Legitimacy-driven Intervention and Social Exclusion in China

Dr Chak Kwan Chan
Reader in Social Policy
Nottingham Trent University
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Abstract

This paper argues that the provision of public assistance in China was due to the need of the Chinese government to secure a stable society. The introduction of the Minimum Standard of Living Scheme (MSLS) in 1997 for city dwellers was mainly for reducing the dissatisfactions of laid-off workers. The implementation of the rural MSLS in 2007 aimed at minimising conflicts between land-losing farmers and local governments. This type of legitimacy-driven welfare intervention, however, is a key factor contributing to the social exclusion of poor Chinese people. As the main objective of the Chinese government is to secure social stability rather than to promote social justice, a minimal and stigmatised social assistance scheme was created. As a result, some social groups have been excluded from accessing public benefits because of local governments’ discriminatory practices; and many MSLS recipients are unable to make ends meet due to an extremely low level of assistance.

Introduction

One definition of social exclusion concerns the inability of poor people to participate effectively in social, political and cultural life of a society. This may happen when some social groups have been denied of accessing public benefits or the benefit levels are too low to meet daily needs and essential social activities. Unfortunately, a lot of poor people in China are encountering these two problems as a result of discriminatory practices introduced by local governments and an extremely low level of financial support.

In 1997, Chinese government introduced a Minimum Standard of Living Scheme (MSLS) to provide financial support for poor people. The scheme, however, is only for urban residents. It was not until 2007 that a rural MSLS was implemented to tackle the financial difficulties of farmers. Although the MSLS has become a nationwide programme, there are many Chinese people who are being excluded from public assistance because they cannot meet additional application criteria set by local governments. Also, the level of benefit is extremely low that recipients can hardly afford their daily necessities, not to mention to participate in essential social activities. This paper argues that the provision of public assistance in China is due to the Chinese government’s need to maintain social stability. As a result of the Chinese government’s legitimacy-driven welfare intervention, the MSLS has been constructed to be a minimal and stigmatised financial assistance scheme; its main objective is to reduce the tensions between poor people and the state rather than to promote social justice.
Social Instability and the Establishment of a MSLS in Cities

Laid-off workers from the state-owned enterprises (SOEs) became a big threat to social stability. After the Third Plenum of the Fourteenth Party Congress agreed to establish a socialist market economy (Chinese Communist Party Central Committee (CCPCC), 1993), Chinese government shifted its economic strategy from increasing the work motivations and productivity of managers in the 1980s to changing the nature of SEOs in the 1990s. The main reform objectives were to “set the goal of transition to a market system”, “establish market-supporting institutions incorporating international best practices”, and “privatise and restructure state-owned enterprises” (Qian, 1999: 14). As a result of the reconstruction of SOEs, various types of companies were formed in China such as shareholding enterprises, listed companies, enterprise groups, limited liability firms, collectives, private firms and foreign-invested enterprises (Green, 2004).

SOE reform, however, brought about large scale redundancies. Between 1994 and 1999, the number of laid-off workers increased from 3 million to 11.7 million (Wang 2004). Although central government set up Re-employment Service Centres (RSC) to provide both employment training and a basic living allowance (BLA) for laid-off workers, many of them and retired workers suffered economic hardship. According to a senior officer from the Ministry of Labour and Social Security, among 21 million SEO laid-off workers who had entered the RSCs, 6.6 million of them were unable to get new jobs (Hong Kong Trade Development Council, 2001). Also, laid-off workers at the RSCs only received 60% of their normal salaries (China Labour News, 1995a), a lot of them even could not regularly receive their living allowance. For example, a survey in 1995 found that among 2,188 respondents in four cities, 21% encountered pay arrears from their work-units (China Labour News, 1995b). In addition, about half of the respondents claimed that they could not cope with the psychological pressures of unemployment. The All-China Federation of Trade Union reported that among 860,000 enterprises in 2000, 9.2% were involved in pay arrears. Also, among 282,000 workers of 121 bankrupted SOEs, 32% could not receive their basic living allowance (Zhao et al., 2002). In Heilongjiang Province, the Labour and Social Security Bureau found that only 1.4% of SOEs were able to clear their debts and pay compensations for workers (Zhao et al., 2002). Obviously, many SOEs were financially too weak to fulfill their duties so that the basic livelihood of laid-off workers could not be guaranteed. This meant that the RSCs could not act effectively as a last resort for meeting the financial needs of laid-off workers. Against the mentioned issues, SOE reform became the main cause of urban poverty. After examining the extent of poverty in 13 cities, Li (2002) estimated that 1999 about 5.9% of urban residents (23 million) were in poverty. Also, the impact of enterprise reform on poverty was obvious. Using the data of the National Statistics of the 13 studied cities, Li found that the number of poor people increased by 10% between 1995 and 1999. It was revealed that families of laid-off workers and unemployed workers were six times more than normal working families in poverty (Li, 2002). Also, poor families experienced a big drop in income. During the mentioned period, the gap between the average income of poor families and the poverty line was widened by 36%. Therefore, Li concluded that “urban poverty has become more widespread and serious”(Li, 2002).
The Chinese government’s creditability was further damaged by old age poverty. Despite the establishment of an old age pension scheme for urban workers in 1997, the financial needs of many older workers could not be met because of a low level of pension or pension arrears (Hong Kong Trade Development Council, 2001). Some enterprises, particularly those in old industrial regions, found it difficult to pay old age pension contributions. For example, 26 enterprises in a city of Hunan Province failed to pay ¥6.5 million old age insurance premium for more than one year (China Labour News, 1995c). After analysing the data of a study including both urban and rural older people in 2000, Wang and Zhang estimated that 7-9% of China’s old population were in poverty (Wang, 2006).

