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Social Citizenship in China: Continuity and Change

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ABSTRACT *A fundamental feature of Chinese social citizenship is the demarcation between the rural population and the urban population. Entitlement to income security and welfare provision has been exclusively a right of city dwellers. However, as economic reform progresses, the socialist welfare system has become unable to provide adequate protection. Welfare reform intends to widen the social security net, yet it has inadvertently exacerbated social inequality. In the meantime, the inferior social position of the peasantry has worsened as an effect of continued state bias, heightened tax and fee burdens, and the expropriation of farmland for development. In light of the intrusion on their rights and interests, more and more Chinese citizens have taken to protesting to voice their discontent.*

Introduction

T. H. Marshall ([1964] 1994) identifies three elements of citizenship—civil, political and social—which developed in Europe over a period of time, in that order. He refers to the social element as “the whole range from the right to a modicum of economic welfare and security to the right to share to the full in the social heritage and to live the life of a civilised being according to the standards prevailing in the society” (p. 9). This article contemplates the problem of social rights of citizenship in China. It focuses on issues of income earning and welfare provision, and dissects the changes that have occurred under economic reform. It has been pointed out that, contrary to the evolutionary trajectory of citizenship rights in Europe, China’s commitment to social rights considerably predates any commitment to political rights (Goldman & Perry, 2002). However, the rise of a market economy and the smashing of the “iron rice bowl” bring that commitment into question.

Citizenship infers a kind of basic human equality associated with membership of a nation (Marshall, [1964] 1994). In China, inequality in social citizenship hinges on differentiation of the population according to their place of birth and residence—whether it is rural or urban. In other words, Chinese nationals (*gongmin*)¹ are divided in terms of social entitlements—city dwellers (*shimin*) are far more privileged than countrymen and women. It is with this prerequisite in mind that we should understand the changing

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experiences in social citizenship during the reform period, which are different for the urban and the rural population. Nevertheless, a common and recurrent theme is the incompatibility between economic development and social equality. A market economy was introduced in order to improve the living standard of the general citizenry, yet it has aggravated social inequality.

Recent work on citizenship in China tends to concentrate on either the urban or the rural scene (Solinger, 1999; Keane, 2001; Zhang, 2002; He, 2005). This article offers a comprehensive review of the state of social rights of citizenship in the entire country, setting out the latest developments in the long-standing rural–urban division. In the following, the article first explains the divide, before turning to investigate urban welfare reform, the social position of the peasantry, and contestation by Chinese citizens against infringement of their rights and interests.

Rural–Urban Segregation

At the beginning of their reign, confronted with an agrarian economy scarce in capital, the leadership of the Chinese Communist Party followed the Soviet experience and placed a high priority on industrialization in urban centres (Chan & Zhang, 1999). A number of measures were devised to keep the huge number of the rural population in the countryside (Chen & Wu, 2004). Job allocation was targeted at city dwellers and urban work units were prohibited from employing peasants “blind-flowing” into cities. The state monopolized the purchasing and marketing of farm produce and prevented rural dwellers from obtaining food rations in urban areas. A system of household registration (*hukou*) was created to specify a person’s place of residence and classify his/her status as “agricultural” or “non-agricultural”.

Urban jobs were assigned through educational institutions or local communal offices. Employers were primarily state or collectively owned enterprises, government organs and public institutions. The appropriation of public ownership of the means of production presupposed that the general (urban) population “were their own employers” who “could obtain work whenever they needed to” and “no one could dismiss anyone else” (Meng, 2000, p. 3). The labour regime was characterized by full employment, lifetime tenure and labour immobility. Since labour was not considered a commodity, wages were not regarded as the price of labour. They were centrally fixed by the government and were kept low. Most welfare needs were met through state work units as part of the cost of labour (Meng, 2000; Tsui, 2002). No unemployment benefit scheme was required since there was no open unemployment. Pension was paid at a percentage of an individual’s final salary before retirement. Employees and their dependents received medical care in state hospitals and clinics free or with a nominal charge.

