Introduction

After three decades of reform, China acquired a commanding presence on the world stage. Growth was astounding, as China became the workshop to the world, an important player in world financial and industrial markets, and a recipient of jobs outsourced from advanced industrial countries.\(^1\) China in 2008 bore little resemblance to the poor and unstable bastion of autarky and charismatic revolution that took its first cautious steps toward reform and opening in 1978. But there was another side to this great transformation.\(^2\)

China’s impressive gains brought significant social dislocation, in particular for groups that had been winners under socialism, but found themselves losers in the new post-socialist order. Such groups were “victims in a social system that still insists that they are the true rulers.”\(^3\) This book explains how one such group – laid-off state-owned enterprise (SOE) workers – became dislocated, the social and political effects this had, and patterns of workers’ contention and resistance.

The scale of social disruption was unprecedented even in China.\(^4\) Between 1993 and 2006, more than 60 million jobs (a total nearly equal to the entire population of France) were lost in Chinese SOEs and urban collective sector enterprises.\(^5\) This represented a net downsizing of more

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5 Though it is impossible to tell exactly how many workers were laid off, in 2002 the Ministry of Labor and Social Security (known for its under-reporting of lay-offs) told the foreign media that more than 26 million workers had been laid off between 1998 and mid 2002: Agence France-Presse, “Pessimism on Employment Front,” *South China Morning Post*, October 28, 2002.
than 40 percent of formal sector urban jobs over less than 15 years. Despite efforts of the Chinese central state and its local agents, re-employment for these displaced masses was difficult to achieve, leading many dejected workers to wonder, “with nothing to eat, can this still be called socialism?”

As might be anticipated, layoffs precipitated widespread contention by workers. They also produced deep-seated worries among China’s elite about the stability and security of society and the political system. As one central government official explained, “lay-offs are now the most pressing problem for us. Every night I work until nine o’clock because of this, and even after I go home, I cannot sleep knowing how serious the problems are. If we cannot protect the working class while also successfully reforming the state sector, we cannot preserve Chinese Communism.”

Job losses were thus imbued with an acute political urgency. Phrased starkly by an SOE manager in Chongqing, layoffs were “China’s largest, most severe, and most important human rights problem today.”

The scope and severity of the problem, as well as the threats it posed, raised concerns among Chinese and foreign academics, Chinese officials, the World Bank and United Nations, the United States intelligence community, and others. Even if the Chinese Communist Party (CCP) emerged relatively unscathed, China’s political, economic, and social landscape had been irreversibly transformed and some of the most important bonds of its socialist social contract irreparably torn asunder.

In 1997, at the fifteenth Communist Party Congress, then General Secretary Jiang Zemin opened the proceedings with a lengthy speech. In

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7 Beijing interviewee 2. Chongqing interviewee 45.
it he issued the first public calls for comprehensive reform of SOEs and the associated “iron rice bowl” employment system that had dominated urban Chinese labor relations since the 1949 revolution. Informal reforms had, in fact, been undertaken quite a bit earlier in some regions and sectors. Indeed, by the early 1990s, many workers had already been cast out of the embrace of Chinese socialism.

The marginalization of China’s working class was gradual, but unremitting. As the same Chongqing manager put it, “the whole phenomenon of SOE lay-offs is like boiling a fish. If you drop it directly into a pot of boiling water, it will fight to the death and try to escape. But if you put it in a pot of cold water and gradually turn up the heat, the fish just sits there quietly. It has no feeling and then it just dies. This is what the state has been doing to China’s great proletariat for the past 10 years.” Just how this process unfolded is the subject of this book.

Based on 21 months of field research (mainly from summer 2000 through winter 2001, and from summer 2001 to summer 2002, with shorter follow-up trips in January 2003, December 2004, and March 2006) in 9 Chinese cities, and roughly 300 in-depth interviews, the following chapters explain: (1) how and why state sector lay-offs occurred; (2) what responses the state has taken and how they succeeded or failed in providing for workers’ livelihoods and promoting re-employment; (3) the methods workers used to cope with their unemployment and their informal strategies for re-employment; and (4) patterns of workers’ contention and state response. This extends the boundaries of scholarship,

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13 Chongqing interviewee 45.
which until now has focused on narrower aspects of the problem, based on research in a smaller range of localities.

