

China, Urban poverty

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Urban Poverty in China and the Governmental Policies

China, the largest developing country in the world, has a population over 1.4 billion. In the planned economy period, because of a series of security systems such as low-wage extensive employment and assured supply of basic materials for daily life, urban poverty had not yet become a large-scale issue, and poverty was mostly a rural phenomenon (Xu & Gong, 2017). However, since the reform and opening-up policy was introduced in 1978 and established the socialist market economic system in China, the original city patterns have changed, and the number of poor urban residents has increased (Khan, 1999). At least fifty million impoverished people lived in urban areas at the end of 2011, so at least 7 percent of the city's population suffered from poverty, and the number keeps growing (Xu & Gong, 2017).

In most Chinese cities, the nuclear family has always been the most common family pattern and may eventually become dominant. In the more well-off class, there are also significant numbers of stem family that consists of a couple's first-born child and the child's spouse, as well as the younger couple's children who are raised in the home of their grandparents' (Tsui, 1989). The urban poverty, however, is particularly widespread in the single guest workers or guest worker couples whose children live in the rural with their grandparents (Du, 2006).

This group, the main victims of the urban poverty in China, come largely from the country's own rural area. As stated by Du, "There are currently more than 120 million rural-to-urban migrants working in Chinese cities and they have contributed substantially to the country's recent unprecedented economic growth" (Du, 2006, p. 172). Like guest workers in other countries, they hold temporary work visas and have no access to the social benefits. There are no social insurance or health care programs for them, nor do their children, if they live with them, have equal access to schooling. Migrant workers often earn lower incomes than their urban counterparts, due partly to employer discrimination against rural migrants (Giles, 2006).

The urgency of the urban poverty among the guest workers can be understood in several senses. First, migrant workers contribute to over one third of the current urban labor force in China. According to Du's research, this figure is predicted to double in the next 10 to 20 years (Du, 2006). Huge number of workers concentrated in crowding ghettos may not only suffer poverty, but also bring up crime rates and social and political instability. Second, only urban residents have access to urban social safety net. This situation, however, is not sustainable. As China's economy grows, more and more rural migrants come to the cities to find a living and become an essential and inseparable part of the cities. Therefore, there is a need to establish a "coherent social safety net that covers urban residents and rural migrants" (Du, 2006, p. 173). Third, a lot of migrant worker families work for extremely long hours to make enough money for their living and try to have saving whenever possible. Overworking may contribute to the deterioration of their health and thus bring down their earning capacity, even if they are not currently living in poverty (Du, 2006).

In order to fight urban poverty, the government has developed many policy measures—reemployment programs, the Warmth Project, microcredit programs, and the minimum life

guarantee system of rural residents, to name a few. After several years of effort, great achievements have been made, but more have started to suspect in many quarters that liberal welfare policies – especially those associated with the Great Society program – “have had adverse effects on the norms and aspirations of large segments of the urban poor in the sense that they now have little incentive either to work or to create or maintain stable families and are therefore increasingly dependent on welfare” (Wilson & Aponte, 1985, pps. 250-251). First, the poverty line is too low compared to international standards. The average household income of the Chinese poor people is very low and only meets the demands of survival. The second problem is about work patterns; specifically, the preventive poverty reduction policy is ineffective, the relief policy is insufficient, and the development-oriented poverty alleviation policy is unsatisfactory. Material investment is still emphasized as the main way to reduce poverty, so the subjective initiative of impoverished people is neglected. Under this working mode, although the economic plight is relieved temporarily, impoverished people’s capacity to improve their living conditions has not changed. The fact that poor people cannot eliminate poverty and get rich, because of their overdependence on government relief, has become “a big puzzle” (Xu, 2017, p. 104).

The vulnerability of the social welfare system during the period of economic transformation was shown in the case of the simultaneous officially mandated “restructuring” of state-owned enterprises, which spawned the emergence of destitution in the municipal ties after 1997. The term “restructuring” amounts to “a euphemism which refers to the disappearance of tens of millions of jobs in the urban areas” (Solinger & Hu, 2012, p. 742). Some percentage of those who once filled those posts were rapidly thrown into “sudden and intractable impoverishment” (Solinger & Hu, 2012, p. 742). Being used to the welfare benefits that had come with the posts they used to hold, the unexpected loss of their jobs often brought them into more serious situations (Solinger, 2005). The financial insolvency of many state-owned urban enterprises led to aggressive enterprise restructuring that shattered this “iron rice bowl.” (Giles, 2006, p. 61) As Giles has observed, “Implicit lifetime employment was replaced by massive layoffs, widespread unemployment, forced early retirements, and frequent failure to provide promised wage, pension and health-care benefits” (Giles, 2006, p. 61). According to government statistics, from 1995 to 2001 “the number of workers employed in the state-owned sector fell from 113 million to 67 million, a decline of 46 million or 40 per cent”. During the same period, “employment in the urban collective sector fell by 18.6 million, or nearly 60 per cent”. “43 million workers were officially registered as laid off, including 34 million from the state sector” (National Bureau of Statistics, 2002, 5-1).

The central government has made several attempts to address the problems, but the results of their effort varied, and in some cases, it did not help so much. The target group among those in need is comprised of the “vulnerable groups” – “a negative product of China's effective adoption of capitalism whose members are for the most part low- or un-skilled, chronically ill or disabled” (Solinger & Hu, 2012, p. 742). The minimum livelihood guarantee program – a government-created program to assist the vulnerable groups – is administered by the cities and, therefore, only open to permanent residents of the specific city, in which “the benefit bestowed is means-tested, meagre, stigmatizing and offered as a last resort” (Hussain, 2007, p. 109). The

beneficiaries of the program are selected based on sole needs without consideration of contribution, and they are generally unemployed and have no ability to pay for their living without the cash transfers offered by the program (Solinger, 2005).