Entitlement to the generous welfare benefits were exclusively a right of urbanites (*shimin*)—“citizens” in the crudest sense (Harris, 2002). In this regard countrymen and women were “non-citizens” who were expected to rely on their family for security (Saunders & Shang, 2001). Some healthcare was available, but dependent upon the condition of individual communes—administrative units that organized work and subsistence in the countryside. The social relief system, “livelihood guaranteed in five aspects” (*wubao*), was the main state provision targeted at the most vulnerable. Furthermore, the rural population had to endure inequality in income earning. The state imposed compulsory purchase of agricultural products at prices below actual values, in order

to lower wage costs in cities and raise the profits on industrial products (Lu & Chen, 2006). The “scissor differential” between prices of agricultural products and industrial products effectively transferred the surplus labour of the peasantry to the primary accumulation of industrial capital (Chen & Wu, 2004; Cai, 2005). From 1953 to 1978, the money rural areas gave away through the price scissor and taxation, minus state funding to rural areas, amounted to approximately three-quarters of the fixed assets of state industries (Liu, 2005).

Welfare Reform

After economic reform began in the late 1970s, state enterprises were gradually given managerial autonomy as well as the responsibility for profits and losses (Chow & Xu, 2001; Gu, 2001). They were allowed to shed surplus labour and recruit staff according to need. The administration of wages was decentralized and wages were linked to enterprise efficiency and worker performance.

A private sector developed. The Chinese economy was opened to foreign trade and investment. Foreign companies were, step by step, granted the rights to pay, hire and fire as they deemed economically fit (Wang, 1998). Native private companies too mushroomed and were granted legal status in 1988. Regulations on employment for them were modelled after that for foreign and joint-ownership companies. In the 1990s, other ownership forms such as cooperative companies, limited liability corporations and shareholding corporations were promoted. While only 0.16% of the working population in urban areas did not work in the public sector in 1978, the rate rose to 18.46% in 1990 and to a staggering 73.30% in 2005 (NBS, 2006).

The movement of the rural population to urban areas was no longer restricted, but was still tightly controlled (Liu, 2005). It was not until after 1992 that they were actively encouraged to migrate to towns and cities to find work. Rural migrant workers often suffer poor working and living condition, long working hours and wage inequality. Pay arrears and unfair dismissal are not uncommon. Although elevated from the status of “non-citizens” barred from the confines of cities, rural migrant workers constitute a second class residing in urban areas (Solinger, 1999; Zhang, 2002).

Changes in the economic structure and the labour regime bore serious implications for welfare provision. Under the pre-reform welfare system, private sector employees and the self-employed had no social security protection. So did the unemployed when it became normal for people to lose jobs with the reform of state enterprises (Chow & Xu, 2001). Even though the majority of rural migrant workers were employed in the private sector (Meng, 2000), if they got jobs in state firms, they were not entitled to welfare benefits to the same extent as their urban counterparts (Zhao & West, 2002).

In the public sector the level of welfare provision was no longer tenable. Pension costs multiplied as retirees increased from 3% of the workforce in 1978 to 30% in 1997 (Lee, H. Y., 2000). Pension burden was distributed unevenly among firms where older ones in traditional industries had a bigger number of pensioners than newer ones (Chow & Xu, 2001). Healthcare expenses too escalated due to overuse and abuse of free health services, and hospitals prescribing expensive medication to enlarge revenue (Guo, 2003). The burden of providing welfare seriously hindered the ability of state firms to compete in the burgeoning market economy. A growing number of them were making rising losses, especially after the Asian financial crisis in 1997 (Chow & Xu, 2001). Their financial

difficulty was exacerbated by widespread corruption of factory managers and their cronies (Chen, 2000; Chen, 2002). Loss-making state enterprises resolved to shirk welfare obligations, suspend or cut wages and pensions, and even lay off workers (Lee, H. Y., 2000). More workers were out of work after the government made the decision in September 1997 to speed up the restructuring of loss-making enterprises through mergers, bankruptcies and sell-offs (Weston, 2002). The crisis in subsistence fuelled much public outrage among affected workers (Chen, 2000). The socialist welfare system was urgently in need of reform.

Trial reform of pension provision commenced in the 1980s (Chow & Xu, 2001). Individual localities experimented with social pooling among state enterprises in order to level the uneven pension burden. The first nationwide initiative was implemented in 1986, targeted at new contract workers in state firms. Efforts were made throughout the 1990s to build and refine a modern pension insurance system. A national programme was stipulated in 1997, applying initially to workers of state and collective enterprises² (State Council, 2004b). It was extended to employees of foreign, private and other firms in 1999 and to informal workers in 2002. Individuals who have made contribution for 15 years upon retirement receive a monthly pension. This comprises a basic pension equivalent to 30%³ of the local average wage (of the previous year) and an individual account pension at 1/120 of the accumulated savings. Contribution is made by employers at no more than 20% of the total wage bill and employees at 8% of salary. The self-employed and informal workers remit about 18% of the local average wage.

