

Those

*The end of the era of
cheap Chinese labor.*

Uppity Peasant Workers

BY SASHA GONG

On a warm day in November 2004, I visited a shoe factory in Guangdong Province. Earlier that year, a riot had broken out in that factory of eight thousand employees. Thousands of workers had stormed the shop floor and the offices, smashing equipment, vehicles, cooking utensils, and whatever factory property they came across. The police soon rushed in, only to find themselves surrounded by angry workers. A police car was destroyed by the mob. Later, seventy riot leaders were arrested and ten put on trial. The youngest of the accused was a sixteen-year-old girl. The court sentenced them to up to three years in prison for destruction of property.

When I went to that factory, I asked permission of my host—the manager—to spend a full day with the workers. I wanted to stand next to them on the production lines, to eat with them in the dining hall, and to visit them in their dorms. As a former factory worker in China myself, I was pretty sure that I would be able to pick up cues unnoticed by other Western observers. And I did.

In the years following, I have visited various factories in several different parts of China, often coming in with the help of an inside contact. After talking to workers, managers, and factory owners and reading a substantial number of reports, I have concluded that the Chinese manufacturing labor force has been experiencing a major shift in recent years. Many of the advantages of cheap labor, which Chinese industry has been enjoying for the last two decades, may be diminishing. This is not to say low-cost Chinese labor will no longer exist. But a few of the key elements that have given Chinese manufacturers some crucial advantages over countries like India, Bangladesh, and Indonesia are likely to diminish soon.

To understand the origin of China's export manufacturing labor force, we must look back to the early 1980s, when China first emerged from the madness of the Mao years and strode onto the international stage with a bold marketization plan. The most enthusiastic Chinese reformers envisioned China following the export-oriented development model of the Asian dragons, aided by a steady and seemingly inexhaustible flood of cheap labor surpassing all previous human experience. A key advantage held by the Chinese authorities at the time was their monopolization of the labor market. Under a structure

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Construction worker, Shanghai.

called the “household registration system,” people had to obtain government permission to move from one place to another; without such permission, they could find neither employment nor housing. This system constituted a great barrier between the urban and rural regions. Peasants, who amounted to 80 percent of the entire population, were bound to their land. In fact, the government criminalized internal migration, arresting any peasants who moved elsewhere without official permission.

Paired with the household registration system was the so-called “danwei” system, another unique invention to ensure social control. Every adult in an urban area had to belong to a danwei or a “work unit,” from which he or she received wages and benefits, including housing and medical coverage. Both politically and socially, workers were attached to their danwei. Without it, they became outcasts.

Together, household registration and danwei created something approaching a modern form of serfdom. Those who were unfortunately relegated to the status of “peas-

ant”—more than 800 million in the early 1980s—were low on the totem pole and always eager to get any type of urban status, and those who had it went to great lengths to preserve it. Losing urban residency was one of the most severe punishments that could be meted out for political or criminal offenses.

When China began its economic reforms, there was a huge reservoir of peasants eager to jump at the first opportunity for industrial employment and urban residency, which were far more desirable than farm jobs in villages. They were the sources of the endless supply of low-cost labor available to the new export-oriented factories.

Instead of abandoning this modern form of serfdom, as all societies did during their industrial revolutions, the Chinese government kept both the household registration and the work unit systems in place as a means of social control. The rural workers—hundreds of millions of them—who migrated to urban areas and worked in manufacturing jobs had to keep their status as “peasants.” Hence the peculiar term, “peasant-worker” (nongmingong) in China. This term, used in all official government documents, described the social status of approximately 170 to 200 million of China’s industrial workers, and ensured that no matter what sector they worked in, they remained lowly peasants.

Employment was a pre-condition for temporary residency in urban areas for peasant-workers. The urban or industrial regions where they worked and paid taxes were not obligated to provide social services to them. The peasant-workers had a hard time finding proper housing except in crowded dormitories provided by their employers. Peasant-workers were usually young, unmarried and willing to endure great hardship for next to nothing in return. They had little access to medical care and social insurance. Their children could not be accepted to local public schools, and they were expected to go back to their villages when their

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employment ended. Socially, they were segregated from other urban residents.

