

URBAN PAUPERIZATION UNDER CHINA'S SOCIAL EXCLUSION: A CASE STUDY OF NANJING

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ABSTRACT: *This article articulates how two new urban poverty groups, namely the new urban poor and poor rural migrants, are pauperized under China's social exclusion. We argue that the two poverty groups experience different pauperization processes and are subjected to distinctive social exclusions with relevance to their institutional-based status and changes in it. The urban poor experience status change from being beneficiaries of the planned economy to being victims of the market economy, and become a vulnerable group characterized by market exclusion and limited welfare dependency. The status of poor rural migrants changes from being institutionally inferior farmers in the planned economy to being a marginal group of urban society, which is now subjected to institutional exclusion and the resultant social exclusion. This research argues that positive social policies should be considered and a social security system should be established to pay more attention to the development issues of the urban poor.*

Over the last decades, the proliferating literature on new urban poverty and social exclusion encapsulates a broad debate on the social and spatial transformations taking place in Western cities (Badcock, 1997; Hamnett, 1996; Mingione, 1996). The prevailing interpretation is to treat the new urban poverty as an outcome of global economic restructuring, changes in the welfare state, and social structure (Morris, 1993; Neef, 1992; Sassen, 1991; Wacquant, 1993; Walks, 2001; Wessel, 2000; Wilson, 1987).

Against the background of economic globalization, the post-Fordist economy and an employment regime characterized by a precarious labor market and the curtailment of employment for life have caused very large numbers of uneducated or unskilled workers to be excluded in Western cities (Gans, 1993). Since the labor market is regarded as the most important mode of integration in advanced market economies, the new urban poor, because of limited access to the labor market, are more vulnerable and have become socially excluded (Dorling & Woodward, 1996; Mohan, 2000). They therefore have limited welfare security (Silver, 1993; White, 1998) and weakened social support networks (Mingione, 1996; Musterd & Ostendorf, 1998). In general, the new urban

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poverty is regarded as a complex phenomenon caused by economic disadvantage and social exclusion (Mingione, 1993). Exclusion from the world of regular employment and from mainstream society is the main feature of the new urban poor in post-Fordist western society (van Kempen, 1994).

National paradigms and political cultures associate names for the “new urban poverty” with certain ideological terms, such as social exclusion (Silver, 1996). Originally, the notion of “social exclusion” was dominant in poverty discourse in France, which is understandable partly because the term’s connotations derive from the dominant French Republican ideology of solidarism (Silver, 1996). Recently, the idea of social exclusion has been widely used in Europe, and even in Asia. As Sen (2000, p. 32) pointed out, “the investigation of poverty is both internally and externally supplemented in a fruitful way by the use of ideas of social exclusion.” Originally, the exclusion is seen as a rupture of the social bond of “solidarity.” Along with economic recovery in the late 1970s, social exclusion has been identified as the social problem of the new poverty. By the mid 1980s, the term referred both to the rise in long-term and recurrent unemployment and to the growing instability of social relations: family breakup, single-member households, social isolation, and the decline of class solidarity (Silver, 1996). At present, the connotation of social exclusion has been extended to signify a significant redirection of emphasis from the material deprivation of the poor towards their inability to fully exercise their social, economic, and political rights as citizens (Geddes, 2000; Liebfried, 1993; Sen, 2000).

In China, massive lay-offs and unemployment have occurred since the 1990s, and numerous poor rural migrants have emerged in cities, and are considered as China’s new urban poor (Liu & Wu, 2006a; Wu, 2004). The new urban poverty has contributed to a trend whereby China has moved away from being one of the most egalitarian to being one of the more unequal societies in the world (World Bank, 1997). The marketization reform of the economic system in China has caused rising inequality and social stratification (Pei, 2006). Social exclusion properly describes the new urban poverty in China. A large number of urban workers, including many rural migrants, are excluded from the labor market, which is quite different from the situation of full employment in the planned system. They are also excluded from the welfare system.

Existing studies point out how institutional establishments and their changes as well as the subsequent economic restructuring have given birth to the Chinese new urban poverty (Liu & Wu, 2006a; Wu, 2004). Because exclusion is not only an extreme state, but the effect of a cumulative logic of deprivation, we need to analyze back to the source the processes of regulation/deregulation that are at work in the whole of society at any given moment (Castel, 2000, p. 534). So in this article, through examining the institutional transition and economic restructuring, an initial investigation is conducted to understand the pauperization experiences of China’s new urban poor under China’s social exclusion. This research pays especial attention to the articulation of the pauperization process of the two new urban poverty groups, which are identified as (1) the new urban poor, including laid-off workers, and unemployed persons with urban residence registration, and (2) poor rural migrants with rural residence registration. Due to different institutional-based origins, the two new urban poverty groups have different pauperization experiences and are subjected to discrepant social exclusions. This article uses qualitative data from in-depth interviews with poverty households in Nanjing in 2004. Empirical study of the pauperization experiences and living predicament of China’s new urban poor will undoubtedly contribute to the comparative understanding of social exclusion in different national contexts.

