to rural workers (US\$12 billion).

SOCIAL PROTECTION AND VULNERABILITY

Despite of the efforts to remove the limits on labour mobility, some incompatible features of the old and new systems during transition have become great barriers to mobility. These barriers exist in the social welfare system under reform. Rural workers as well as other "outsiders" without urban residency are not eligible to social protections and services funded by local budgets.

Poor housing conditions

New comers have to find affordable accommodations. Usually, rural workers cannot afford to buy or rent houses in the private market. They have three ways to arrange accommodations and settle down. The choices of accommodation arrangement are dependent on the type of work they do (Li, 2003). The first is to rent houses in informal settlement or farmers' houses in suburbs or even in inner city areas. The most typical example is rural workers' "villages". The residents in these villages work for small private businesses. Sometimes they are self-employed. Sometimes they are jobless and live on casual incomes such as begging. Usually, the residents of one village come from the same province or hometown. The second is to live in the dormitories or temporary accommodations offered by employers. These dormitories are very close to work and rural workers do not have much contact with urban residents. Their employers are either construction companies or manufacturing enterprises (such as textile or garment, or shoe companies) or public sector institutions (such as universities, vocational schools). The third is to live with urban residents. They

can either live in urban households as chore workers, or rent or buy houses directly. The new comers who can afford to buy houses can be self-employed or private business owners or white-collar workers.

Long working hours and poor working conditions

Rural workers are often forced to work long hours. According to a survey carried out in Guangdong, 80.5 per cent of the rural workers work for 11 to 14 hours per day. 47.2 per cent of the workers do not rest during the weekend (China People's Congress News, 06-09-2002). In many enterprises, employers only pay salaries at the end of each year. If they are not happy with their workers performance, they can reduce the salaries or even refuse to pay. Thus, rural workers have very little bargaining power over the working hours (Yin, 2003; Chan, 1998).

Many employers fail to observe the regulations on the standards of working conditions and do not take adequate precautions or follow the safety regulations. Workers either have to work in extreme conditions or with poisonous chemicals. Labour injuries happen from time to time (Chen and Chan, 1999).

Local governments have no incentives to intervene with the exploitative actions of employers. Local governments are interested in attracting more investors. Local policy makers and policy implementers tend to act in favour of employers. Therefore, although there are regulations to protect the basic rights of workers, the regulations are loosely enforced (Yin, 2003; Zhou, 2002).

No contract or unfair contracts

Most rural workers do not sign contracts with their employers. Even those who have signed contracts do not have the power to negotiate the terms. Governments at various levels try hard to persuade rural workers to go to formal job agents and sign contracts before they start working. However, rural workers often neglect the warnings.

Once rural workers come into town, they are eager to look for jobs and can't wait to get interviewed by agents. They prefer to meet employers in person. If wages are acceptable, they are happy to start working straightaway. According to a survey by Li (2003) in 1995 in Shangdong Province, around 75 per cent of the interviewed rural workers found their first job through introduction of relatives or town fellows. Around 8.5 per cent found jobs through direct contact with the employers. And only less than 1 per cent found jobs through job centres or agents.

In late 1990s, with more rural workers coming to urban areas, job centres began to play a more important role in matching the market demand and supply.

However, Job centres or local labour markets often charge fees for providing information to rural workers. The payment is not refundable even if the information does not help. Although some job centres do not charge for employment information, they charge under different names such as training fees and membership fees (Chen and Qiao, 2002). According to a court case reported by Nanfang Daily (2001) a job agent signed a collective contract with a state owned enterprise for introducing rural workers to the company. The job centre charged the employees they had introduced on a monthly basis. The fees were deducted directly from the salary of the rural workers. Every month, the job centre took away more than 700 yuan (more than 1/3 of the monthly salary) from each worker. The workers had not been informed of the charges until they found out by themselves and brought the job centre to court. According to the court file, in two years, the job centre earned more than 8 million yuan from working for this one company alone.