The weaknesses of welfare measures for tackling poverty had negatively affected the legitimacy of the Chinese government. According to a survey conducted in four cities of Liaoning Province, 80% respondents claimed that inequality was a serious problem (Si, 2003; quoted in Qiu, 2004). Another study showed that social security was the most concerning issue among 15,000 respondents in 31 provinces (Zhou, 2003; quoted in Qiu, 2004). As urban workers were traditionally protected by work-units from which they received comprehensive benefits, built their social networks and found their identities, laid-off workers might find it difficult to lower their expectations on SOEs and cut off the relationship with their employers. Even though some laid-off workers had already terminated employment contracts with their SOEs, they still thought that it was their rights to ask government for assistance when they were in financial difficulties (Qiu, 2004). The dissatisfactions of the general public towards the government were further revealed from a study which reported that one-third of respondents said that they would join petitions to express their demands (Si, 2003; quoted in Qiu, 2004). More seriously, the number of conflicts between the government and the public increased by more than three times during the critical period of SOE reform: from 10,000 cases in 1994 to 32,000 cases in 1999 (Qiu, 2004). In particular, pay arrears and contractual conflicts between SOEs and workers seriously endangered social stability. It was reported that more than 80% of conflicts between employers and employees were pay arrears. In Shenzhen city, for example, 12,000 workers suffered pay arrears involving more than ¥8.3 million. Moreover, more than 300 strikes were caused by contractual conflicts (China Labour News, 1996). According to the Research Centre of the All-China Federation of Trade Unions, the average annual number of workers involved in labour disputes were 1.3 million between 1992 and 1997 (Chen, 2004). These disputes were mainly caused by SOE reform, because the workers were not satisfied with labour contracts, salaries, allowances, retirement benefits, and unemployment benefits. For example, 37.7% of labour conflicts in Henan Province were due to the curtailment of workers’ rights (Chen, 2004). As laid-off workers shared common concerns and were also concentrated in cities, their activities against local governments could be easily spread from one region to others. Thus, they were a strong and an unstable social force that the central government might find it difficult to ignore their demands.

Clearly, alternative social protection scheme was badly needed to bear the financial burden of SOEs, acting as a last resort for new poverty groups associated with China’s economic reform. Jiang Zemin, former President of China, stressed that his government had to accelerate social security reform in order to provide a supportive environment for reforming SOEs and securing social stability (China Labour News, 1997). In 1997, the State Council announced the implementation of an urban MSLS to
all cities. The central government did not hide its intention to use the MSLS to maintain a stable society. As the State Council emphasised, the establishment of the MSLS “helps safeguard social stability and facilitate the success of economic reform” (State Council, 1997). In its notification to local government officials, it further stated that the MSLS provided assistance for families that were still in financial difficulties despite having received the basic living allowance for laid-off workers and pension (State Council 1997).

The functions of the MSLS to social stability and economic reform were revealed in another notification in 2001. The State Council said that the MSLS was one of the key components of China’s social security system, which had “an important meaning to the improvement of socialist market system, maintaining social stability, safeguarding the successful reform of the SOE, and the nation’s long term rule and safety”. The State Council explained more details on the relationship between laid-off and social assistance:

SOEs have to terminate the employment contracts with workers who reach the maximum period but still fail to get jobs. The workers are entitled to unemployment benefits. However, if they reach the maximum period of receiving the unemployment benefits, the Ministry of Civil Affairs have to provide them with the MSLS (State Council, 2000).

