

How the Financial Crisis Has Highlighted the Struggle of Migrant Workers

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Since 2004, because of the increasing scarcity of workers in developed coastal areas and the Chinese government's ongoing promotion of laws to improve workers' rights,¹ migrant workers are better able to negotiate their wages in the labour market, workers' wages are slowly but surely increasing and there are factories where working conditions have improved. But in October 2008, the outbreak of the global financial crisis proved a serious setback to the state of employment in China and at least 20 million migrant workers and 8 million urban residents have lost their jobs. The financial crisis has clearly highlighted the struggle of migrant workers.

How many migrant workers actually lost their jobs in 2008? There is not yet any accurate, authoritative figure. According to reports from China's mainland media, between October 2008 and January 2009, 670,000 small businesses were forced to close in China² and the unemployment rate in China's cities has already climbed to 9.4%.³ But in the areas hit worst by the crisis, the Pearl River and Yangzi deltas, when many large businesses shut down there were more than 10 million migrant workers who had already left to spend New Year at home, so the total number of unemployed migrant workers is between 20 and 35 million.⁴ Some experts point out that the problem could be even more serious because of the 90 million migrant workers who are employed through unofficial channels.⁵

The literal translation of the Chinese term for 'migrant worker' is 'farmer worker'. 'Farmer workers' are products of China's unique political system. 'Farmer' refers to their social status and 'worker' refers to their job, so they are called 'farmer workers'.⁶ In 2008 there were a total of 225,420,000

¹ Since 2004 China's legislature has quickened legislation to protect workers' rights and in 2007 passed the 'Labour Contract Law' and the 'Labour Disputes Arbitration Law'. On January 1st 2008 the Labour Contract Law came into effect; on May 1st 2008 the Labour Disputes Arbitration Law came into effect.

² Wang Hongru, 'The Unemployment Rate in China's Towns Has Risen to 9.4% Highlighting the Problem of Unemployment among Migrant Workers', *China Economic Weekly* (May 1st, 2009)

³ Li Peilin, 'The 2009 Chinese Social Development Blue Book', *China News Network* (December 15th, 2009, 18:01)

⁴ Chen Baoheng, 'Are There 20 or 30 Million Unemployed Migrant Workers?', *The Southern Capital News* (March 9th, 2009)

⁵ Zhang Qiang, **Zeng** Xiangrong & Li Ying, 'The People's Congress Standing Committee: the Severity of Problem of 90 Million Unemployed Migrant Workers Has Been Underestimated', *The Guangzhou Daily* (March 9th, 2009)

⁶ In 1949 when the Chinese Communist Party took power, it started to institute a 'residence registration' system to control people's freedom of movement. Every Chinese person was given a 'status' based on their 'residence', which was taken from their place of birth and was very hard to change. It first divided the rural and non-rural population, and then divided the non-rural population into workers and cadres. Because of this, status was decided by place of birth and all the people who were given a rural status could not generally go to the city to get a job and would have to stay in the country to farm. All the non-rural population, according to their education level and their role in the state's unification, were given state-owned worker status, collective-worker status or cadre status. Once this status was decided, it was, for the majority of people, very hard to change. People with different statuses were governed by different state entities, received different treatment and were subject to different laws and regulations. In 1984 China instituted the identification card system and allowed the rural population to provide for themselves by coming to the cities to work. This offered the possibility of a freely moving rural workforce. In the 1980s and 90s more and more rural residents came to the city to work and became an important part of the workforce in the emerging market economy. But the 'two status system' for town and country under the planned regime did not change when the rural workforce

farmer workers in China (with a total of 140,410,000 farmer workers who had left their own county to get a job), making up 48.15% of China's non-agricultural work force.⁷ They are primarily distributed among the manufacturing, construction, retail, service, transportation and mining industries. On top of this around 90 million farmer workers are engaged in non-agricultural, unofficial work or are self-employed. Whichever way one looks at it, migrant workers are a important force in China's economy and for China's fast economic development.