All these factors support the development of informal job markets. New comers either trust their friends or relatives for employment information, or they go to the informal markets to meet the employers directly. Usually, there is no contract between the employers and the employees. The workers have no protection when disputes arise.

No effective union protection

Labour unions are established to protect the employees' rights and prevent them from being exploited or maltreated by employers. According to the Labour Union Law, all employees should have the right to join trade unions.

In practice, rural workers are not organised as urban workers are. First of all, very few of non-state owned factories have unions. Secondly, even in the factories that have set up unions, in most cases, unions have very little bargaining power with employers. They fail to voice workers' need and cannot protect workers' rights (Chan, 2000a, 2000b). According to a research based on a random survey in Shenzhen where rural workers are concentrated (Shenzhen News, 2003), among 203 interviewees, only 3.6 per cent had joined unions, and very few knew about the existence and functions of unions. The local government explained that there were no discriminatory policies against rural workers to join the unions. However, rural workers have never been officially categorised as proper urban employees and therefore, it is not uncommon that unions are reluctant to accept rural workers (*Southern City Daily*, 2003a). Thirdly, in another perspective, rural workers have little awareness of self-protection and seldom seek union support actively.

Lack of social protection

In the planned economy, social welfare was provided to urban residents either through work or through local governments. The basic welfare included healthcare, education for the children, pension and housing, subsidies for food and clothes, heating, and subsidies for transportation. These benefits were not available to rural residents. Since the economic reform, anyone living in the cities can buy food, clothes and various subsidised goods in the market. Although housing privatisation was a recent development, the emerging market for private rental and ownership made it possible for rural residents to arrange accommodation in urban and suburban areas. However, in the new system, some housing related benefits are only available to urban residents either via social insurance schemes or government subsidies, such as cheap rental housing or subsidised private ownership.

In terms of social protection, urban residents nowadays are eligible for five types of social insurances: pension, unemployment, health, work injuries and maternity leave. According to the regulations, employers and employees should contribute jointly to a forced saving account (individual account). Rural workers are no exceptions. Nevertheless, the current methods of contribution working together with the prevailing labour market conditions make it almost impossible for rural workers to be covered properly. According to the regulation on individual account, a worker should pay 10 per cent of his/her salary to the individual account and his/her employer should pay 34 per cent of the salary once the worker has paid his/her share. However, in practice, employers are reluctant to contribute to social insurances for rural employees. Many urban employers find 34 per cent of the salaries for social insurance contributions an unbearable burden. Moreover, rural workers should be able to cash their social insurance contributions once they decide to move on. However, the regulation requires employers to apply for termination of social insurance account on behalf of the rural workers. But rural workers seldom stay at one job for a very long time. It means whoever leaves their job, the employers have to handle the application for withdrawal of social insurance contribution. Employers are reluctant to spend extra administrative costs dealing with leaving employees. As a result, it is very likely that the rural workers leave their job with nothing. This is certainly a disincentive for rural workers to make their contribution.

What is more, many rural workers come to town each year. The job market is highly competitive. Many rural workers voluntarily give up the rights to social insurances. Employers would rather hire the “less troublesome”.

Insufficient child education

Some rural workers live in urban areas and often bring their families along. However, because their children do not have urban residency, they are not

eligible for compulsory education that is geographically bounded. Either their parents have to pay market fees or education sponsorship charges, which are unlikely to be affordable to the majority of rural workers, or have to send their children to informal schools. However, local authorities are interested in closing down informal schools because of the inferior standard. It is estimated that there are roughly 200,000 children of rural workers in each of Beijing, Shanghai and Shenzhen. In some cities, such as Shanghai, the local government took actions to solve the problem. The teachers from informal schools receive training so that the teaching quality can be improved. Informal schools co-exist with formal schools. In Xiamen (Amoi) public schools are allowed to rent out classrooms to private school teachers so that they can teach the rural workers' children. However, in Beijing, the government has tight control over schools. The education of children from outside the city has remained a serious problem (Fu and Li, 2003; Zhang, 2002).

