

The migrant labor and China's new industrial time

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Preface:

It is well known that the disclosure of contradiction between “Labor” and “Capital”, or the fact that this contradiction will inevitably lead to class struggle, are not Marx's theoretical discovery. This paper has no intention to add on to theories which have been well accepted by western economists even before Marxism was developed. All the descriptions below about the background and different periods' characteristics of rural labor flow in coastal China are only a general conclusion based on experiences, and are not ideological discussions.

Readers can find the an institutional path: when the main stream of the capitalism turned into the era of financial capital leading progress, the serious class struggle between “Labor” and “Capital” mainly happened in developing countries, followed the multinational industrial capital transferring and its institutional transition in developing countries...

So, can communists insists on the anticipation of capitalism de-structure by internal contradiction?

Since the paper is not designed for theoretical research, the data listed below are general figures.

In 1992 when China adopted the policy of “New Socialist Market Economic System”, 46 million rural labor suddenly appeared and flowed in a large scale, but this accounted for no more than 4% of the total Chinese population of 1.17 billion. Now, 12 years has passed. Among nowadays' 1.3 billion population, 800 million are of labor age, and about 500 million have rural resident status. Of this 500 million, at least 200 million make their living through non-farming jobs. Among that number, 120 million has left their home village for a job outside. With people accompanying them, there is about 180 million “mobile labor”, which accounts for about 15% of the total Chinese population.

This phenomenon is unprecedented, and definitely draws general attention. It is also certain that different experts from inside and outside China will give different explanations which cannot be judged as right or wrong due to various interest backgrounds.

1. The three reasons that peasants in China flowed into the city or coastal areas to find a job in the 1990s.

The first major reason is that the Chinese government has relaxed the regulation of planned

distribution of daily necessities.

We should see that peasant labor began to flow in large quantity after 1992. There was a flow before but that was in small quantity, for the policy that food and daily necessities were distributed by ration coupons according to the plan was canceled in 1992. By the end of that year, only several counties in the northwest had not abolished the grain provision ration coupons.

When people no longer use grain ration coupons, peasants that flow into the cities and other places to find a job could directly buy food and daily necessities with money. This is the necessary condition for 46 million Chinese peasant workers to suddenly rush to the cities to find a job in 1992.

Secondly, the appearance of this phenomenon had to do with the fact that agricultural products did not sell well for three consecutive years in the early 1990s.

In 1988, China carried out the market reform in the name of “relaxation of prices”, and what followed was large scale inflation which also appeared in most socialist countries’ institutional reform; this led to economic stagnation for 3 consecutive years after 1989. During that period, it was difficult for agricultural products to be sold due to a decrease of consumption of agricultural products by urban residents; this directly led to a decrease of peasants’ income. However, the cash required to pay for education, medical service and taxes did not decrease but on the contrary, continued to increase. Therefore, peasants had to go out to find working opportunities to get more cash.

Thirdly, 1980s-1990s’ rural self-industrialization declined, the capacity of township and village enterprises (TVEs) to absorb non agricultural peasant labor has reduced greatly.

Before 1992, there existed large quantities of non-agricultural peasant labor, but in the 1980s, this was mostly jobs in the village or the vicinity, that is to say, they left the work on the land but did not leave the county; they went into the factory but not into the city, and this is the biggest difference with the 1990s. In 1984, when the agricultural products did not sell well, the peasants adjusted the economic structure on their own and reduced grain cultivation by more than 70 million *mu* (1 hectare equals 15 *mu*), and at the same time increased cash crops. Peasants could find a job in buying and selling cash crops, and processing farm products. After the agricultural structure was adjusted, the activated rural economy induced the increase of cash income and expenditure. This created a golden growth period with impetus from domestic demand, which led to a massive rise of township and village enterprises after 1984 to fill the market space caused by a general increased demand for low-level consumption products.

This is also a reason why TVEs did not engage in agriculture or the processing of agricultural products.

