

# Poverty, Shame and Social Exclusion

## Working Paper 2 China

### Experiences of the Poor in Urban China

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2012

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Research jointly supported by the ESRC and DFID

## **Background**

Prior to the 1990s, poverty in China was primarily associated with rural areas. The poverty alleviation programs launched by the Chinese government in the mid-1980s were targeted on the rural population and have made noticeable progress.

Nevertheless, starting around the mid-1990s, urban poverty has emerged and grown rapidly, this has become an issue of great concern to both academic and policy circles. This needs to be brought to light in the context of the dramatic transition of marketization and state retreat from welfare provision

After the Communist takeover in China in 1949, as an essential part of the official Marxist ideology, poverty was regarded as a manifestation of malicious capitalism. The main task of the Communist revolution had been to combat the root of poverty—capitalist private ownership and to establish a new classless socialist society with no exploitation and oppression, in which the poor working class in the past would be “liberated”, and live happy and dignified lives. In policy terms, the strategies adopted included restoration and expansion of industrial production. Full employment and comprehensive welfare provision were made possible under state socialism and planned economy. In brief, production and social protection then can be characterized as “full employment, comprehensive welfare, low wages and high subsidy”. Although the general living standard was low, poverty did not appear in public discourse and thus was not perceived as a problem, for, in addition to the above-mentioned ideological

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reason and the double employment and social security, the relative economic disparity was small and at that time egalitarianism was the characteristic of urban China.

From the mid-1950s to the late 1980s, there was only the concept of “households in difficulty”, no “poverty” (Guan Xinping 1999:137-9). The number of the so-called “households in difficulty” were small and mostly due to disadvantaged personal traits—they were either the working poor due to family reasons (such as having numerous children or older dependents), or represented as the “3 nos” (those who had no reliable source of income, no ability to work and no family support). They were assisted by regular or irregular relief, and had little impact on social stability.

Toward the end of the 1970s, China finally ended its long-term ideological and political struggles and refocused on economic development, with the new approach of “allowing some to get rich first”. As is known, when economic reform began in rural areas, the scale of rural poverty was far more serious than in urban areas. Here, we need to briefly explain the urban-rural dual structure in China.

The early period of the economic reform (1979-1980s) saw the ending of the commune and permission for private entrepreneurship accompanied by widespread poverty alleviation programs in rural areas implemented in the 1980s. Combined these measures led to drastic reduction of poverty in rural areas. On the contrary, however, urban poverty in China emerged and became increasingly severe following the urban economic reform in 1984 and especially the mid-1990s when marketization began.

From the early 1980s and throughout the 1990s, during the economic reform, in order to facilitate the transformation of state-owned enterprises(SOEs) toward marketization, a series of policy actions were undertaken, e.g. labour contract, tax and wage reforms, and insurances of old-age and unemployment. In the meanwhile, social protection policy in the urban areas during this period underwent even more dramatic changes, which can be categorized as shifting from enterprise or state security to social security, or, in many ways, the state's gradual retreat from social protection on health care, education and housing. During this time, large numbers of enterprises became bankrupt resulting in massive numbers of "redundant" laborers. In 1998, the number of laid-off workers reached 10 million, and later totaled over 28 million (Liu 2004:218; He and Hua 2006:5). Although various retraining programs were run to promote reemployment, a high proportion of the unemployed and underemployed former industrial workers constitute the bulk of the new urban poor. In addition, unemployment-related poverty has been most severe in certain cities which, for historical and geographical reasons, have relied on a single source of production. These have consequently suffered from resource drain or deindustrialization. It has been estimated that the urban poor in China ranges from 14 million to over 37 million (Zhu Qingfang 1998, Yang Yiyong, Hua Yingfang, Li Qiang 2005, Hussain 2003, Tang Jun 2003)

The sometimes termed "new urban poverty" has several characteristics: 1. The "new urban poor" are larger in numbers than the "old urban poor", it's estimated as large as between 14-30million. 2. The emergence of new urban poverty has gone in tandem with rising inequality in urban areas. The contrast between "have" and "have-nots" is starker

than ever before in the history of the People's Republic of China. 3. Unlike the “old urban poor”, a large percentage of the “new urban poor” are able and willing to work but have no jobs (Hussain 2003).

