

## CHAPTER 1

# THE RHETORIC AND THE REALITY OF SOCIAL PROTECTION FOR CHINA'S MIGRANT WORKERS

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### 1. Introduction

There are estimated to be between 120 million and 200 million internal migrants in China. These people, who constitute 80 per cent of the workforce in the construction sector and 50 per cent of the workforce in the service sector, have made China the world's factory. Simply put, migrants have been the engine room that has driven China's high growth rate and positioned China to overtake the United States as the world's largest economy by 2020. However, the returns that migrants have received have not been commensurate with the contributions that they have made to China's economic success. Migrants receive low wages, endure long hours and are often confronted with poor working conditions. A survey administered by the All-China Federation of Trade Unions (ACFTU) in 2006 found that 65 per cent of migrants were working in so-called 'Three D jobs' (dirty, dangerous and demeaning).<sup>1</sup> Migrants also face social discrimination. Confronted with a city of strangers, often physically demanding jobs and few comforts, migrants often experience

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1 Tao Zhiyong, Deputy Division Chief, Department of Social Security, All-China Federation of Trade Unions, National Social Insurance Administration Workshop, Beijing, August 2006.

'psychological poverty' (China Daily, 2003) due to isolation, loneliness and social exclusion.

Few migrants participate in social insurance schemes. There are five social insurance schemes in China: industrial injury insurance, maternity insurance, medical insurance, pension insurance and unemployment insurance. At a workshop organized by the National Social Insurance Administration in Beijing in 2006, Pi Dehai, the Deputy Director General of the Social Insurance Administration Centre, stated that as of June 2006 16 million migrants were participating in industrial injury insurance; 11 million migrants were participating in pension insurance and 10 million migrants were participating in medical insurance nationally.<sup>2</sup> Based on the most conservative estimate of 120 million migrants in China, these figures mean that 13 per cent of migrants participate in industrial injury insurance; 9 per cent of migrants participate in pension insurance and 8 per cent of migrants participate in medical insurance. In addition to rural-urban migrants, China's urban expansion has generated large numbers of displaced farmers. Developing an adequate social security scheme for these people will have an important impact on the pace of urbanization in China.

Reflecting the low rate of migrant participation in social insurance schemes, recently the social protection of migrants has been at the forefront of the Chinese government's reform agenda. The promotion of coordinated development between rural and urban areas and between regions comprises one of the five principles of the Scientific Concept of Development that underpins China's 11<sup>th</sup> Five Year Plan (2006–2010). In 2007, five cities (Shanghai's Pudong New Area, Shenzhen, Tianjin's Binhai New Area, Chengdu and Chongqing) were selected to establish comprehensive rural-urban equity reform pilots. The pilots will be used to explore a coordinated rural-urban development model. The ultimate aim, as espoused by the National Development and Reform Commission, is to ensure that farmers and migrants receive the same rights and access to public services as urban residents (China Daily, 2007).

The State Council's Document No.5, issued in April 2006, contains a number of measures designed to improve the position of migrant workers including ensuring wage arrears are paid, improved monitoring of

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2 Pi Dehai, Deputy Director General of the Social Insurance Administration Centre, National Social Insurance Administration Workshop, Beijing, August 2006.

minimum wage laws and working conditions, improved housing conditions for migrants, improved migrant access to urban public services and enlarged social security coverage for migrants. The latter reflects a long-term objective of establishing a unified social insurance scheme, which will be uniform as to eligibility criteria, but exhibit regional variation in available benefits and services, depending on economic development and capacity. The State Council Document No.5 placed most emphasis on increasing coverage for industrial injuries and occupational diseases, while increasing pension coverage was given less importance. The reason is that providing protection for industrial injuries and occupational diseases is considered to represent the most pressing need, while old-age security is of less immediate relevance. Supporting this position, according to one report, migrants account for more than 90 per cent of the deaths due to workplace injuries and 50 per cent of those with occupational diseases (XHN, 2006). One form of social insurance that deserves more attention is maternity insurance. Most female migrants are in the fertile age group 18–30. The same ACFTU survey as was cited above found that in 2006, less than 10 per cent of migrant women in Shanghai had maternity insurance and that many female migrant workers were fired if they became pregnant.<sup>3</sup> Migrant women have trouble getting access to public hospitals, meaning that they are either forced to return to their hometown or give birth in illegal clinics. In 2007 the National People's Congress passed the Labor Contract and Employment Promotions Law which came into operation in 2008. These laws require employers to sign contracts with their workers including migrants and stipulate that migrants have the same workplace rights as urban workers including rights to social protection.