In the next section, we will generalize urban pauperization under China’s social exclusion through examining the institutional-based origins of the two new urban poverty groups and their changes of status. Then, we will analyze empirical evidence-based on qualitative materials from

the in-depth interviews of urban poverty households in Nanjing. In this analysis, we articulate the pauperization experiences of two new urban poverty groups and their different living predicaments.

URBAN PAUPERIZATION UNDER CHINA'S SOCIAL EXCLUSION

The development of a market economy in China since the early 1990s has resulted in noticeable changes in social structure. As the egalitarian ideology has been abandoned, an increasing gap between the rich and the poor has been created (Gu & Kesteloot, 2002; Pei, 2006; Wang, 2004). Along with rapid economic growth, great numbers of new urban poor have emerged.

On the one hand, economic restructuring, which involves the reform of state-owned enterprises (SOEs are those enterprises owned by the central government) and collective-owned enterprises (COEs are those enterprises owned by local government at city level and district level, even subdistrict level) under market transition, has led to large-scale lay-offs and unemployment. At the end of 2003, 8.0 million persons were officially registered as unemployed, and the unemployment rate was 4.3% (NBSC, 2004). At the same time, 2.7 million workers had been laid off by SOEs (CSCIO, 2004). There are still a large number of laid-off workers and unemployed persons left to be registered. A majority of these people, who used to be protected by a work-unit-based welfare system and enjoyed benefits such as job security and stable pay in the planned economy, are currently pushed into the labor market, and only receive limited welfare support. They have urban residence registration, and are identified as the new urban poor (Figure 1).

On the other hand, along with rapid urbanization, large numbers of rural laborers have been flowing into urban areas. The number of rural migrants in the whole country reached 98.0 million in 2003 (CSCIO, 2004). However, about 20% of them live in poor conditions due to low-paid work or unemployment in urban areas (Zhu, 2002). These poor migrants, who were formerly farmers restricted to farmland and outside the work-unit-based welfare system in the planned economy, are now flowing into the urban labor market. With rural residence registration, they are identified

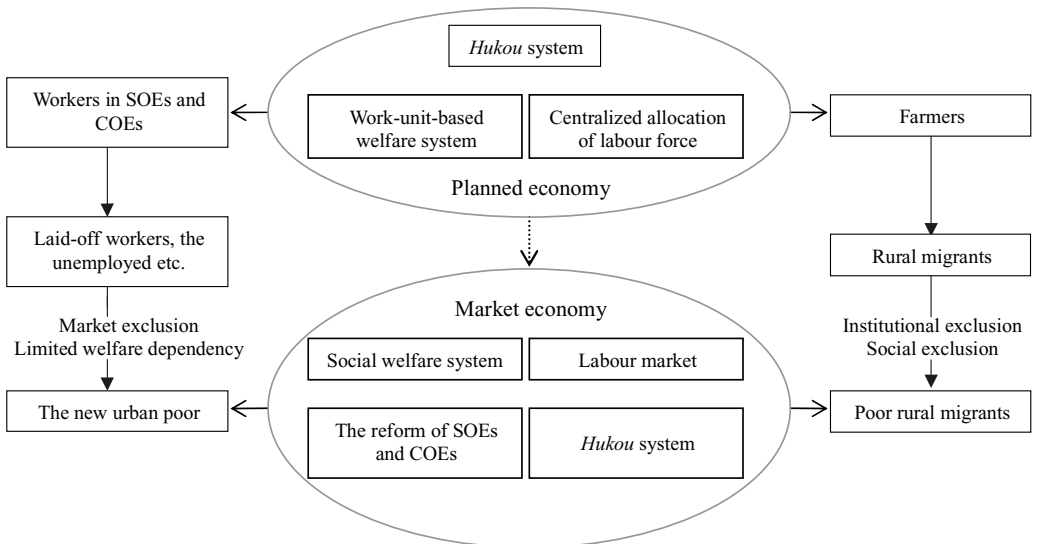


FIGURE 1

Pauperization of China's New Urban Poor

as the unregistered new urban poor and become a marginalized group in urban society (Figure 1). While the two new poverty groups both live in poor conditions and compete for job opportunities in urban niches, they are confronted with quite different living predicaments due to their different status and pauperization experiences.