Because workers' rights in China are systematically violated, however, migrant workers at the bottom of society work hard but are unable to reap the rewards of China's fast economic development. They work long hours, but struggle to support their families, and do not have the opportunity to lead a dignified life or to advance socially. The vast majority of migrant workers have nothing apart from their salary: they have no house or social security; their families cannot join them in their place of work and their children cannot go to school there. Many people do not even have any savings, so as soon as they lose their jobs they are in difficulty.

Since November 2008, when it faced the sudden financial crisis, the government's 'commercialism' was immediately shown as lacking. In order to protect the speed of economic growth, officials from the national human resources and social security departments demanded that regional governments stop raising their minimum wages. Some regional officials demanded the suspension of labour contract law. To meet the challenge the government followed the traditional thinking that labour is dictated by need, regulations should be relaxed and capital should be freed up. On February 27th 2009, the vice-chairman of China's Federation of Trade Unions and First Secretary of the Secretariat, Sun Chunlan, announced that he would be vigilant against 'hostile forces in and outside China that try to use the problems faced by businesses to harm migrant workers.' This was a form of Cold War thinking—dealing with the problem of employment through pressure and control.

The tens of millions of unemployed migrant workers could end up being the biggest losers of this financial crisis. They have no job, no income and no place to live. The vast majority of them do not receive any help from the state or society. Official statistics show that although as many as 40 million people lost their job in China in 2008, the unemployment insurance fund that the government raised from businesses still has not been distributed. In 2008, China's unemployment insurance fund reached 131 billion yuan. Although businesses employing 15,490,000 migrant workers bought unemployment insurance for them, but only 930,000 migrant workers have received compensation because they have been unable to draw their salaries.⁸ This is because government officials think that they can encourage unemployed migrant workers to return to the countryside and that it is not necessary for them to help these migrant workers.

From May 31st until June 7th this year, I conducted an investigation in Shaowu City and Shunchang and Jiangle Counties in Northern Fujian, where I interviewed people in eight villages and three small towns. I discovered that in these villages 90% of the population aged between seven and fifty had already left and was, on a long-term basis, working, living or studying elsewhere. The school-aged

changed its job. This means that the transformation of China's workforce and population has this 'status' feature, which is unique to the world.

⁷ The Department of Human Resources and Social Security, The Chinese Bureau of Statistics, *The 2008 Statistical Report for the Development of Human Resources and Social Security*, (May 19th, 2009)

⁸ The Department of Human Resources and Social Security, The Chinese Bureau of Statistics, *The 2008 Statistical Report for the Development of Human Resources and Social Security*, (May 19th, 2009)

children were mostly studying in the county town or were staying in a primary or secondary schools in a nearby town; the 16-30 year olds were mostly working in the coastal cities like Fuzhou, Xiamen and Quanzhou; the 30-50 year olds mostly worked in the county town and only occasionally returned to the village to look after an old person or a field. One village had a registered population of more than 2000 people, but there were only 300 or so people still living in the village and all of them were old people, women and children. This village's school had six teachers, but only ten children. In one mountain village notionally with over 1400 people, only 100 or so people were still living in the village. Because the town had no school, all school-aged children were staying in primary and secondary schools in local towns. Villagers told me that the average yearly salary in the village was only a little over 1000 yuan and, because they cannot earn any money, village life is so cut-off from everything and the work is irksome, no young people want to continue to live in the countryside. So it is impracticable nonsense to imagine that migrant workers returning to their land will solve the unemployment problem.

In the past few years the income gap between the country and city has unceasingly grown. In 2007, for example, when the average Chinese income had already reached \$2360, the average migrant worker's income was \$1250 and the average rural income was \$518 (including migrant workers' incomes). Salaried jobs have a much higher income than agricultural jobs. At the start of spring in 2009, everywhere in China suffered a drought and agricultural incomes continued to fall. Our knowledge of economics tells us that the number of migrant workers returning home to work the land must be close to zero. Moreover the majority of migrant workers born after 1980 do not have any experience of agricultural work and are not suited to rural life. On graduating from school these people went straight into factories and cities to get work and it is only because they are banned from doing so under the 'registered residence status system', that they are unable to get a footing in the cities.