What is worth emphasizing is that in the middle of the 1980s, the Chinese government didn’t relax the restrictions on consumption products such as grain and oil and these were still distributed according

to the plan. At this time, the first batch of non-agricultural labor found their jobs in the rural areas: from 1984 to 1988, there were on average over 17 million peasants transferring to work in the TVEs every year. From 1988 to 1989, the inflation crisis happened in the city, which induced the stagnation of manufacturing from 1990 to 1991. Despite the crisis and stagnation, still 12 million peasants transferred to TVE jobs every year. Before the big flow of peasant labor in 1992, TVE industries had already absorbed about 130 million peasants.

Relatively speaking, this is a very effective and low-cost transfer. There didn't exist high threshold induced by all kinds of fees charged by the government or the admission standards of the industries, and there were no social security fees required of the enterprises to take up. This minimal cost transfer of peasants to non-agricultural jobs is an advantage, which can help the low-cost start of rural industrialization based on TVEs. These are the advantages of labor transfer within the rural areas that were neglected by many scholars coming back from abroad. At that time, China did not copy western policies so radically. The government permitted TVEs to use farmland in the village for free; allowed "rural-support funds" to be used before taxation, and gave subsidies to village public expenditures; these policies at that time were good policies meeting Chinese needs.

After that, TVEs developed rapidly. It brought great competition to the cities in terms of raw materials and market for products, which caused dissatisfaction within the industrial departments under the state plans. The government later adjusted its policy which objectively tended to be more and more disadvantageous to the development of the TVEs. Especially with the failure of price relaxation in 1988, a nationwide big rush for goods appeared which led to a tide of running for banks. Under these circumstances, the government immediately adopted an austerity policy. When urban residents get a cold, it is peasants that take the pills. The ones most affected by the austerity policy were medium and small enterprises, mostly TVEs. Without credit or financial support from banks, a difficult time came for the 1990s.

So we can say that under the economic crisis, the government changed its policy, and the decreased employment rate and declined cash income from TVEs could be deemed as the third reason for a large number of rural labor to go out for a living.

2. The complicated background of urban reform and two stages of migrant labor's flow into the cities

First is the understanding of economic cycle of Chinese characteristics.

China's CPI reached 18.5% in 1988, and in some big cities such as Beijing, the CPI exceeded 25%, and in Guangdong Province, exceeded 30%; serious inflation has also happened. The inflationary crisis led to the austerity policy of 1989. After 1990, which was the second year of depression, China began to experience a slow process from depression to recovery. The economic growth power generated during that period was released with Deng's talk in his visit to the south in 1992.

However, that release was not caused by the operation of the former manufacturing industry; instead, it was a marketization reform in three speculation areas created during Deng's talk in his visit to the south. The first area was to create development zones and real estates. Around 1992, the security market was open to operate, and around 1993, the Futures Market was also open. In fact, after Deng's visit to the south, the re-investment in the traditional industries could not help the economy to an immediate prosperous rise. However, it was the breakthrough in these three speculation areas that the investment pressure under the economic crisis could get a breakthrough.

With Deng's visit to the south, the "heat of development zones" became a special phenomenon in those times. There were more than 8,000 development zones all across the country, which led to a series of real estate speculation. The openness of any economic area of strong speculation characteristics will definitely lead to a large scale input of financial capital in order to pursue short-term profit. At that time, that was one of the external reasons that motivated peasants for migrant labour.

At the same time, the heat of development zones, the heat of real estates, and concentrated investment on energy, raw materials and infrastructure industries, all of these have led to industrial expansion and a large increase in import of machines and equipments. Thus, the import heat and severe decrease of national foreign exchange reserve caused the reform of "the foreign exchange rate parallel to market levels" in 1994, which induced a 57% devaluation of RMB currency at one go.

Second is the structural change and problems during the two phases of rural labor's flow into the urban areas.

Although the economic heat after Deng's visit to the south is unhealthy, the accompanying tide of rural labor's migration for a job was a normal phenomenon, for what is needed in the process of launching development zones was not general industrial workers, but physically strong labor force, and peasants looking for a job in the urban areas could meet this demand, and most of them were male.