In the prereform era, a centrally planned system was adopted in China to implement the development strategy of preferential industrialization. The development of cities as productive sites was supported by state institutions and policies, of which a residence registration (*hukou*) system, a centralized allocation policy of labor, and a comprehensive welfare system were the core institutional arrangements (Figure 1). A *hukou* system was implemented in the 1950s to institutionally divide China into the two systems of urban and rural sectors (Chan, 1994), consequently dividing laborers into two groups, namely workers in urban areas and farmers in rural areas. This institutional arrangement efficiently restricted rural laborers to farmland in rural areas and guaranteed scarce employment opportunities and comprehensive welfare to be exclusively enjoyed by the urban residents, essentially catering to city-based industrialization in the planned economy (Chan & Zhang, 1999; Cheng & Selden, 1994). Through the centralized allocation system, urban laborers were allocated jobs mainly in SOEs and COEs according to national development blueprints (Fan, 2004). Moreover, a comprehensive welfare system based on the work unit was established to give employees access to subsidized food, housing, education, healthcare, and other social services. Meanwhile, rural laborers were recruited into communes to embark on collective farming to obtain basic living necessities. These institutional arrangements and policies to a great extent contributed to the stability of socioeconomic development.

The post-Mao state in China in the late 1970s noticed the lagging national economic development, and thus took economic growth as the primary objective through implementing economic reform. However, gradualist reform throughout the 1980s did not touch the essentials of the economic system, and the planned economy still functioned. Although the development of nonstate sectors, including individuals, joint ownership units and private enterprises, was to some extent encouraged, the state or collective enterprises remained absolutely dominant in the national economy. Attracted by job stability and work-unit-based welfare, the majority of urban laborers preferred to be allocated to state or collective enterprises. Employees in public ownership units numbered 145.1 million, comprising 92.8% of total urban employees by 1992 (NBSC, 2000). In addition, due to the relaxation of labor mobility and the market reform of food, housing, and employment from the mid 1980s, a few surplus agricultural laborers resulting from rural economic reform began to float into urban areas to seek jobs. While they did not receive any welfare support in urban areas, they could obtain employment opportunities and income sources due to stable economic growth, and gradually prospering tertiary industry, and few of them were confronted with poverty. By the early 1990s, groups in urban society had become diverse.

Market Exclusion and Pauperization of Urban Workers

The development of a socialist market economy was decided on by the developmentalist state in China in 1992, aiming to maintain rapid economic growth and increase economic efficiency. The market gradually came to play an important role in developing the Chinese economy during the 1990s. Consequently, Chinese SOEs and COEs were directly exposed to market competition from private ownership enterprises. Because of the lack of flexible management and technological innovation in the planned economic system, a majority of SOEs and COEs were burdened by duplicated industrial activity, heavy debt and surplus employees. Most of them would have been confronted with bankruptcy if they had completely conformed to market principles. Therefore, with the aim of "saving" these public ownership enterprises, especially the medium and large

SOEs, the socialist state took the initiative by implementing enterprise reform to transform their management mechanisms.

The principle of enterprise reform was “downsizing in the interest of efficiency” (*jianyuan zengxiao*), through dismissing enormous numbers of redundant laborers, mainly in medium and large SOEs, to increase economic efficiency. Meanwhile, some medium and small SOEs and COEs were deregulated and tried to transform their ownership and management mechanisms through “closure, stop, consolidation or transformation” (*guan, ting, bing, zhuan*). As a result, many workers in SOEs and COEs were laid off or became unemployed. From 1998 to 2003, 28.18 million workers in total were laid off (CSCIO, 2004). Although nonstate enterprises had achieved great progress since economic reform, they could not recruit such large numbers of laid-off workers. Consequently, many workers became unemployed and fell into poverty due to lack of regular income. The number of registered unemployed persons in urban areas increased from 3.64 million in 1992 to 8.0 million in 2003, and the registered unemployment rate in urban areas also increased from 2.3% in 1992 to 4.3% in 2002 (NSBC, 2004). Unemployment is the direct cause of new urban poverty.

Laid-off workers and unemployed persons experience a status transformation from being the beneficiaries of the planned economy to being the victims of marketization. They are excluded from the labor market and are also subjected to limited welfare dependency. First, being older and having only low-level education and low skills due to the old employment training system, most of them lack competitive advantages in the employment market (Cheng, 2007). They also lack sufficient capital to develop individual or private enterprises, due to their long-term low pay in public ownership enterprises (Tang, 2006). The new urban poor are incapable of entering into the labor market, causing them to lose income and fall into poverty.

Second, while the work-unit-based welfare system is gradually being dismantled, the social welfare system has not yet been developed. The new urban poor depend solely on limited welfare dependency, which is mainly distributed by the Minimum Living Standard Program (MLSP). Since the mid-1990s when it was set up, the MLSP has come to cover more and more urban poverty households. Unemployed persons, laid-off workers and their families are the main recipients of this program. The minimum living standard is taken as the absolute poverty line by the government. In the light of the different circumstances prevailing in different cities, the minimum living standard varies. The standards in cities are determined by the cost of necessities. They are kept only at subsistence level, from 143 Yuan (17.2 USD, in 2002 in Nanchang) to 344 Yuan (41.4 USD, in 2002 in Shenzhen), respectively equal to the 21.8% and 15.6% of the per capita income of the two cities, meaning that large numbers of relative poverty households surviving on incomes just above this line are not covered. According to the Ministry of Civil Affairs of China, there are only 19.3 million recipients of the MLSP, approximately 4.0% of the total urban population. As the final “safety net” for maintaining the minimum living conditions of urban residents, its coverage is narrow and the standard of the program is low. The low standard limits the education and medical expenses of the urban poor, further restricting their subsistence and development (Tang, 2006). This program can only partially alleviate urban poverty.

