Comparing Three Migrant Citizenship Regimes in Globalized China

Wu Jieh-min
Institute of Sociology and Center for Contemporary China
National Tsing Hua University

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Migrant workers have become a major "industrial army" in China's globalized development. As yet, the migrant working class, enthralled by the household registration (*hukou*) system and without local permanent *hukou* in the sojourning cities, continue to be excluded from most urban welfare benefits, despite that the central government has repeatedly urged local governments to improve migrants' working and living conditions. This paper explores how local urban regime has affected migrants and its varied expressions across localities. Interprovincial migration became a leading mode of domestic migration in China in the early 1990s.[1] This trend was in large part triggered by the state's developmental strategy which emphasized export-oriented industrialization and foreign direct investment. The strategy quickly changed the institutional and demographic landscapes in the coastal area. Intense concentration of long-term migrant population brought tremendous pressures to urban infrastructure and public goods provision.[2] Since the late 1990s, the industrial clusters in the region began to respond to the pressures with urban-centered protective measures. The local governments have carried out a variety of "institutional innovations" under the logic of urban protectionism. The emerging patterns of protectionism in the East developing region can be explained by another factor. The central government have kept urging local officials to improve migrant labor and living conditions. But, under the tenacious principle of *hukou*-center jurisdiction (*shudi guanli*), local officials generally have a negative financial incentive to provide goods for migrants. Consequently, the local governments have to redefine local policy goals and implement new policies with enhanced local state capacity. Overall, local governments have utilized a strategy of *exclusion cum incorporation*. And new institutions are designed to absorb migrants into the urban regime and assign them into lower positions with lesser benefits than those granted to locals.

In several typical coastal areas in China, high penetration of foreign direct investment is a salient commonality. High density of migrant population and urban protectionism are also readily observable. Amid the overall trend, however, local variations are noticeable. Localities have varied significantly in *hukou* system renovation, labor rights protection, openness of local regime, and social insurance program and coverage among other welfare treatment in regard to migrant governance. We will first take an overview of three regions – Pearl River Delta area, Southern Jiangsu, and Shanghai – and compare three types of local regime – *segregative exclusionism*, *porous incorporatism*, and *hierarchical exclusionism*. Then we will explore in detail each type of regime for its peculiar but typical

[1] Fan (2005).

[2] Solinger (1999).

characteristics and analyze how *differential citizenship* and local protectionism have played out in varying local structure-institution nexus.[3] The data used in this analysis was collected from fieldwork that the author undertook in Beijing, Shanghai, Jiangsu, Zhejiang and Guangdong during 2004-2007. The interviewees include migrant workers, factory managers, local government officials, NGO activists, and Chinese scholars.

Overview of Three Types of Regime

Differential citizenship is a nationwide institutional characteristic based on *hukou*-centered governance, but it interacts with local structures and institutions to produce divergent local regimes. Table 1 below shows a synopsis of comparison. In a segregative-exclusionary regime, the *hukou* system is rather closed. It is difficult for migrants to acquire a local *hukou*. Institutionalized discrimination against migrant population in this regime is significant, and its social welfare provision is highly exclusive to outsiders. Moreover, the general participation rate of migrants in the social insurance is very low. As a result, a huge amount of ghost worker population has been manufactured. This regime is also notorious for official and institutional rent-seeking activities. The newly industrialized areas in the Pearl River Delta, Guangdong, are representative of this type of regime. And Dongguan is the typical case.

The porous-incorporative regime is characterized by a low degree of institutionalized differentialism with a higher migrant insurance coverage and an opener accessibility of *hukou* to migrants. This regime is dubbed “porous” because there is no general openness to migrants; instead, there are “tiny openings” on the urban boundaries whereby a select group of skilled and higher-educated workers can gain access into the urban regime, either becoming full-member citizens or privileged denizens. In comparative terms, this regime is noted for its more or less equitable migrant treatment and curbed rent-seeking. The export-oriented industrial centers in the Yangtze River Delta – Southern Jiangsu and Northern Zhejiang – belong to this regime. I will use Suzhou as an exemplar.

[3] For the concept of differential citizenship, see Wu (forthcoming).

Table 1: A Comparison of Differential Treatment in Three Typical Local Regimes

	Segregative-Exclusionary Regime	**Porous-Incorporative Regime**	**Hierarchical-Exclusionary Regime**
Migrant admission to local hukou	Difficult	Relatively accessible	Extremely difficult
Institutionalized differential treatment	Medium	Relatively low	High
Migrant participation in social insurances	Low	High	Relatively high
Representative cities and regions	Dongguan among the Pearl River Delta (Guangdong) industrial clusters. Shenzhen as a borderline case	Suzhou among the Yangtze River Delta (Southern Jiangsu and Northern Zhejiang) industrial clusters	Metropolitan and provincial cities: Shanghai, Beijing, Tianjin Hangzhou, Nanjing, Guangzhou, etc.

The hierarchical-exclusionary regime in metropolitan and provincial cities is characterized by rigid *hukou* status hierarchy and a systemic differential treatment on migrants. The urban *hukou* is highly valued so that it is extremely difficult for ordinary migrants to acquire it. Usually, a high proportion of migrant factory workers is included into the social insurance program. They are, however, arranged into inferior scheme. A prototype of multilayered insurance scheme was initiated by Shanghai in the early 2000s. Shanghai Municipality is the typical case of this regime type that embodies rigorous migrant governance and augmented urban protectionism. Beijing, Tianjin, Nanjing, Hangzhou, and Guangzhou also belong to this regime with differing degrees of institutionalized status hierarchy.

Shenzhen, the first special economic zone during the open-reform era, is an intriguing borderline case. In key structural traits, Shenzhen is similar to Dongguan among other new industrial cities in the PRD as a segregative regime. As yet, Shenzhen has displayed a few institutional characteristics of hierarchical regime, such as a multilayered insurance scheme and increasingly tightened *hukou* admission, due to its growing population size and the policy goal of becoming a regional metropolis.

Openness and Closure of Hukou System

Most major cities in the coastal area have endured *hukou* system readjustment in response to the inflows of migrants over the last decade or so. As a general trend, the coastal cities still vigilantly guard the internal urban boundaries against migrants.

Nonetheless, we can tease out nuanced differences in the openness/closure of various regimes. Table 2 below sorts out five categories of *hukou* acquirement and long-term residence permit in five cities. Beijing and Shanghai have carried out the strictest control on *hukou* admission. In the category of spouse *hukou* transfer, Beijing requires a waiting period of ten years after marriage. Shanghai is even more stringent by setting a period of fifteen years for transferring to the urban Shanghai *hukou*; it requires ten years even if one transfers to a suburban Shanghai *hukou*. The regulation by both metropolitan cities is harsher than some international migration situation in which a foreign spouse would apply for a permanent residence in the host country. By comparison, Kunshan of Suzhou, Dongguan, and Shenzhen appear less harsh. The second category also entails spouse *hukou* transfer, but it regulates the spouses with the status of urban worker in the home city who have already secured a "receiving *danwei*" in the host city. To find a *danwei* is not an easy task in the central cities. Even though, one still has to wait for years for transfer. *Hukou* is such a precious good in these cities that there has existed a hugely lucrative grey market for *hukou* exchange. It was recently reported that a service fee of 300 thousand yuan (roughly 37 thousand US dollars) was charged for a high school student to get a Beijing *hukou*, which would enable one to take the college entrance exam in the city.[4]

The blue-stamp (*lanyin*) used to be a popular channel for the well-off to acquire urban *hukou*, primarily through the real estate market. Due to housing bubbles and the central government's serious concern, many cities have terminated this avenue since the early 2000s. Shanghai was among the earliest in experimenting with the blue-stamp, but the city also took initiative in putting on the brake in 2002. Shenzhen ended it in 2003, and Dongguan in 2008. Beijing has never instituted the institution. In the five cities under comparison, only Kunshan continues to offer *hukou* through the blue-stamp. But Kunshan has also tightened conditions in recent years. In addition, the city now places a blue-stamp holder to wait for at least three to five years before applying for formal *hukou*. Another path to secure a local *hukou* is through the "talents market" – a process called *rencai luohu*. The cities usually set high hurdles such as college or junior college degree, state-sanctioned professional certificate, and age limits (normally under 35, for some "special talents" up until 50) for this channel.

[4] China Newsweek (*Zhongguo Xinwen Zhoukan*) May 8, 2008.

Table 2 Comparison of Hukou and Residence Rights Acquirement in Five Cities

	Beijing	**Shanghai**	**Kunshan, Suzhou**	**Dongguan**	**Shenzhen**
Spouse hukou transfer via family reunion	10 years after marriage	10 or 15 years after marriage	3 years after marriage	5 years after marriage	2 years of taking separate residence
Spouse hukou transfer for urban employees	Spouse over 35 years of age, or taking separate residence for 5-10 years	5 or 6 years after marriage			
Acquiring hukou via blue-stamp track (lanyin)	N/A	Terminated in April 2002 (since 1994)	In place	Terminated in Jan. 2008 (since 1996)	Terminated in April 2003 (since 1996)
Acquiring hukou via "talents market" (rencai luohu)			Professional certificate, college diploma, and/or age limits	Academic personnel, etc., vocational school diploma, and/or age limits	Professional skills, college diploma, and/or age limits
Long-term residence permit (juzhuzheng)	College diploma, professional certificate, or special talents needed by the city	Proof of stable employment, diploma and professional certificate, and related documents	[Green card] Vocational school diploma or professional certificate and age limits	College or higher diploma or special talents	Employment & investment, college diploma, or house ownership (under experiment in a district)

Sources: adapted various local government documents.

Finally, the *juzhuzheng* (long-term residence permit) system runs similar to the US work visa. This device was put into effect in the early 2000s, in part to replace the defunct blue-stamp. But as a rule, the *juzhuzheng* is not transferable to the permanent *hukou*. It grants the holder a period of six months to five years for each visa, contingent the type of residence. The permit is usually processed through the employer, who sometimes further commissions it to human resource companies. Compared with the short-term temporary residence permit, the *juzhuzheng* entitles the holder to register children for mandatory education, social insurance and automobile plate, apart from a longer legal residence. In metropolitan cities like Shanghai, a severe quota control for long-term residence permit is set. Shenzhen has recently experimented in a district with the system by giving two types of visa, one for six months, another for ten years. The six-month visa is nothing but a retooled temporary residence permit. The ten-year visa entails a variety of migrant status, including entrepreneur, high-skilled worker, and real estate investor. Given the highly notorious policy uncertainty, it is probably that this experiment may “die without known cause,” or not to be applied to the entire city.

Kunshan city of Suzhou put out a “talent green card” institution (*rencai lüka*), which is not different from the *juzhuzheng* in its basic design, but is transferable to the permanent *hukou*. It requires merely vocational school degree or professional certificate and sets the age limit as relatively moderately as 50 for men and 45 for women. Wuxi in the same Southern Jiangsu region has instituted a similar system with an eye to compete for skilled workers.[5] In this type of porous-incorporative regime, a positive spillover effect brought about by foreign investment, as argued by Mary Gallagher, is observable because of increasing intraregional competition.[6] Thus, a portion of skilled migrant workers are allowed access to local *hukou*. By contrast, this “contagious effect” is not significant in the Pearl River Delta area. The diversity between the two regions can be attributed to divergent type of foreign investment and differing density of migrant population. The foreign investment in the PRD is highly concentrated in export-processing industries that utilize a large proportion of low-skilled labor. This type of industrialization also carries a rather low degree of backward linkage to local economy, as argued by Nicolas Lardy.[7] Foreign firms have competed for cheap labor due to their characteristics of global linkage. This pattern was criticized for “race to the bottom” which caused “workers under assault.”[8]

Nevertheless, there is a difference in local institutional origin underlying the regime divergence. In the PRD region, the authority of collective assets management have long been in the hand of village cadres. The collective welfare benefits are centered around the administrative village district. Therefore, a local urban status for a migrant means much less valuable than a village citizenship. Migrant workers under our interview understood the situation quite well. A couple of shop-floor line leaders in a Dongguan factory, who were affordable to buy an apartment and apply for a local urban *hukou* through the blue stamp, decided not to pursue it. They expressed pointedly: “The welfare benefits are very limited by buying a house and getting the blue-stamp *hukou*, perhaps only useful for the children’s education. Outsiders are not allowed to share the village bonus even with the local *hukou*.”[9] The local government, unlike its counterpart in Southern Jiangsu or Shanghai, does not provide many desired benefits to new immigrant citizens. This system of village-centered welfare allocation has correlatively created the segregative regime,

[5] Interview with Wuxi officials: WX_NDC_200511. Enterprises can apply for their workers a special employment permit, which grants the local *hukou* after three years of residence.