SUMMARY OF THE CASE

In general, rural workers are discriminated against in urban areas. They work and live in the cities and are literally urban residents. However, they are excluded from many aspects of the political, economic and social life that are enjoyed by urban residents. They are the largest group of the underclass living in urban areas. Media attention and academic research have partially revealed the harsh conditions and unfair treatments that rural workers are suffering from. Although the publicity of some of the issues have led to responses in some local governments (such as the removal of the Hukou system in some cities in Zhengjiang and Jiangsu Provinces) and the Central Government (such as the removal of the policy on arresting and eviction of rural workers who do not carry IDs), so far the legal framework and institutions to protect rural workers from getting unequally treated are still very weak.

Conclusion

The profile of social exclusion in post reform China shows that the conflict between the co-existing old and new systems is intense. The picture is a very mixed one: absolute poverty has been reduced but income inequality has significantly increased. Some earlier sources of social exclusion disappeared, but a number of new issues start to affect the livelihood of different groups of people. The pro-growth strategy featuring low redistribution and less protection of labourers has pressed the people at the bottom even further down. An underclass that is largely neglected by the new rules has appeared.

However, low income cannot fully represent the concept of social exclusion. In China, social exclusion does not only reflect the shortage of resources to

participate in the mainstream social life, but also the deprivation of opportunities or social rights. The existing rural-urban conflicts exemplify the latter form of social exclusion.

The social exclusion discussed in this paper has several features:

First, in a developing economy going through major economic transition, the frequency and number of rule changes have caused extra challenges to the understanding of social exclusion. Has the current social exclusion lasting effects? If the rules might be rewritten again, does it make sense to study the current socially excluded? The experiences in China offer a very good example of the different abilities of people from different backgrounds in influencing the process of policymaking or rule rewriting. Where a certain group of people does not have a voice in policy-making process and where they are not politically represented, they may be left out in the long run.

Secondly, it emphasises the active role played by the other members of the society against the excluded. It reflects the willingness of the excluded to participate in the ordinary life, but facing low tolerance of some other members in the society. Such relations do not exist at the top of the society. Therefore, we cannot find a symmetric group at the top of the society, which is largely voluntarily excluded from the rest of the society, as discussed by Barry (2002).

Thirdly, the socially excluded is a fairly large percentage of the population. However, in urban areas, the size of the excluded population is growing as more rural people move into towns. It reflects the inability of urban areas to cope with fast economic growth and the need for urbanisation.

Finally, the socially excluded do not only suffer from poverty. Their problems are related to the problems embedded in various aspects of social policy. It is hard to deal with social exclusion only via one or two measures such as the stopping the practice of ID check or even removal of *Hukou* system.