Institutional Exclusion and Pauperization of Rural Migrants

The development of the market economy since the early 1990s has also opened the urban labor market to rural laborers. The demands for low-cost laborers from rapid industrial development and booming urban construction have attracted enormous numbers of rural migrants into urban areas. However, while the control over population mobility within the country has been relaxed, the *hukou* system remains essentially unchanged (Wang, 2004). While rural migrants can take up certain jobs in cities, the state makes available a large supply of rural laborers for industrialization

and urbanization at low cost through denying their urban entitlements (Cheng & Cui, 2006; Fan, 2004). The government continues to use the *hukou* system to constrain the use of migrants, and a majority of migrants do not receive an urban registration card. Without urban *hukou*, rural migrants in urban areas are regarded as “temporary residents” or “people from other places.” They are institutionally excluded from formal employment and urban services, and become a marginal group within cities.

First, rural migrants are excluded from regular urban employment and are restricted to certain sectors. To reduce employment pressure from the increase in lay-offs and unemployment, quotas have been set by cities to limit the employment of rural workers (Lee, 2001). Rural migrants are strictly excluded from certain formal and steady occupations. Many rural migrants can only undertake hard, dangerous and dirty labor-intensive work (Wang, 2004). The employment of rural migrants is typically informal, low quality and unstable. Employers use short-term contracts to limit their responsibility for welfare provision. Rural migrants’ institutional and social inferiority, together with severe employment competition in urban areas, leaves them with few options other than to tolerate these toilsome and low-paid urban jobs (Fan, 2004). Consequently, many rural migrants have low and unstable incomes, and live in poor conditions.

Second, rural migrants face subsistence hardship in cities, as they are denied civil entitlements. Considering income level alone, few migrants could be included in urban poverty groups. Institutional factors and inequality contribute to migrants’ poverty (Zhan, 2004). Although rural migrants are permitted to work and live in cities, they are still treated as outsiders (Fan, 2004; Ma, 2002). They cannot coequally enjoy urban services, and also have to pay extra living costs in cities. Due to having no right to live in subsidized social housing and having no ability to buy commodity housing, they have to pay for private rental. They also need to pay additional contribution fees for their children’s education. In addition, rural migrants are not covered by the urban welfare system. The traditional welfare system mainly served urban residents, and the newly established MLSP still bypasses rural migrants. Rural migrant households are also socially isolated because of limited social ties. In sum, being institutionally excluded from formal employment and urban services is a decisive factor in the pauperization of many rural migrants.

A CASE STUDY OF NANJING

The empirical study draws on qualitative materials from in-depth interviews in Nanjing to examine the pauperization experiences of two new urban poverty groups and their respective living predicaments. Nanjing was a major industrial city in the socialist era and is now experiencing tremendous economic restructuring (see Liu & Wu, 2006a). In Chinese history, Nanjing has been the capital of 10 dynasties. It was also the capital of the Nationalist government before 1949. At present, Nanjing, with an administrative area of 6,515 km² and a total population of about 6.0 million, is the capital of Jiangsu province. As one of the political, economic, and cultural centers in the Yangtze River Delta, Nanjing is also experiencing globalization (Liu & Wu, 2006b).

In-depth interviews with poverty households in Nanjing were conducted in July 2004. Twenty urban poverty households and 15 poor rural migrant households in three types of poverty neighborhoods (inner-city dilapidated residences, degraded workers’ villages and rural migrant enclaves; see Liu, 2005; Liu & Wu, 2006b for analysis of these poverty neighborhoods) were interviewed. They were selected with the help of street office cadres and residents’ committees. The urban poverty households had an income level below the minimum living standard (220 Yuan per person monthly), and the income level of poor rural migrant households was below 50% of the per capita household income in Nanjing. The interviewees were the heads of household or spouses, and each interview lasted about 2 hours. A mode of structured instrument was used to conduct the interviews. The questions covered several key aspects such as background information and the

general aspects of exclusion, market factors, redistribution factors, and social support networks. The transcribed materials provide rare original qualitative data, which can shed light on the pauperization experiences of the new urban poor, and the market and institutional exclusions they face.