[6] Gallagher (2002, 2005).

[7] Lardy (1996).

[8] Chan (2001, 2003).

[9] Field interview TS_ZYY-LYJ_20050422.

which is so deleterious to migrants that Alexander and Chan compare it with the South Africa's apartheid system.[10]

In many industrial clusters in the PRD, villagers are still reluctant to forgo their agricultural *hukou* status, despite the fact that most of them are no longer rural residents by all criteria. These villagers, living in the hyper-industrial towns or in the neighboring city, would lose the collective privileges once giving up village membership. This helps explain why the urbanization rate on the official record in Dongguan was merely 39.7% for the entire local *hukou* population in 2005, while the national average had reached 43.0%.[11] By comparison, the urbanization rate is higher in Southern Jiangsu, and it better reflects the reality. It was 50.1% in Suzhou in 2005, and 62.5% in Wuxi in 2004. In this region, rural power was traditionally centralized in township and county government. When the export-oriented industrialization and a new dynamic of urbanization swept the region during the 1990s, a large area of rural farmland was appropriated and consequently many land-grabbed farmers' *hukou* was transferred into the "non-agricultural" category. In the process, there were disputes and protests by villagers for unfair compensation indeed, but the local government did not encounter resistance as seriously as in the PRD.

In summary, the major cities in the coastal developing area have established a variety of hurdles for migrants to obtain local *hukou* with differing degrees. As yet, the local government in Southern Jiangsu has opened a small window for skilled labor to acquire the local urban membership, and this porous-incorporative regime appears to be somewhat amicable to the new immigrants, whereas both the metropolitan- hierarchical regime and the segregative regime are obnoxious to the outsiders.

Social Insurance Coverage and Differential Treatment

The divergence in differential treatment can be further observed in the institutional design of social insurance and coverage. Let us first take a look of the insurance coverage rates. Table 3 below shows general level of pension insurance coverage in the national average and the urban sector of four cities under study. Since there is no available systematic data of the migrant insurance participation, we use a proxy estimate by computing the percentage of overall coverage within a city – total insured population divided by the sum of local urban *hukou* population and documented migrants. Although these estimates are not direct measurement of migrant pension participation rate, they nevertheless provide a certain useful evidences for analysis. The figures indicate that Kunshan of Suzhou had the highest coverage. During the early 2000s, Kunshan's pension

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[10] Alexander and Chan (2004).

[11] Calculated respectively from "Dongguan Statistical Bulletin for National Economy and Social Development 2005" and *China Statistical Yearbook 2007*, Table 4-1.

coverage was lowered than the national average, but it increased substantially in recent years. By contrast, Dongguan has the lowest coverage among the four cities. Shenzhen raised the coverage to 50.3%, significantly higher than the national average. Shanghai's numbers had been outstanding since 2000. But the coverage decreased during 2005-6, as the migrant population steadily burgeoned. Table 4 compares the health care insurance in the four cities. The general patterns resemble those of the pension insurance above. Dongguan again sat at the bottom. Kunshan performed quite well. And Shanghai and Shenzhen were in the middle.

Table 3: Estimates of Pension Insurance Coverage for Entire Urban Population in Four Cities and National Average (unit: %)*

Year	**Shanghai**	**Kunshan, Suzhou**	**Dongguan**	**Shenzhen**	**National average**
1998	N/A	N/A	3.3	N/A	26.9
1999	N/A	N/A	2.9	N/A	28.5
2000	49.2	25.4	28.2	18.9	29.7
2001	N/A	25.8	16.7	30.4	29.5
2002	N/A	24.2	21.7	29.0	29.3
2003	46.5	59.2	20.9	33.8	29.6
2004	47.2	45.5	19.0	37.0	30.1
2005	42.5	60.8	28.3	42.6	31.1
2006	42.9	N/A	N/A	50.3	32.3

Legend: * The estimates of coverage of the four cities are computed as follows: insured population divided by the sum total of local urban *hukou* population and migrants. The national average is computed as follows: insured population divided by entire national urban population.

Sources: Calculated from *Shanghai Statistical Yearbook, Kunshan Statistical Yearbook, Dongguan Statistical Yearbook, Shenzhen Statistical Yearbook, Guangdong Statistical Yearbook,, China Statistical Yearbooks, Chiba Labor Statistical Yearbook,* various years.

Table 4: Estimates of health Insurance Coverage for Entire Urban Population in Four Cities and National Average (unit: %)*

Year	**Shanghai**	**Kunshan, Suzhou**	**Dongguan**	**Shenzhen**	**National average**
1998	N/A	N/A	3.8	N/A	4.5
1999	N/A	N/A	3.5	N/A	4.7
2000	41.5	23.1	30.0	12.7	8.2
2001	N/A	30.1	17.1	14.9	15.2
2002	N/A	35.5	22.2	17.7	18.7
2003	46.1	41.0	21.3	22.1	20.8
2004	43.7	46.5	19.3	28.9	22.9
2005	41.2	53.2	29.1	41.7	24.5
2006	40.6	N/A	N/A	38.9	27.3

Legend: * The estimates of coverage of the four cities are computed as follows: insured population divided by the sum total of local urban *hukou* population and migrants. The national average is computed as follows: insured population divided by entire national urban population.

Sources: Calculated from *Shanghai Statistical Yearbook, Kunshan Statistical Yearbook, Dongguan Statistical Yearbook, Shenzhen Statistical Yearbook, Guangdong Statistical Yearbook, China Statistical Yearbooks,* and *China Labor Statistical Yearbook,* various years.

Combining Table 3 and 4, several points should be noted. First, although Shanghai and Shenzhen appeared to be at the same level of social insurance coverage, their respective contents were divergent. Shanghai as a national trade, industrial, and banking center has been known for its ample provision of welfare benefits to its *hukou* population. While a portion of migrant worker are put under social insurance, they only obtain a minimum level of benefits (see below). Shenzhen is a newly industrialized city with an overwhelmingly high proportion of migrant population, thus a 40-50% of insurance coverage means that there are still a large percentage of migrants left uninsured. The same characteristic applies to the case of Dongguan.

Second, as a general trend, we found that the pension coverage in all these cities is systematically higher than the health coverage. It was until very recently that local government began to provide health insurance to migrants and urge enterprises to insure their migrant employees under the center's pressures. Obviously, local officials are more enthusiastically in promoting pension than health insurance participation, because China's current pension program is primarily a pay-as-you-go system, so that enterprise and labor contribution to insurance fees can be used in paying the current welfare expenses. In addition, due to several institutional flaws, migrant personal pension account is difficult to transfer between provinces. Thus, pension insurance has become a major net income for local government. In fact, the higher pension coverage in Shenzhen composes a large source of government revenues, as numerous migrants choose to withdraw their personal accounts at the end of year, and therefore the reserve funds paid by enterprises were simply usurped by the government to subsidize urbanites. The health insurance carries different implications for local government. Once migrant population is covered with the insurance, local government needs to provide medical service, which means that a portion of urban medical resources would be reallocated to migrants, *if* local officials faithfully implement the health program. This explains why local officials were so reluctant to promote health insurance, partly because it cannot become a revenue-generating business.

Further, the coverage rates do not sufficiently reflect the actual benefits the insured migrants received because of institutional diversity across localities. Table 5 indicates the huge differences among the four cities under comparison. Both in Dongguan and Shenzhen (Guangdong Province), the enterprise's contribution rate of health care is very low, with 2% and 1% respectively, so that migrants can enjoy insignificant health service like "chicken feed." Shanghai designed a special insurance program for migrants (Shenzhen alike), according to which the enterprise should contribute a 5.5% of insured wage for migrant workers, whereas the enterprise should pay a much higher 12% for workers with local *hukou*. Thus, the insured migrant receives better health treatment in Shanghai than in Dongguan and Shenzhen. Nonetheless, Shanghai's *hukou* population is better off under differential treatment. Similarly, in Shenzhen, the employer should pay 6.% of health insurance for local *hukou* residents; and in Dongguan it is 6.5% for local hukou residents. In terms of institutionalized differentialism, Shanghai is the most hierarchical and complicated with multi-layered insurance schemes. Besides the differential treatment in health care, its pension program is also highly differentiated. The employer pays different rates for urban *hukou* (22%), suburban *hukou* (17%), and migrant workers (7%) respectively. In Dongguan and Shenzhen, there is no differential pension program between locals and migrants.

By contrast, Suzhou (and Wuxi alike) in Southern Jiangsu stands out in the fairly equitable program, which does not discriminate against insured migrant labor in institutional design. Basically, migrants are eligible for the social insurance treatment as granted to locals. And the benefit level is merely slightly lower that that offered to the Shanghai *hukou* residents. Based on Table 5, we can compute the basic social insurance costs for the enterprise in these four cities in 2006. In Shenzhen, it was merely 77 yuan for every insured worker per month; in Dongguan, 104 yuan; in Shanghai, 168 yuan; and in Suzhou, 355 yuan. Hence, the labor costs in Southern Jiangsu and Shanghai were substantially higher than Guangdong, which continued to be the haven of cheap labor for the export-processing type of industrial development. In Shenzhen, social insurance costs constituted about 11% of the government-regulated minimum wage; in Dongguan, 15%; in Shanghai, 22%; and in Suzhou, 47.4%. On the part of worker's contribution, Shanghai did not require migrant personal account as compulsory. Migrants in both Shenzhen and Dongguan were required to pay about 55 yuan; and in Suzhou, migrants paid 100-plus yuan every month.

The story, however, does not end here. There is a trick in Southern Jiangsu, that is, the local government allows a portion of migrant workers to be "outsourced" and thereby reducing roughly a half of the insurance costs for enterprises. I will further discuss this issue in the section dealing with the porous-incorporative regime below.

Table 5: Regional Variation in Social Insurance Scheme for Migrant Workers in Four Cities: 2006

	Shanghai (Migrant Scheme)		***Suzhou (Uniform Scheme)***		***Dongguan (Migrant Scheme)***		***Shenzhen (Migrant Scheme)***	
Contribution rate	Employer	worker	Employer	worker	Employer	worker	Employer	worker
Pension	7%	Non-compulsory	20%	8%	10%	8%	10%	8%
Health care	5.5%	Non-compulsory	10%	2%	2.0%	0%	1%	0%
Other insurances*			4%	1%	3.0-4.0 %	0%	0.5-1.5%	0%
Range of Insured wage rate	Fixed: 1,341 yuan		1,045–5,747 yuan		690 – 2,640 yuan		700 – 8,118 yuan**	

Legends: * For analytical simplicity, three items of insurance are grouped into this category: injury, unemployment, and birth insurance. ** 700 yuan is for the enterprise not located in the Shenzhen Special Economic Zone; for those within the special zone, the minimum insured wage is 810 yuan instead as of March 2007.

Sources: Readapted from various local official documents and publications.

This section has demonstrated the varying outcomes of institutional device and performance in regard with migrant rights and entitlements in three divergent local regimes. How do we explain local variations? In the rapidly developing southeast region with a high concentration of migrant population, foreign capital (and domestic capital with a lesser degree) plays an important role in the export-oriented industrialization. As yet, the impact of foreign capital is not uniform, contingent on its interrelationship with local government. Within a locality, the initial endowments for development, the timing of opening to foreign capital and local policy priority are interacting with the national policies and global forces, with the local state capacity as a key intervening variable, and causally linked to the local citizenship regime. The mechanism of differential citizenship does not only express itself in the national level, as created by the rural-urban divide, but it has also generated patterns of inequalities within localities as well as disparity across regions. In what follows, we will trace historical origins, explore the causal configuration, and explain peculiarities in each regime.

Segregative Regime in PRD, Guangdong

Guangdong Province was among the earliest coastal regions opened for foreign direct investment in the beginning of the open-door reform since the late 1970s.[12] One step ahead of the Yangtze River Delta, the Pearl River Delta area began to attract a large number of foreign manufacturers soon following the Plaza Accord in 1985. Numerous "sunset industries" from the neighboring tiger countries, predominantly Taiwan and Hong Kong, rushed into the PRD to utilize massive low-skilled labor. Since then, Guangdong has hosted the largest number of long-distance migrants from the inland and has taken lead in the export-processing pattern of industrialization.