Locally based unemployment insurance schemes emerged in the 1980s to provide security for workers of state enterprises (Chow & Xu, 2001). Their coverage gradually extended to employees of all types of companies during the 1990s. The government issued "Unemployment Insurance Regulations" in 1999, setting contribution rates at 2% of the total wage bill for employers and 1% of salary for employees (State Council, 2004b). After making contributions for at least a year, the unemployed receive unemployment benefit for no more than two years, depending on the number of contribution years. The level of benefit is lower than the local minimum wage and higher than the local "lowest cost-of-living" line. If the unemployed are still out of work at the end of the period, they obtain the "lowest cost-of-living" if their per capita household income is below the "lowest cost-of-living" line. The "lowest cost-of-living" programme was introduced in 1997 and improved in subsequent years (Shang & Wu, 2004). The social protection function previously borne by public sector work units was transferred to local governments. Rural migrant workers are not entitled to the "lowest cost-of-living" and undergo a different arrangement in the event of becoming unemployed. Employers pay unemployment insurance premiums on their behalf; provided they have worked for a year under contract, they receive a lump sum living allowance (State Council, 2004b).

In 1998 a basic living security system was instituted for laid-off workers from state enterprises (State Council, 2004b). Firms and local governments set up re-employment service centres to provide laid-off workers with a basic living allowance⁴ and pay social insurance contributions on their behalf. The costs were shared by the government, state enterprises and the unemployment insurance fund. Laid-off workers could stay with these centres for a maximum of three years, after which they would receive unemployment benefit if they still failed to get a job. This was though a transitional measure; from 2001 newly laid-off workers could claim unemployment benefit only.

Piecemeal and uncoordinated reform of healthcare provision started in the 1980s. Some local governments and state enterprises tried risk pooling and cost-cutting measures such as individual co-payment (Duckett, 2001, 2004; Guo, 2003). A national framework was developed in the early 1990s and piloted in several dozen cities. Drawing on the experience of the local trials, a national programme was announced in 1998 (MOH, 1998). Catering for employees in all types of companies, it consists of individual accounts and a regionally pooled medical fund. Individuals contribute 2% of salary to their own accounts. Employers contribute 6% of the total wage bill, 30% of which goes to employees' individual accounts and the rest to the medical fund. Individual accounts are intended for cheaper outpatient service. The medical fund pays for more expensive hospitalization, covering costs between one-tenth and four times the local average annual wage. Individuals have to seek treatment at designated hospitals and clinics and make co-payments out of their own pockets. Many localities have also established large-amount medical expenses subsidy schemes to meet costs over the highest amount paid for by social health insurance (State Council, 2004b).

Due to the huge variation in the degree of economic development across the country, it is deemed impossible and unrealistic to institute social insurance schemes uniformly nationwide. Local governments are given discretion to set up schemes and decide on their detail according to local conditions. Despite the intention of the central government that social insurance schemes should operate at the provincial level, only 12 out of 30 or so provinces have more or less achieved this goal (DLSS, 2006). In other cases they run at city and even county levels (Yang & Lü, 2005; Gao, 2006). Since many localities already had their own schemes when the national ones were introduced, converting diversified local programmes to unified schemes at the provincial level has invited resistance and encountered difficulties (Chow & Xu, 2001). Locally based schemes, even provincial ones, present a problem regarding transferability when individuals move from one place to another.

The welfare reform, like the old system, is geared towards people who live and work in urban areas. Unlike the old system, these now include rural migrant workers. However, many local governments have not incorporated rural migrants in their social insurance schemes, worrying that doing so would increase the cost of labour and make it unattractive to investment (*Commercial Times* [*Gongshang shibao*], 4 March 2005; *People's Net* [*Renmin wang*],⁵ 7 March 2005; *River South Times* [*Jiangnan shibao*], 14 April 2005). Even when migrant workers are eligible to join the schemes, employers are inclined to avoid paying insurance contributions for them (*People's Net*, 7 March 2005, 27 May 2006; *New Capital Post* [*Xinjing bao*], 18 April 2005). The non-transferable nature of local schemes is another barrier prohibiting the participation of migrant workers, as their places of work and residence are usually temporary (Gao, 2006). In practice, rural migrant workers are largely excluded from social insurance schemes, reinforcing their inferior status in cities. In 2004, among the 110 million migrant workers, about 15% had pension insurance, 10% had health insurance, and a negligible proportion had unemployment insurance.