Indeed, most research on the problem of state sector lay-offs by Chinese scholars has focused on possible policy solutions and mechanisms for re-employment and has sometimes relied perhaps too heavily on notoriously spotty official statistics. In work by Western scholars, many, like Yongshun Cai, Feng Chen, and Ching Kwan Lee, have focused on threats to social stability and collective action by laid-off workers. Others, such as Dorothy Solinger and Jaeyoun Won, have examined issues related to re-employment prospects, coping strategies, and welfare schemes. Finally, Mary Gallagher, Edward Steinfeld, and others have studied the political economy of SOE reform with an eye, in part, to explaining the causes of lay-offs. To be truly comprehensive, however, new work on Chinese laid-off workers must encompass all of these topics, adding something both theoretically and empirically to each. That is what this study undertakes to do. But first, it is necessary to further outline my basic analytical approach, briefly discuss the sources and methods I used, and define important concepts.

Analytical approach

Marx long ago stated in his essay on *The Eighteenth Brumaire* that human actors make their own history, but not always exactly as they please.

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14 Besides being incomplete, unreliable, and frequently manipulated, data on many important variables were deliberately concealed under orders from a skittish Party Center and central government. See Ministry of Labor and Social Security, “Laodong he Shehui Baozhang Bu, Guojia Baomi Ju Guanyu Yinfa ‘Laodong he Shehui Baozhang Gongzuozhong Guojia Mimi ji Qi Miji Juti Fanwei de Guiding’ de Tongzhi” (Notice from the Ministry of Labor and the Bureau of State Secrets regarding the “Regulations on the Concrete Scope of State Secrets and Other Things of Secret Classification in the Course of Labor and Social Security Work”), (Document 4 of the Ministry of Labor and Social Security, 2000).


Rather, the actions of all individuals are to some extent conditioned by their structural contexts that, in turn, were shaped by historical processes. Nineteenth-century French insurrectionists were influenced and constrained by structural and historical forces. So too, at the turn of the twenty-first century, the behavior of Chinese workers, state sector managers, and even high-level officials was shaped by the political institutions, societal norms, economic structures, and intellectual traditions of the world in which they lived. As the socialist era drew to a close, the position of workers in the new order was conditioned by their earlier role in one of the world’s most protracted, violent, and thoroughgoing struggles to achieve a particular vision of communist utopia.

Typical of scholars in the broad historical institutionalist tradition has been a focus on state-level (that is, country-level) decisions at critical junctures or inflection points. A useful metaphor for this perspective is the ship of state. This ship sails along a fixed course until sharp rocks appear in its path. The ship must then either turn in some direction or career into the rocks. Politically, at critical junctures the story becomes one of explaining which choice was made and whether it was made because of the captain’s quick thinking, a mutiny, a broken rudder, or a change in the winds: that is, what the central state did, why, and with what effect on the country’s overall long-term trajectory.

To understand most of the important outcomes in China, this way of thinking is not ideal. Rather, Chinese politics bears a greater resemblance to a primitive particle accelerator, in which subnational units behave like particles moving in the national context of the accelerator. The shape of the accelerator and the general direction of the particles are controlled by the central state, but the behavior of each subnational unit is at least somewhat independent of the others. Moreover, when faced with a critical juncture, the central leadership cannot steer all the particles as an integrated whole, the way a captain would pilot a ship. It can merely throw a barrier across the path of the particles. All the particles collide with the barrier but they do not emerge on the other side all in the same shape or traveling along a single path.

There is a kind of splatter pattern of new trajectories on the other side of the critical juncture – one shaped as much by the legacies of each subnational unit’s shape and behavior before it hit the barrier as by the contours of the barrier itself. The nature and behavior of the central state

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still matter, but the main action is at the subnational level and the most fruitful research is at this lower level of analysis. Phrased differently, “national political economies are not coherent systems but rather incoherent composites of diverse subnational patterns that coexist (often uneasily) within the same national territory.”19 Central states control basic parameters, but subnational variation is often more objectively important and theoretically interesting.