One Step Ahead in Opening Sequence

The region was characterized by an agricultural tradition, thin accumulation of industrial capital during the Mao's era, and relatively weak infrastructural power of the local government. Under such a development, the local government has benefited tremendously as a labor broker and real estate developer. The province was thus the earliest case in forging a large migrant labor market, alongside the state-employed labor sector. The foreign-invested factories employed enormous low-skilled, poorly-paid, and long-working-hour migrant workers; many of them were young women with high turnover on the assembly line.[13] As a result, Guangdong in the 1990s had become a new world workshop. A large chunk of its GDP has been generated from the foreign-invested processing factories. Figure 1 below compares the divergent patterns of trade to GDP in the three regions. The export boom in Guangdong initially emerged in the latter half of 1980s, immediately resulting in a high ratio of trade dependence. By contrast, both Shanghai and Jiangsu Province were late for a decade in opening up for foreign capital. Therefore, it was until the late 1990s when foreign trade – which like Guangdong was boosted by foreign investment – began to pick up. In recent years, Shanghai has reached the same high level of trade-to-GDP ratio as Guangdong, while Jiangsu has arrived over 50 %. The timing of opening sequence is a significant factor in understanding Guangdong's development.

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[12] Vogel (1989).

[13] Cf. Lee (1998, 2007), Chan (2001), and Pun (2005).

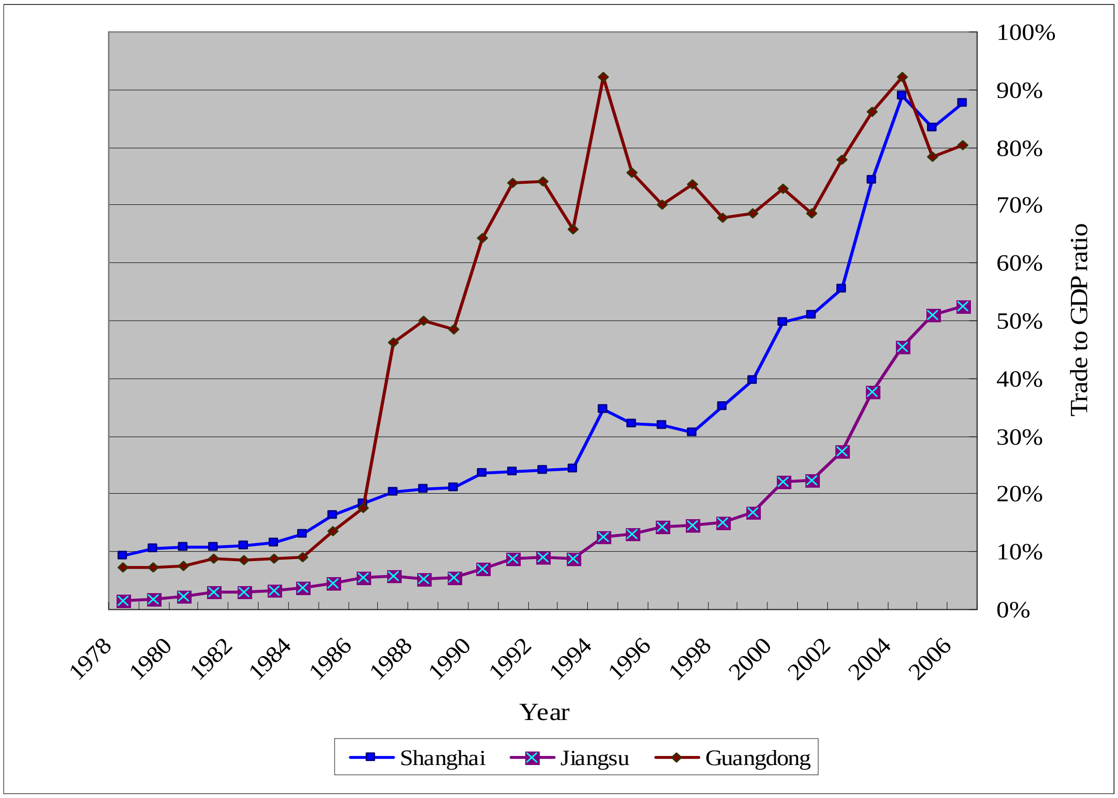

Figure 1: Regional Comparison in Trend of Trade to GDP Ratio: 1978-2006

Due to lack of capital and slim indigenous economic base, Guangdong officials possessed rather weak bargaining power vis-à-vis foreign capital. The province was long reputed for its "flexible policy" and generous concessions to FDIs, such as cheap land use fees, long period of corporate tax exemption, and tax rebates for exports. As well known, the local government allowed enterprises to shirk state taxes; and a variety of local fees were negotiable, heavily dependent upon *guanxi* (personal connections) and backdoor transactions. The export-processing industries contributed a major source of government revenues. On the surface, the processing factories were "owned" by local governments and village collectives, but many of them were invested and managed by foreign capital. In addition, local governments at various levels also actively participated in joint-venture enterprises with foreigners. In fact, many such companies were "false joint ventures," in which the Chinese side did not make any substantial investment but "political capital." Through such an arrangement, local officials could generate revenues – usually in the form of "processing fees" and "administrative fees" – from the foreign partner. The fictive ownership arrangements were characteristic of the official flexible treatment in the region.[14] In its early development stage, the export-processing fees accounted for 37.7% of

[14] Wu (1997), Cheng (1999).

Dongguan total US $1.5 billion foreign exchange earnings during 1980-1990.[15] The processing fees totaled US$ 3.5 billion and the Dongguan officials and village cadres generated a total "profit" of 4.4 billion yuan during 1979-95.[16]

Dongguan and Shenzhen are two typical cases of this regime. Dongguan, a prefecture-level city located between Shenzhen and Guangzhou, hosted 5.9 million of documented migrants with a local *hukou* population of 1.7 million in 2005. The migrant to local population ratio was 3.5.[17] In neighboring Shenzhen, a semi-provincial-level special district, adjacent to Hong Kong, the ratio was 3.3, with 6.5 million migrants and 2 million *hukou* residents in 2006.[18] In the early years, the local officials, strongly motivated to take advantage of the open-door opportunity but without abundant indigenous endowments, were eager to usher in foreign investors with flexible policies.

Table 6 below compares the relative financial capacity of five cities with the national average. It indicates that on the eve of opening up to foreign capital, Dongguan and Shenzhen were rather poor and government revenue, with 59 yuan and 55 yuan in financial revenue *per capita* – both figures were less than half of the national average, and far lagged behind Suzhou and Wuxi of Jiangsu Province, let alone the affluent Shanghai. By 1985, Shenzhen's financial revenue *per capita* had soared nearly sevenfold of national average; and it surpassed Shanghai in 1992. Dongguan was a few years later than Shenzhen in the type of export-processing growth. Its financial performance was barely approaching that of Suzhou and Wuxi by 1992, but it soared afterwards. Dongguan now boasts a development level as outpacing Suzhou and Wuxi and catching up with Shenzhen. Dongguan and Shenzhen's development, however, are much overestimated if we consider the contribution by the tremendous amount of migrant workers. After adjusting the migrant population, financial revenue *per capita* in both cities dwindled. See Table 7 below. In fact, Southern Jiangsu have significantly outperformed Guangdong. These findings corroborate the argument that Guangdong's export-led growth pattern entails comparably low added values and lacks linkage with local economy.[19] An open secret behind the "economic miracle" is but the exploitative utilization of migrant labor.

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[15] Calculated from *Dongguan Statistical Yearbook*, various issues

[16] Calculated from *Dongguan Statistical Yearbook* and *China Statistical Yearbook*, various issues, for 1988-95. Data for 1979-87 are calculated from the Investigation Team of CCP Central Office (1989:53)

[17] Adapted from "Dongguan Statistical Bulletin for National Economy and Social Development 2005."

[18] Adapted from "Shenzhen Statistical Bulletin for National Economy and Social Development 2006."

[19] Cf. Lardy (1996).

Table 6: Financial Revenues in Five Cities and National Average, Selective Years (unit: per capita yuan)

Year	***Shanghai***	***Suzhou***	***Wuxi***	***Dongguan***	***Shenzhen***	***National Average***
1978	1,736	164	257	59	55*	118
1985	2,169	297	422	92	1,313	189
1992	2,638	418	535	413	5,355	297
2000	13,262	2,738	2,578	6,786	17,765	1,057
2005	30,111	11,824	9,315	20,037	22,667	2,421

Legends: * Data of 1979.
Sources: *Shanghai Statistical Yearbook, Suzhou Statistical Yearbook, Wuxi Statistical Yearbook, Dongguan Statistical Yearbook, Shenzhen Statistical Yearbook* , and *China Statistical Yearbook, various years.*

Table 7: Financial Revenues in Four Cities, Adjusted by Migrant Population, 2000-2006 (unit: per capita yuan)

Year	***Shanghai***	***Suzhou***	***Dongguan***	***Shenzhen***
2000	10,900	N/A	1,606	3,165
2001	N/A	3,135	1,925	3,623
2002	13,552	N/A	2,564	3,562
2003	16,533	N/A	3,150	3,737
2004	20,618	N/A	3,952	4,014
2005	23,031	7,288	5,059	4,982
2006	26,439	N/A	N/A	5,918

Sources: *Shanghai Statistical Yearbook, Kunshan Statistical Yearbook, Dongguan Statistical Yearbook, Shenzhen Statistical Yearbook* , and *China Statistical Yearbook,* various years.

In Guangdong, besides land fees and tax breaks, labor conditions became a major item for concession to foreign capital. For the labor-intensive industries, labor costs constituted a major part of total costs. Thus, Dongguan, and Shenzhen alike, instituted a social insurance program particularly favorable to foreign capital, compared with other coastal regions. Moreover, the government-regulated minimum wages in Guangdong were also held constantly lower than Southern Jiangsu and Shanghai. These conditions taken together, Dongguan and Shenzhen hence became a haven for labor-intensive capital. Most migrant workers were not covered with social insurance or, if covered, merely granted modicum benefits. The overall pension coverage was as low as 28.3% in Dongguan in 2005; and it was 50.3% in Shenzhen in 2006 (see Table 3 above). But as I have explained above, pension insurance in Shenzhen is actually a revenue-seeking for local officials. Health insurance is much more relevant to migrants' current condition. It was 29.1% in

Dongguan in 2005, and 38.9% in Shenzhen in 2006 (Table 4 above). Again, we should notice that in both cities the health benefits are very scarce, if not nothing, for migrants.

Institutionalized discrimination against migrants is characterized of this segregative regime. In Dongguan, there is a dual-track social insurance program, based on the distinction of “city-level” and “township-level” enterprise. Most enterprises that employ migrants are arranged in the township-level category. The major difference is that the migrant workers, if insured, are thinly covered with health insurance. Medical care has been a constant pain for migrants and their families, especially during recent years that medical costs have risen to an unbearable degree on the decommodified health market. “Self-help” thus becomes a mantra among migrants. A migrant couple with two children working in a Dongguan foreign company shared their experience:

> The health insurance card is only good for occupational injury, and it sets a lot of barriers, so we never use it… Health care and kids education are two sores in this place… Sometimes the hospital treats a minor problem as a serious illness, in order to charge more money. One time our child was coughing, but the doctor said it’s bronchitis… Some doctors in the hospital would ask you, even before treatment, how much money you have brought and how much you make a month. They simply tried to squeeze all of your money… Of course, there are good doctors. The story goes from mouth to mouth.”[20]

In the category of pension, the insurance tax rate on the part of employer is reduced to 10%, merely half of that in the Yangtze River Delta manufacturing centers such as Suzhou and Wuxi. It should be noted, however, that the 10% pension rate also applies to the employees with local *hukou*. In the Pearl River Delta newly industrialized region, welfare benefits are allocated through the village collectives exclusively offered to native residents, whereas the government does not provide ample privileged public goods to individual citizens. Therefore, although migrant admission to local urban *hukou* is relatively difficult, it is not highly valued on account of slim welfare provided.

Insurance Coverage and Manipulation

Dongguan and Shenzhen are a ghost labor country with a majority of migrant workers left without social insurance protection. Local official flexible implementation of state policies is causally linked to the segregative-exclusionary regime.[21] Table 8 shows the social insurance coverage of seven factories in Dongguan and Shenzhen. These surveys were conducted during 2007. We tried in every possible occasion to double-check the

[20] Field interview: TS_ZYY-LYJ_20050422.