Under the reformed welfare system, the social rights to income and welfare security are defined on an individual basis, rather than collectively through work units as in the old system. Market principles are introduced whereby individuals have to pay—social insurance premiums and out-of-pocket payments in the case of healthcare—to “purchase” social protection. The citizen as the consumer has not only emerged in the economic and cultural spheres (Keane, 2001), but also in the realm of social welfare. Such a transition,

which So (2004) terms from “socialist citizenship” to “market citizenship”, gives rise to new forms of social inequality.

The self-employed and informal workers (many of whom are laid-off workers from state enterprises and rural migrant workers) tend not to have social insurance cover (Wang, 2005; Yang & Lü, 2005). They refrain from paying insurance premiums, and are particularly suspicious of the promise that they will be given a pension when they retire (*River South Times*, 9 September 2004; *People’s Daily*, 14 September 2004). It is a well known fact that social insurance funds, especially pensions, are often misused or diverted to other purposes by local officials resulting in huge losses (*China Economic Times* [*Zhongguo jinji shibao*], 1 March 2005, 29 November 2006; *China News Net* [*Xinhua wang*], 28 November 2006). The National Audit Office reported that by 2006, 713.5 million *yuan* had been embezzled from social insurance funds nationwide (*China Economic Times*, 28 November 2006).

The requirement for employers to pay insurance contributions furnishes additional exclusion. It is common for employers to refuse to sign up to social insurance schemes and evade paying insurance premiums (*People’s Net*, 9 March 2005; *Goat City Evening Post* [*Yangcheng wanbao*], 15 April 2005; *Workers’ Daily* [*Gongren ribao*], 18 December 2006). Some, even though they have enrolled in the schemes, delay remitting insurance fees or under-report payroll levels in order to remit less. Employers may provide social insurance for certain categories of staff only, usually those in managerial positions (*Capital China Times* [*Jinghua shibao*], 1, 9 March 2005). Some employers indeed have difficulty in meeting insurance premiums, as in the case of loss-making state enterprises (Chow & Xu, 2001; Duckett, 2004) and government organs with insufficient funding (Duckett, 2001; *China Youth Daily* [*Zhongguo qinglian bao*], 5 August 2004). Others, especially employers in the private sector, simply try to minimize expenditure (Béland & Yu, 2004). Some local governments deploy administrative regulations and resources to persuade employers to comply (Frazier, 2004). However, the Chinese state in general has a weak administrative capacity for enforcement (Duckett, 2001; Béland & Yu, 2004). Legal instruments are neither sufficient nor unified between localities (*People’s Net*, 9 March 2005; *Goat City Evening Post*, 15 April 2005; *Workers’ Daily*, 28 November 2006). The much talked about social insurance law has yet to materialize. When legal action is taken against employers, any resulting penalty, at most by some fine, has minimal effect (*China Youth Daily*, 8 September 2004).

The consequence of social differentiation of welfare reform is felt immediately in the realm of healthcare. Since employment is the basic criterion for enrolment in social health insurance, it does not cover children and other dependents who received subsidized healthcare under the pre-reform system.⁶ The wage-related nature of insurance contributions means that low income earners have less in savings in their individual accounts for treatment than high income earners. According to the third National Health Service Survey in 2003 (MOH, 2004), after falling ill for two weeks, about 15% of high income earners (the highest 20%) sought treatment and 45% did not. In comparison, approximately 10% of low income earners (the lowest 20%) sought treatment and 60% did not. The rate of seeking treatment was 56.5% higher for those who had social health insurance than those who did not.