Absolute poverty resulting from massive unemployment was dealt with by the setting up of a new institutional mechanism, the Minimum Standard of Living Scheme (MSLS). Nevertheless, people in receipt of MSLS are faced with two major issues: 1. It is extremely difficult for them to find new employment; for those who managed to do so, the jobs are often insecure and poorly paid. 2. Their characteristic psychology is distinctive—they have the most difficulty adapting to the change in their status, descending from the advantaged to the disadvantaged, or from the “glorified” master of the country to social assistance recipients. Longing for the “good old days”, their sense of deprivation, discontent and social injustice tends to be highest.

## **Method**

### *Setting*

In order to gain an in-depth understanding of the experiences of the urban poor in China, we conducted a qualitative study in an area heavily concentrated with former SOEs in the city of Beijing. This was a factory town with a population of around 100,000 on the city outskirts, which had not been developed until the 1950s during the first Five-Year Plan period (1953-1957). Several of the factories were built with the assistance of the former Soviet Union or East Germany and played key roles in the strategic development

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of industrialization in China. Since the 1990s when the SOEs began restructuring—some closed, others privatized, and still others were transformed into state controlled corporations, hundreds of workers were laid off. Due to the economic transition, disinvestment is apparent in the housing and facilities in the area.

Through both snow balling and solicitation by local neighborhood organizations, intensive interviews were conducted with 33 individuals (20 men, 13 women, aged 30-65) from 28 families with children. In terms of the marriage status, 16 were married, eight remarried, two divorced, and two widowed. This was overall a socially and economically disadvantaged group in three respects: First, in terms of employment; most of them had been employed in the industrial or service sectors. The majority experienced layoffs due to the SOE restructuring.

At the time of interview: 14 worked full time but only as contract workers without employment security; five worked in the informal sector or part-time; three were retired; 11 were unemployed, among whom three had self-reported health problems or disabilities which prevented them from working. Second, as the MSLS is the main social assistance program in urban China and is mean-tested, whether one receives MSLS is usually used to indicate the economic status of the recipient. Among the interviewees, two-thirds (21 out of 33) were receiving the MSLS; three had received MSLS before; four had not received MSLS. Out of the 28 families, 18 were marriages between a Beijinger and an outsider (16 Beijing men, two Beijing women), and five came from a

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peasant background. This indicates the lower or marginal socio-economic positions these men occupied.

What should be noted are the sampling limitations: 1. Urban Beijing is not very typical of urban China in its relatively higher standard of living, lower degree of industrial concentration, and smaller scale of poverty. 2. Selection of the sample through officially controlled neighborhood organizations, make it likely that the interviewees were chosen on the basis that they showed a “cooperative”, “reasonable” attitude or behavior from the officials’ point of view.

## **Findings**

### **Characteristics of Poverty**

#### 1. Unemployment/insecure employment

The first and foremost significant experience for participants interviewed is the loss of job due to the SOE restructuring. This painful and even devastating experience needs to be contextualized in terms of the contrast between their current situation and the planned economy period during which industrial workers enjoyed high job security with relatively good benefits. Quite a number of interviewees reminisced about their “good old days” under the previous system:

At the time, the factory was perceived as home. All the workers did was to go to work, and they were well taken care of. The wages were not high, however, they were provided with not only housing, medical care and pension, but all sorts of subsidized

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services: the cafeteria food variety at low prices, tickets distributed to take a shower after work, shuttle buses, nurseries and schools of different levels. Off work, workers were able to enjoy recreational activities such as movies, ice skating, basketball, ballroom dancing, etc. Further, their sense of pride was quite strong as their status as workers was high. In addition, these SOEs produced military products, thus the admission bar was set high. Those admitted had to be among the best graduates who had both clear family backgrounds and excellent political and academic records themselves. Those who entered the factories were able to hold their “head up”. Once admitted, they were extremely dedicated to work. Monetary incentives were lacking but what motivated them was the Communist ideology: workers were the “master” of the state, the leading class at the top of the social hierarchy; they worked hard to make contributions to the nation and the people; they worked overtime to meet the production target for the sake of the collective spirit.

The privileges associated with the SOEs were gone when these enterprises went through dramatic restructuring in the 1990s—some were closed and others downsized, resulting in the layoff of thousands of workers. Leaving a workplace to which they were so attached was not easy, finding new jobs was even more challenging. A number of interviewees shared their painful memories of such experiences: some got a small amount of compensation, and others took years to demand and finally were able to get a meager monthly stipend from their former employer. They lost not just a job and secure income but skills and seniority accumulated over years. Several interviewees expressed their frustrations and even anger at being “pushed around” by much younger



supervisors or co-workers in their new jobs. Moreover, they lost also a sense of identity. Ms. Zhou compared her job in a SOE factory and as a salesperson in a gift shop. Although she was among the lucky minority that her income increased several times more, she still missed the sense of security and feeling of being a “master” in the factory. As the factory did not belong to any individual, she felt at times that she could confront the manager. However, in the gift shop which was privately owned, she was extremely concerned about her sales as well as her relationship with the supervisor and customers, as she could be fired at any time.