New social welfare programs were created as foundations for China's fledgling urban social security system for suddenly jobless and indigent urbanites. They assisted the victims and losers of the country's ambitious and foundational project of market transition. Many scholars like Solinger propose that the major facets of the economic restructuring program need to have major implications for the attempt to form a national social security system (Solinger & Hu, 2012).

While such a system may be helpful in case of a nationwide economic recession with cutdown on production and significant increase in unemployment, it can easily ignore the local specificity in some other cases of poverty. Urban poverty and other forms of poverty (in villages or small towns) can potentially have a few common causes, but each of them requires a specific solution. Therefore, in addition to a national social security system as a safety net in the case of emergency, the problems of poverty must be solved bottom up from the local scale. Such a proposal will need decentralization of funding and decisional responsibilities to lower levels of administration. As opposed to the central government, the local governments can better coordinate the supply and demand that govern markets. With the centrally planned economy being progressively dismantled while attempting to remove the responsibility for workers' benefit provision from the private firms, a more stable and precise safe net policy can be introduced. In the past, the introduction of market norms of profit and competition in turn led to the indebtedness and the collapse of many urban state firms. Governmental control from local level will fill in the gap that the central government is unable to reach and therefore eliminate this risk.

While maintaining both the standardization and the reliability of welfare benefits for the urban needy that the state had previously guaranteed, the local governments in charge can propose plans to target poverty in areas under their jurisdiction with more freedom. For urban governments specifically, the economic and administrative styles need to depart from the past in order to suit the increasing demand of social security for the urban workers when the capacity of the urban areas to contain and support the inflow of migrants is close to saturation. This phenomenon can be connected to another important issue in China – the gap in development between the coastal cities and interior provinces. As the second largest economic body in the world, China is still considered a developing country because of this imbalance of resources and opportunities. Such a problem does not only hinder the development of rural areas but also limits the development of large cities. The increasing number of urban guest workers has not only exerted pressure on major cities' capability of containing the massive populations but had also contributed to the severe outflow of work forces from the small cities and hindered their developments, as shown in several researches (Djajić, 2013). On one hand, many villages and towns in the interior are suffering significant population losses, and many “ghost towns” are created as a result of work forces leaving for the cities. On the other hand, the cities are no longer benefitted from the influx of work forces when the job market is saturated after the rapid

development of economy in the past few decades. Instead, those workers started to become a headache in the transformation of the economic model, as in the example of “restructuring” mentioned earlier. The elimination of certain outdated industries and services are not possible unless people who work in those areas can find proper settlements. At the same time, the cost to maintain their wellbeing is extremely high, not mentioning the inadequate level of those services. In conclusion, under the current trend of development of Chinese economy, which is to transform from one based on subsistence agriculture and non-innovative industrial production to one based on production and service based on innovation and technology, the old system of guest workers must be changed.

Several measures can be done to cope with the increasing influx of guest workers to the cities to prevent the exacerbation of the situation. In order to control the number of guest workers, the government can deploy deportation measures aimed at illegal aliens. To ensure the quality and contribution of the guest workers to the cities’ economy, there should be requirement for a migrant to leave a deposit with the recruitment agent or employer to guarantee contract completion. If necessary, the government can withhold a portion of a guest worker's wage to guarantee orderly contract completion and voluntary departure. The success of such measures depends on the levels of control the government has on the employment market; that is being said, the guest workers and trainees should be prevented from obtaining information on unauthorized employment opportunities that are outside of the government regulation.

While the huge influx of guest workers into several big cities is halted, the government should concurrently focus on providing opportunity outside of those cities. In the end, the people need to find a sufficient income in one place or another. To let the guest workers return to agricultural practice is implausible and against the development goal of Chinese economy. In this case, the renewal of infrastructures and expansion in the mid-scale cities may be the ideal solution. Those cities already have frames and basic elements for further development, and the sponsorship from the provincial or higher-level municipal governments can be critical.

As the new generations of guest workers are being diverted into mid-scale cities, another key measurement to minimize the effect of urban poverty on the population as a whole is to deal with the aged workers. With their market earning declining after retirement, they become more and more vulnerable to potential poverty, which requires large amount of old-age pension to prevent. The aging population is increasing the burden on such pension programs, and many older people are inadequately covered by state pensions; some of them turn to informal and enterprise-based pension which are becoming increasingly insecure and often end up collapsing, bring the elders as the victims too. Meanwhile, the younger family members are facing economic pressures, including the need to start contributing to their own pension schemes, and are unable to give the elders enough support (Saunders, 2007). The government is also facing the issue that there will be less working-age people to pay for more elders in the future. Direct funds filling in the gap can only help so much, and the underlying way to release the pressure on the pension system requires thorough reform. By cutting off unauthorized employment opportunities, not only can the workers ensure themselves to have their benefits after retirement, but the social security can also collect more revenues and distribute them to the elders.

Thus, the urban poverty in China needs both the direct relief from the government to reduce short-term tension and the long-term reform of the guest-worker system to eliminate risks for the workers and the cities. The situation has been improving in the past decades, and with continuing efforts, the urban poverty in China will not be an unsolvable issue.

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