Obviously, the MSLS was considered to be the last resort for laid-off workers and other poor families in cities. It was revealed that 5.2 million laid-off workers, 4.1 million unemployed workers and 0.9 million retired workers were recipients of the MSLS in 2003 (Ministry of Civil Affairs, 2004). Thus, this public assistance scheme has been playing a crucial role in compensating the financial loss of urban workers follow the enterprise reform. In this way, traditional welfare obligations of the SOEs to their workers were shifted from individual enterprises to public welfare institute in form of the MSLS.

Land-Losing Farmers and the Rural MSLS

A large number of rural residents are in poverty as a result of losing their land and limited old age protection. From 1990 to 2002, there were as many as 66.3 million farmers lost their land (Guo, 2005). Moreover, there are 3 million new cases every year (Jiang and Wen, 2007). However, the farmers only received a relatively small amount of compensation. By examining the livelihood of 255 land-losing farmers in five cities of China, a research study found that the amount of compensation was just enough for them to live for two and half years (Guo, 2005). The most serious problem is the unemployment of a large number of land-losing farmers. It was estimated that more than 20% (10 million) land-losing farmers could not find new jobs (Jiang and Wen, 2007). The distribution of unemployed land-losing farmers was 15.4% in eastern region, 16% in central region and 18.3% in western region (Jiang and Wen, 2007). Having lost their land, a lot of peasants suffer a big drop in income. It was estimated that the living quality of 46% land-losing farmers got worst (China Internet Information Centre, 2007). A study reported that the per capita income of land-losing peasants dropped by 76.2% in Fujian Province, 75% in Jiangxi Province and 75.5% in Guangxi Autonomous Region (Jiang and Wen, 2007).
The acquisition of land also affects the livelihood of older people. In 2000, 85% of older people in rural areas relied on family support, only a small number of them (5.4%) were protected by some kind of pensions (Wang, 2006). A large number of unemployed land-losing farmers have shaken the financial base of elderly care in rural China. As a result of land acquisition and surplus rural workers, 30 million of peasants were living under the poverty line (China Internet Information Centre, 2003).

Illegal land acquisitions have worsened the relationship between farmers and local governments. An official survey conducted by the Ministry of Land and Resources revealed that 53% of land acquisitions between October 2003 and September 2004 were actually illegal (China Daily, 2006). Illegal land acquisitions are related to the self interests of local governments because 60% of their non-budgetary income was actually came from land deals and real estate transactions (China Daily, 2006). The Ministry of Land and Resources reported that for the first six months of 2002, 73% of complaint letters received were related to disputes on land acquisitions and unlawful use of land. Similarly, the State Bureau for Letters and Calls showed that among 4,116 complaints handled in 2004, 70% were related to land acquisitions. More importantly, Guo (2005) pointed out that the reactions of peasants towards local governments’ unreasonable land acquisitions and taxations were characterised by more direct conflicts, and more collective, well-organised and persistent actions. Similarly, after researching China’s rural conditions, Yu (2003) reported that over the past 10 years, there were at least 10 big civil disobediences in several parts of Hunan Province. In particular, more than 10,000 peasants were involved in two incidents (Yu, 2003). He noticed that recent peasants’ anti-government incidents had several features:

(a) having clear focuses;
(b) well-organised actions;
(c) the emergence of new and influential leaders;
(d) more physical conflicts and increasingly more violence; and
(e) incidents can be quickly spread to other regions.

In 2006, some representatives of the National People's Congress and the Political Consultative Conference expressed their deep concerns over the problem of land-losing farmers. They pointed out that 65% of conflicts between peasants and local governments were related to land acquisitions and resettlements. According to them, “conflicts caused by land acquisitions are a key factor contributing to social instability in some regions” (The Bureau of Land Resources, 2006). One of them stressed: “by building a harmonious society, tackling the survival need and development of land-losing farmers should be the government’s top priority”(The Bureau of Land Resources, 2006).