## 2. Getting By

Life without financial stability is difficult. People struggle to make ends meet. For most, the income from wages or MSLS is just enough to get by, but most has to be spent on food. Interviewees reported that they are forced to cut expenses on food: they buy vegetables that are less fresh but lower priced; some do not consume meat on a daily basis. Several said they did not drink milk because it was expensive. For many, buying new clothes is rare, and receiving second-hand clothes from relatives and friends common. The majority are also forced to reside in poor housing—one room dwellings, yet a few without their own housing in recent years have received a government housing allowance in the form of cash.

Two main sources of financial stress have to do with medical care and school. Due to the retreat of the state provision in these areas since the reform, the fear of affordability

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of medical expenses is shared by many. They felt that they could get by, but would be “crushed” by the massive amount of medical expenses if they themselves or their family members suffer from illness. Indeed, a few fell into the category of poverty because of their own health problems or those of family members. Rui had a happy family and her husband held a stable and middle-ranked position in the post office. But the whole world turned upside down when her husband was diagnosed with a brain tumor and went through surgery and endless treatment. They went into debt and began to receive the MSLS. It had been eight years since her husband passed away, and Rui and her son have continued to live on the MSLS.

In terms of educational expenses, most of the families interviewed had young or school-aged children and struggles in meeting children’s needs were reported to be the most challenging. Education expenses are of two kinds: in-school and out-school. For those with children enrolled in 1-9<sup>th</sup> grade, tuition during this compulsory education period is free. Yet, kindergarten, high school and college are costly. For Mr. Wang reported spending more than two times the MSLS to cover the day care expenses for his three year old daughter. Over the past several years, those who receive MSLS are also eligible for a reduction of school fees, which has proven to be of help to the low-income groups. Nevertheless, due to the intensity of competition and higher expectations of parents for their children, it has become a common practice for parents to pay for children’s weekend classes or tutoring in English and maths, as well as arts and sports. The low-income families find it extremely difficult to come up with funds for these necessary but expensive activities.

## **Strategies for Dealing with Poverty**

The interviewees make a living in a variety of ways. Many of them work in the service sector, which is known for supplying low-paid, unskilled and dead-end jobs. These are also jobs based on yearly contracts and generally do not provide social insurances. After being laid off from the factory, some took positions in supermarkets, hotels, newspaper delivery services or taxis. Quite a number of them have worked in the informal sector, such as housekeeping, unregistered car service and recycling. These formal or informal jobs are secured in three ways: former employers (SOEs), the employment service office of the local government, and networks of family and friends. In addition to wages or other sources of income discussed, some also have rent, stock investment or MSLS.

As income is limited, they do their best to minimize expenses, or “keep the belt tight” as generally expressed. Ms. Wang knits sweaters for her 12-year-old son because the quality of the sweater would be better (wool) and cheaper than purchased in the store. They hardly eat out at all except on really special occasions, such as weddings.

Not surprisingly, the interviewees reported having strong support systems among family members, and this is a main source of material and emotional support. Both Ren and Wang said that during their unemployment, they had had meals at their mothers'. For most of the interviewees, their parents received pensions in retirement, which could be advantageous in both amount and stability, compared with the wages they received. So it is not uncommon for the elderly to subsidize the expenses of the adult children and

grandchildren. Financial support offered by siblings who are better-off are also common, but secondary. Understandably, the recipients do not expect regular and major support from siblings as they “have their own family to take care of”. Yet minor and occasional assistance from siblings are acceptable. These may include occasional cash support or for special needs such as college tuition. Buying things for children or taking them out for meals or entertainment are also welcomed. The assistance of the extended family is particularly necessary for illness resultant large medical bills. They not only share the mounting treatment costs, they also alternate to provide care for the ill in the hospital, which would otherwise have to be covered by paid care givers.