Because city officials just view them as 'temporary guests' who sell their labour power, and not as labourers with a full set of needs, tensions between migrant workers and city administrators are unavoidable. When they face the great powers of the government and businesses, though, migrant workers appear impotent and without a voice. But people who grew up during the opening-up reforms, are not compliant, patient and faint-hearted like the previous generation. When their rights are under threat, they will bravely stand up to protect those rights and they have mastered all the effective ways to protect those rights. In 2008 the number of labour disputes in China increased several times over, with the number of cases of collective action by workers increasing dramatically. In Shenzhen, for example, there were three times as many labour disputes as there were in 2007 in the whole of Guangdong. Many of the workers' struggles are great feats born of helplessness. They are primarily due to workers not being paid their salary, overtime, benefits, social security, compensation for injuries etc. Frequent labour disputes actually result in three losses for employees, employers and society. If workers receive less pay and lose the chance to work and if businesses find it harder to operate because of the increase in regulations, social risks and a reduced work force, then this wastes the government's and society's capital.

Whether or not we can get through this crisis depends on whether or not we can change our current political and economic structure. We must solve the systemically distorted economic growth and distribution of wealth that exists today. We must give back rights to the people and allow the vast number of workers to enjoy civil, political and social rights in the place where they work and live. We

must create a complete system of rights to encourage people to look after themselves and to develop. We must, for instance, use systematic and organisational powers to increase the ability of workers and employers to negotiate and must let workers wages rise with productivity and with businesses' profitability. We should scrap the 'registered residence' system and establish a social security system that covers everyone and where everyone can move freely around China. This would solve the problem of basic social security for health, education and housing and it would let migrant workers receive the benefits of industrialisation and urbanisation and share the rewards brought by the quick growth of the economy.

In my opinion we must confront this most urgent problem from four different angles, before we can solve the crisis. First, we must immediately bring about political and social reform to increase civic rights. By returning rights to the people, we will awaken people's consciousness and overcome these difficult times together. Second, we must decrease the government's economic investment programme and invest these limited funds in building a social security system that covers everyone, so we can provide everyone (including farmers and migrant workers) with social security for housing, education, healthcare, old-age, unemployment, workplace injuries and maternity leave. Third, we must increase support for small and medium-sized businesses. We must reduce restrictive measures affecting private business and we must reduce taxes. We should return profits to businesses and create an environment for them where they can develop fairly and increase job opportunities at all levels. Fourth, we must strictly enforce the law and protect workers' rights, expand people's freedom of association, strengthen workers' negotiation power and create a mutually beneficial, harmonious working relationship for employers and employees.

Mr. Liu Kaiwang was born in 1965 in Liuzhou, Guangxi. In 1997 he graduated from Nanjing University with a PhD in Chinese Literature. Between 1990 and 1994 he taught at the Chinese Department of Guangxi Normal University. Between 1997 and 2002 he was an editor and journalist for Shenzhen Legal News Agency. In March 2001 he established the Shenzhen Institute for the Study of Contemporary Society.

In 1998 he started to study labour and corporate social responsibility and has already published eight monographs (in Chinese, English and Russian). He is an expert on labour standards, commercial rights, corporate social responsibility, controlling supply chain risks and workers' education. Since 2007 he has been a member of the international advisory committee of the London-based Centre of Commercial and Human Resources. From March 2003 until August 2006 he was a member of the New York-based International Trust for Social Responsibility. From April 2006 until April 2007 he was a member of the EU Sino-European Cooperation Think-Tank, in charge of human rights, law and good governance. In June 2006 he was invited to speak at the Asia-Pacific Conference by Professor John Rigger, the special representative for commerce and human rights of the Secretary General of the United Nations. Between 2002 and 2005 he attended the research programme regarding the global labour supply, organised by the World Bank, the International Labour Union and the International Association of Charities. He is also a regular speaker at comparative studies forums. Between 2003 and 2008 he has been invited to speak at many famous international universities and international organisations.