[21] For a case study of local development and citizenship regime in the region, cf. Smart and Smart (2001) and Smart and Lin (2007).

information provided by managers with the workers, in order to increase our data reliability. The coverage is generally low, compared with other regions. These findings confirm the aggregate data of the regional level. The firm-level survey reveals several things. First, the five items of insurance – pension, medical care, injury, unemployment, and birth – are not bundled as in other regions like Shanghai and Southern Jiangsu. Instead, they are allowed to be broken up and insured separately. As a rule, those who are insured with pension must also participate in other items of the insurance. Since the pension is the most costly, the enterprises tend to reduce its participants as many as possible. Only when the local government compelled the enterprises to increase the pension coverage around 2000, the FDIs began to take care of it. Take the DG-TS Company for example. Until 2005, only 16% of workers were covered with pension program. Under the pressures of the Labor Bureau and the corporate social responsibility inspections, it had to increase the coverage to 23% in early 2007. At DG-XD, only 13% of entire 200 workers were covered with pension, while 38% were under the medical, injury and birth insurance, and 75% were under the injury. The utmost concern for the enterprise is the risk of injury, so in practice, managers would acquire extra commercial group insurance for their workers. Distrusting the government, they usually believe that commercial program is more effective than the official one once an occupational incident occurs.

Table 8: Social Insurance Coverage in the PRD Region: Firm-level Findings, 2007

Company Code	Type of Capital	Total workers (A)	Pension insurance (B)	Other insurances* (C)	PI coverage (D) = (B)/(A)	OI coverage (E) = (C)/(A)
DG-TS	FDI_TW	2,600	600	1,200	23%	46%
DG-LX-J	FDI_TW	2,000	600	600	30%	30%
DG-YF-J	FDI_TW	1,000	100	500	10%	50%
DG-HG-J	FDI_TW	2,600	550	1,100	21%	42%
DG-XD	FDI_TW	200	25	75; 150**	13%	38%; 75%**
SZ-ML	FDI_TW	1,000	350	N/A	35%	N/A
SZ-ZY-J	FDI_TW	300	0	300***	0%	100%***

Legends: * Four items of insurance are grouped into this category: medical care, injury, unemployment, and birth insurance. ** 75 workers were insured with medical, injury and birth insurance, while 150 were insured only with injury. *** These 300 workers were insured only with injury.

Sources: Field surveys.

Secondly, amid the general trend of low coverage, inter-firm variation is significant due to each company's "deal" with the local officials. Commonly, backdoor exchanges or tacit agreements are involved. A manager of DG-TS told us: "In recent years, the state has been promoting the formal labor contract. Because our factory 'reported' only 750 persons to the labor bureau, we were allowed to buy 750 copies of the labor contract form. We can't Xerox it by ourselves. But we have more than two thousand workers. What should we do? We bought the copies from a print house 'owned' by the labor bureau chief. This business is the chief's 'forbidden slice of meat.' According to the law, the labor bureau could merely approve 750 contracts for us, but considering the source of the papers… they let us pass anyhow."[22] In conclusion, widespread local government-business collusion at the expense of workers is a daily practice in this regime. The never-ending drive for low-cost labor is perpetuated by the global capital in the production of cheap consumer goods for the western market.

Shenzhen in this FDI-led manufacturing boom stands out as a borderline case with its multilayered insurance scheme, despite that it bears similar structural characteristics with Dongguan and other newly industrializing towns in the region. In comparison, the social insurance program it offers to migrants is among the worst, with the same pension tax rate as Dongguan's. But it hardly provides anything for medical and other cares. As the medical expenses soared in recent years, we have recorded pains of the interviewed migrants. By contrast, the urban state employers enjoy a level of benefits similar to their counterparts in Shanghai. Thus the feeling of relative deprivation for migrants is stark. We found that the SZ-ZY-J Company in our sample did not offer a single worker with the pension, though it insured all of the employees under the injury. Under the central government's pressure, the city's pension coverage increased from 18.9% in 2000 to 50.3% in 2006. In appearance, the macro-level "performance" is as rosy as that of Shanghai. In reality, it may be even worse than Dongguan in terms of employer's total contribution rate by including all five items of insurance. Our research shows that only a small number of "higher-educated talents" can acquire local *hukou* or long-term residence visa, usually processed through the employer, and enjoy better terms of insurance. At the SZ-ML Company, several migrants promoted to department chiefs have attained such a status and participated in the superior urban insurance scheme. In this way, Shenzhen is closer to Shanghai's metropolitan type of hierarchical citizenship regime.

The Factory-Dormitory and Segregation

The segregative regime in the PRD region is characterized by its factory-dormitory system. In typical situation, workers are arranged to live in the factory. The factory dormitories are organized into small rooms packing 8-12 persons, without bathroom in each unit. Usually, public toilets and showers are installed on each floor of the dormitory building for share. Crowded and inconvenient, workers often have to line up for taking shower during evenings, frequently in the short rest period following dinner in between the day and night shift. Besides dining halls, there are small grocery stores and first-aid type

[22] Field interview: DG_TS_200603.

clinics, and in some large factories, internet, recreational and sports facilities are provided for workers' entertainment needs. Curfew is regularly imposed. For those allowed to exit the factory after shift, they usually must return to the dormitory by eleven o'clock or so at night. Otherwise, they may face the risk of staying out of the factory all night. As a rule, factories charge fees for lodging and meals by subtracting from the monthly payroll. In some cases, factories even generate profits from the dormitory provision. Some companies provide senior, high-ranked and married couples with studio-type rooms, so these elite workers can enjoy a precious privacy, private TV and cooking, such as in the DG_TS and the SZ_ML Company in our sample.

This migrant residential pattern is extremely segregative. For managers, the factory-dormitory would facilitate collective-style management, reduce the risk of letting "outside criminals and chaos" into the factory, and ultimately enhance production efficiency. Migrant workers contained in the closed factory world, conceivably, seldom socialize with locals, let alone befriend them. Normally, they understand very few social life about the "outside world." This residential pattern is related to the Chinese style of "despotic labor regime," as described by C.K. Lee.[23] In Guangdong, migrant workers are not only dependent on wages for their livelihood, but relying on the dwelling and living environment provided by the factory. Social control is generally severe, and manager tyranny and physical abuse are not uncommon.[24] Each ideal-typical factory-dormitory makes an independent kingdom, aided by a bundle of security guards, within its sphere. We may call this factory regime a *mini-paternalistic state*.

Under such a factory regime, worker complaints and sporadic resistance would be easily observed. Indeed, in the fieldwork, we found plenty instances of discontent and protests. One morning I watched workers on their way from canteen to shop floor dump buns into the sidewalk ditch one after another. This gestured a silent, but collective contention against the food. Rumors about managers' personal behavior, sabotage, brawl ,and "stealing from the shop floor" all belong to the "weapons of the weak."

Nevertheless, in field interviews, not few workers expressed their liking and identification with the factory and dormitory management, to our great surprise. "The factory is just like our home." "Everything is convenient here; nothing difficult."[25] For them, the curfew is legitimate and necessary to ward the factory against the dangerous, uncertain outside world. Thomas Peng illustrated his field experience in Dongguan that a co-worker uttered a fear of wandering outside of the factory walls. Peng has an intriguing observation of the inside/outside dichotomy:

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[23] Lee (1998).

[24] Chan (2001).

[25] Field interview TS_CXC-WLF_20060318.

> Actually, the notion "the outside people" implies a negative meaning. Even more amazingly, I have never heard of the term "outside" being attached a positive meaning… For the Hengfa workers, "inside" the factory and 'outside' are two distinct social spaces, and "co-workers" and "outside people" are two separate social groups… "Factory is their home, their 'shelter'" (said the manager).[26]

How do we make sense of this seemingly irrational phobia? The answer lies in the segregative regime itself. Dongguan has a hyper-dense migrant population, the local officials, as others in the PRD region, have adopted a severe policy in governing migrants. It is true that mugging, bullying, and robbery are widely reported in local news, imprinted in the minds of migrants. And migrant workers are not unfamiliar with the government and locals' hostile attitude toward them. The notorious Sun Zhigang death occurred in this region. Official extortion is not a remote experience. Issuing the temporary residence card used to be a lucrative business for the local government. Migrants were a major target for the rampant revenue-seeking activities. Although charging extra fees on temporary residence card were curbed substantially and street inspection for valid migrant documents became rarer in recent years, our interviews were still vivid in describing past unpleasant encounters and would carry IDs when going out of the factory.

Thus, the image of insecure outside world is constructed as a reflection of migrants' collective anxiety of official power and social discrimination. By comparison, for many, the factory paradoxically becomes a sanctuary for their homeless minds in this stranger country. In this type of regime, it is extraordinarily difficult for migrants to "assimilate" with the local society, even for elite migrants. We followed the case of a white-collar manager for several years. He held a college degree and worked in a Shenzhen foreign-invested factory for more than ten years. He rented a decent apartment near the company and lived with his wife and two children. After years of waiting and enduring complicated procedures for the interprovincial *hukou* transfer, he finally obtained the local citizenship. Now he was eligible to participate in the neighborhood committee election, but he still found himself in an embarrassing situation: "It's just not meaningful. I don't know whom to cast vote for, except myself, because I have little contact with the external world."[27]

Perpetual feeling of strangeness in migrants and discrimination by the government and locals are intrinsic to migrants' lived experiences in the Pearl River Delta industrial towns. The sense of insecurity is created as a form of ideology to bolster the legitimacy of factory-dormitory complex. The dangerous outside world is simultaneously a reality and an ideology, further consolidating this segregative regime.

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[26] Peng (2008: 87-88). Peng was a graduate student from Taiwan, who worked in the "Hengfa Factory" (coded name) as a line worker in 2006 to conduct his participant observation.

[27] Field interview ML_DTP_20070115.

New Labor Policies and Imminent Troubles

The rapid growth in the Pearl River Delta region was contingent on the labor-intensive export-led industries and low-cost migrant labor. As analyzed above, *per capita* performance in Guangdong pales in comparison with Southern Jiangsu. This developmental pattern has constrained its economic upgrade. Local governments were aware of the intrinsic weakness. A few years ago, Dongguan Government spent lavishly on constructing a high-tech park, probably modeled on the Singapore Industrial Park in Suzhou, intended to introduce high value-added and pollution-free capital. The grand project, apparently, has not delivered much effect thus far.

The central government was alert of this development pattern. The center began to institute a series of policy change, including a new Labor Contract Law, unifying the dual-track corporate income tax, reducing export tax rebates, and revising the Export-Processing Law, and the like, trying to upgrade the export-led industries. These new measures suddenly raised labor costs and reduced profits for the existing foreign factories. A high economic official from Beijing was quoted as saying that China's wages are so low and the export products are so cheap that "Made-in-China" has been demonized as equivalent to dumping; China should increase labor costs in order to speed up industrial upgrade; and Dongguan ought to improve labor conditions, engage in collective bargaining with foreign buyers, and fight to take back the pricing power. As yet, this reasoning was met with local officials' defiance: "What jerk made the new labor law? When the higher-level officials came to inspect Guangdong, they were shown the bright side. They do not understand that Guangdong still heavily relies on the export-processing industries." A footwear trader expressed that Wal-Mart would not raise purchase prices. Instead, it will shift its orders to low-cost countries such as Vietnam and Indonesia, and the manufacturers have to move as well, just as the Taiwanese factories began to move to Guangdong two decades ago.[28] As a matter of fact, a few large-scale labor-intensive manufacturers, in view of the changing environment, had started to diversify their production to Vietnam since the early 2000s. When all the new polices were put into effect in 2008, they indeed caused a great impact upon the small and medium-sized FDIs immediately. There were numerous reports about worker strikes, threatened investment withdrawals, factory closures, and labor disputes accordingly in Guangdong. According to report, as many as ten thousand foreign-invested factories were closed within a short period.[29] Four major actors are involved in these chain events: central government, local officials, foreign capital, and workers. Apparently, the structural adjustment puts migrant workers under assault once again. How the new policies and consequences will result in any change of local regime need to be closely watched in the coming years.

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[28] Reported by the United Daily (*Lianhe Bao*), Jan.1, 2008.

[29] Business Weekly (*Shangye Zhoukan*) no. 1071, June 2, 2008.

Porous-Incorporative Regime in Southern Jiangsu

The Yangtze River Delta region has been deeply penetrated by the global production chain since the 1990s. But unlike the Pearl River Delta area, it was late in the sequence of opening to foreign capital, and was characterized by a high level of indigenous rural industrialization and a strong local state capability in fiscal extraction and efficient governance. In several key indicators, the local regime in Southern Jiangsu makes a contrast to Guangdong. Jiangsu is perceived by migrants as being comparably incorporative and amicable to outsiders. A female migrant who has worked in Shenzhen and Southern Jiangsu remarked that: "The discriminatory treatment between outsiders and locals is huge in Guangdong, whereas in here, Kunshan, I didn't feel much differences; and moreover, the quality of people is better."[30] In our interviews, similar perceptions were expressed by migrants and foreign managers as well.