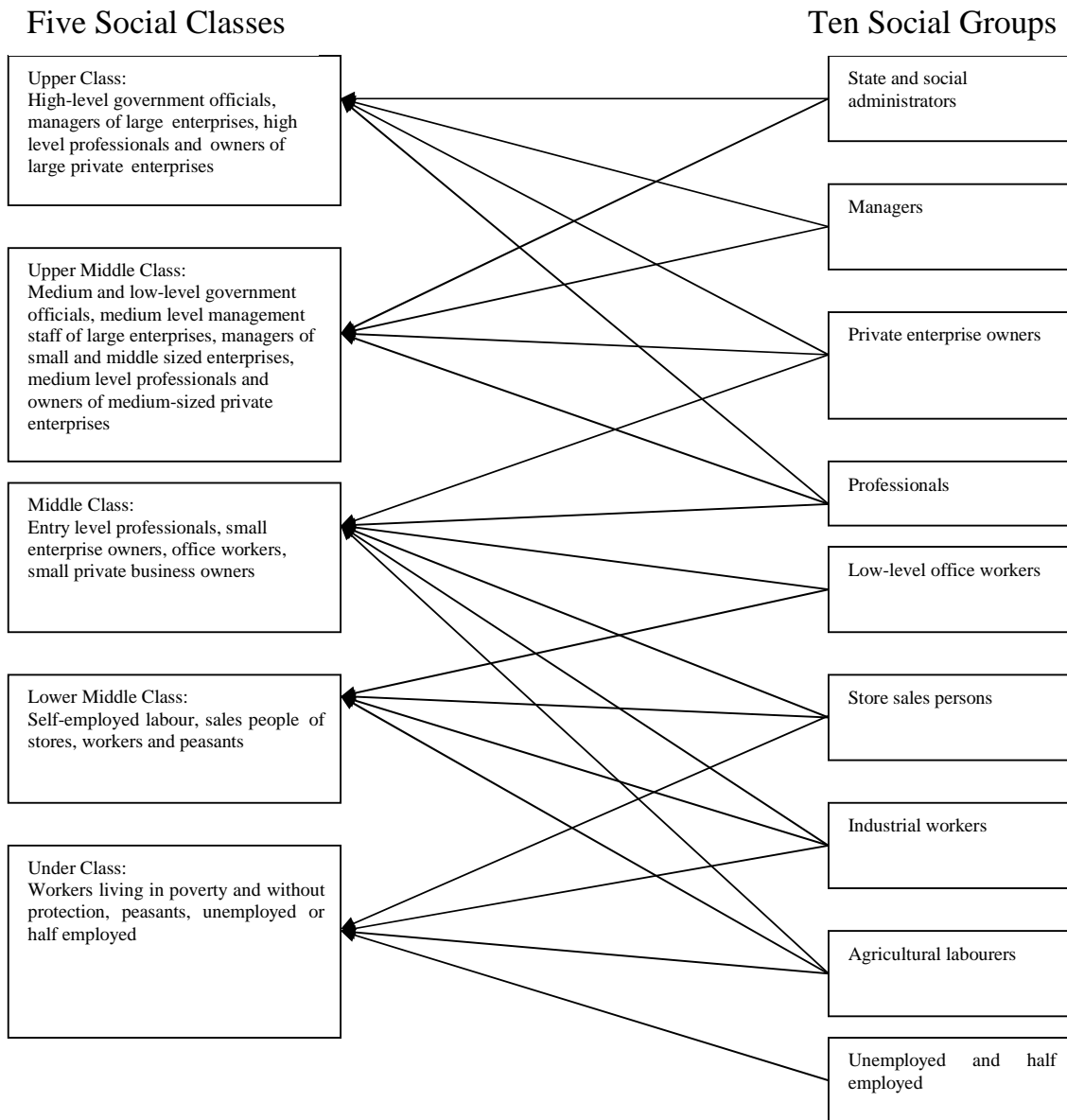
In general, urban social exclusion in China reflects a number of constraints in urban development during the economic reform. Apart from physical and financial barriers, such as the relatively smaller capacity of urban areas to provide jobs and earnings for the population, there are also constraints that are related to the weakness in the political, economic and social security systems under reform.

The role of policy factors should not be underestimated. It does not only provide the basis for differential treatment to citizens from different backgrounds in terms of entitlement to job opportunities and social protection, but also encourages discrimination of some urban citizens against “the others”, such as

rural residents. This discrimination exists in the daily interaction between urban and rural residents, as well as the daily policy implementation by the government officials.