There is a parallel between welfare reform in China and the retrenchment of the welfare state in developed capitalist societies, especially in terms of the declining significance of the state, the emphasis on individual responsibility and the application of market

principles. The influence of neoliberalism and the New Right has been pinpointed, which highlight the financial burden of high levels of welfare, amongst other ills (Ku & Pun, 2004; Xu, 2004). However, if the Chinese government intends to reduce the burden of providing welfare through the reform, this aim is far-fetched. By the end of 2005, among the 273.31 million urban employees, 174.87 million or 63.98% had pension insurance, 106.47 million or 38.96% had unemployment insurance, and 137.83 million or 50.43% had health insurance (NBS, 2006). The majority of those who had any form of social insurance were from the public sector (*People's Net*, 12 August, 8 October 2004). For instance, only around a quarter of those who had unemployment insurance in 2005 were from the private sector (NBS, 2006).⁷ The funding base of welfare provision has not expanded significantly to the private sector and social insurance schemes are under funding pressure (*People's Net*, 7, 10 March 2005; *China Newsweek*, 2006).

The situation is most acute for pension funds (Gao, 2006) which have an estimated shortfall of 2,500 billion *yuan*, equivalent to almost a year's gross national product (*River South Times*, 10 March 2005). The problem is rooted in pension commitments of the state under the pre-reform arrangement (Béland & Yu, 2004). Pensioners from state firms who had already retired or were about to retire when social insurance schemes were introduced have remitted little or no contribution (*People's Net*, 12 September 2004). In order to meet their pension payments, various levels of government injected 53 billion *yuan* in 2003 alone (*People's Net*, 12 August 2004). In addition, the money supposedly kept in individual accounts of current employees was also used. Pension schemes were running on a "pay as you go" basis and individual accounts were in fact empty (Yang & Lü, 2005). This has raised concern about the ability to pay pensions for future retirees, especially when the worker-to-pensioner ratio is expected to decline as a result of the birth control policy and improved life expectancies. An initiative to ensure the accumulation of individual contributions in individual accounts by paying pensions using more state subsidy and employers' contributions was piloted in Liaoning province in 2001 (State Council, 2004b). The trial was extended to Jilin and Heilongjiang provinces in 2004 and 2005 and to more provinces in 2006 (DLSS, 2006).

The Peasantry

The social position of the peasantry as second class Chinese nationals (*gongmin*) has become worse under economic reform. This is despite the fact that the countryside was the forerunner of the reform, where communes were abandoned and household farming and markets were restored (Dernberger, 1999). Farmers were given use rights to the land and ownership rights to the produce as incentives. In the first half of the 1980s, agricultural production was the major source of economic growth of the country, accounting for about a third of gross domestic product. The expansion in the agricultural sector slowed down from the mid-1980s when rural township and village enterprises (TVEs) developed. Although concentrated in eastern coastal provinces (Zhang, 2005), the TVE sector was the major source of economic growth of the country until the mid-1990s (Dernberger, 1999).

The advancement of the rural economy challenged the superiority and dominance of urban areas and the state which brought about this differential arrangement (Tang & Chung, 2000). In 1982 the Chinese government bolstered the role of large and medium-sized cities in organizing and managing economic activities in surrounding rural and urban areas. The regional administrative system was modified so that counties, which were

previously under the jurisdiction of the prefecture—the representative agency of the province—were put under the management of prefecture-level cities. This arrangement enabled leading cities to manipulate economic resources—electricity, raw material, investment, and so on—within a spatial boundary for their own interests at the expense of the counties they led.

After the focus of economic reform moved from rural areas to urban centres in 1984, the growth of the rural economy slowed down. The reasons for the decline were many (Oi, 1999), albeit sustained state bias being the decisive factor. Despite two-thirds of the population living in rural areas, their share of state funding shrunk from 13.43% in 1978 to 7.66% in 1985 (NBS, 2006). The average was 8.79% from 1989 to 2005. The state continued to impose compulsory purchase on agricultural products, while the total sum of the price scissor multiplied 12 times between 1980 and 1998 (Chen & Wu, 2004). When the financial situation of state industries worsened in the second half of the 1990s, the TVE sector also suffered. Many TVEs were forced to close down in order to protect the monopoly of state enterprises. Others had difficulty in obtaining bank loans which were diverted to the state sector (Dernberger, 1999). With the deterioration of the rural economy, the disparity between the living standards of the rural population and the urban population widened. The per capita annual disposable income of urban residents was 2.57 times that of the per capita annual net income of rural residents in 1978 (NBS, 2006). This rate once dropped to 1.86 in 1985, but increased again to 2.28 in 1989. It continued to rise and stabilized only after reaching 3.23 in 2003. The ratio grows by approximately one-fifth if the social welfare urban dwellers receive is taken into account (*China Newsweek*, 2006).