Prior to the implementation of the rural MSLS, two researchers (Song and Yan, 2006) from the Ministry of Public Security emphasised that there are more than 13 million laid-off workers and 40 million land losing-farmers every year, who already became large disadvantaged groups. In regions where social security coverage is relatively low, “the dissatisfaction of the deprived groups has been increasing. Some even already led to social conflicts…. If relevant officials fail to handle their concerns properly, some incidents will endanger public’s safety” (Song and Yan, 2006: 168). Thus, by maintaining a stable society, central government had to respond to the welfare demands from rural poor people.
By reducing the tensions between peasants and local governments, the State Council launched a nationwide rural MSLS in July 2007 (State Council, 2007). In fact, the document admitted that “some poor population in rural areas still do not have sufficient clothing and enough food, the government needs to give necessary assistance to safeguard their basic livelihood” (State Council, 2007). The importance of public assistance to political stability was further revealed from the document which stated that the main objective of the rural MSLS was to provide financial assistance to all eligible people so that the problem of rural poverty could be effectively tackled in a persistent and long term policy (State Council, 2007). After the implementation of rural MSLS to the whole country, the number of recipients increased by 129%, from 15 million in 2006 to 34.4 million in 2007 (People Daily Online, 2008). The central government emphasised: “Good agriculture industry and countryside are pillars for supporting economic growth and social stability” (CCPCC and State Council, 2007).

In short, the rural MSLS has become a Chinese government’s strategy to enhance its legitimacy by reducing conflicts between poor peasants and local officials. It is also a collective compensation scheme for land-losing peasants whose source of income was destroyed by economic expansion as well as local officials’ abuse of power in land acquisitions.

Legitimacy-driven Intervention and Social Exclusion

As the above evidence demonstrated, the establishment of both urban and rural MSLS was the Chinese government’s response to social threats that endangered its authority and economic reform. This paper uses ‘legitimacy-driven welfare intervention’ to describe the provision of public assistance in relation to social stability. This type of welfare intervention has affected the contents of social exclusion in China.

Firstly, welfare satisfaction of a social group is related to their potential threat to social stability. After the introduction of the Household Responsibility System, rural welfare provisions based on communes had completely collapsed. However, no alternative welfare scheme was set up to meet the needs of retired and unemployed peasants. Welfare provision in rural China was driven back to the family and charities. On the other hand, Chinese government introduced several initiatives to satisfy the financial needs of SOE workers including old age pension insurance, an unemployment insurance, a basic living allowance for laid-off workers, and an urban MSLS. As laid-off workers are concentrated in urban areas and are also more organised, they have posed a direct threat to social order in cities and to the successful transition of China’s economy from traditional socialism to a socialist market economy. As a result, the MSLS was established in 1997, three years after the government’s decision on implementing the SOE reform. However, rural residents were excluded from accessing this type of public assistance. It was not until 2007 that a similar scheme was implemented follow more conflicts between land-losing farmers that local governments. The development of urban and rural MSLS has showed that the satisfaction of welfare needs of a group is related to its extent of threat to social order. Social groups which fail to demonstrate their threat to social stability, their welfare needs cannot be quickly addressed by central government. In short, the length of time of being excluded from accessing public benefits is related to the political
threat of a group. This also implies that the incremental nature of welfare development in China is, to some extent, because of lacking strong and organised social forces which push for quick changes.

Secondly, with limited financial support from the central government to local governments, a lot of poor people are being excluded from accessing the MSLS. The implementation of urban and rural MSLS shows that the central government mainly aimed at building a final safety net for poor people, its commitment to tackling inequality is, however, relatively limited. Official documents mainly urged local governments to take up their duties to help all eligible applicants. However, local governments, lower administrative units in particular, have difficulties in finding extra resources for meeting the central government’s new demands. According to Tang and Wang (2002), about 50% of finance for the urban MSLS was expected to be paid by district governments/county governments. Unfortunately, many of them cannot collect sufficient resources to meet the financial needs of all eligible applicants in their areas. In reality, many township governments and village governments are in debts. In 1998, the debts for all village governments in China were ¥325.9 billion. The average debt was around ¥3 million for a township government and ¥200,000 for a village government. In 2004, the amount of village debts even reached ¥600-1,000 billion (Zhu, et., 2006). This suggests that prior to the introduction of a nationwide public assistance scheme, many lower level governments were unable to fulfil their basic duties. Thus, the implementation of the rural MSLS is actually beyond the capacity of many local governments.

Facing tremendous financial pressures, many local governments set up stringent welfare criteria to reduce the number of applicants. In some regions, applicants who fail to meet the following criteria will be excluded from receiving the MSLS: (Southern Weekly, 2002; Tang and Wong; 2002):

- a family which has electrical appliances such as fridge, TV set, and mobile phone;
- family members who wear jewellery;
- applicants who have deviant behaviour such as having committed crimes and taking drugs;
- applicants who violated the national birth policy;
- applicants who have meals in expensive restaurants; and
- applicants who are former workers of central government’s enterprises.

