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# Market transition and social change in china

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### **Research question:**

Which problems and challenges does the change of economic system and globalization represent in contemporary China, especially concerning social change, welfare and civil society?

### **Topic**

The topic of the following text is the social change taking place in contemporary China, following market transition from a planned economy and redistributive system to market-like economy. The text also focuses on globalization as a factor in the transition and opening up of the Chinese society. The main subject concerning social change will in particular be the changes in the Chinese society's pattern of social stratification and the distribution of resources as well as social capital. As such the main interest of the following and the focus concerning social change is on how the change in economic system affects the social life regarding the distribution of risks and upholding of livelihood of the Chinese urban citizens and thus the establishment of a new welfare regime in China.

### **Conclusions**

One of the main conclusions is that market transition in China represent a change in social stratification to a pattern similar to that of the class stratified western capitalist societies, where the main stratification factor becomes mobility, within the market as well as society. A strengthening of mobility brought on by the dynamics of the separation of market and individual from the state, making room for social mobility for the individual. Globalization appears to enhance the mobility factor and further the gap between classes through the potential exterritorialization of the elite, within this changed stratification pattern, and hereby the elite's possible elution of social responsibilities and the creation of welfare mechanisms therefore are at risk of being replaced with the exploitation of the work force instead. The prevailing welfare regime in China substantiates the rather capitalistic tendency as the welfare responsibilities are primarily allocated to the labour market and the family. The power that in the market transition is released from state and set free into the market needs to be distributed between the involved parties and not just empower the trades and industries, for which reason the ability and possibility of the workers to organize and mobilize is called for. Again this is a factor that calls for the creation of welfare mechanisms to counterbalance the class stratifying features of market economy.

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# **1 Introduction**

Walking the streets of Shanghai is an amazing experience of complete and utter contrasting impressions. The shining lights of the skyscrapers and elevated highways against the bewildered grey poverty at ground level. As China's metropolitic financial window to the world, Shanghai is a fascinating mixture of its history and its future. Through the last decades China has gone through an immense change towards openness to the world and a market-like economy. Shanghai is one of the places in China where this change is most obvious and fast. But changing a system and society from redistributive economy to a market economy in state socialism happens neither over night nor painlessly.

Not just the change from redistributive economy to market economy represent problems and challenges to contemporary China, also the introduction of globalisation to this changing system induces difficulties for the Chinese society.

The topic of the following text focuses on the social change taking place in contemporary China as it continues its change into market-like economy, with specific emphasis on the effects of globalization in this process. The main subject concerning social change are the effects of the change in economic system in the present Chinese societal setting, particularly the changes in the Chinese society's pattern of social stratification and the distribution of resources as well as social capital. As such the main interest of the following and the focus concerning social change is on how the change in economic system affects the social life regarding the distribution of risks and upholding of livelihood of the Chinese urban citizens. Inherent in this discussion is considerations of civil society in China.

## ***1.1 Research question***

Which problems and challenges does the change of economic system and globalization represent in contemporary China especially concerning social change, welfare and civil society?

# **2 Method**

## ***2.1 Theoretical foundation***

The theoretical outline for the following text will be based on different theoretical considerations about respectively the welfare state and globalization.

The theoretical work underlining my approach to the welfare state mechanisms will be represented by Gösta Esping-Andersen's work in this field as presented in his two books: *The Three Worlds of Welfare Capitalism* (1990) and *Social Foundations of Postindustrial Economies*. (1999).

Gösta Esping-Andersen primarily focuses on the developing of and challenges to the welfare state in contemporary western countries. But the theoretical concepts underlining Esping-Andersen's analysis of contemporary western welfare regimes forms a conceptual basis for the developing of welfare mechanisms and therefore represents a conceptual framework useful for analysing the welfare institutions as such, also in developing countries. Using Esping-Andersen's theoretical and analytical work will therefore at first hand include my condensation of the theoretical concepts used by Esping-Andersen in the analysis of the western world, and through this condensation I will derive and present the main features relevant for the research question at hand.

The approach to globalization is primarily based on Zygmunt Bauman's presentation and discussion of the phenomenon in his book: *Globalization -the Human Consequences*. (1998) Again the adaptation of the theoretical conceptions will be condensed in order to construct the most appropriate theoretical framework both concerning the subject at hand and my own theoretical and epistemological basis for analysis.

The understanding of contemporary Chinese society and the changes it has undergone the last decades will be derived from different theoretical and analytic texts, such as Victor Nee's: "*A theory of market transition: From redistribution to market in state socialism*." (1989) And Bian & Logan: "*Market transition and the persistence of power: the changing stratification system in urban China*". (1996). These texts will first generate a general understanding of the societal changes and challenges in contemporary China and secondly form the basis for the later discussion of the problems and challenges that economic change in my opinion represent.