Along with welfare reform centred in cities, some reform has taken place in the countryside (State Council, 2004b). This has brought about the introduction of pension insurance and health insurance for serious illness. Funds are gathered through contributions made by individuals and subsidies from village collectives and various levels of government. There is also a “lowest cost-of-living” provided by local governments, but at a much lower level than that for urbanites (*China Newsweek*, 2006). While these are still at a trial stage, their provision relies on the degree of economic development and industrialization of individual localities (Huang, 2004). About 20% of the rural population is covered by some social security protection (Gao, 2006), mostly in the eastern relatively well-off regions (*International Financial Post* [*Guoji jinrong bao*], 8 March 2005).

Tax and Fee Burdens

The social disadvantage of the peasantry has been further affected by tax and fee burdens. With insufficient state funding, rural governments have always been permitted to raise extra-budgetary funds in addition to the standard agricultural tax (Chen & Wu, 2004). Where those have still failed to meet the needs of rural finance, varieties of self-raised funds have been created. In the reform period, the agricultural speciality tax on more profitable products has been introduced and the overall tax and fee burdens have intensified. Peasants have been asked to bear the costs of local development projects, public goods and services, and running government offices. They have even been charged arbitrary fees for economic activities and life course events. The often coercive and brutal approach used by cadres in collecting taxes and fees deepens peasants’ discontent.

A number of reasons have contributed to the increasing of tax and fee burdens (Bernstein & Lü, 2003; Chen & Wu, 2004). On the one hand, the dismantling of

communes and the formation of township and village governments in the early 1980s started a process of continual growth in the number and the size of rural governments. A large proportion of the rural government personnel are hired outside the regular payroll and paid with extra-budgetary funds. On the other hand, a process of “deconcentration” of state power resulted in many government departments trying to expand their off-budget resources by imposing all sorts of fees. Moreover, tasks for economic development and modernization assigned by central government ministries to township and village administrations, often in the form of reaching certain standards or targets (*dabiao*) or upgrading (*shengji*), are largely not funded by the centre. The evaluation of local officials based on the fulfilment of central government tasks puts extra pressure on them to demand additional fees to fund development projects. In addition, lavish spending, corruption, misuse of public money and overinvestment by local officials all contribute to tax and fee burdens. The reality in the countryside is often obscured from scrutiny by higher-level officials because statistical padding and distortion of information is common. After squeezing farmers to the limit, many rural governments still cannot make ends meet and are badly in debt (Zhang, 2005). The 1994 tax reform has consolidated the flow of revenues to the central government but has increased the financial difficulties of lower-level administrations. The total amount of debt of county and village governments multiplied 17 times between 1993 and 1994 (Chen & Wu, 2004).

In order to reduce the burden on the rural population and exert tighter control over the finance of rural authorities, the central government introduced tax-for-fee reform. This was piloted in some areas from 2000 and extended to the whole country in 2003. Various forms of tax and fee reform had already been carried out in over 60 counties in seven provinces during the 1990s. The much awaited state plan, in short, abolished township levies and charges and compensated the loss in funds by a rise in the agricultural tax. Any extra money village administrations would like to collect had to be discussed and decided in village meetings. The reform saw a significant reduction in peasants’ burdens but also in rural governments’ revenues. Township and village governments had to downsize administrative staff, hold back on infrastructure construction and trim down or discontinue the provision of some public services (Li & Wu, 2005). Facing acute financial pressure, and encouraged by loopholes and ambiguities in central government directives (Li, 2006), some rural administrations returned to demanding arbitrary fees and charges (Chen & Wu, 2004). Moreover, the new tax, calculated on the basis of farmland size and its assumed productivity, was far from adequate. Over the years much farmland has been transferred to non-agricultural use. With the growth of manufacturing and service industries in rural areas and the opportunity to work in towns and cities, farming is no longer the sole, if still the most important, source of income of the rural population (Yep, 2004).