The essays in this edited volume collectively provide an overview of the challenges facing China in extending social protection to its migrant workers and the extent to which it has been successful in realizing this objective. The next section, which consists of the next two chapters, examines the relationship between social protection for China's migrant workers and social justice. The chapters in this section explore the implications of the *hukou* (residential registration) scheme for migrant entitlements, the implications of migrant responses to disenfranchisement

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3 Tao Zhiyong, Deputy Division Chief, Department of Social Security, All-China Federation of Trade Unions, National Social Insurance Administration Workshop, Beijing, August 2006.

and how the Chinese authorities ‘spin’ the language of migrant policy reform Section III, which spans chapters four to eight, shifts the focus to examine migrant participation in social insurance schemes. The chapters in this section consider the level of migrant participation, the characteristics of those migrants who do and do not participate and, for those migrants who do not participate, the reasons for them not doing so. Section four, covering chapters nine to eleven, considers alternatives to state-sponsored social protection. The chapters in this section consider migrant coping strategies for those who do not participate in social insurance, the role of the household and circular migration as a source of economic and social security and migrant housing conditions.

## 2. Social Protection and Social Justice

Through the development of the ideal of a harmonious society Hu Jintao has made social justice (*shehui gongzheng*) a centerpiece of his reform agenda. The concepts of social justice and social security (*shehui baozheng*) are being promoted in official discourse as being inextricably linked. According to leading Party theorist, Wu Zhongmin “the system of social security is a basic institutional arrangement that embodies social justice” (Wu, 2006). Championing the link between social protection and social justice permits the Hu-Wen administration to sell the evolution of ‘capitalism with Chinese characteristics’ as a socialist market regime developed on behalf of the people. While Deng Xiaoping said that to get rich is glorious, Hu wants his regime to be seen as being committed to the disenfranchised and disadvantaged. This is the whole rhetoric behind the establishment of a harmonious society.

In the next chapter David Kelly examines the implications of the *hukou* system for migrant entitlements. Much has been written on the economic implications of the *hukou* system. The *hukou* system has been shown to contribute to rural-urban income inequality (Liu, 2005; Whalley & Zhang, 2007) and impede agglomeration and productivity (Au & Henderson, 2006). Kelly goes beyond the economic implications and considers the effects of the *hukou* system for the social contract between migrants and the Chinese State. He argues that the *hukou* system has impinged on migrants’ sense of entitlements, which has disenfranchised migrants as citizens. The

manifestation of this lack of entitlements has been that migrants have had to endure poor living and working conditions. The migrant response has been to vote with their feet. Stripped of their rights as citizens, migrants commenced the withdrawal of their labor along China's coastal seaboard in 2004. Of course, the shortage of migrant labor has distinct economic implications (Shao *et al.*, 2007). While China's economy remains buoyant, employers can afford to pay higher wages. However, in the future it is likely that China will lose its competitive advantage in low cost manufacturing and be forced to move into higher value added production. This process has already started with some firms moving offshore to lower wage countries such as Vietnam. Kelly places these economic implications in the broader context of entitlements. He sees the dearth of migrant labor as a struggle for citizens' rights—a migrant plea to President Hu to be true to the rhetoric of the importance of social justice.

In Chapter 3 Gloria Davies and Scott Grant examine the language of policy reform. As they point out the language of policy reform under Hu Jintao paints migrants as citizens who have been discriminated against and on whose behalf the government is now acting to correct previous injustices. The official media now regularly lauds the contribution migrants have made to China's economic success. In the 11<sup>th</sup> Five Year Plan and in policy positions such as the State Council's Document No.5, the Chinese government sets out an agenda for improving migrants rights. However, drawing on the results of a joint survey funded by the Institute of Labor Studies in Beijing and Monash University, administered in 2005, Davies and Grant argue that there is a big gap between the rhetoric of social justice and the implementation of reforms on the ground. While there are increasing numbers of regulations that are designed to protect migrant workers, these regulations are enforced, at best, in a spasmodic manner (Yin, 2003). As discussed by Davies and Grant, the findings of the 2005 Institute of Labor Studies—Monash project were that improvements in local governance were extremely limited and that discrimination and exploitation of migrants was prevalent.