Indigenous Development and Blessing of One Step Behind

What have made this regime divergent from Guangdong's segregative exclusionism can be attributed to its initial endowments, opening sequence and timing of global linkage, and financial strength. Like the Pearl River Delta, the Yangtze River Delta was characterized by its agricultural tradition. Yet, the two regions were distinguished by the level of original industrial basis. Historically, the rural Southern Jiangsu was renowned for its exuberant handicraft and farmers' family workshops. During the Cultural Revolution (1966-1976), the commune and brigade industries (*shedui qiye*) had developed substantially. In 1965, the agriculture comprised 45.9% of GDP and the industry 34.7% (see Table 9 below). By 1978, on the eve of open reform, the agriculture had reduced to 28.1%, and the industry soared to 55.7%. When the Yangtze River Delta region was opened for foreign capital in 1992, the industrial sector had already composed 64.2% of GDP, while the agriculture had dwindled to 11.3%. The *per capita* GDP was 6,345 yuan in that year. This economic structure makes a stark contrast to the PRD area. In 1978, the agriculture comprised 44.5% of GDP in Dongguan. When Dongguan began to usher in foreign investment in 1985, the agriculture still occupied 31.9% of GDP and the industry 48.5%, with *per capita* GDP of 1,686 yuan.

Table 10 shows that between 1970 and early 1990s, the rural collective industry achieved a historic growth in Suzhou. During the 1970s, industry was still dominated by the urban state and collective sector. But by the mid 1980s, the rural industry had accounted for half of the gross value of industrial output (GVIO). During the 1990s, the rural sector became a predominant force. By comparison, although the rural collectives and households of Dongguan gained significantly since the reform, they were as impressive as

[30] Field interview: HG_WDY_20050808.

their counterparts in Suzhou. When the foreign investors started to enter Dongguan in 1985, its *per capita* GVIO was only 1,293 yuan, in contrast to Suzhou's 5,485 yuan. Further, when the Yangtze River Delta was about to introduce foreign capital in the early 1990s, it had already build a more solid industrial base – with 32,159 yuan of *per capita* of GVIO – than that of Dongguan in the mid 1980s. It should be noted that a substantial portion of the rural collective units were actually invested by the export-processing capital – which was not counted as "FDI" or "joint-ventures" – to utilize fictive ownership arrangements (*sanlai yibu* enterprises, as locally called). This was a hallmark of Guangdong's special and flexible treatment.

Table 9 A Historical Comparison of Suzhou and Dongguan in GDP: Selective Years

	Per capita GDP (yuan)		*GDP Composition*					
	Suzhou	Dongguan	Suzhou			Dongguan		
Year			Agriculture	Industry	Service	Agriculture	Industry	Service
1965	251	N/A	45.9%	34.7%	19.5%	N/A	N/A	N/A
1970	321	N/A	41.6%	41.0%	17.4%	N/A	N/A	N/A
1978	631	549	28.1%	55.7%	16.2%	44.5%	43.9%	11.6%
1985	1,718	1,686	19.7%	61.7%	18.7%	31.9%	48.5%	19.5%
1992	6,345	6,213	11.3%	64.2%	24.6%	19.1%	50.5%	30.4%
1994	12,616	10,929	9.5%	61.4%	29.1%	12.9%	53.1%	33.9%

Sources: Calculated from *Suzhou Statistical Yearbook* and *Dongguan Statistical Yearbook*, various issues.

Table 10 A Historical Comparison of Suzhou and Dongguan in GVIO: Selective Years

	Per capita GVIO (yuan)		*GVIO Composition*					
	Suzhou	Dongguan	Suzhou			Dongguan		
Year			State and urban collective	Rural collectives	Others	State-owned and urban collective	Rural collectives & households	FDI & joint-venture
1970	618	N/A	94.6	5.4	0.0	N/A	N/A	N/A
1978	1,509	378	79.2	20.8	0.0	68.1	32.1	0
1985	5,485	1,293	49.6	48.1	2.4	44.7	51.0	4.4
1992	32,159	11,126	21.6	71.4	7.0	23.2	44.4	32.4
1994	41,061	21,660	11.3	76.7	12.0	20.1	42.7	37

Legends: * Constant price, 1990 as base year. ** Current price.

Sources: Calculated from *Suzhou Statistical Yearbook* and *Dongguan Statistical Yearbook*, various issues.

Before the inflows of global capital into the YRD region, Sunan (Southern Jiangsu) model was hailed as a Chinese peculiar path of rural industrialization, characterized by more equitable welfare distribution between the rural and urban residents.[31] A leading figure in Kunshan's development, Xuan Binglong, recollected how the sent-down intellectuals from Shanghai during the Cultural Revolution helped establish the rural industries by bringing in production techniques, management skills, and connections with the adjacent Shanghai market.[32] This historical opportunity paved the ground for a domestic entrepreneurial network. Under the impact of foreign capital, a majority of small-scale state and collective enterprises in Southern Jiangsu were auctioned or privatized in the late 1990s. As yet, this ownership restructuring did not affect its indigenous economic strength. Instead, it helped the region to achieve a faster pace of economic upgrade. In summary, this paired comparison indicates that the globalized production of Southern Jiangsu is embedded in a prior collective industrial development, whereas export-led growth in Guangdong is overwhelmingly dependent on foreign capital.

The Sunan model carries several important legacies into current local regime. Above all, the local officials enjoyed better managing techniques and financial capacity, and better-trained skilled labor than their counterparts in Guangdong at the time of opening. This in turn endowed them with a stronger bargaining power vis-à-vis foreign investors. They could be more selective in choosing type of capital. Moreover, the local government had a "backward advantage" due to the lateness in the opening sequence and could learn from the Guangdong experiences. In the meantime, as the excessively labor-intensive "sunset industries" – such as footwear, garments, handbags, and the like, had entered Guangdong and exhausted their potentials there – the type of industry flowing into the YRD region tended to be more capital-intensive. This was essentially a process of reciprocal selection. In retrospect, the high-tech industries preferred Eastern China than the South. Still, many electronic and computer industries were at once entailing heavy investment in fixed assets and equipments and intensive labor. Therefore, these foreign factories required a large amount of assembly-line workers. Since the mid 1990s, the foreign investments quickly transformed the rural and suburban landscape into industrial towns and also ushered in massive migrant labor. Today, the region has become the second largest long-distance migrant-receiving region in the country, only next to Guangdong. The regional economy, like Guangdong, is highly integrated with global capital and world market. In terms of GDP and financial performance, this region has clearly surpassed Guangdong. Table 11 compares GDP per capita, adjusted for migrant population, in four major cities. Kunshan and Wuxi are on the same level of Shanghai, while Dongguan falls behind substantially.

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[31] Cf. Oi's argument of local state corporatism (1992).

[32] Field interview: KS_EDDC_200511.

Table 11 Comparison of GDP per capita in Four Cities and National Average, Adjusted for Migrant Population: 2000-2006 (unit: yuan)

Year	**Shanghai**	**Kunshan**	**Wuxi**	**Dongguan**	**National Average**
2000	28,303	27,658	N/A	13,679	7,858
2001	N/A	28,671	N/A	15,268	8,622
2002	33,285	31,945	N/A	18,131	9,398
2003	36,533	39,267	N/A	22,174	10,542
2004	42,768	45,221	N/A	27,554	12,336
2005	51,474	54,358	50,958	33,263	14,103
2006	57,112	N/A	57,719	38,881	16,084

Due to the type of foreign capital chosen, the region does not accommodate a migrant population as dense as Guangdong. In the typically FDI-dominated city of Kunshan, the ratio of migrant to local population was about 1.1 in 2006, while the ratio was 3.3 and 3.5 respectively in Shenzhen and Dongguan. Therefore, migrants in the region would not bring as much pressure on infrastructure and public goods provision. This helps explain the relative openness of this local regime for prospective new citizens. On average, migrant workers in Southern Jiangsu enjoy better wage and non-wage treatment than other areas with a similar structure of globalized production. The government-regulated minimum wage rate and estimated migrant income of the region shows no significant disparity with those of Guangdong. Nevertheless, local governments in this region appear to be more protective of labor rights than Guangdong officials. Wage arrears and nonpayment of overtime wages are also less rampant than Guangdong. Institutionalized discrimination is the least severe in the three regimes under comparison. Basically, there is no multilayered social insurance scheme discerning migrants, and the overall insurance coverage is among the highest in the nation. As analyzed above, the average labor cost in Suzhou is approximately 20-30 % higher than in Dongguan and Shenzhen. This in turn is explained by the factor that the labor cost constitutes a lower portion of total costs because of the type of capital. As the local government has a stronger capability in fiscal extraction from the foreign-invested enterprises, it could steer the economic development toward its redefined policy goals. To illustrate, in recent years, when the local government engaged in urban re-zoning, it has demonstrated a determination and financial strength in "buying out" the undesirable high-pollution, labor-intensive factories. The institutional inequality has proceeded with the enhanced state capacity during the market era. Thus, the state capacity is a necessary and intervening factor, rather than a determinant factor, in pushing forward reform policies favorable to migrants and their family in the urban regime. An important motive is how local officials define their policy goals and priority, which is in turn determined by the intensity of central government and intra- and inter-regional competition for development. In summary, a relatively low density of migrants, local state financial capacity, and intraregional competition for stable and well-trained labor in Southern Jiangsu altogether have given birth to this porous-incorporative local regime.

Public Goods Provision for Migrants

Kunshan among other prosperous industrial clusters in Southern Jiangsu provides a typical case to observe this type of local regime. Kunshan City is located 30 miles west of Shanghai; it is one of the six county-level cities under the jurisdiction of Suzhou Prefecture. Kunshan built an economic development district "on its own budget" in 1985. The city was approved by the State Council to set up a state-level economic and technology development district in 1992, the year that Shanghai and Yangtze River Delta were opened for foreign direct investment. In 2000, it further established the first export-processing zone in China. The city now hosts thousands of export-oriented FDIs. For its extraordinary performance, the city has been continually listed by the state on the list of "top 100 strong counties of the nation." Local *hukou* residents have been eligible to enjoy good welfare benefits, though not as ample as granted by metropolitan cities, thanks to the ample financial revenues over the last decade. Thus, the Kunshan *hukou* contains a higher value than that of Dongguan in the mind of migrants.

It is true that the local officials have played a crucial role of "broker" in the globalized production by providing lands, cheap labor and infrastructural facilities, a function similar to their counterparts in Guangdong. However, they have spent more resources and efforts in supplying public goods to the residents, including a portion of migrant workers. In general, Kunshan officials, as others in the same region, appear to be much less indulged in rent-seeking activities and more regulatory and redistributive. Above all, they tend to be responsive to the needs of the migrants. In Kunshan a uniform social insurance program has applied to all industrial employees without discrimination. Its overall insurance coverage outperforms other major cities (see Table 3 and 4 above), with 60.8% for pension program and 53.2% in health care in 2005. The employer contribution rate is set at 29.5% of insured wage, only slightly lower than Suzhou City, and significantly much higher than other Dongguan, Shenzhen, and Shanghai (See Table 5 above). The city has also adopted an opener *hukou* policy due to an enhanced competition with adjacent industrial centers for high-skilled and better-educated labor. For instance, Wuxi in the same region began to experiment with a new policy of residence permit in 2006, offering migrants to apply for local *hukou* after three years of residence the talents market.[33] Kunshan has instituted the blue-stamp and talents market system earlier. Since the early 2000s, Kunshan has put up a

[33] Wuxi officials told us in 2005 that enterprises can apply for their workers a special employment permit, which grants the workers local *hukou* after three years of residence. Field interview: WX_NDC_200511.Cf.http://big5.xinhuanet.com/gate/big5/www.js.xinhuanet.com/xin_wen_zhong_xin/2006-08 /31/content_7920863.htm (accessed March 11, 2007).

measure of transforming the "guest workers from outside" into "new Kunshan people," which won the support of the provincial and central government. Xuan Binglong, the above-mentioned leader of the Kunshan Economic Development District stated:

> *Hukou* is no longer a problem in our place; neither is the migrant children education. There was barely one primary school in the District, but now we have 24 primary and 5 high schools. The government is laboring hard to build new schools… Nowadays, there are more thieves than ever. They are all from outside. As yet, they do not really mean to steal things. I'd say, they do it just out of envy, psychological imbalance, and so on. Therefore, I often say that their anger must be vented. Urban area should be expanded. We should create places for the poor to hang around. Don't worry that the rich get richer, but never let the poor become penniless. We don't care that rich people are eating shark fin soup, but we ought to offer the poor fast noodles, to say the least.[34]

That "*hukou* is no longer a problem" seems exaggerated, but what he claimed is that *hukou* is no more a major trouble to the local government in its developmental strategy. If fact, we still observe in his talk that status distinction between locals and migrant outsiders persists. Yet, the Kunshan government indeed took initiative in providing educational resources for migrants. It built more public schools and admitted migrant children to these schools. It also cooperated with a few "migrant school bosses" in reforming their poorly-built private schools into better-equipped ones by providing inexpensive lands and administrative assistance.[35] In our fieldwork, a number of migrant parents confirmed that their children were admitted to the school without paying unreasonably high tuition fees. Kunshan's ameliorative policies were carried out by a government with a clearly-defined goal in competing for and retaining skilled labor, and saliently, these policies would not be possible without its relatively sanguine financial sinew. Table 12 below compares the financial and educational expenditures in Kunshan and Dongguan. Both cities seemed to be on the same level in term of *hukou* population. However, Kunshan's financial capacity far surpassed Dongguan after adjusting the migrant population. Kunshan enjoyed a *per capita* expenditure of 4,939 yuan, whereas Dongguan had only 1,784 yuan in 2005. In the category of education and related expenditures, Dongguan appeared to be better than Kunshan based on *hukou* population. But Dongguan was outperformed by Kunshan, after adjusting the migrant population. Thus, local policy goal and local state capacity are two key factors in explaining interregional diversity in migrant welfare and education treatment. Kunshan's new policy goal of attracting high-quality migrant labor was aided by the local state's financial capacity. In the case of Dongguan, the hyper density of migrant population made the local state less affordable to provide equitable education service to migrant

[34] Field interview: KS_EDDC_200511.

