Chapter 7

The Professional Reintegration of the “Xiagang”

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For the majority of forty- and fifty-year-olds, middle age is synonymous with socio-professional success and family stability. However, for some of them, this period is full of regrets and distress. In China, the generation encompassing forty- to fifty-five-year-olds is atypical because the journey they have taken to get to this age has been extremely turbulent, marked as it has been by significant historical events; in particular, it was this generation that was sent to the countryside during the Cultural Revolution. Today, some of them are experiencing unemployment. In the former industrial regions where labor problems are concentrated, the popular expression “the phenomenon of the forty- to fifty-year olds” (sì-wúshí xiànxiàng) betrays the fact that age is a determining factor in the difficulties encountered by these people in becoming professionally reintegrated, precisely at a time in their lives when the burden they have to bear is heavy: financing their retirement, medical care, the education of their children, or supporting their parents. Members of this generation ourselves, although belonging to a privileged group, we would like to make a contribution to the formulation of constructive solutions in the face of this challenge.

For quite a long period and until the recent past, China adopted a policy of central planning in labor, which led to a situation where there was full employment. Eventually, almost incomprehensibly, the notion of unemployment fell into a kind of collective black hole. From 1978, the year in which China launched into reforms that partially introduced the market into the economy, state-owned enterprises (SOEs) experienced a
decentralization of their management. At the beginning, all social grades drew concrete benefits from this, as everyone’s income increased, even though we were witnessing the start of a growth in inequality. This is the phenomenon known by economists under the term “Pareto improving reform.” However, the reform of SOEs based on a reinforcement of decentralization made hardly any progress, and the evolution of urban economic reforms was marked in particular by the rapid development of the private economy.

From the middle of the 1990s China began moving toward a demand economy characterized by an increase in competition. The changes brought about by the market in consumption brought with them an inevitable and far-reaching reconfiguration of industrial structures. Under the combined pressure of the market and the reorganization of industrial structures, the reform of SOEs thus touched on the sensitive territory of job security. The excess workforce at the state enterprises was “laid off” (xiagang) very rapidly. Today, while the majority of the population continues to experience a rise in income, many xiagang workers face material difficulties.

Between 1996 and 2000, twenty-five million people found themselves subjected to xiagang. In 2002, there were another fourteen million unemployed or xiagang workers, whose material difficulties had an impact on several million families in urban areas. The concept of xiagang can be defined in the following way: it represents a kind of temporary arrangement of a social security system borne by SOEs during the period in which a labor market is created. This definition differs from that of unemployment.1 Generally, the economic situation of xiagang workers is better than that of the unemployed.2

Although the management of xiagang populations has been integrated into reform of the labor market since 2000, it has encountered strong resistance particularly in the towns where SOEs are concentrated, where heavy industry is important, or even those where natural resources are on the way to being exhausted. From 2001 the central government significantly increased its subsidies in order to allow the management of xiagang workers to be integrated with that of the unemployed following the example of experimental social security reform implemented in the industrial province of Liaoning. In this province, 736,000 people without employment were recorded between July 2001 and July 2002. The redundancy settlement paid out amounted on average to CNY7,340. The implementation of this new policy means that employees who lose their jobs are registered directly as unemployed; this allowed the reemployment centers to be closed at the end of 2002 and ensures the disappearance of the term xiagang. However, the Chinese labor market will remain strained for many years because of economic growth, industrial restructuring, the increased density