## **2.2 Geographic and demographic issues**

When discussing matters of China it is a major consideration that this country is the third largest in the world but yet has the largest population of approximately 1.29 billion people unevenly distributed throughout the country.<sup>1</sup> There is therefore bound to be big differences between regions in China especially considering that China is a developing country. The differences in level of

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<sup>1</sup> [www.cpirc.org.cn/e5cendata1.htm](http://www.cpirc.org.cn/e5cendata1.htm)

modernization and industrialization between respectively the western and the eastern regions of China are considerable. Shanghai, located in the east of China and further more being a coastal city, is one of the most developed cities in China. So a major problem in China is the differentiated development between the urban and the rural areas, a situation that has resulted in a large population of migrant workers who are leaving the rural areas to work in the cities. The reforms of the past decades have decisively influenced this tendency of migration as the workers through the reforms have been given the opportunity to move in search of jobs and not be limited to work located in their respective areas and only given rights through their affiliation with the local unit and their occupational association.<sup>2</sup>

The sheer size of China necessitates a definition of research scope, delimiting from including the full body of issues in China. I will therefore concentrate on the political and social outlines of government concerning the development of social welfare in urban areas and thus not address issues of the development of rural areas. The focus is then on urban areas, in particular Shanghai, as these areas represent the frontier in China concerning development and the subjection to globalization. That there certainly exists major problems that needs to be addressed concerning the unequal distribution of living standards nationwide in China, particularly the developing of the rural areas, are issues left for other researchers to consider.

### **2.3 Empirical material**

The empirical basis for the following text will primarily originate from public informations from the *China Population and Research Center*<sup>3</sup> presenting the composition of relevant political and social developments. The aim is through these informations to localize and analyse the tendencies concerning type of welfare regime in China and hereby to define the social change taking place in contemporary China, particularly with emphasis on the challenges and difficulties such a development of welfare represent in the changing system of China.

I do not find it possible within the frame of this thesis to conduct an analysis even close to that of Esping-Andersen's of the Western world's welfare regimes. This is, in it is nature, a research project of size and latitude that goes beyond the scopes of this thesis, but with these limitations in mind the empirical and analytical outline for the present text is to draw attention to the available indications of welfare regime tendencies and social change. As such the scope for the following is

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<sup>2</sup> Keister, 2002: 173-174

<sup>3</sup> [www.cpirc.org.cn/e5cendata1.htm](http://www.cpirc.org.cn/e5cendata1.htm)

to shed light on the social change, challenges and difficulties in China, partly through secondary material describing the social legislation in the area of social welfare and partly through theoretical discussions based on other researchers' empirical material and analysis of the present situation in China.

### **3 Welfare mechanisms**

Welfare derives from the ancient word *farewell*, meaning to go well. During the 20<sup>th</sup> century it has become institutionalized functions under the *state welfare* across primarily the western world, but still spreading as societal structure to other parts of the world. In his books: *The Three Worlds of Welfare Capitalism* (1990) and *Social Foundations of Postindustrial Economies*. (1999), Gösta Esping-Andersen operationalize specific functions and institutions on which the welfare state mechanisms historically rely.

#### **3.1 Family, market & state**

The welfare regime is built upon the interaction between three societal parts: *Labour markets, the family* and *the state*. A society's welfare regime derives from how these three institutions are combined. Different types of regimes result in different types of welfare depending on which of the factors is placed most emphasis.<sup>4</sup>

In Esping-Andersen's view, the welfare regime is tightly linked to "welfare capitalism", as the welfare regime according to Esping-Andersen is based on four constituent institutions within "welfare capitalism"

- Full democracy; Meaning the political and civil rights within a democratic framework.
- Universal social citizenship; as political and civil rights only becomes democratic through upholding social rights as well.
- Trade unionism; as the labour market produced a need for job protection and upholding of employment rights and further more because of a need to create democratic conditions within the workplace.
- The right to education; that is, the expansion of mass education which at any point seems crucial to uphold a concept of democracy, equality and social rights.<sup>5</sup>

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<sup>4</sup> Esping-Andersen, 1999: 4-5

<sup>5</sup> Esping-Andersen, 1990: 7-9

These four constituent functions within the capitalist system; *democracy, social citizenship, trade unionism* and *the right to education* are all specific for the modernisation process of the western world, therefore these constituent functions appear to be the basis for the establishment of welfare regimes in the industrialised countries.