Such a system worked very well for approximately two decades, and was largely responsible for China’s economic rise. But things began to change. Apart from the government institutions, the foundation of such a system was the

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peasants' acceptance of an inferior social status. The first generation of peasant-workers was grateful simply to obtain employment and earn some cash income. Two decades later, however, the social psychology has been altered, and the system based on it is starting to crumble.

In 2006, the State Bureau of Statistics conducted a survey of 30,000 peasant-workers. About 55 percent of them expressed a desire to reside in urban areas permanently. Only 28 percent planned to return to their villages. Women in particular seemed more attuned to city life, since about two-thirds of them wanted to stay.

This is most telling. The first generation of peasant-workers, who are in their forties now, have mostly returned to their land. But the current generation, who migrated after the mid-1990s, are different from their predecessors in several major ways. Most importantly, they began to refuse to be second-class citizens. A large percentage, possibly the majority, know little about farming, having headed for the cities as soon as they finished high school, if not before. Some of them left the rural areas with their parents, who were peasant-workers, as young children. This generation does not consider farming to be in their future, and they expect to reside in urban areas permanently.

Their expectations for employment have also been elevated. Unlike their predecessors, who generally were content with the lowest, dead-end jobs, they are demanding higher-paying work with a better future. In 2005, the industrial regions were suddenly struck by a labor shortage. Investigation showed that many young workers were simply refusing to accept low-paying jobs.

Changes in consumption behavior reflect the shift. A 2005 survey by the Guangdong Provincial Bureau of Statistics of found that young peasant-workers spent closed to 80 percent of their income. A decade ago, the same group of workers exhibited a savings rate in excess of 50 percent. The new generation also spent more than 10 percent of their wages on entertainment and cell phones.

A scene I witnessed at the shoe factory I visited in 2004 symbolized the overall sentiment of the new peasant-workers. The factory provided inexpensive meals in the dining hall. On an average day, however, about 20 percent of the workers would go to a nearby restaurant instead, paying double for better quality meals. Those who ate in the dining hall carelessly threw away food, which would be considered unacceptable behavior by the older generation, which grew up with food shortages. Clearly, today's young peasant-workers are imitating the life style of urban youth, and are much less willing to follow their parents' footsteps in enduring hardship.

It is worth noting that the peasant-worker issue has a gender component. Currently, 64 percent of peasant-workers are male, and 36 percent female. The gender imbalance is

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further intensified by the *de facto* segregation of male and female workers. While females are concentrated in the manufacturing and service industries, male workers dominate construction and transportation. The shoe factory I visited, for example, employed 6,000 female workers ages 14 to 24, hiring only 2,000 male workers. In a construction site I visited, there were only five female employees as compared to 120 males. While construction jobs move around within urban centers, manufacturing workers stay in suburban regions and industrial zones. In a status-conscious society, the social lives of urban residents and "peasants" rarely cross. This means that many male migrant workers have little opportunity to find mates when they stay in urban jobs for any length of time. As a result, all major cities have reported increasing numbers of sex-related crimes involving migrant workers, such as prostitution, pornography, and rape. This problem will likely worsen in the future, since China's strict one-child policy has produced a 116.9 male-to-female sex ratio among newborns in the 1990s due largely to selective abortions and female infanticide. Demographers have estimated that by the year 2020, approximately forty to fifty million males in their twenties will have little or no chance to find wives.

The political and social structure that brought into being the peasant-worker system and gave China a great competitive advantage in export manufacturing is falling apart. As a consequence of rapid urbanization, millions of peasants have received urban residency permits because their farm land was commandeered by urban development. Urban residency permits are no longer exclusively reserved for the "original" urban dwellers. The majority of peasant-workers expect eventually to be rid of their "peasant" status. They want to enjoy the fruits of their labor. They demand respectful treatment, and many of them have become impatient. Labor unrest thus presents severe problems to the Chinese authorities. The government is now trying to reform the outdated "household registration system" without entirely abandoning it. How to maintain social control over hundreds of millions of laborers in the context of a market economy is the ultimate challenge to China's low-cost labor development model. ◆