More seriously, some local governments even assume able-bodied family members are receiving a minimum wage and laid-off workers are receiving a basic living allowance so that their benefits will be deducted (Tang and Wang, 2002). Obviously, local governments are adopting some exclusion measures while following the central government’s policy on extending the coverage of the MSLS.

Thirdly, social exclusion in China is now mainly caused by a minimal and stigmatised public assistance scheme. Although the MSLS was extended from cities to rural areas, many poor people cannot lead a decent life as a result of stigmatising application procedures and a very low level of benefit. The privacy of the MSLS applicants is not protected by the government. Instead, local governments are required to publish the details of applicants in form of ‘public notice’; neighbours are also
invited to give comments on applications (State Council, 1999). The Sichuan Provincial government even published the applications for the MSLS three times (Shang and Wu, 2004). It was reported that “some families refuse to apply for assistance for fear of their children suffering discrimination at school” (People’s Daily, 2002). Some families gave up benefits in order to avoid being publicly shamed.

More importantly, the existing MSLS benefits can hardly meet the basic needs of recipients. The MSLS Ordinance in 1999 stated that “the minimum living standard for urban residents is according to the basic necessities for living in a city, including clothing, food, and housing. If possible, expenses on electricity and gas as well as compulsory education for children can be taken into account” (State Council, 1999). Obviously, the basic necessities were only limited to a few items and medical care of applicants as well as special needs for disabled people were excluded. Also, the guideline did not give details on calculating the costs of basic necessities. Instead, in another notification the central government stated that a local government “has to set a reasonable standard according to the living standard of local residents and its financial capacity” (State Council, 2000). The document clearly reveals that the MSLS is a local financial line rather than a poverty line based on common human needs. With the absence of national social assistance laws and the details for setting a poverty line, many local officials only provide a very low level of assistance that can hardly meet people’s daily needs. After examining the levels of the MSLS in 36 cities, Zhang and Tang (2005) found that the average MSLS benefit was only 9.2% of per capita monthly income of the studied cities. Further, they pointed out that the per capita monthly benefit of the MSLS was just 8.4% of per capita monthly expenditure on food of the 36 studied cities. By exploring the life quality of MSLS recipients in Wuhan City, Mei and Liu (2005) reported that 60% of their 387 respondents claimed that the amount of MSLS benefits could not meet their survival needs. Actually, even the central government set a very low amount of benefit for the rural MSLS. In 2007, the Ministry of Civil Affairs proposed the minimum monthly rate for a rural resident living on the MSLS was just ¥28 (China Economic Net, 2007b). Thus, the public assistance scheme in today’s China only meets some items for survival needs; poor people have to seek supplement assistance from family members and charities to make ends meet. As a vice-minister from the Ministry of Civil Affairs claimed, the MSLS was only “a basic survival line” (China Economic Net, 2007a). This means that public assistance recipients in China have been excluded from meeting basic needs, not to mention social needs accessed by poor people in many developed economies.

**Conclusion:**

Economic reform in China has been described to be “experimental and gradual” (Chow, 1999). This may be related to Chinese government’s lack of an overall reform plan; its approach to economic reform, according to Deng Xiaoping, is “crossing the river by groping for stones” (quoted in Qian and Wu, 2000: 1). In term of social security, Chang criticised Chinese government for lacking “any longer-term considerations since former plans were abandoned” (China Internet Information Centre, 2002). This paper argues that Chinese government’s incremental development on social assistance is related to its legitimacy-driven intervention. By reducing conflicts between laid-off workers and the state, the Chinese government introduced an urban MSLS for tackling the financial difficulties of laid-off workers. By
minimising conflicts between peasants and local governments, the Chinese government launched a rural MSLS for providing financial assistance for land-losing farmers. Thus, the inclusion of poor people to public benefits in China is not mainly based on their citizenship status but their direct threats to social stability. The urban MSLS was established in 1997 but Chinese citizens living in rural areas had to wait 10 years to see a rural MSLS established. As demonstrated in this paper, this was because a rapid increase in the number of land-losing farmers and their serious conflicts with local governments. Forced to give welfare concessions to unstable social groups, the Chinese government has only provided them with a minimal and stigmatised public assistance scheme. As the evidence shown in this paper, the existing benefit levels are too low to provide needy people with a decent life. Moreover, by saving public expenditure, local governments imposed harsh requirements on the MSLS applications that have excluded poor people from financial protection. Therefore, Chinese government needs to shift its focus of welfare intervention from securing political legitimacy to promoting social justice. It is only in this way that a human-oriented financial assistance scheme can be established to meet the needs of Chinese people.
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