The initial phase was the development zones along the east coast engaging in infrastructure work on roads, electricity and water supply. Then there was an economic upsurge in the next 3 years. The number of rural migrant labor working in the urban areas increased from 46 million in 1992 to around 60 million in 1994. Compared with the mid 1980s when industrialization in rural areas caused more than 10 million rural labor on average every year to turn into non-agricultural workers within rural areas, the number of rural labor involved in the migration in 1992-1994 seemed small, yet the cost was high, and the Chinese government realized that was "economic overheating".

The second phase was from the readiness of development zones to the return of Hong Kong in 1997.

China had no intention to give up any of its sovereignty rights in the case of Hong Kong's return, which objectively promoted the move of general manufacturing industries from Hong Kong into

Guangdong Province. At that time, the British colonial authorities instigated a big flee of Hong Kong's capital so as to empty Hong Kong's economy. During that process, China adopted the "political command of the state capital" policy and organized 46 billion yuan of capital into Hong Kong within a short period. As a result, the blank caused by a big capital flee in Hong Kong was filled. The Hong Kong real estates prices were raised simultaneously. So a large number of Hong Kong's medium and small industrial capital had to move into the mainland. Therefore, the capital input in the first half of the 1990s was mostly capital from Hong Kong or overseas Chinese. That filled the capital blank of development zones along the southeast coastal areas where infrastructure was ready.

Despite all kinds of problems appearing in the process, it was indeed a real industrial capital transfer. Since production lines for toys, clothes and electronic appliances were introduced into the southern development zones, female workers were in demand. As a result, the gender structure of the labor force was changed after the mid 1990s. Problems of female workers emerged to become new problems of rural migrant workers.

Generally in rural areas, men are the pillar of the family. As a result, most male laborers leave the cities after earning money, and their consumption level is relatively low as well. On the other hand, female laborers tend to continue their lives in urban areas. Due to under-protection of women's rights under the rural land contracting system, women's property rights in rural areas and urban areas are very different. Without property constraints in rural areas, female laborers are more likely to go to the cities for a job. That is then directly connected with changes in gender structure and age structure among rural migrant labor working in urban areas. Furthermore, there arise problems of education for the children that go along to the cities with the parents, their living conditions, and medical services.

With most of the migrant laborers in 1992-93, manual laborers were needed in cities. So at those times, workers mainly made up of men who could be 30 or 40 years old, so long as they could do physical work. Not only young people but also middle-aged laborers worked in the cities. The middle-aged laborers generally already had a family before they went out, so they usually would come back to their rural home. Therefore, the characteristics of the first batch of rural labor coming to urban areas for a job was that they would go back to their rural families. However, with the establishment of the industrial sector centered around manufacturing along the southeast coast, the second batch of rural migrant laborers would not always go back to their village. After this, there was not any obvious change in the gender and age structure for rural people who entered the cities for a living, but what changed most was their consumption structure. Women and young people were more likely to accept urban consumption cultures. As a result, a change in the pattern of consumption and integration into urban culture among the migrant laborers took place.

3. The question of labor and capital relation at new times

First of all, the formation of power blocs.

There was little substantial content in the Chinese urban reform before the mid 1990s. In the first half of the 1990s, a large proportion of the capital speculating in real estates came from government officials or bureaucrat capital, because it was officials or bureaucrat capital that could get easy access to land that was monopolized by the government. At that time, the land capitalization was the process of capital formation through government expropriation of land combined with government controlled financial investment. As a result, it led to the integration of power and capital, and gave rise to the embryo of corporate capital which rapidly gained in real estates development. In the late 1990s, the reform of state-owned enterprises worked in privatizing bureaucrat capital. Some privatized capital set up stock companies and led to a major change: capital conglomerates started to appear in China.

In the 1980s, the first accumulation of capital was from the dual price policy. The second accumulation was from the speculation in real estates. With the formation of initial capital accumulation, capital blocs quickly formed.

As advantaged groups appear in the cities, inevitably, disadvantaged groups on the other side appear.