[35] Field interview: KS_JJ_XYG_20070125.

children as being implemented in Kunshan. Nonetheless, the local policy goal was another critical variable in explaining Dongguan's segregative regime. The local government did not place the improvement of migrant conditions on the agenda. Though more or less constrained by the limited financial capacity, Dongguan officials still could do something if the local officials reoriented their policies.

Table 12 Comparing Financial Expenditures and Educational, Science and Cultural Expenditures in Kunshan and Dongguan: 2000-2005 (unit: per capita yuan)

	Kunshan				**Dongguan**			
	Financial Expenditures		Education, etc.		Financial Expenditures		Education, etc.	
Year	Hukou Pop.	Adjusted by Migrant Pop.	Hukou Pop.	Adjusted by Migrant Pop.	Hukou Pop.	Adjusted by Migrant Pop.	Hukou Pop.	Adjusted by Migrant Pop.
2000	2,295	1,880	220	180	2,202	521	1,015	240
2001	3,036	2,264	579	432	3,110	731	1,245	293
2002	4,242	2,616	709	437	4,159	992	1,687	402
2003	6,967	3,938	921	520	4,814	1,168	2,243	544
2004	7,917	3,997	1,336	674	5,813	1,436	1,864	460
2005	10,133	4,939	1,588	774	7,066	1,784	2,304	582

Sources: *Suzhou Statistical Yearbook* and *Dongguan Statistical Yearbook, Shenzhen Statistical Yearbook , various years.*

The residential pattern of factory migrant workers in Kunshan is different from Guangdong. Due to rigorous urban planning, enterprises are not allowed to build dormitories in the factory. The city has constructed residential apartments for migrants in recent years. Some foreign-invested companies rent buildings from government or private companies to be used as dormitories. Still, many migrant families rent houses and apartments from local villagers. This residential pattern is more diversified and less segregative than in Dongguan and Shenzhen. In contrast, the prevailing factory-dormitory complex does not exist in the region. Interestingly, we found in the field that a few foreign firms have tried to build dormitories within their factory walls by using legal loopholes. They believed that the dormitory would bring convenience to workers and also make it easier for the company to manage workers.[36]

The soaring medical expenses in recent years have been a big problem for migrants. Kunshan Government offers health care benefits to the insured workers regardless of their *hukou* status. According to social insurance program, each worker contributes 2% of base wage for health care, which is 20 yuan at a base wage of 1000 yuan, while the employer

[36] Field interview: KS_HG_20070722.

pays 8%. The insured is eligible to an outpatient benefit up to 1,920 yuan every year. In case of hospitalized treatment, the insured can be compensated for 88-95% of expenses below 200 thousand yuan. This system is among the best treatment to migrant workers in the nation – much better than the benefits granted in Shanghai and Guangdong. The equitable treatment in health service, therefore, explains the migrant positive impression of Southern Jiangsu.

The compensation for birth expenses in Kunshan is also relatively ample for migrants. According to our interviewees who have the reproductive experience while working in Kunshan, they were duly compensated if they were covered with birth insurance by the employer. As a rule, the insured has to file for reimbursement through the company. In some cases, the reimbursed amount may be even more than the actual expenses. Thus, employers would embezzle the extra amount.[37] The story of Fang is telling. She was working in Kunshan, but decided to deliver the baby in her home county, spending 1,300 yuan for the Caesarean section and staying eight days in the hospital. The same operation in a Kunshan hospital would cost her more than ten thousands. Afterwards, she gathered necessary documents, including birth permit approved by hometown government prior to pregnancy, birth certificate issued by the hospital, single-child glory certificate, and receipts and asked her company's account for apply for reimbursement to Kunshan Social Insurance Center. It turned out that she was paid six thousand yuan. She was happy that she "earned almost five thousand yuan."[38] This story is typical of migrants' Kunshan experiences, but exceptional in other types of local regime.

Appraised by the central government as a model city, Kunshan has boasted of "comprehensive coverage" in social insurance, that is, regardless of the laborer's *hukou* status, everyone is insured. The city seems impeccable. However, there is a serous flaw in this regime when we further explore the reality. A substantial portion of migrant workers were put under the category of "outsourced labor," thus left uninsured or covered with inferior program. The analysis below will make it clear.

Social Insurance and Trick of Labor Outsourcing

Table 13 shows the social insurance coverage of twelve companies in the YRD region, collected in the fieldwork. In the sample nine enterprises are located in Kunshan: two of them are domestic private capital and the seven FDIs are from Taiwan. Three FDIs are located in Suzhou's economic development zone. First, unlike the PRD, all of the insurance items are bundled together. Employer is not allowed to break the insurance program into separate parts. Secondly, the average coverage of individual enterprises is

[37] Field interview: HG_LAB_20050808.

[38] Field interview: LH_ZF&GH_20070126.

significantly higher than that in the PRD (see Table 8 above), and the employer pays much higher contribution rate. In recent years, we heard managers sound the alarm of "ever-increasing labor costs and expensive insurance fees" in the YRD region, because the local government raised the minimum wage rate every year, from the 620 yuan in 2004 to 850 yuan in 2007.[39] But the wage rate was still very low by world standard. It was about US$118 per month in 2007.

Table 13: Social Insurance Coverage in the YRD Region: Firm-level Findings, 2007

Company Code	Type of Capital	Total workers (A)	Workers under social insurance (B)	Workers under outsourcing (C)	Insurance coverage (D) = (B)/(A)	Outsourcing rate (E) = (C)/(A)
KS-KY	FDI_TW	280	75	205	27%	73%
KS-KQ	FDI_TW	120	60	60	50%	50%
KS-LM	FDI_TW	40	36	0	90%	0%
KS-LH	Domestic_ Private	20	6	0	30%	0%
KS-LHUA	FDI_TW	1,100	385	715	35%	65%
KS-ZY	FDI_TW	500	175	325	35%	65%
KS-HG	FDI_TW	1,500	1,500	0	100%	0%
KS-Y-4	FDI_TW	300	180	N/A	60%	N/A
KS-Y-5	Domestic_ Private	300	100	40	33%	13%
SZO-ZL	FDI_TW	536	196	340	37%	63%
SZO-RC	FDI_TW	255	230	25	90%	10%
SZO-JC	FDI_TW	600	120	480	20%	80%

Sources: Field surveys.

Thirdly, the increased coverage is caused by a double pressure of the central and local governments. Around 2003, the Center began to promote the Kunshan experience as a national model and required the local government to enhance insurance coverage. The local officials in turn demanded foreign enterprises to reach a minimum 80% coverage within a year. This abrupt adjustment deemed difficult for the enterprises.[40] Hence was the widespread use of "labor outsourcing" as a counter tactic by the foreign firms. Labor

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[39] This is a general regulation of the Jiangsu Province. In effect, the minimum wage is set in the range of 360-620 yuan (with four scales) in 2004 and 590-850 yuan (with three scales) in 2007. See "Notice on the readjustment of minimum wage" issued by the Labor and Social Security Department of the Jiangsu Province (Jiangsu sheng laodong he shehui bazhangting guanyu tiaozheng Jiangsu sheng duidi gongzi de tongzhi), 2004 and 2005 respectively. As a rule, the FDIs are required to pay wages at the highest scale, whereas the domestic enterprises are allowed to apply the lower scales. The practices are same in Guangdong and Shanghai.

[40] Field interview: KS_ZY_20070720.

outsourcing is largely an official-business collaboration in evading the codes of labor. In fact, the outsourced workers are directly hired by the company and arranged to be "affiliated" with human resources companies, often run by powerful ex-officials or established by local governments to create extra-budgetary revenues. Therefore, labor outsourcing in most instances is but a clever manipulation. Kunshan officials have privately encouraged and even tutored foreign managers to utilize the trick. The workers placed under outsourcing are either uninsured, insured only with occupational injury, or provided with inferior scheme, through the arrangement of human resource agencies. By this manipulation many FDIs have achieved comprehensive coverage on the official statistics. The overall pension coverage rate in Kunshan rocketed from 24.2% in 2002 to 59.2% in 2003, a spectacular performance by the local officials.

Our fieldwork at the firm level confirmed the ostensible progress. Eight out of ten surveyed foreign companies resorted to outsourcing to reach the official targets. Of the two FDIs that did not utilize outsourcing, KS-LM was a small company hiring only forty workers. The manager told us that he never heard of the trick of outsourcing when we first interviewed him in 2005.[41] In subsequent visits, this company still did not take advantage of it. This "anomalous case" can be explained by its small size of employment and relatively low proportion of labor costs. The other KS-Y-4 Company would not reveal whether or not they used outsourced labor, though it was confirmed that 60% of entire workforce was covered with normal social insurance.

There are two domestic private enterprises in our survey. KS-Y-5 was a capital-intensive chemical company, falsely registered as an FDI from Canada to enjoy privileged treatment but owned by domestic capital. This enterprise only insured 33% of the employees and used 13% of outsourced manual workers. Another KS-LH was a family-type workshop, owned by a local who maintained good relations with officials. It insured 6 of the entire 20 workers. But we further found that all these insured were either the boss's relatives or close friends. This enterprise was typical of many small-sized domestic factories. These two cases point to the oft-heard complaints by FDI managers that the local officials treated the enterprises with double standard.

The KS-HG Company is extraordinary in its genuinely comprehensive coverage The manager told us in a resolute manner: "All of our workers are provided with social insurance, except for those on probation. Otherwise, troubles will emerge immediately. Recently, complaints to the labor bureau become more and more frequent when the employees leave factory, mostly asking for extra-hour wage and bonus compensation."[42] Obviously, this high-end print house closely followed the legal rules. We double checked it

[41] Field interview: KS_LM_200507.

[42] Field interview: KS_HG_20070722.

with workers and they vindicated what the manager had claimed: "Our company does things strictly according to the law. The employees are all insured, because our big boss demands it. Even the temporary workers are covered."[43] Workers in this factory appeared to be "loyal" and satisfied with the better wages and welfare benefits. Except for its particular corporate culture, this case should be also explained by its high technology and comparably lower costs spent on the labor. Above all, this exceptional case proves the rule of popular usage of outsourcing in the region.