PAUPERIZATION OF URBAN WORKERS

From State Workers to Laid-Off Persons

China was institutionally divided into two systems of urban and rural sectors through the introduction of a *hukou* system in the 1950s to guarantee the priority development of city-based industrialization. “Urbanite” (*shimin*) and “peasant” (*nongmin*) became the respective identity labels of those who had urban residence registration and those who had rural residence registration. In the centrally planned system before 1978, urbanites were allocated to work units (*danwei*) in urban areas, and peasants were organized into communes (*renmin gongshe*) in rural areas. According to the centralized allocation policy of labor, all young laborers in urban areas were directly allocated to enterprises after graduation from high school. A 51-year-old laid-off worker recollected his employment experience for us:

Before being laid off, I was a worker at one state-owned chemical plant . . . In the past, the government took the responsibility for arranging jobs. After graduation (from high school), I was directly assigned into this plant, working while apprenticing. I didn't change my job until I was laid off last year.

The economic reform started in the early 1980s. While the state permitted the development of private enterprises such as self-employed and joint ownership units, the public ownership sector was still in a dominant position in the economic system. Under such circumstances, while some employees in the state and collective sectors had left their employment units to become self-employed or to work in private enterprises, the majority of laborers chose to stay in the public ownership sector to continue to have access to comprehensive welfare. The state was still responsible for providing jobs to urban laborers, because the socialist planned system was still functioning at this stage. Years of service were compensated with cash. After his years of services were bought out (*maiduan gongling*) in 2003, one 42-year-old man became unemployed. Before that, he was a salesman for a state-owned commercial company:

After I graduated from senior high school in 1979, I waited for a job (*daiye*) at home. Three years later, I was arranged into my father's unit through substituting his post (*dingzhi*) . . . When I got married in 1985, the municipal housing bureau allocated this house to us, and the rent is very low. I got regular pay, and I could also enjoy the healthcare welfare. Our living conditions were not bad. But since being laid off, our life has gone from bad to worse . . .

In sum, although gradual reform in urban China since the late 1970s has led to a new economic style and the emergence of new social groups such as employees in private enterprises and peasant workers, in the 1980s the economic system remained essentially unchanged (Li, 2004). Public ownership was still in the dominant position. By 1992, employees in public ownership units numbered 145.1 million, constituting 92.8% of total urban employees (NBSC, 2000). During the whole period of the planned economy, while workers in SOEs and COEs were subjected to low living standards, they obtained steady employment and income, and also enjoyed comprehensive welfare.

Since the early 1990s, the old style of socialist economic planning has given way to a Chinese-style socialist market economy (Wang, 2004). The centralized allocation system of labor has been gradually dismantled, and the full employment policy has also been cancelled. Such reforms affected public ownership enterprises. COEs and the medium-to-small SOEs were first to be pushed towards the market and faced with competition from private enterprises, forcing most of them to transform their ownership and management mechanisms. In this context, many workers in such enterprises were laid-off or dismissed, and were pushed into the new labor market. A laid-off worker who worked in one collective enterprise for 16 years now makes a living doing a temporary job:

I was allocated to this plant in 1980 In 1996, our plant stopped producing. We, all of the workers, went back home and had nothing to do. In fact, the efficiency of our plant had become poor since 1992. Since then, our salaries have been delayed. After bankruptcy (of this plant), we still cannot get our salaries

Since 1995, the reform of large SOEs has also been carried out to achieve economic efficiency and to compete with other new private enterprises. Following a capital-intensive approach for upgrading technology and production equipment, “downsizing in the interest of efficiency” has become the major feature of reform. The number of employees in public ownership enterprises has greatly decreased. Many workers in such enterprises were passively laid off. A 51-year-old man became an early retiree in 2003:

I have worked in this factory for over 30 years. The efficiency of this factory was not bad before, but it became worse several years ago. The state-owned enterprises are all the same Our plant is not a small enterprise, and has over 2,000 workers. In December last year, our plant was merged with a private enterprise. The majority of workers were laid off

From planning to marketing, millions of industrial workers have been influenced by the marketization reforms of the economic system. To avoid potential social turbulence from large-scale unemployment, the government has adopted a series of reemployment measures to resolve the employment of laid-off workers, such as establishing “reemployment centers” since 1999. The bulk of laid-off workers were assigned to centers. In principle, laid-off workers in a center can enjoy the basic living allowance, and receive relevant reemployment training. Three years later, if these laid-off workers still cannot get a job, they leave the center. A policy was implemented in 2002 to transform their status into two types. If a worker has worked in a work unit for less than 25 years, the years of service are bought out. Then the worker disengages from the work unit and enters the market. Workers who have worked in the work-units for more than 25 years will receive early retirement, but receive a small wage according to the unit’s degree of efficiency. Units are also responsible for buying endowment insurance for them. However, not all of these policies have been achieved (Solinger, 2002). A 40-year-old woman who was *maiduan gongling* in 2002 now lives by doing temporary work:

I entered the [reemployment] centre after being laid off in 1999. In the centre, we were asked to take part in a training course for reemployment. The course instructed us to create job chances by ourselves, for example becoming the boss. We are all low-quality and have no money, how can we become the boss

A 47-year-old man, who was previously a worker in a collective enterprise, received early retirement in 2002, and now makes a living through peddling:

Several years ago, our plant was merged. My wife and I all were laid off and only got about 100 Yuan (or 12 USD) for living expenses. Afterward, we entered the centre. We can get over 200 Yuan for basic living expense, it is not bad . . .but, in 2002, my wife was *maiduan gongling*. She got about 4,000 Yuan for compensation. The standard is that one year of working can get one month average salary So she only got such compensation. Our unit cannot make a good efficiency, so the average salary is lower I worked in this plant for about 23 years. The unit gave me a special treatment because my household is poor. I was considered as an early retiree so that the unit helps me to buy the endowment insurance, but I cannot get salary from the unit The compensation expense is too little to cover our living expenses

Excluded by the Labor Market

Via monetary compensation, a majority of laid-off workers have been pushed into the labor market. The limited monetary compensation is not enough to maintain the basic living expenses of their households, forcing them to seek jobs in the new labor market. These laid-off workers do not have enough capital to become self-employed due to their long-term low income in public ownership enterprises. At the same time, being older and having only low-level education and skills due to the old employment training system, most of them also lack competitive advantages. They are usually excluded from the new employment market and become unemployed, which results in the loss of regular income. A laid-off worker was very disappointed to tell us:

I only finished junior high school. At that time, few people entered senior high school. We all only had the education level of junior high school. Now it is different. Most people are graduated from senior high school or university After graduation, I was allocated to the factory. I didn't change my job until I was laid off. In the unit, I am only an ordinary worker. Now I am laid off, low educational level, and no skills, it is difficult for me to get a new job

The 48-year-old unemployed man who has been staying at home for two years since *maiduan gongling* is not optimistic about reemployment:

I desire to find a job, but it is very very difficult to get one. Many enterprises want youth Even if some small enterprises would like to employ me, I need to work too hard. I am too old to bear it. For us, low-quality workers, if you are beyond 40 years old, it is very difficult to find an appropriate job I have been looking for a job in the labor market for a long time, but no unit wants me

Laid-off workers and unemployed persons have been gradually pushed into the new labor market. However, considering individual factors plus the severe employment situation (MLSS, 2007), the bulk of them cannot be accepted by the market. Many of them lost regular income after becoming unemployed or only did temporary jobs, leading to their households living in poor conditions.

Limited Welfare Security

While the work-unit-based welfare system is gradually being dismantled, the social welfare system has not yet been developed. The new urban poor depend entirely on limited welfare security. To deal with increasing lay-offs, unemployment, and new urban poverty, many cities have set up a three-tier safety network based upon three programs from the late 1990s, including the Labor Security Program (LSP), the Unemployment Insurance Program (UIP), and the MLSP for urban

residents (Liu & Wu, 2006a). However, the LSP and the UIP only provide living allowances to those laid-off workers who had contracts in the formal sector, and have nothing to do with the unemployed and poor workers. Even so, the living allowance of an average 270 Yuan per month (32.5 USD) does not enable laid-off workers to lead a decent life. Moreover, many laid-off workers either do not receive their allowances on time due to enterprises' poor efficiency, or cannot obtain their allowance from enterprises that have closed.

Since the late 1990s, the MLSP has been set up to provide absolute poverty households with basic living expenses. Unemployed persons, laid-off workers, and their families are now the main recipients of this program. However, the standards in all cities are kept at subsistence level, as mentioned above. As the final "safety net" for maintaining basic living standards for urban residents, the standard of the program is quite low and its coverage is too narrow. A 40-year-old unemployed woman told of her experience of applying for minimum living expenses (*dibao*):

I am divorced, now live alone. Two years ago, I was unemployed. So far, I cannot find a formal job. I have no other way except for applying *dibao*. It was difficult to get it. The ex-director of residential committee told me: "There are too many applicants. You are still young, you should go to work". Yes, I want a job, but I cannot find one The current director is very nice, she care for us. So I got the *dibao* this year We, these recipients of *dibao*, only get 220 Yuan for living expenses, still need to do some volunteer work for the residential committee. If I can find a job, I don't want *dibao*

A 45-year-old single man was laid off in 1993. He lives with his mother. In 2002 he was retired early. They live only on his mother's pension:

I am ill and cannot do hard work. Now I have nothing to do, just stay at home. The only income of our family is my mother's pension, about 500 Yuan monthly So I want to apply for *dibao*. But the residential committee did not approve. Because the standard of *dibao* is that per capita household income monthly is less than 220 Yuan, we are not qualified But mother's pension is actually not enough for our living expenses

In sum, the new urban poor are not only excluded by the labor market, but also trapped in the predicament of limited welfare security.

PAUPERIZATION OF RURAL MIGRANTS

From Farmers to Peasant Workers

In the pre-reform era, due to the restrictions of the *hukou* system farmers were strictly constrained in rural areas to work in farming. The commune, as the basic institution in rural areas, was responsible for organizing rural laborers to participate in collective farming. Rural land was collective-owned. Farmers could get points (*gongfen*) through collective farming. According to their *gongfen*, they could get grain rations. However, "the united production and consumption" (*daguofan*) under the egalitarian ideology during the prereform period resulted in low enthusiasm among producers and low efficiency of production. Reform was necessary.