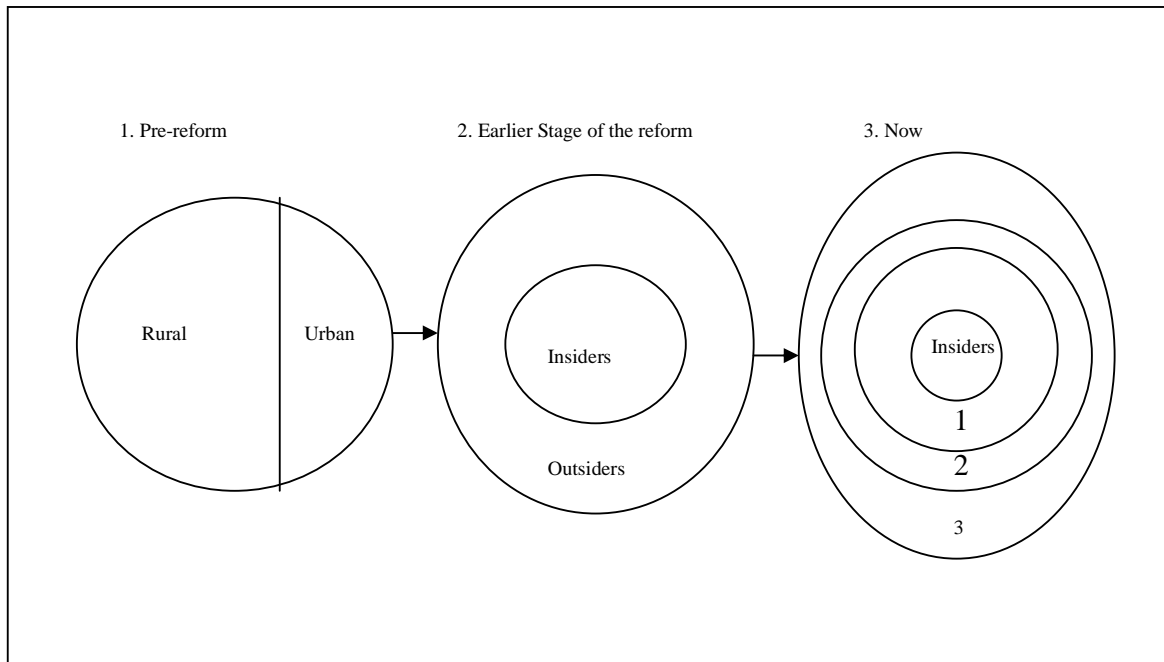
To tackle the problems, it is almost impossible to avoid the political sensitiveness of these issues. Rather, there need be efforts to make comprehensive efforts, including reforming the political representation for the “underclass”, removing the barriers to employment, revising the entitlement structure to social protection. At the same time, the state might embark on campaigns to educate the policy implementers and the other urban citizens to treat all the citizens equally and humanely. Clearly, this should also be coordinated with the efforts to channel voices of the underclass through the political system.

Figure 1: Social Classes and Social Stratifications after the Reform



Sources: Lu (2002).

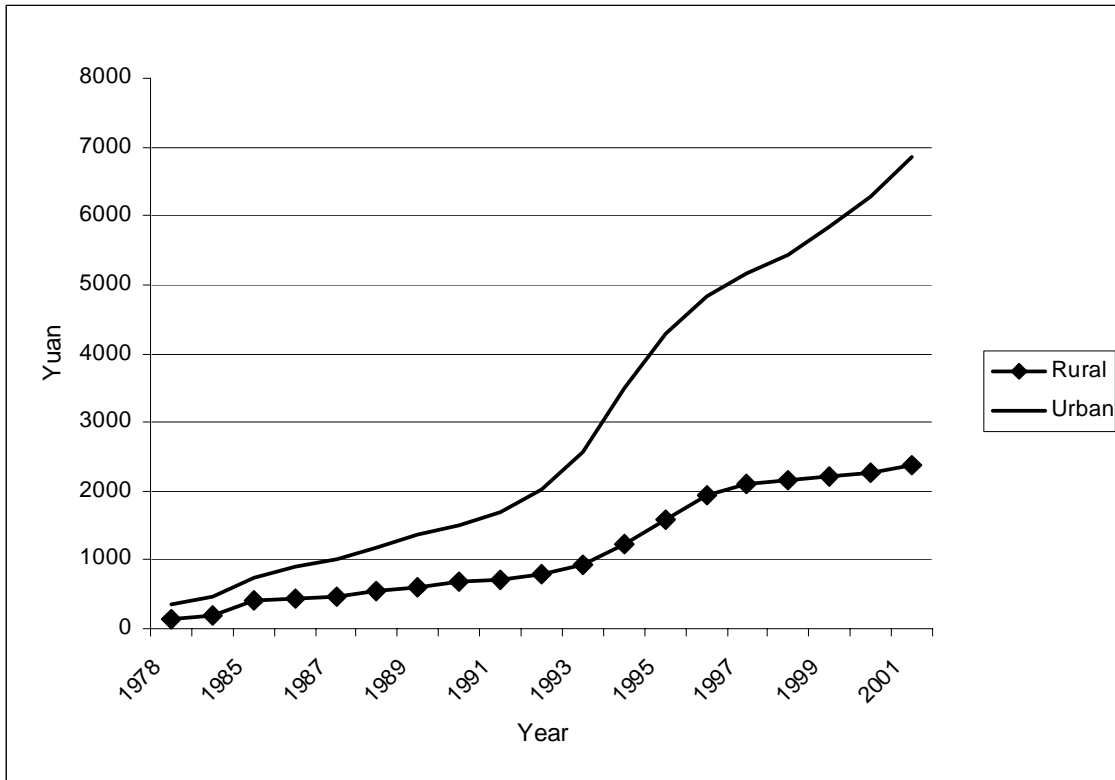
Figure 2: The Shifting Ground for the Poor