In 2004 and 2005 the Chinese government stipulated further tax reform, first to abolish the agricultural speciality tax and reduce the rate of the agricultural tax, and then to gradually phase out the agricultural tax (*China News Net*, 28 January, 6 October 2004; *People’s Daily*, 30 January 2005). In eastern coastal provinces with vibrant rural industry, the proportion of local government revenue from agricultural taxes has been insignificant (*China Economic Times*, 17 February 2004). In other parts of the country where there is a large farming population, local revenue has relied heavily on agricultural taxes. Without them these regions have to depend on transfer payments from higher-level governments, but these are usually insufficient (Zhou, 2006). At the same time when many provinces have stopped collecting agricultural taxes, irregularities in fee collection have continued,

involving arbitrary charges, despotism and embezzling of funds (*People's Daily*, 7 February 2005; *People's Net*, 24 May, 7 December 2006).

Land Expropriation

Economic development has produced a new class of landless and impoverished peasants (Zhang, 2005). Since urbanization took off in the early 1990s, much farmland has been expropriated for the construction of roads, factories, housing estates and development zones (Ho & Lin, 2004). It is estimated that the area of cultivated land fell by about 5% or 100 million *mu*⁸ from 1996 to 2002 (*People's Net*, 4 April 2005). Under the household responsibility system introduced in the early 1980s, farmland is allocated to rural households to carry out agricultural production. Land is public property and its usage is administered by the village collective (Guo, 2001; Cai, 2003). The state may requisition land from the village collective and transfer the use rights to a third party with a market price. In practice land expropriation is approved and carried out by county-level governments. Income from selling land leases is an important source of revenue for all levels of rural administration, which creates a strong incentive on their part to convert farmland to non-agricultural use (Cartier, 2001).

The encroachment on cultivated land has caused much bitterness among displaced peasants. To them losing land equates to losing the means of living and security. Inadequate compensation is often the focal point of their discontent (*People's Daily*, 28 March 2005; *Financial Times* [*Jinrong shibao*], 30 April 2005; *People's Net*, 22 December 2006). The use of coercive measures to take over land (Guo, 2001), non-transparency in land sale transactions, and suspected corruption by local cadres (Cai, 2003), aggravate peasants' grievances. Although affected households meeting certain criteria are permitted to transfer rural household registration to urban status, without alternative skills the urban job market is too competitive for many.

The disputes of the "lost-land peasants" have raised concern in the central government which has demanded local governments control the scale of land expropriation and safeguard peasants' rights and interests (*People's Daily*, 9 October 2004; State Council, 2004a, 2006). More and more local authorities are introducing initiatives to help the affected peasants by, for instance, increasing the level of compensation, providing free or subsidized housing, assisting in job training and job searching, instituting social insurance and basic living security (Gao, 2006). Many of these efforts exist only as trials. They are patchy and vary greatly between localities.

Contestation

Social citizenship is increasingly an area of contestation where infringements upon the rights and interests of Chinese citizens are challenged and contested.⁹ There have been numerous incidents of protests by current and former employees of state firms against unpaid wages and pensions, erosion in welfare subsidies and being laid off (Chen, 2000, 2006; Lee, C. K., 2000; Hurst & O'Brien, 2002). Protestors stage sit-ins, occupy factories, block roads and railway lines, march in the streets, and hold demonstrations outside government and Chinese Communist Party offices. The scale of the protests varies from a hundred to several thousand participants. The largest to date took place in March 2002 in Liaoyang and Daqing where up to 30,000 and 50,000 demonstrators, respectively, took to

the streets (Weston, 2002). Studies of labour insurgency note that workers' collective action is often spontaneous, enterprise-based, economically driven and non-political. It is likely to occur when a large number are laid off simultaneously (Cai, 2002). The questionable ways that they are retrenched—little consultation, low transparency, inconsistent implementation of national regulations and limited state assistance—inflame discontent (Chiu & Hung, 2004). Even when lay-off is not an immediate issue, workers' anxiety about encroachment on their interests during enterprise restructuring induces contestation (Chen, 2003).

Peasants too have instigated many protests (O'Brien & Li, 2006) to complain about heavy taxes and fees (Bernstein & Lü, 2003; Chen & Wu, 2004) and farmland being taken away without proper compensation (Zweig, 2000; Guo, 2001; Cai, 2003). They employ multiple strategies to seek redress of their grievances—petitioning higher-level governments or People's Congresses, undertaking civil disobedience such as staging sit-ins and occupying government offices, taking local governments and cadres to court (O'Brien & Li, 2004), and informing central and regional television stations and newspapers about their plight. Some incidents of confrontation between peasants and the authorities have ended in violence and even fatalities.