### **Minimum Standard of Living Scheme (MSLS)**

The major social assistance program in China is the MSLS. As early as 1993, pilot programs were carried out in a number of cities such as Shanghai and Dalian. In 1997, the central authorities urged the establishment of MSLS nationwide by the end of 1999, which was to provide monthly cash assistance to those who had been laid-off and those categorized as “3 Nos”. By September 1999 when the Regulation on MSLS for urban residents finally became effective, not only was the program adopted in all the 668 cities and 1,638 towns where county governments were then seated, it was subsequently widely extended to all as long as they met the income criteria. As of October 1999, the total number of MSLS recipients reached 2.82 million (Tang 2003:20-3). As of 2008, there were 22.73 million recipients, a growth of eight times. It constituted 3.8% of the urban population; regional variation of recipients was shown in that the more

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economically developed East had a low percentage of 1.7%, the West had a high percentage of 6.0%, while the Middle of 5.7% was in between.

About half of the interviewed who receive MSLS shared their experiences. Application to the MSLS is not easy. Some had not known of its existence. Others had resisted it until they failed numerous times in job recruitment or exhausted their other resources. A number of them reported that it had been the local neighborhood office staff who approached and urged them to submit applications as their struggles had been known in the neighborhood. Preparation for the required documents is tedious. In order to substantiate the various documents, those who married women from out of town had to travel long distances to her village (or city) of origin for certain documents. Every half a year, documents need to be submitted for renewal.

Those who receive the MSLS are also eligible to apply for other social assistance programs in housing, medical insurance, grants to cover large medical bills, reduction in school fees, etc.

### **Feelings about Poverty and the MSLS**

Dealing with financial struggles has an impact on the emotions of people on low-income. From the reports of the interviewees, these impacts can be categorized into three types:

First, the stress resulting from unemployment, under employment or insecure employment is significant. For those who had relatively extensive experiences in the former SOEs, the feeling of stress is especially acute. . Several interviewees'

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reminiscences of the SOE jobs were vivid, and they missed the job security they had enjoyed there. They also missed the feeling of home as a strong sense of belonging. Once they were laid off, they lost their sense of status and the skills they had mastered became obsolete. . In fact, these “assets” became baggage as they moved forward. Most of them had neither the financial nor the social means to engage in business. They had to try their luck on the job market in the service sector. However, the jobs they could acquire were mostly low-paying and insecure. Further, the former workers from the SOEs faced tremendous disadvantages in terms of age, health, and motivation. They had to learn to be submissive to both their supervisors and customers, which is a source of stress.

A special group among the unemployed, are men with criminal records. Due to the common requirement by the employer for clear backgrounds, the chances of these men finding employment after they are released from prison is dim. In a rare case, after tremendous efforts, Chen secured a job through the referral of a relative and worked for some years before he got laid off due to the closing of the company. Thus, overall, these men must claim the MSLS for financial security. Their sense of being discriminated against is quite strong.

Second is the stress of dealing with daily financial struggles, meeting the basic needs and beyond. Having to meet the expectations in social interaction or social events can be difficult. Mrs. Wang cited her experience of taking her 3-year-old daughter to a playground in the neighborhood when parents of other children from better off families

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would prevent the children's interaction with one another. She also felt too embarrassed to tell her family in the southwestern part of China that she and her husband received the MSLS. Pressure on the poor is astute on special social occasions. It is customary that during the Chinese New Year, families and relatives get together, an occasion when adults offer children of relatives' each a little "red package" which would contain money symbolic of good luck. Although the amount to be given is flexible, it does have to do with the financial situation of the giver. Liu recalled his embarrassment on several occasions during his unemployment when he could not afford the New Year offerings, he had to accept pre-prepared red packages by his mother and gave them to the children of his siblings' and cousins'. In addition, Liu has also been concerned about the gifts he had to bring for relative visiting, as he could not afford the more expensive things, yet he might be frowned upon if he brought "too shabby" things.

Third, the MSLS application and evaluation processes are also reportedly stressful for many. A few interviewees expressed their reluctance to submit the MSLS application until their efforts to seek employment failed. Preparation of documents is tedious. For those whose wives are from outside of Beijing, they have to travel back to their homes of origin to obtain proof of no assets (such as land). For the renewal every 6 months, one needs to go through the tedious tasks time again and again. To fulfill one of the requirements for the MSLS, those who are of working age and physically healthy need to seek employment prior to seeking MSLS. Until they fail three times on job applications can they be approved to receive the MSLS. Mrs. Yao said it was such a humiliating experience for her to try to convince the prospective employer to provide a

document specifying reasons that she was not fit for the position. “The rich look down upon the poor”, remarked Mrs. Yao. In terms of publicity of the MSLS in the neighbourhood, most felt this was a proper procedure. Yet Liu felt it would impinge on privacy.