Note:

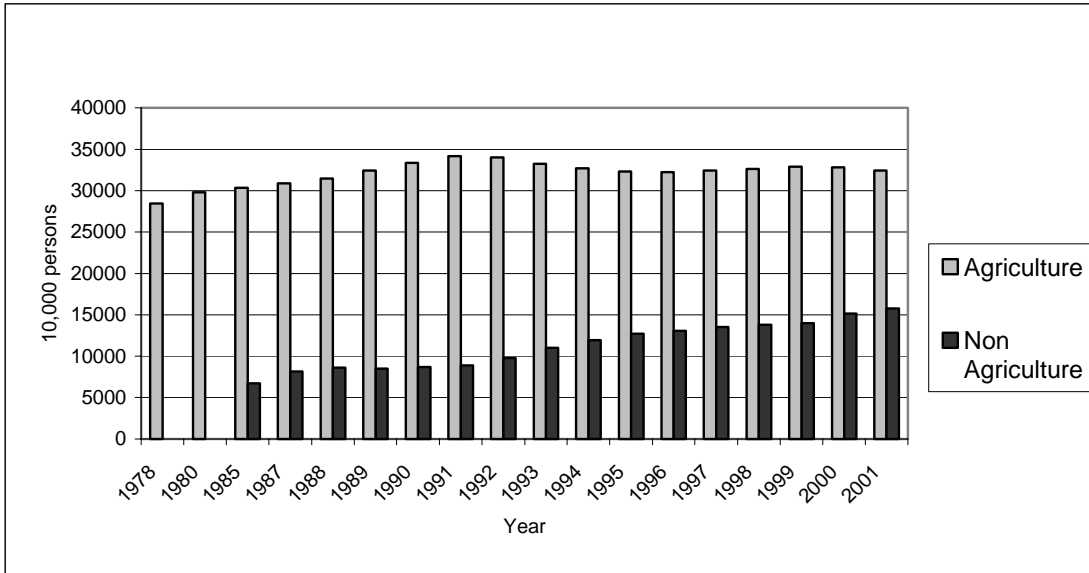
1. Enterprise employees who are covered by the newly established social welfare system.
2. Enterprise employees who are included in the welfare system but cannot receive the welfare as promised.
3. Rural residents and urban unemployed.

Figure 3: Income per Capita



Data Source: China Statistics Bureau, China Statistics Yearbook, Related issues.

Figure 4: Economic Activities of Rural Labour



Note: Agriculture refers to rural residents who are engaged in agricultural activities. Non-Agriculture refers to rural residents who do not participate in agricultural activities and work in other parts of the economy.

Data Source: China Statistics Bureau, China Statistics Yearbook, Related issues.