### **3. Migrant Participation in Social Protection Schemes**

Wang Dewen outlines various social insurance schemes designed for migrant workers and considers some of their strengths and weaknesses

in Chapter 4. As discussed by Wang, at the provincial level there are three models of migrant social insurance. Beijing, Guangdong and part of Jiangsu have an integrated model in which rural-urban migrants join the urban social security system. The strength of the integrated model is that it is simple to administer. However, the weakness is that the urban contribution rate is higher than 'stand alone' migration schemes, which acts as a disincentive for migrants to contribute. Thus, the participation rate among migrants is low. Chengdu and Shanghai have dedicated social insurance schemes for migrant workers. The advantage is that because such schemes are specifically for migrant workers, the contribution rate can be set lower and the scheme tailored to the needs of migrant workers. The disadvantage is that it is more complex to administer. A third model operates in parts of Jiangsu and Zhejiang where there is well-established rural industrialization. In these areas migrant social insurance is integrated with the rural social insurance scheme. The advantage is that such schemes seem well suited to the needs of the migrants. The disadvantage is that there needs to be well-developed rural social security coupled with rural industrialization which is of limited scope geographically, so this approach has little potential for replication in other areas.

In Chapter 5, Gloria Davies, Ingrid Nielsen and Russell Smyth use the specific example of Shanghai's township insurance (colloquially known as 25+X) to illustrate the argument in Davies and Grant that there is a big gap between the rhetoric and implementation of the reform. The plight of China's displaced farmers has been at the top of the Hu-Wen agenda to build a harmonious society (Tao & Xu, 2007). This reflects Hu Jintao's recognition that growing rural income inequality, coupled with rural land tenure insecurity is threatening China's fragile instability. At the 17<sup>th</sup> Party Congress in October 2007, 12,000 petitioners issued an open letter to Hu 'seeking an end to illegal land grabs' (The Age, 2007). Shanghai's 25+X scheme has been at the forefront of the State's attempts to extend social security to land-deprived peasants in the suburbs surrounding Shanghai. The rhetoric is that the reforms represent a significant extension of social security coverage, making those farmers who have lost their land much better off. However, as Davies, Nielsen and Smyth show, the reality is rather different. Many of those who are now covered by the

25+X scheme, were previously receiving a higher level of coverage under Shanghai's urban social insurance scheme, so there has actually been a dilution in the level of benefits.

Chapter 6 by Bingqin Li, Chapter 7 by Fei Guo and Wenshu Gao and Chapter 8 by Lina Song and Simon Appleton each address different aspects of the question: why (or why not) do migrants participate in social insurance schemes? Based on interviews with 70 migrant workers in Tianjin conducted in 2006, Li examines why migrants do not participate in social insurance. Based on data collected in five cities in 2003 Guo and Gao complement Li's chapter by using quantitative analysis to examine the factors determining participation in old age insurance, health insurance and industrial injury insurance among both migrant workers and urban workers. Song and Appleton extend on both the Li and Guo & Gao chapters by examining social protection coverage across three groups—rural residents, urban residents and rural-urban migrants—using data from the Chinese Household Income Project collected in 2002.

Together the chapters in this section suggest several conclusions. First, migrant workers have low levels of participation in social insurance, reinforcing the national figures cited above, and that participation rates of migrant workers are much lower than urban workers. Guo and Gao found that only 5 per cent to 7 per cent of migrant workers participated in each of industrial injury, medical and pension insurance, while participation rates for migrant workers in any one of the three schemes was at best 25%. In contrast two-thirds of urban workers participated in medical insurance and three-quarters in pension insurance. Song and Appleton found that only 0.2% of rural households and 5% of migrant households were covered by some sort of social protection program, compared with 64% of urban households.

Second, participation rates are related to the demographic characteristics of migrants. Those who do not have coverage are those who need it most. Wang's descriptive statistics suggest that females, those with low human capital, the self-employed, and the middle-aged and elderly are less likely to participate in social insurance schemes. Guo and Gao found that males are more likely to participate in industrial injury insurance and that migrants with a higher level of human capital are more likely to participate in industrial injury, medical and pension insurance. Song and

Appleton found that higher income, being better educated, communist party membership, working in the state sector, being employed and being married increases the likelihood of receiving social protection. Third, there are several reasons for low levels of participation. These include low enterprise and migrant awareness of the schemes and that migrants do not consider the contribution rates affordable. Benefits are usually not portable, particularly if contributions are made at the county level and contributions are generally for a minimum of fifteen years before workers become eligible. Less than 20 per cent of migrants remain with the one enterprise for more than three years and few would be in a position to contribute for a minimum period of fifteen years. Thus, migrants are concerned about whether they will get their contributions back when they move to another locale or return to their hometown. In those coastal provinces, where migrants are allowed to withdraw their contributions, such as Guangdong, according to figures collected by the ACFTU, approximately 90 per cent of migrants withdraw their contributions when changing jobs.<sup>4</sup>