### **Accepting and Blaming**

Not surprisingly, when the poor are in difficult financial situations, many of them take an “accepting” attitude. Some said that “really, there is nothing you can do about”, so it would be better to take it easy. Rui said it was crucial to think broadly and it would be no use to get upset. One typical reaction is that they compare their situation with others and feel content because there are people who are worse off. Zhang said that money is important but it is by no means the only focus in life. When asked about the importance of clothes, several women expressed that they were not concerned about clothes, nor do they pay attention to any fashion, jewelry, or make up.

As no direct information was collected from the children of the selected families, the limited findings concerning children have to rely on the report of the parents interviewed. Children from the poor families seem to handle their situations fine. Parents appraised how “mature” their children were for they did not demand unaffordable things. Li said her son would not go to the supermarket with her, and they seldom ate out. The fast food franchises such as McDonald’s and Kentucky Fried Chicken (KFC) are popular in Chinese cities. Unlike their American counterparts which in general have the reputation



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of low price and low quality, they are relatively high priced and perceived as fashionable by many Chinese. Wang Jie only occasionally took his daughter to the KFC, because it was expensive and, in addition, it was “junk food”. Whether children experienced any prejudices in the school, the interviewees reported that teachers were generally sensitive to this issue, so they handled the paper work needed for the MSLS renewal with individual students, rather than making an announcement in front of the whole class.

In terms of the causes for their poverty, Yin felt it had most to do with individual abilities and efforts. Ms. Wang felt it was because of the corruption and selfishness of the former SOE managers. She fought fiercely with them because she felt that she had been shortchanged on the pension contributions the enterprise was supposed to make by filing an administrative petition and court suits. However, the majority of the interviewees did not attribute their difficult financial situation to their personal failures or any individual responsibilities, but larger forces or social injustice. After all, the SOEs restructuring was a state policy, so they simply saw themselves as victims of social transformation. They were angry at the lowered social status of the workers as a whole and questioned the rapidly increasing economic disparity in China. In this context, those receiving the MSLS perceived the program as a minimum means of compensating their loss. Some also has a sense of citizen rights. For example, Ms. Zhou articulated that since she paid taxes for years, she was entitled to receive the social assistance. Rui was grateful that she could count on the MSLS as she had no comparable abilities to

compete with other regular people in the labor market because she had impaired hearing.

### **Pleasures and Hopes**

The interviewees expressed variously what they took in pleasure in and the hopes that they had. Yin said, compared with his friends of his age, he was the healthiest while others had health problems of many kinds. Li enjoyed doing embroidery. Ren spent much time fishing. However, to him, he had to find ways to fish for free, because fishing could be very costly, such as the rod, transportation and admission fees at some places. Hope may take both the material and nonmaterial forms. Several interviewees said they would hope to be able to improve their housing conditions if the area goes through redevelopment. Jie said his daughter would soon need a computer for her study in the middle school. Zhou desired to travel to other parts of the country or even around the world to have new experiences. Regardless of the hopes, big and small, the family remains at the core of their concerns. If they had a goal of earning more money, it was to satisfy the needs of the family. Xu, a former prisoner and highly capable man, was about to start his new business. He expressed his goal of trying to make as much money as possible and as quickly as possible, so that he could take good care of his mother, wife and son.

Due to the single-child policy practiced over the past three decades, children and their needs have become the central concern of the family. Thus, it is understandable that

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children's expenses constitute the largest portion of the households', and parents are willing to make every possible sacrifice for the well being of the child. The hope of the parent is placed largely on the future "success" of the children. More specifically, as higher education is no longer only for the elite, all parents expect their children to do well in school and finish college education so that they can secure a professional job. To them, this is the path to upward mobility. They do not want their children to take their own path, and explain this view to their children constantly.

With regards to themselves, the interviewees and especially those who have reached middle age, hold their hope, ironically, in their own retirement. The retirement age in urban China is stipulated at 60 for men and 50 for women for those engage in manual labor. It is also regulated that those exposed to hazardous conditions for a lengthy period of time could retire 5 years early. Most factory workers qualify for the early retirement requirement. Upon retirement, they would receive a pension, which is usually higher than both their current wage and the MSLS and which would contribute significantly to their financial stability. Yang admired one of his former co-workers whom he had encountered in the street and who had reported cheerfully that he now had entered the "security satchet" of retirement.

**Discussion and Conclusion** (to be continued)

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