When the capital blocs and their interest representatives became a strong bloc, the structural framework it demanded as represented by corporate law started to play its roles. As “people-owned enterprises” were quietly replaced by “state-owned enterprises”, almost without question, the problem of low efficiency became the problem of workers. Substantial breakthroughs in urban reforms launched by the government were made via reassignment of lay-offs, reduction in the work force, increase in efficiency, protection of the interests of the investors, and improvement of the capital yield.

As capital blocs formed and acquired more individualized traits, their influence on the entire system and legal framework also increased. Meanwhile, mainstream intellectuals also made corresponding changes in their discourse which was determined by interest. The main trend of the culture and the system became increasingly unfavorable to the labor blocs in the cities.

Secondly, the analysis of changes in the urban labor groups.

In the period from the 1950s to the early 1990s, the worker groups in urban publicly owned enterprises were in actuality a kind of urban middle class ensuring the stability of the country. Almost all the workers in publicly owned enterprises enjoyed social welfare from birth to death. Even though their income was not very high, their social status was superior compared with peasants. In terms of ideology, they were also the main body of state politics. Therefore, they played a kind of middle-class role within the traditional system. Even the Cultural Revolution initiated by Chairman Mao was constrained by its inability to mobilize the real elites among them. However, the relative status of the workers in state-owned enterprises had dramatically declined after the mid 1990s when the powerful capital blocs were formed. A series of urban policies started to be unfavorable to the workers who used to benefit from the old system.

Another inevitable trend is that due to the big rush caused by the failure of the price relaxation policy in 1988, the state financial system directly connected to the government finances was faced with the people's rush to the bank to withdraw money. In order to avoid the drainage of savings, the banks dramatically raised the interest of savings, but without at the same time increasing the lending rate. This caused a direct deficit amounting to around 46 billion yuan in the financial system in 1988. At the end of the year, this converted into the state's finance deficit of 50 billion yuan. Since then, a negative trend has developed in the central government's finances: the finance deficit continued to grow, and bank overdrafts continued to be made; bank capital continued to drop, causing the worsening of the finance system; from 1989 to 1991, there was three consecutive years of the so-called "triangular debt" (which is a vicious circle of non servicing of debt), and bank bad debt grew. Hence, when it came to around 1993, bank capital was eaten up, leaving an overdraft of 8.3 billion yuan. In other words, the Chinese government had used the public's savings. Since 1994, the central finance had to be maintained by the means of selling national saving bonds. The total amount of government bonds multiplied every year, reaching 5 billion, 10 billion, 20 billion, 50 billion, and 100 billion until the largest amount of over 300 billion.

Since the central finance had long-term serious deficit and could be maintained only by selling government bonds, basic social securities supported by the central finances and various public goods, such as education and medical care provided by the government were gradually weakened. All kinds of reforms have been implemented with the purpose of eliminating the burden of these social securities. For instance, in the middle of the 1990s, educational and medical systems were marketized and converted into enterprises; the charges were publicly raised significantly. The public goods became means of gaining huge profits, and this is another aspect of reform in the middle of the 1990s.

Many urban problems were quickly exposed and they deteriorated during the process of privatization or entreprenization of government corporate capital or the public sector departments. For example, the problem of lay-off and unemployment became more serious. At that time, what the mainstream media talked about was the conflict between one disadvantaged group – the labor force migrating from the countryside and another disadvantaged group – the laid-off urban workers, but they would not discuss how the conflict arose, what the background was, not to mention how the financial capital was accumulated, how corporate capital was privatized, and how the strong interest groups appeared. The mainstream media not only neglected these problems, but also helped tycoons to rationalize and legitimize their wealth. Later there was stress of an unconditional "amnesty", when all past corruption in the exchange of power with money, or blood on the fingers of entrepreneurs engaged in primitive accumulation, could be simply dismissed. After that, it was a happy dance between the conglomerate and the elite, a dance with money.

All in all, the above is the larger context. All the problems we see today related to the urban labor force has a close relationship with the changes in the systemic context which was induced by the changes in the urban structures.