Table 1

Places	Regulations	Documents
Whole China	Rules for Hukou Registration of the People’s Republic of China (zhonghua renmin gonghe guo Hukou dengji tiaoli) (Standing Committee of the People’s Congress, PRC, 1958)	People leaving their places of permanent residency and about to live in another cities for more than three days should register for Temporary Residency
Beijing	“Administrative Regulations on Resident Registration for People Coming to Stay in Beijing” (Beijingshi Waidi Laijing Renyuan Huji Guanli Guiding)(Beijing Bureau of Public Security, 1995)	Certificate for Temporary Residency
	“Administrative Rules on Peopling Coming to Work and Do Business in Beijing” (Beijingshi Waidi Laijing wugong jingshang renyuan guanli tiaoli)(Standing Committee of the People’s Congress, Beijing, PRC, 1995b)	Certificate for Temporary Residency Certificate for Marriage and Child Birth Certificate for Employment of Out Comers
	“Administrative Regulations on Peopling Coming to Work in Beijing” (Beijingshi waidi laiying renyuan wugong guanli tiaoli) (Beijing Municipal Government, 1995c)	Certificate for Temporary Residency Certificate for Marriage and Child Birth Card of Registration for Working Outside the Local Area Certificate for Employment of Out Comers Other required documents
	“Administrative Regulations on Peopling Coming to Do Business in Beijing” (Beijingshi waidi laiying renyuan wugong guanli tiaoli)(Beijing Municipal Government, 1995a)	To start private business ID and Certificate for Temporary Residency Business Licence or Certificate of Doing Business in Beijing by the Business Administration Authorities of the Place of Origin Proof for legal usage of business site Certificate for Marriage and Child Birth Certificate of professional qualification if provide professional services Other required documents To apply for business licence Minimum requirement for educational level: secondary school (if doing businesses encouraged by the local government, can be less strict); Age limit: 16 years or older; Healthy

		<p>To do business within the encouraged or allowed industry, scope of business and way of doing business.</p> <p>All the other required documents</p>
	<p>“Administrative Regulations on Renting Houses by People Coming to Stay in Beijing” (Beijingshi waidi laijing renyuan zulin fangwu guanli guiding) (Beijing Municipal Government, 1995)</p>	<p>Certificate of Temporary Residency, Certificate of Marriage and Child Birth Health Certificate (after the tenant arrives in Beijing for 1 month)</p> <p>Lease</p>
	<p>“Administrative Regulations on Family Planning for People Coming to Stay in Beijing” (Beijingshi waidi laijing renyuan jihua shengyu guanli guiding)(Beijing Municipal Government, 1991)</p>	<p>Certificate of Marriage and Child Birth Beijing Temporary Resident Family Planning Certificate</p>
	<p>“Administrative Regulations on Hygiene and Illness Prevention for People Coming to Stay in Beijing” (Beijingshi waidi laijing renyuan weisheng fangyi guanli guiding)(Beijing Municipal Government, 1999)</p>	<p>Certificate for Temporary Residency Health Certificate</p>
	<p>“Administrative Regulations on People Coming to Beijing to Provide as Housework Services (Revised)” (Beijingshi waidi laijing renyuan congshi jiating fuwu gongzuo guanli huding (xiuzheng)(Beijing Municipal Government, 1997)</p>	<p>ID and Certificate for Temporary Residency Health Certificate</p> <p>Card of Registration for Employment Outside Local Areas issued by the Administrative departments above county level at the place of origin</p> <p>Certificate of Marriage and Child Birth</p> <p>Other required certificates</p> <p>The job centre can issue Certificate for Employment of Out Comers (Family service) to the applicant if the applicant is:</p> <p>Older than 16 years;</p> <p>Healthy;</p> <p>Graduated from secondary school or having higher education;</p> <p>Trained by professional agencies; and,</p> <p>Able to present all the required documents.</p>