In comparison rural migrant workers have rarely campaigned for their interests. Incidents of confrontation usually involve individuals demanding back pay from private sector employers. Chen (2005) argues that the fact that rural migrant workers are considered as outsiders in cities prevents them from articulating their discontent through collective action. Nevertheless, the political consciousness of rural migrant workers is growing, with increasing evidence of strike and legal action (Froissart, 2005).

State workers' collective action has met localized success where local governments or the factory management have to give in to workers' demands (Chen, 2003, 2006; Chiu & Hung, 2004). In rural areas, the introduction of social security provision, the tax and fee reforms, the call to control land expropriation and the moves to help displaced peasants can be seen as responses of the Chinese authorities to the contestation of the peasantry (Yu, 2005). The same can be said of urban welfare reform where the driving factor in this case is the unrest of state sector workers.

Conclusion

In socialist China entitlement to income and welfare security has been the right of urban dwellers; the peasantry have been deprived of any such right. Under economic reform, the social rights of the urban population have deteriorated, and the already inferior social position of the rural population has worsened. The bias of the state in prioritizing the development of urban centres *vis-à-vis* rural areas has continued, if not intensified. The lives of the rural population have been hardened further by tax and fee burdens, which have become greater under the pressure for development. Urbanization has resulted in many peasants losing farmland and thus living security. The domination of local governments in carrying out central government policies and directives aggravates tax and fee burdens and the encroachment on cultivated land.

In cities, with state sector restructuring and the development of a private economy, the socialist welfare system is no longer able to provide adequate protection. Welfare reform intends to widen the social security net to cover those groups that fall outside the existing system—private sector employees, the self-employed, the unemployed, and rural migrant

workers. However, the monopoly of local governments in policy implementation has created barriers that keep rural migrant workers in particular out of social protection. The introduction of market principles, whereby entitlement to social welfare depends, both qualitatively and quantitatively, on the payment of social insurance premiums by individuals and employers, discriminates against low income earners, rural migrant workers and those who are not in formal employment. Unsatisfactory rates of participation mean that the funding base of welfare provision has not been extended significantly beyond the state.

Marshall ([1964] 1994) offers much insight into the prospect of social citizenship as China continues economic reform and modernization. Citizenship must be advanced in order to counter social inequalities arising from the evolution of a capitalist market economy. It is not only social citizenship that needs to be enhanced; the social, political and civil elements of citizenship supplement each other. At present protest is the only way Chinese population are able to invoke citizenship to defend their social rights. They lack the political rights to participate in decision making concerning social entitlements, and to organize collectively to protect and promote their interests (Chen, 2007). They are short of the civil rights to freely express their grievances about the inadequacy of state policies and the misconduct of state officials, and to rectify their discontent through the legal system. Without adequate levels of civil and political rights, the universal social rights of Chinese citizens would seem hard to achieve.

Notes

- ¹ There is another Chinese term which means nationals or citizens—*guomin*. However, as Harris (2002) points out, this term is seldom used in socialist China in order to dissociate from the language of the Nationalist Party (*Guomindang*) which took over Taiwan.
- ² Retirees of government organs and public institutions continue to receive pensions according to the pre-reform method and, on average, at a level twice as high as enterprise retirees (*China Newsweek*, 2006).
- ³ This was increased from 20% in 2006 (*China Newsweek*, 19 December 2005).
- ⁴ This was set at a level higher than the local unemployment benefit but lower than the local minimum wage, in order to reflect the historical importance of the workplace to Chinese workers (Saunders & Shang, 2001).
- ⁵ *People's Net* (www.people.com.cn) is the online version of *People's Daily* [*Renmin ribao*]. It provides links to online material from many other newspapers and magazines in China.
- ⁶ A universal health insurance scheme is being considered, but the main stakeholders have yet to reach an agreement (*China Newsweek*, 2006).
- ⁷ Data for other types of social insurance are not available.
- ⁸ One *mu* is equivalent to 0.0667 hectares.
- ⁹ Human Rights in China's electronic newsletter *Huaxiabao* offers a weekly report on such activities.

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