Thirdly, national constraints and related problems

At present, the mainstream developmental theory in China follows the mode of western modernization: privatization, marketization, liberalization, and globalization. Although they are logically inter-related, they are inconsistent with the state policies of building a well-off society on a comprehensive scale, which was highlighted by the Sixteenth National Congress of the CPC, as well as the state's attempt to realize sustainable development.

China is a super large continental country, but it does not have abundant resources. Though China is the most populated country in the world, the resources are very inadequate. Moreover, there is the "dual surplus" of labor and domestic capital which adds to the same dual surplus in the globalized world. In recent years, people have rarely disputed the capital surplus. One of the classic signs is the M2/GDP ratio has gone above 180%, while that of the USA is no more than 80%. On the other side, the number of labor force in China is over 800 million. It is impossible to reach full employment.

The market economy cannot resolve the contradiction of the dual surplus, which leads to an unavoidable expansion: relying on the expansion of industrial capital to increase employment opportunities, otherwise there would be the serious shortage of jobs for the urban and rural populations, and the social consequences would be huge. Because it is an inevitable trend, that will bring up several related important questions.

First of all, like most developed countries which face the problem of surplus capital, China has to use the same policy of promoting capital expansion by investment preferential policies. The difference between Chinese policies and the developed countries' ones is that China needs to try to increase employment at the same time in order to prevent social turmoil.

Secondly, due to the fact that the labor force is absolutely surplus in the market economy, and that the surplus causes the price to fall, many problems appear, such as the price of labor is very low, and so low that it goes below the level for maintaining simple reproduction of the labor force; and there is no social welfare for this labor. The situation is more marked than other market economy countries.

Thirdly, under the above circumstance, it is difficult to have labor organizations, labor ideologies and theories, or labor parties. So far there is no labor movement or labor-management bargaining like those in the west. Thus, disregarding value judgments or subjective wishes of whatever nature, be that from the right, centre or left, the "good market economic system" with some socialist characteristics of the Third Way promoted in Europe is very difficult to be set up in China. Western style democratic political reform that some people aspire to seems also difficult to be carried out, because when the labor force is absolutely surplus, with infinite supply, then all of these ideal systems cannot be set up naturally and smoothly, unless one is willing to pay any price.

In 2002, Tan Shen, researcher from the Institute of Sociology, Chinese Academy of Social Sciences, released a survey on "corporate principles". It found out that in the context of globalization, even if some multinational companies require "good treatment of workers", the local governments in China,

which take up the roles of attracting foreign investments, do not support this idea. The entrepreneurs sense that they are losing the competitive edge, and workers themselves do not have the power to realize such basic human rights.

This survey objectively mirrors the present industrial relations in China. Therefore, what are industrial relations negotiations or social contracts in normal market economic conditions in the western system become very difficult in China. The legal order to defend workers' rights is hence also difficult to be set up. We therefore see phenomena of labor maltreatment and wage arrears. Even if the labor resort to legal procedures and win the suit, the implementation is very difficult. As a result some workers climb up to high spots in construction sites to protest or commit suicide, or resort to personal revenge or group crimes that may resemble "terrorism".

A large amount of domestic capital has been transferred to North America, where we see the price of real estate in Chinese communities go up. "The bad market economy" as the cause of social disorder is also one reason why the rich are fearful.

If we do not consider the contradictions of Chinese conditions, and simply copy the western development mode of modernization, then the above mentioned problems can never be resolved. Once the road of development is a one-way road, then there will be no U-turn.

On the basis of the above analysis, I suggest that we consider such a consensus: for the majority of the Chinese people, the only hope is that the CPC will realize its political promise of "building a well-off society on a comprehensive scale" made in the Sixteen National Congress. To resolve the three main differences that go against such a promise, the party has stressed Mao Zedong's instruction to cadres: "comrades must continue to be modest, prudent, humble and simple; comrades must continue to struggle with arduousness", as well as the idea of scientific development and harmonious society. What we should promote can only be policy revisions corresponding to Chinese needs, and not blind copying of western models.

All in all, I suggest government officials and intellectuals who are willing to do practical, serious work to go for serious reflection, and launch a new millennium's movement of ideological liberation.