Shanghai	Shanghai Administrative Rules for People Flowing in from Outside (Shanghaishi wailai liudong renyuan guanli tiaoli) (Shanghai Municipal Government, 1996)	Certificate of Temporary Residency (effective for 2 years): ID, Proof of address and proof of business or employment Health Certificate: Stamp on Certificate of Temporary Residency Housing lease: ID, Health Certificate
	“Shanghai Administrative Measures for Family Planning for People Flowing from Outside” (Shanghaishi wailai liudong renyuan jihua shengyu guanli banfa) (Shanghai Municipal Government, 1998)	ID and Certificate for Temporary Resident Certificate for Floating Population Family Planning issued by local authorities at place of origin Stamped once every year
	“Temporary Regulations on Introducing Talents through ‘Shanghai Certificate of Resident’” (Yinjin rencai shixing ‘Shanghaishi juzhu zheng’ zhidu zanxing guiding”(Shanghai Municipal Government, 2002)	Proof of Education (university level or above) or proof of special talent (Professional certificate or proof of performance) ID Proof of address Health certificate issued by sound hospitals in Shanghai Employment or labour contract Business proof Foreigners applying from Shanghai should provide proof of entrance

Figure 5: Registered Urban Unemployment



Data Source: China Statistics Bureau, China Statistics Yearbook, Related Issues.

Figure 6A

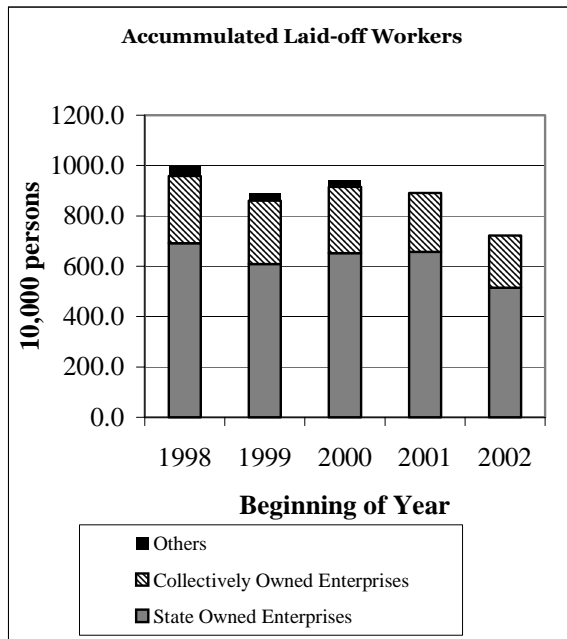
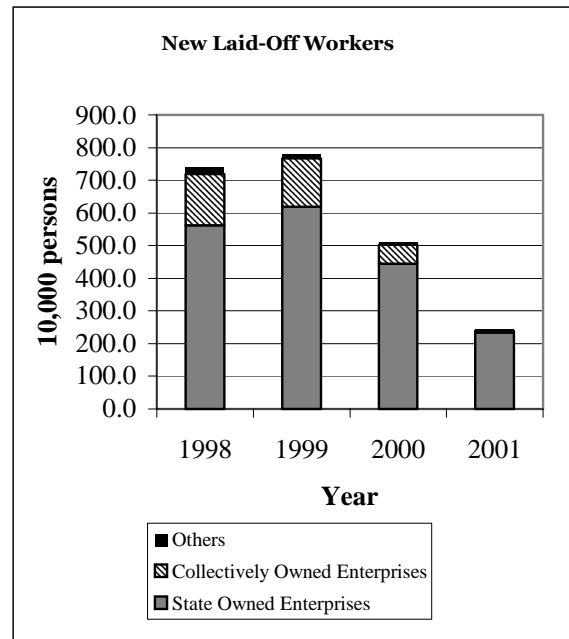


Figure 6B



Note: The numbers of laid off workers drop significantly in the 2001 and 2002. It is because of the partial integration of laid off worker system and the unemployment social security scheme.

Data Source: China Labour Statistics Yearbook, Related Issues.

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