No doubt, labor outsourcing has diminished the outstanding social insurance performance of this local regime. Nonetheless, it is undeniable that Kunshan as a leading city in offering more equitable treatment to migrants has resulted in a positive contagious effect on the foreign-invested sector in the Yangtze River Delta. For example, Wuxi has been under tightened competition with Suzhou and Kunshan, and has to improve its labor conditions to attract skilled labor. Wuxi Government in 2007 proposed a "non-differential wage policy" and "unbound social insurance policy" for migrant workers and announced that it has brought nearly 40% of its total 1.7 million migrants under social insurance.[44]

In summary, this type of urban regime stands out in contrast either to the segregative regime in Guangdong or to the hierarchical regime in Shanghai and Beijing. The comparison between Dongguan and Kunshan is most distinct since both cities are heavily invested by foreign capital and incorporated into the global production. Yet, their respective treatments of migrant workers have varied to a large extent, due to different timings of opening, indigenous endowments, and local state capacity. Like Guangdong, the implementation of the new Labor Contract Law and related policies has brought impact upon the foreign capital in the YRD region. Gradually-awakened legal consciousness in workers under the circumstances have also exerted pressures on the enterprises, as evidenced by both the labor behavior and corporate responses. But the foreign companies in this region have obviously better adjusted the new policies than their Guangdong counterparts. One reason is that on average the foreign companies in the region have appeared to be more or less complying with the labor laws. And paradoxically, the existing practices of labor outsourcing have prepared for the foreign capital with the new situation, since the Labor Contract Law formally legalizes the measure of outsourcing. Therefore, we can predict that the new labor policies would not affect the region as seriously as in Guangdong.

Metropolitan-Hierarchical Regime

The metropolitan cites, and provincial capitals to a lesser extent, in the coastal areas have created a unique genre of urban regime. This regime is characterized by highest

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[43] Field interview KS_HG_LAB_20070124.

[44] New China Daily (*Xinhua Ribao*), April 6, 2008.

degree of protectionism against outsiders. It is extremely difficult for migrants to obtain a local urban *hukou*; and it implements an highly institutionalized, hierarchical treatment of migrant workers, as embodied in the multilayered social insurance program. Several factors explain the characteristics of this regime type. First of all, this rank of cities have been employing a large sector of state-owned industries and massive civil servants, teachers, and party cadres since the Mao's era. As a result, the city has to take care of a high proportion of retired and off-post employees (*lituixiu renyuan*). Usually, the retirees enjoy privileged, if not even better than on-job employees, welfare treatment guaranteed by the state. Moreover, these cities have being offering the highest level of welfare benefits to urban citizens since the old days. Thus, the city has to spend a large sum of finance on pension, health service, education, in addition to burgeoning infrastructural constructions. Table 14 below shows the varying weight of urban retirees in the cities of three major types of regime under comparison. Shanghai had to support 2.9 million of "aging" or "non-productive" population, which was 25.3% of its entire urban *hukou* population in 2005; Beijing had almost 2 million of retirees, making 21.8% of urban *hukou* population; and Tianjing 1.3 million, and 23.3%. By comparison, the burdens were significantly lower in absolute number and proportion in other two regimes. This high ratio of welfare expenditures on urbanites provides a "hidden transcript" for local officials to justify the urban protectionism and institutionalized discriminative treatment on migrants.

Table 14: Retirees-to-Urban Population Ratio in Three Regions, 2005 (unit: 1,000 persons)

	Number of Retirees and Off-post Employees (A)	**Urban *Hukou* Population (B)**	**Ratio (A/B)**
Metropolitan Cities			
Shanghai	2,907	11,489	25.3%
Beijing	1,922	8,802	21.8%
Tianjing	1,312	5,624	23.3%
PRD Manufacturing Centers			
Shenzhen*	125	1,648	7.6%
Dongguan	43	658	6.5%
YRD Manufacturing Centers			
Suzhou	441	3,097	14.2%
Kunshan	40	365	10.9%
Wuxi*	382	2,794	13.7%

Legends: * Data of 2004.

Sources: *Statistical Yearbook* of Shanghai, Beijing, Tianjing, Shenzhen, Dongguan, Suzhou, Kunshan, and Wuxi, 2005 and 2006.

Migrant labor constitutes a major workforce in these metropolitan cities. Migrants in Shanghai composed of 40% of entire local population in 2005; and the ratio of migrant-to-urban employees was as high as 0.83. Similarly, Beijing accommodated a 37% of migrant population with a ratio of migrant labor force of 0.62 in the same year. If we add the undocumented, ghost migrants, the weight of migrant population would be much higher. In addition to seeking employment in the formal sector, there have emerged large informal sectors in these cities, employing numerous migrants as domestic helpers or as self-employers as unlicensed taxi drivers, small shopkeepers, street peddlers, and garbage recyclers living in migrant enclaves and slums. Thus, a highly fragmented labor market has been created in this regime. For one, civil servants and workers in the state units constitute a privileged labor segment. For another, the migrant labor employed in the globalized production section makes up a underprivileged labor market. Still, another informal labor segment attracts ghost migrants into the informal sector. Besides, a large number of land-grabbed farmers become proletariat, with the *hukou* status transformed into "non-agricultural sub-urbanite," drifting in between formal and informal sector, and often unemployed or working in part-time job. In response to this highly fragmented labor market, the metropolitan regime has instituted a multilayered social insurance program. The motivation is to incorporate as many as migrant workers into the insurance scheme by requiring enterprises to pay low costs without causing their resistance and evasion. Therefore, we can observe a seemingly contradictory picture of migrant situation in these mega cities. On the one hand, the urban government has a strong proclivity to incorporate migrants into its official radar, in order to contain migrants from becoming unruly ghost and guerilla workers. On the other hand, however, the incorporated migrants are institutionally arranged in lesser social status and offered with modicum welfare benefits. Hence, the local strategy of *exclusion-cum-incorporation* in migrant governance has found its fullest embodiment in this regime. The incorporative measures are primarily intended to maintain social order, rather than assimilate, at least, a portion of skilled labor into a system of equitable treatment.

The coastal metropolises are also highly integrated with global productive, cultural, and consumer forces. Global capital and foreign direct investment have made their road into the production sphere since the mid 1990s. Figure 2 below compares the ratios of trade-to-GDP in Shanghai, Tianjing, and Beijing. Both Shanghai and Tianjing are highly penetrated by global capital-led international trade, with the trade-to-GDP ratio around 90% and 60% respectively by 2006. By contrast, Beijing's economy has been less dependent on foreign trade.

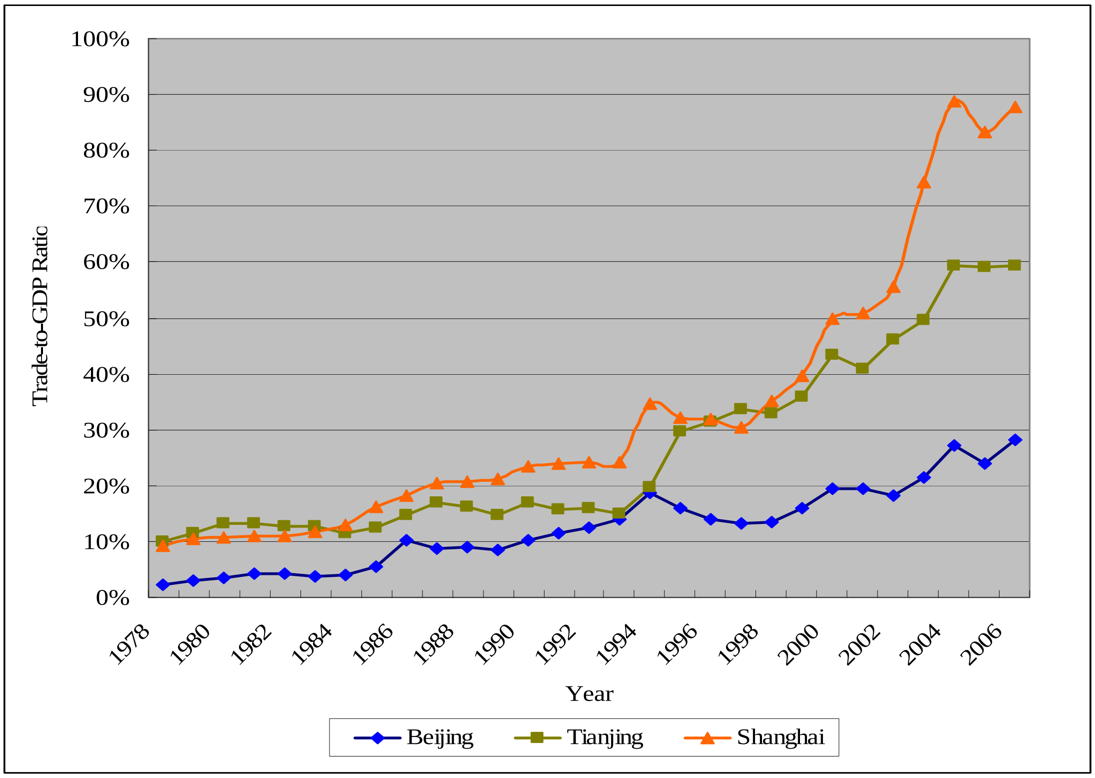

Figure 2: Trend of Trade-to-GDP Ratio in Three Metropolitan Cities: 1978-2006

The varied degrees of globalized production in these cities point to the fact that foreign capital has different influences on respective urban regimes. The highly exclusionary and hierarchical characteristics in this regime type is indeed molded by its global links, not only in economic terms, but also in political and cultural ties. Beijing as the national capital has a motivation as strong as Shanghai and Tianjing to maintain a super-modern façade and a stable social order. These mega cities thus resort to regularly crack down the migrant enclaves while heavily relying on migrants in supplying necessary cheap labor for its globalized production and urban construction and service. The story of demolition and rebuilding of Beijing's *Zhejiangcun* (migrant enclave) illustrates the symbiotic, uneasy relationship between migrants and local government.[45] The Zhejiang Village emerged in the early 1990s as a spontaneous, booming migrant community. It was torn down by the government several times since the mid 1990s, but the "migrant bosses" somehow found a way to rebuild commercial high buildings by cooperating with local government. Today, when visitors go to Zhejiangcun, the first impression would be the modern shopping malls on the broad way, but when exploring beyond the modern façade, visitors would immediately find themselves in the inner village with shoddy shelters, narrow alleys, uncovered ditches, and no less importantly, the exuberant businesses in this proto-type migrant enclave. The transformation of Zhejiangcun reveals a strange coexistence of "urban aesthetics," contained social order, and migrant daily hardship.

Obtaining an urban *hukou* in the metropolitan cities is notoriously difficult. In both Shanghai and Beijing, the narrow window once opened for new *hukou* acquirement has been shut down, except for allowing tiny quota to solve historical issues such as the returning children of the sent-down intellectuals during the Cultural Revolution and spouse reunion, and the like. In Zhejiangcun, a migrant business boss who had been in Beijing for sixteen years but still stayed in the city on temporary residence status, complained: "The government required us to register for temporary residence. It's still the same way now. It is against the constitution. I am a citizen of the People's Republic of China. Why do I have to register with temporary residence."[46] Another migrant boss, who bought a house in Beijing but without local *hukou* and social insurance (Beijing never instituted the blue-stamp system as in other major cities), retained his household registration in Wenzhou. He opted to buy the official pension insurance with the social insurance center in his hometown in Wenzhou, paying three thousand-plus yuan every year as a *getihu*. Like most well-to-do migrant bosses, he sent his daughter to public school by paying a large amount of extra fees (in the name of "donation").[47] Our fieldwork in Beijing found that there exist scores of migrant enclaves in the city, where migrants strive to dodge official surveillance in everyday hardship. These places share a similar socioeconomic structure with the widely-known Zhejiangcun in its early days.

Beijing and Shanghai enjoy abundant financial capacity and education expenses. Both cities had financial expenditure *per capita* of 11,787 and 13,258 yuan respectively in 2006, compared with a national average of 3,075 yuan.[48] The average spending on school children in both cities is the highest in the nation. For example, every primary student in

[45] Cf. Xiang (2000) and Zhang (2001). Roughly half of Zhejiangcun's 200-250 thousand migrant population was from Wenzhou of Zhejiang Province as of 2007, told by a Wenzhou businessman.

[46] Field interview: Zhejiangcun_LJF_20070716.

[47] Field interview: Zhejiangcun_LIN_20070716.

[48] Calculated from *Beijing Statistical Yearbook* 2007, p.35, 61; *Shanghai Statistical Yearbook* 2007, p.32, 81; and *China Statistical Yearbook* 2007, p.105, 279.