To understand outcomes and causal processes in a variety of contexts, observations must be made among or within subnational units.20 Specifically, “a focus on comparing subnational units better equips us to handle the spatially uneven nature of major processes of political and economic transformation . . . in addition to providing a salutary increase in our ability to accurately describe complex processes, a focus on subnational units has important implications for how we theorize such processes. Disaggregating countries makes it possible to explore the dynamic linkages among the distinct regions and levels of a political system. Analyzing these linkages is an indispensable step for understanding and explaining the fundamental processes of political and economic change.”21 This is the analytical perspective I adopt in this book.

My approach is essentially a “most similar systems” design of subnational comparative analysis within a single country. This means that variation of possible causes (so-called “X-variation”) is more or less confined to a specified set of attributes, but there is considerable variance in outcomes (“Y-variation”) observed.22 Specifically, I can keep the national environment constant and largely restrict possible independent variables to factors that differentiate several regions. Causal stories that produce divergent outcomes across regions can then be more easily pinned down. Subnational comparison of this sort can be useful for creating bounded theories, specifying the antecedent conditions

(background variables) required for these theories to operate, and pro-
viding some test of the necessity of these background conditions and
thus estimating the scope of generalizability of the theories inferred.23

Since the 1980s, many have agreed that the essence of Chinese pol-
itics is its “diversity, conflict, fragmented authority, and central policy
that diverges from local reality.”24 Research on Chinese politics has
analyzed “macro-regions,” the “honeycomb polity,” and other variously
demarcated subnational units.25 Evidence for the usefulness of this type
of perspective can also be drawn from events and analyses of the final
decade of the USSR’s existence, as that country’s process of “reform and
opening” (there, in Russian, called perestroika and glasnost; in China
termed gaige kaifang) came to a head. Examining only the externally
observable actions of the central state, as many scholars did during the
1980s, would have uncovered relatively few hints of the Soviet Union’s
impending demise. If one looked at what was happening at lower levels
of government – in the regions – and throughout much of Soviet society,
however, the increasingly unstable nature of the regime would have been
much clearer.

Indeed, watershed events such as the collapse of the Soviet Union are
frequently little related to the machinations of marshals in Moscow,
bureaucrats in Beijing, lords in London, or presidents in Paris. Such
macro-level outcomes are often the product of processes visible or
comprehensible only at more micro or middle levels. Sometimes (as in
the case of the USSR’s disintegration) they occur precisely because central
governments become disconnected from the subnational components
they preside over.

Macro outcomes also do not come to pass overnight or all at once.
Processes such as the routinization of charisma, the consolidation of

23 Stephen van Evra, Guide to Methods for Students of Political Science (Ithaca: Cornell
University Press, 1995), p. 55; Alexander George and Andrew Bennett, Case Studies
3, 6, 8, 9, and 11.
24 David M. Lampton, “The Implementation Problem in Post-Mao China,” in Lampton,
ed., Policy Implementation in Post-Mao China (Berkeley: University of California Press,
25 See, e.g., G. William Skinner, Marketing and Social Structure in Rural China (Ann
Arbor: Association for Asian Studies, 1993); Vivienne Shue, The Reach of the State:
Sketches of the Chinese Body Politic (Stanford: Stanford University Press, 1988); Edward
Friedman, “Reconstructing China’s National Identity: A Southern Alternative to Mao-
Thomas P. Bernstein and Xiaobo Lü, Taxation without Representation in Contemporary
Rural China (Cambridge: Cambridge University Press, 2003); Kellee S. Tsai, Back-
Alley Banking: Private Entrepreneurs in China (Ithaca: Cornell University Press, 2002);
revolutions, the birth and death of states and nations, and the making and transformation of social or political orders are by definition not rigidly discrete events or singular observation points. There is no simple toggle switch between plan and market, between charismatic communism and liberal capitalism, between socialism and post-socialism. Large changes entail complex and ongoing processes that evolve over long periods of time along routes that are rarely linear.

Appreciation of this fluidity and complexity is a necessary precondition to valid and accurate explanation of many important phenomena. My approach is broadly consistent with the historical institutionalist tradition, but focuses on the systematic comparison of subnational units. This promotes assembling some pieces of the puzzle of Chinese politics that twenty years of disaggregation have alerted us to.26

Sources and methods

Intensive interviewing has a venerable tradition in the study of China. In earlier days, researchers were confined to émigré interviews in Hong Kong.27 After the opening of Mainland China to fieldwork by foreign scholars, interview-based methods took on expanded importance. Suddenly, interviews and field research could provide more details of causal mechanisms, transcending the identification of relationships from afar.