In the first decade after reform, gradual and experimental reform started in rural areas. Household responsibility was introduced to dismantle the collective agricultural production of communes (Wang, 2004). Farmers were disengaged from the collective. According to household size, they received the use rights to a certain amount of farmland leased from the local government under a land contract (*Tudi Chengbao*). However, the improvement in agricultural productivity

and the large-scale growth of population in rural areas exacerbated the problem of surplus labor, which had been hidden in the form of underemployment in the former communes (Fan, 2004). By the late 1980s, along with market reform of the grain circulation system, some peasants began to flow into cities to seek employment. An Anhui man left his village in 1989 to be a temporary worker in the city. He came to Nanjing to collect waste seven years ago, and currently rents a room in an urban village with his wife and two children:

We, three brothers, helped our parents to farm before. The amount of farmland in my village is quite small. My oldest brother can take care of farming, so my older brother and I have to make a living in cities. . . .

The migration of rural laborers into urban areas was not only the result of “push” factors from the rural areas, but also of “pull” factors from the cities. The national economy and urbanization have developed rapidly since the reform. Urban development at low cost and labor-intensive industrialization produced a great demand for cheap labor. In this situation, whereas these previously peasant workers were denied access to urban entitlements, they could obtain employment and stability incomes in cities. Their living conditions were not poor. A 36-year-old Shandong man who works as a cleaner in Nanjing comments:

Before (about the late 1980s), just a few peasants came out [to work]. At that time, there were also few laid-off workers [in cities]. Urbanites were unwilling to do those dirty and hard jobs. Our peasants can endure hardship. I got this job, got a good pay. Even with daily expenses, I still saved some money. . . .

Excluded From the Regular Labor Market

In the 1990s, the urbanization of the population accelerated. More and more peasants flowed into urban areas. While most rural migrants have worked in cities, they have not obtained reasonable institutional rights due to their rural *hukou* status. First, rural migrants are institutionally excluded from regular urban employment and are thus restricted to certain sectors. A 36-year-old Shandong woman came to Nanjing to do temporary work with her husband four years ago. They rent a six square meter room to live in with two children:

My husband is a cleaner of this residence. His salary is 300 Yuan monthly. The low income is not enough for living expenses. So I put a booth along the street to sell vegetable, earning 5 to 6 Yuan per day. One month ago, my booth was confiscated by police. Local people (urbanites) also put the booth, they are permitted. But our peasants are forbidden to do so. . . . I have nothing to do now. . . .

A 50-year-old Anhui man told of a similar experience:

Several years ago, I came to Nanjing and used a tricycle to deliver goods for one restaurant. One day, on my way of delivering goods in Xijiekou area (town center of Nanjing), police sequestered my tricycle, and I was fined 100 Yuan. I don't know why. . . . Local people can do, we (peasants) cannot. . . . No other way, I can only work as a porter in one wholesale market, got a pay of 450 Yuan monthly. . . .

The rural migrants cannot obtain fair institutional treatment in the urban labor market. They are also excluded from certain formal and steady occupations, and can only undertake hard, dangerous

and dirty labor-intensive jobs (Liu & Wu, 2006a). Consequently, many rural migrants have low and unstable incomes, and live in poor conditions (NBSC, 2006).

Excluded from Urban Society

Rural migrants also face subsistence hardship in the cities as they are denied access to civil entitlements. Without urban *hukou*, rural migrants cannot obtain the institutional rights to enjoy urban services. They are still subjected to paying the extra costs of living in cities, including housing, children's education and healthcare, etc. The extra costs have become the primary factors influencing rural migrants' living conditions in cities (Chen & Yang, 2005). One couple from Henan province are both cleaners in one neighborhood; they have rented a room to live in the city for about 8 years with one 15-year-old daughter:

We got the job via an acquaintance. . . . It is too hard, but we have no choice. Currently it is difficult to find another job. . . . We can earn about 800 Yuan monthly together. But our living expenses are higher. We need to pay 150 Yuan for renting the room, only 10 square meters. . . . Our daughter studies in a junior high school in this sub-district. Without local *hukou*, we need pay an additional contribution fee for her education here, 500 Yuan annually. . . . She will go to senior high school next year. By that time, we can't afford for her education fee, because it is 6,000 Yuan annually. We have to send her back to our home town

The education fee is a heavy burden for rural migrants. Therefore, most rural migrant households prefer to leave their children in their home town to study. An Anhui man reported, "My wife and I all collect waste here, our son was left in the countryside. We have no choice, we can't afford his education fee here." In addition, medical fees are another extra cost for poor rural migrants. To one Jiangsu couple who are hawkers, child healthcare is their biggest expense:

My son is only 5 years old. He often falls ill. Because he is a child, you have to take him to see a doctor. We are different, we are adult. If we are ill, I only buy some medicine Every time, we need pay several hundred Yuan for our son's healthcare. . . . We are different from the urbanite. They have healthcare subsidy. . . .