Beijing is prepared with an annual budget of 5,147 yuan, which is more than fourfold of that provided by Hebei Province and sevenfold than that provided by Henan Province.[49] However, for decades, both cities have continued to implement discriminative treatment against migrant children, based on the principle of hukou-centered governance. According to an investigation, the public primary schools averagely asked 3,000 yuan of "sponsorship" fee for a migrant student every year, totaling one billion yuan, or equivalent to half of entire government spending on primary education,[50] whereas the government-regulated tuition fees were normally 600-800 yuan a year. In recent years, Beijing officials began to adopt a "divide and rule" strategy on migrant schools in the city. On the one hand, the government launched a blitzkrieg against the unregistered schools – for example, several district governments forcefully closed down scores of schools during the summer vacation of 2006. On the other, the government allowed some schools that complied with a certain criteria to be "legalized" and granted small amount of subsidies. By the end of 2006, 58 schools were legalized,[51] while hundreds were left as "ghost schools," constantly fearing government crackdown. This government action embodies the strategy of partial incorporation to come to terms with the central government's pressure demanding migrant-receiving localities to provide obligatory education for migrants. However, these legalized schools were placed under a status lower than the ordinary public schools without being provided appropriate resources. Basically, this is still an urban-centered protectionist strategy which at once fulfils the center's ordinance and prevents migrants from eating into the urban established privileges.

Shanghai as Ideal Type of Hierarchical Regime

Shanghai is a global city in the frontier of the world capitalist system. Shanghai, a provincial-level municipality, had a *hukou* population of 13.7 million, among whom11.7 million were urban residents, and 6.3 million of documented migrants in 2006. In addition, there were estimated 2.4 million undocumented migrants during 2004-5.[52] Historically, Shanghai was an industrial and commercial center of the country, abundant in international experiences with a part of its territory leased to imperial powers. Today, the city is shining with modern infrastructure and mushrooming skyscrapers, but it also thrives on a large informal or semi-informal section. The local state capability is strong in terms of bureaucratic coordination, infrastructural power, and financial revenues. Shanghai was opened up for foreign investment in 1992, later than Guangdong in the opening sequence. Compared with other regions, the local government has enjoyed a robust bargaining power

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[49] Lee (2008: 3-4).

[50] Reported by China Newsweek (*Zhongguo Xinwen Zhoukan*), May 8, 2008.

[51] Lee (2008: 39-45).

[52] Chen (2005a: 126).

in selecting high-tech and capital-intensive FDIs. Foreign capital makes an important part in the capital formation, but not as overwhelmingly as in the foreign capital-dependent PRD and YRD regions. The state sector still leads in a few strategic industries and monopolizes many lucrative businesses in the high-end service and financial sector. Due to a high ratio of retiree population, which has caused a relatively heavy welfare burden, and an impulse for constructing a hyper-modern city, the city is representative of the urban protectionism in China. The government reserve many employment opportunities for the locals by setting up *hukou* obstacles,[53] whereas numerous undocumented migrants are driven to find job in the informal sector. The Shanghai officials have also never got their hands soft in retrenching the "filthy migrant slums" and cracking down the "illicit migrant schools." It is documented that there were about 120 thousand migrant children enrolling in 500 migrant schools in 2001. Only a small portion of these schools were lawfully registered with local government.[54] The migrant schools have been "cleared up" or "driven away" in recent years under the official iron fist. The Shanghai Government adopted a more severe and resolute policy in dealing with migrant schools than Beijing. Therefore, the Zhejiangcun type of migrant community was not allowed to grow in the city.

When the influx of migrants began to contest the urban public goods provision and the central government ordered the local officials to incorporate the migrants into social insurance program, Shanghai answered it with a hierarchical-exclusionary regime. An official survey on Pudong District of Shanghai,[55] indicates that in 2002 only 21% of migrant workers employed by enterprises and 9% of individual laborers were covered with medical insurance.[56] Thus, by the early 2000s, the local regime still excluded most migrants from its welfare system, a characteristic similar to the segregative regime in the Pearl River Delta. A special "synthetic insurance program," bundling pension, health care and injury together, was instituted to apply on migrant workers in 2002.[57] This program is characterized by low level of benefits, relatively high coverage, and "commercialized operation." Unlike the urban insurance program, which is managed and guaranteed by the urban government, the migrant system is entrusted to commercial insurance companies on the market." Scholars have criticized that this system lacks transparency, opening a loophole for corruption, because the commercial companies often maintain a special relationship with officials.[58] The government does not bear any financial burden for the

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[53] Chen Yingfang found that a number of severe *hukou* restrictions had not been removed through 2004 (Chen 2005b: 72; 78, note 4).

[54] Kwong (2004).

[55] Pudong hosted where 802 thousand migrants, about 31% of total population. *Shanghai Pudong New District Statistical Yearbook* 2004, p.40.

[56] Yan et al. (2004).

[57] The full Chinese title is "*Shaihai Shi Wailai Conye Renyuan Zonghe Baoxian Zhanxing Banfa*."

[58] Hu (2006).

migrant insurance, but collects a 2% administrative fees from the contributed premiums, and takes another portion from the reserve funds to finance a training project for laid-off urban employees.[59] Moreover, the insurance fees paid by employers for migrants are used by the government to pay the current welfare expenses in the pay-as-you-go system. Thus, the migrant sector is actually subsidizing urbanites.

The migrant program rapidly incorporated the documented, factory workers into the system within a few years. In 2004, the Municipal Government assigned targets for lower-level governments, and used the degree of fulfillment as a criterion for official performances. The coverage soared to 2.1 million in the end of 2004, and it further grew to 2.5 million in 2005. An official claimed that the city had achieved an overall 80% insurance rate, marching toward "comprehensive coverage."[60] This seems true if we merely consider the amount of migrants employed in the public-owned and foreign-invested enterprises. yet, if we include millions of ghost migrant population, who labored in small-sized private units, domestic service, and informal sector, more than half of migrant workers were left unprotected.

Workers under the migrant scheme are allowed to receive benefits for occupational injury, hospitalization, and old-age subsidy, but birth and unemployment benefits are not provided. The insured person is issued an "old-age subsidy certificate" each year for continuous twelve months of employment in the same enterprise. One cannot get benefit from the certificates until the official retirement age, set at 60 for male and 50 for female. For many migrants, the pension certificate means nothing but a forced saving, with a high discounting rate given the high inflation and uncertain future employment, deposited in the government that they do not trust. By contrast, retired urban employees enjoy the highest monthly pension across the nation. The treatment is differential, as argued by officials, due to the fact that the employer must contribute 22% of insured wage (within the range of 1,341 - 6,705 yuan in 2006) for an urban worker pension program, while the employer who hires migrants only pays 7% at a low insured wage (fixed at 1,341 yuan). In addition, migrants' contribution is not compulsory, so there is no individual account for them. For employers, the insurance fees they pay for migrants, nonetheless, constitute a part of labor costs. This portion of money, in the eyes of migrant workers, is subtracted from their wages. Differences in insurance costs between migrant and urban scheme are huge. According to the contribution formulas, the employer has to pay at least 496 yuan (including five items of insurance) for each worker, but a migrant costs only 168 yuan.

The insured migrants get quite thin health care. They are not provided with outpatient

[59] Reported by Yang Jinzhi and Xiao Chunfei on Xinhua Net, Feb. 5, 2004. http://www.southcn.com/news/community/shzt/cpw/treatment/200506230602.htm

[60] Reported by Xinhua News Agency, April 4, 2006. http://www.gov.cn/jrzg/2006-04/04/content_244794.htm.

expenses, but only paid for occupational injury and hospitalization (up to 7,152 yuan a year in 2006). According to a government source, 13 thousand migrant workers were reimbursed for the major disease (hospitalization) expenses from 2002 throughout early 2006.[61] In 2005, the government initiated a "medicine subsidy" for migrants that allows a monthly 20 yuan for purchasing medicine at assigned pharmacies in the city. In sum, migrants have received a low level of medical care compared with the urban *hukou* employees.

Social Insurance and Hierarchical Labor Regime

Table 15 shows the insurance coverage for seven companies in Shanghai, one in Nanjing, and another in Guangzhou. Among them, three are local capital; three from Taiwan; and three from US, Germany, and Japan respectively. Similar to the companies in YRD region, firms in this regime tend to use the measure of outsourcing to save insurance expenses. Four out of seven firms (including a Japanese one) in Shanghai confirmed that they used outsourced labor; NJ-A-1 in Nanjing used 50 % of entire workforce as outsourced; and GZ-A-3 in Guangzhou is a domestic private capital that uses 81% of outsourced labor.

Shanghai's social insurance program consists of a three-tier device, applied to urban *hukou* employee, suburban (small-town) *hukou* employee, and migrant worker respectively. According to the official rules, employees with local *hukou* cannot be outsourced. The outsourced migrant workers were insured under the inferior migrant scheme without exception, if not left uncovered. Newly transferred rural-to-urban residents of the Shanghai *hukou* were placed under the small-town scheme. In our fieldwork, it was found that even some urban *hukou* workers were placed under the small-town scheme with "certain special arrangement by officials."[62]

SH-A-2 seems an unusual case for its high percentage of urban coverage at first glance. It was established during 1994-5 as a joint venture between a state enterprise and foreign capital. In the early 2000s, it was transformed into a solely-owned domestic private capital. This company was a capital-intensive machinery manufacturer and 80% of its entire employees had local *hukou*. That is why it put such a high proportion under urban scheme. This enterprise behaved like a state-owned unit because of its history.

Our fieldwork found that in this regime the factory workers with migrant status were covered with social insurance to a very high degree. This indeed verifies the government-proclaimed goal of "comprehensive coverage." Nonetheless, the surveyed companies have tried to use as many migrants on the shop floor as possible to save

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[61] *Ibid*.

[62] Field interview: SH_SY_20050426.

insurance and welfare costs among others. Thus a high proportion of workers were hired as outsourced labor and insured with the underprivileged migrant scheme, in order to save labor costs. In summary, it is common to observe three different statuses of workers laboring in the same working space in Shanghai. The hierarchical and differential treatment has been embedded into the firm-level. Concomitantly, there is a complicated exploitative mechanism generated from the intra-firm segmented labor market.

Table 15: Social Insurance Coverage in Shanghai and Other Cities: Firm-level Findings, 2007

Company Code	Type of Capital	Total workers (A)	Urban Scheme (B)	Small Town Scheme (C)	Migrant Scheme (D)	Labor Outsourcing Ratio (E)
SH-Y-ks	FDI_TW	3,224	2%	10%	88%	76%
SH-A-2	Domestic_Private	350	80%	0%	20%	N/A
SH-Y-6	FDI_US	6	0%	83%	17%	N/A
SH-Y-7	FDI_ Germany	150	70%	10%	20%	N/A
SH-SY	FDI_TW	900	0%	60%		40%
SH-WN	FDI_TW	1,800	22%	22%	56%	56%
SH-FST	FDI_Japan	58	57%	2%	41%	34%
NJ-A-1	Domestic_Private	200	N/A	N/A	50%	50%
GZ-A-3	Domestic_Private	520	19%	N/A	81%	81%

Sources: Field surveys.

Local protectionism is taken for granted in China, just as most immigrant-receiving countries guard against aliens in the situation of international migration. However, institutionalized inequality between locals and migrants finds its most drastic expression in this type of regime. “Peasant worker” has become a particularly distinct and poignant social category. It is reproducing itself both in social practice and in public life, so tenaciously as to create a “hereditary status effect” – the term “peasant worker’s children” has been adopted as an official category in public policy.[63] This category serves to justify government discriminatory treatment. Inequality thus reproduces itself through official categories.[64]

In conclusion, this urban regime for migrants is simultaneously hierarchical and exclusionary. On the one hand, migrant workers are incorporated into the urban regime, which arranges them to the bottom of social status hierarchy. On the other, they remain

[63] Chen (2005a: 131).

[64] Cf. Tilly (1998).

excluded from many privileged public goods, though with a few rights accessible to them. In this way, this regime appears to be more "incorporative" than the segregative regime in the PRD region, where a majority of factory workers are completely unprotected with social security, living as ghost migrants. But, this regime is less protective and "equitable" than the porous-incorporative regime in Southern Jiangsu, where the institutionalized discrimination is less significant. Notwithstanding, the principle of *hukou*-centered governance, or the so-called territorial jurisdiction is deeply entrenched in local government ubiquitous in China. The decentralized fiscal system in conjunction with the principle of territorial jurisdiction bestow local officials a wide range of power in rule-making, discretion, and policy implementation. The Chinese polity hence has embodied a special kind of de facto federal system, with locally distinct social welfare and migrant citizenship regimes. Under the impact of global restructuring of division of labor, international manufacturing capital entering China, predominantly to the coastal areas, has interacted variably with local government, resulting in different local regimes. The emergent global division of labor over the last two decades has triggered the fast-growing pattern in Chinese national economy, which in turn has helped give birth to a new Asian authoritarian developmental model, characterized by differential citizenship and exploitative use of domestic migrant labor.

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