#### **4. The Role of the Household, State and Market in Providing Social Protection**

Given the low level of migrant participation in state-sponsored social protection schemes, an important issue concerns the coping strategies of those migrants who are not enrolled in state-sponsored social insurance schemes in times of hardship. Li examined this issue and found that most migrants draw on their own savings, turn to their social networks or return to their home village. Song and Appleton found that often feeling isolated in the big cities, migrants tend to rely on themselves much more than social networks. In this respect, they make the point that migrants lack the social networks in the cities of their urban counterparts. In Chapter 9 Linda Wong and Zheng Gongcheng echo these sentiments suggesting, in their words, that the 'state has been an absent partner' in assisting migrants to cope in the cities. Based on a survey of over 2600 migrants in Beijing, Chengdu, Shenzhen and Suzhou administered in 2005, Wong and Zheng found that less than a quarter of respondents

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4 Ibid.

participated in industrial injury, medical, pension or unemployment insurance. Wong and Zheng found that 78 per cent relied on family and 28 per cent relied on friendship and local ties while less than 10 per cent turned to fellow employees or their employer.

Migrant access to state-sponsored public housing is extremely limited and even when migrants live in public housing, more often than not they are renting from urban households that purchased from work units, meaning that migrants are paying market rates. In Chapter 10 Mark Duda, Bingqin Li and Huamin Peng examine the extent to which housing conditions differ between households pursuing differing migration strategies based on a survey of 800 migrants administered in Tianjin in 2007. They find support for their hypothesis that housing quality is linked to migration strategies and that, in particular, intention to commit to remaining in the city, evidenced by bringing school-aged children, is associated with higher housing quality.

In Chapter 11 Cindy Fan and Winfei Winnie Wang examine the role of gender and intergenerational division of labor within the household and circularity as a means to provide economic and social security. Based on in-depth interviews with households in a village in Sichuan conducted in 1995 and 2005, Fan and Wang argue that gender and intergenerational division of labor enables migrants to straddle the city and the countryside, obtain the best of both worlds, and preserve their valued economic and social infrastructure in the countryside. Economically, the countryside provides security because of access to farmland, housing, and low cost of living. Consistent with Wong and Zheng's findings, Fan and Wang argue that socially the household and extended family constitute a reliable support system. Migrants see the city primarily as a place to work, but it does not offer the type of economic and social security that can give them a sense of permanence, protection and belonging.

## **5. Conclusion**

China's internal migrants have been central to China's spectacular economic success over the last three decades. However, in spite of their enormous economic contribution to China, they remain marginalized in China's cities. In their everyday lives they face both economic and social

discrimination from their urban cousins. Few migrants participate in social insurance schemes or receive other forms of social protection. For too long, their plight has been largely ignored by the Chinese government. This situation is now beginning to change in official discourse. The contribution of migrants is being 'talked up' in the official media. Official position statements such as the State Council's Document No.5 evidence an intention on paper at least to implement measures to improve the living and working conditions of migrants including their access to adequate social protection measures.

That the contribution of migrants is being recognized in the official media and in policy statements is a positive step. However, in itself, this is not enough. When it comes to improving the lot of migrant workers China is coming off a low base. Migrant participation rates in social insurance are extremely low and certainly much lower than that amongst urbanites. Migrant working conditions are poor and their wages are low, although there has been some improvement since the first appearance of a shortage of migrant labor following Spring Festival in 2004. More worrying than the fact China is coming off a low base is that a growing divide is emerging between the rhetoric of reform and what is happening in practice. This raises the concern that the Chinese government may be more concerned with window dressing than making a real difference in the lives of its migrant workers. From an economic perspective, it is in the interests of the Chinese government to keep wages and non-wage costs such as employer social security contributions as low as possible so that China retains its competitive advantage in low wage manufacturing. This creates an incentive to enact regulations in order to be seen to be improving the conditions of migrant workers, while paying at best lip service to monitoring and enforcing those regulations.

At the regional and municipal level where governments compete with each other for investment, there is much evidence that governments turn a blind eye if firms do not comply with regulations in order to retain investment. This is true for municipalities such as Shanghai where the local state has enormous power (see Maitra *et al.*, 2007) and it is especially true for cities which do not have the same resources as Shanghai. Seen at its worst, this results in a 'race to the bottom' where economic growth is promoted at the expense of basic economic and social rights, which is

the complete antipathy of Hu Jintao's harmonious society. Hu Jintao has been vocal in repeating his commitment to China's migrant workers and the rural poor. One can only hope that the recent official discourse on the need to improve the living and working conditions of China's migrant workers, including their social protection position, is carried through on the ground and that in time the practice comes closer to the rhetoric. China's migrant workers and displaced farmers deserve this much.

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