Lack of Welfare Security

Unlike the urbanites, poor rural migrants cannot enjoy any welfare security and become a marginal group in urban society. The traditional welfare system mainly served urban residents, and the ongoing reform of the social welfare system still bypasses rural migrants. A short-term unemployed woman from Shandong province, who previously had a temporary job, expressed her dissatisfaction:

We are peasants, so the [urban] government does not take care of us at all. They only care for urbanites, nobody thinks of our life and death. If urbanite is laid off, he [or she] can get living subsidies. Also, the urban poor can apply for the *dibao*, we [peasants] have nothing. . . . We have been accustomed to these things. In countryside, we get few concerns from the government. So in cities, we do not expect these any more

Moreover, rural migrants are often isolated by urban society. Urbanites do not regard them as part of the urban population and are unwilling to be close to them. The behavior and habits of peasants are usually looked down upon by urbanites. The bulk of rural migrants are subjected to

social discrimination and isolation. Three Anhui sisters came to Nanjing to be sewing workers three years ago. They rent an 8 square meter room together in an urban village.

Our household is poor in a rural area, so we cannot go to school In this [urban] society, illiteracy is pity. If you cannot read, you have to do some temporary work in cities We, peasants, are poor. We wear worse, and our skin looks darker, so urbanites do not want to keep in touch with us. They look down on us We prefer to rent a room here because the majority of people here are from the countryside. We seldom have contact with urbanites except for making a deal with them

Many migrants feel that it is difficult to communicate with urbanites, and their social networks in cities are usually composed of those from their original villages and peasant worker colleagues. For rural migrants, the only security is contracted agricultural land in their own villages. Once they lose both their leased lands in rural areas and their jobs in urban areas, they are very likely to fall into poverty. Poor rural migrants have become a marginal group, which is institutionally excluded from urban society.

DISCUSSION AND CONCLUSION

Linking with the broad discussion on new urban poverty and social exclusion in the Western context, this research examines urban pauperization and the living predicaments of China's new urban poor under China's social exclusion. According to *hukou* status, China's new urban poor can be categorized into two groups: the new urban poor and poor rural migrants. Through tracing China's institutional transition and economic restructuring, we know that these two new urban poverty groups experience different pauperization processes, and are also subjected to distinctive social exclusions.

The new urban poor, who mainly consist of laid-off workers and unemployed persons, experience a status change from being beneficiaries of the planned economy to being victims of the market economy. In the planned economy, urban workers benefited from a work-unit-based welfare system. The state-organized work-units were like mini-states, providing access to jobs, housing and necessary public goods and services. The market transition of the economic system pushed them into the market, in which these laid-off workers and unemployed persons lost their shelter. Constrained by being older, by their low skills, and lack of capital, most of them were excluded from the labor market. At the same time, the imperfect social welfare system fails to provide effective security. The new urban poor become a vulnerable group characterized by market exclusion and limited welfare dependency.

Farmers were institutionally inferior against the background of emphasizing city-based industrialization in the pre-reform era. The market reform provided peasants with the opportunity to work and live in the city. Since there was an increasing demand for low-cost laborers in the prosperous urban construction and manufacturing industries, enormous numbers of peasants migrated to urban areas. With rural *hukou* status, rural migrants are still institutionally inferior in cities. The pressures from large-scale unemployment and the lack of urban public goods and services force urban governments to retain the *hukou* system, resulting in the superimposition of deep-seated rural-urban social divisions upon a newly emerging set of class divisions. Rural migrants are institutionally excluded from the regular labor market and from urban public services. Informal employment, low and unstable income, extra living costs, and lack of welfare security cause many rural migrants to fall into poverty. Poor rural migrants become a marginal group in urban society, subjected to institutional exclusion and the resultant social exclusion.

China's new urban poor disproportionately bear the social cost of rapid economic development and urbanization under market transition. While the long-term low-pay system and low

living standards in the planned economy have given them great endurance for their present living predicament, and the prosperous Chinese market economy has provided them many potential development chances, the emergence of new urban poverty has caused certain types of social unrest, such as protests and resistance. The social inequality under China's rapid economic development was also intensified. Some active re-employment policies (People, 2002) and migrant's policies (China, 2004) from the central government and local government indicate that the new urban poverty has been regarded. However, social policies should be considered to reduce the adverse social costs of China's new urban poverty. At the same time, a social security system should be established in the near future. As the current welfare system in China concentrates mainly on social salvation, the ongoing reform of the social security system should pay more attention to the employment, housing, healthcare and education of the urban poor. The key measure to alleviate urban poverty and promote social inclusion is to guarantee that the urban poor have equal development chances, especially equal opportunities for education and employment.

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