Relying on interviews, in combination with various written sources, I seek first “to grasp concepts that, for another people, are experience-near, and to do so well enough to place them in illuminating connection with experience-distant concepts theorists have fashioned to capture the general features of social life . . . to figure out what the devil they think they are up to.”28 Telling the story of lay-offs from the point of view of Chinese officials, managers, and workers is important. But my angle of attack differs from true ethnography in several respects.

First, there was no “participation” in my observation. I did not live in workers’ housing compounds, work on production lines, or stand alongside workers on the barricades. This would have been politically

impossible and likely would have endangered my research subjects. It also would have forced a much greater concentration of time and resources on a single research site and precluded any regional comparison.

Second, I did not seek to sketch “wall-sized culturescapes of the nation, the epoch, the continent, or the civilization.” Instead, I draw measured generalizations about how different parts of China fit together and what this tells us about broader questions in comparative politics. Rather than attempting to interpret human emotions or draw universal covering laws, I use my interviews to produce textured accounts of events. I am both less micro and less macro than the ethnographer, more content than the anthropologist to say, “From there it is just turtles all the way down,” but also unwilling to scale the highest levels of abstraction common in contemporary anthropology and sociology.

Third, rather than protracted interpersonal interactions with research subjects, I conducted a series of discrete interviews. I met with each interviewee between once and four times, averaging a total of one to three hours with each interviewee. During each meeting, we had focused discussions. The purpose of my interviews was not to interpret the layers of meaning in my interviewees’ experiences, but to determine which of my initial hypotheses might hold, what new hypotheses might best replace those that needed to be jettisoned, and what mechanisms could be specified to connect causes with effects. This bounded, causally oriented, focused format differed substantially from the more open-ended, interpretive style of much ethnographic research.

My method also differed from the “structured” interview techniques employed by sociologists such as Doug Guthrie. Instead of following a questionnaire in every interview, my discussions were freer-ranging. I always asked basic questions – age, work status and history, education level, etc. – but beyond that, I did not follow a survey instrument, and instead allowed interviewees to discuss issues and ideas that concerned them.

30 Ibid., p. 29.
Mine were “focused interviews” in the tradition of Robert Merton and his collaborators. Through a series of relatively unstructured questions and non-directed discussions, I sought to elicit from interviewees as much detail as possible about their experiences and perceptions of layoffs, the reasons behind them, and their economic, social, and political effects. I also sought information, when possible and relevant, on the implementation and efficacy of official policies regarding layoffs, the channels to re-employment actually used by displaced workers, aspects of workers’ contention, and other more specialized topics.

Interviewees were selected from as broad a cross-section of relevant actors as possible. Among workers, I endeavored to select a roughly equal proportion of men and women. In each city, I also managed to draw interviewees from each major industrial sector, from each urban district, and distributed roughly equally across job grades and skill levels, as well as between the ages of twenty-five and fifty-five. Among managers, in each city, I spoke with individuals from each major industrial sector, from foremen up through factory directors and party secretaries. Among officials, I focused my interviews among members of directly relevant bureaucracies (such as labor, civil affairs, state planning, public security, and industrial bureaus), but never turned down offers to be interviewed from officials in any segment of the bureaucracy.

I arrived in each city with at least two, and usually three or more, contacts (some officials or managers, some workers). These individuals introduced me to potential interviewees in their personal networks. I then used a combination of techniques to expand my set of interviewees. Most obvious was “snowballing” through the networks of interviewees my initial contacts had introduced me to. Also important was “secondary snowballing,” building on contacts ancillary to these primary networks (e.g., a worker I bumped into when I mistakenly entered her apartment building en route to an interview, who then agreed to be interviewed herself and introduced me to some of her contacts). Finally, I simply approached individuals in the midst of their daily activities and asked for interviews – for example, workers searching for jobs in outdoor labor markets, managing the street stalls they had started after leaving their work units, or sitting in a ramshackle teahouse beside a shuttered cinema and derelict soccer field in a work unit compound. Only a handful of the more than thirty people I approached this way refused to be interviewed.

Some may object to the lack of “random sampling” of interviewees. In fact, by drawing subjects from several social groups in nine different