The main features and consequences of welfare regimes is basically the decommodification of the workforce and change in social stratification. The need for decommodification derives from the labour markets universalization. This decommodification is crucial for the workers to mobilize and organize. Being a commodity and market dependent makes the worker mobilization somewhat impossible as there is no safety net guaranteeing the worker's livelihood, should they withhold their labour as a means of pressure.<sup>6</sup>

The social stratification implicit in the welfare organization, is the possible replacement of class stratification by the social welfare.<sup>7</sup>

### **3.2 The welfare model –an analytical approach**

What Gösta Esping-Andersen's work actually delivers is of course an analysis of the welfare regimes of the western world but also and as much a model for analyzing societies and the way these are organized. As earlier mentioned the type of welfare regime is dependent on whether emphasis is placed on respectively the state, the labour market or the family. Esping-Andersen makes a comprehension of three types of regimes; *the liberal, the conservative* and *the social-democratic* welfare regime that respectively places most emphasis on the welfare functions within the market, the family and the state. That is to say in which of the institutions the welfare mechanisms is primarily allocated.<sup>8</sup>

The indications of the placing of emphasis in either of the three institutions (labour market, state, family)of society defines how welfare and risks are distributed in society and to which extent state, labour market and family serve as the prime contributor in upholding social security of citizens. In the western world, which Esping-Andersen is concentrating on, the type of welfare regime, *liberal, conservative or social-democratic*, is based on different assumptions of equality and of the target group of the welfare benefits. There is a tension between understanding the welfare regime's aim as securing equality or equity. Thus in the liberal welfare regime requiring welfare benefits is often

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<sup>6</sup> Ibid.: 22

<sup>7</sup> Ibid.: 21

<sup>8</sup> Esping-Andersen, 1999: 74-83



associated with “losers” whereas in the social democratic understanding receiving benefits is not associated with the same negative connotation.<sup>9</sup>

The importance of type of welfare regime is connected with how society is socially stratified. In the liberal regime the emphasis on the labour market’s welfare responsibilities reinforce a market-based stratification, whereas the social democratic welfare regime to a higher extent, through the very statistic organisation of welfare serves to equalise the class-stratified society inherent in capitalist market logics.<sup>10</sup> Type of welfare regime is thus not simply a matter of where the responsibilities for upholding the livelihood of citizens is placed, but as much express the underlying assumptions of risk, equality and rights within a society.

## 4 Globalization

### 4.1 Zygmunt Bauman: getting globalized

Zygmunt Bauman describes globalization as an economic process brought on by the capitals free flow through the highly technological contemporary society. Hereby the state even though possessing the legislative power obtains no real effect on the economic processes.<sup>11</sup> Globalization therefore, according to Bauman, is not as much a human made or controlled development process. But rather something that happens to us.

*“The deepest meaning conveyed by the idea of globalization is that of the indeterminate, unruly and self-propelled character of world affairs. (...) It is about what is happening to us all. The idea of globalization explicitly refers to Von Wright’s ‘anonymous forces’. (...) stretching beyond the reach and the design-and-action capacity of anybody’s in particular.”*  
(Bauman, 1998: 59-60)

Accordingly, in Bauman’s conception, globalization is primarily an economic process the world and humankind without political or human control is subjected to. The sovereignty and power of the state is undermined in the globalization process because of the state’s lack of control over the powers of the capital market. The boundaries between *inside* and *outside* the state is in the name of

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<sup>9</sup> Ibid.: 9-10

<sup>10</sup> Ibid.: 17-18

<sup>11</sup> Bauman, 1998:56

free trade dissolved and sacrificed on the altar of Capital, whereby the state is released from its sovereign power over sustaining equilibrium between production and consumption.<sup>12</sup>

The space for political action within the state is therefore diminished and the state power weakened concerning the distribution of social power.

#### **4.1.1 New stratification patterns**

This new globalized structuring of society causes a change in the internal social order of the state.

*“Rather than homogenizing the human condition, the technological annulment of temporal/spatial distances tends to polarize it.”*(Bauman, 1998: 18)

This polarization consists of a new pattern of stratification created within the technological globalization of world society and the stratification mechanisms is constituted in the emancipation or lack of such from time-space embeddedness. Thus the global citizens are stratified by their degree of mobility.<sup>13</sup>

This *hierarchy of mobility* divide people by their freedom to choose location, by their access to global mobility. The global exterritorial elite thus enjoy the mobility's emancipation from spatial embeddedness whereas the larger remaining territorially bound group lives embedded in locality and space.<sup>14</sup> The globalization process thus constitutes a spatial segregation in which the many's local embeddedness in a global world represents social deprivation and degradation, while it to the mobile, global elite represents exterritorial communities and contexts. The locality changes in this process by virtue of the transfer of the norm- and opinion forming power; because it is detached from its local engagement as the elite gets exterritorialized. The no longer present power, that is, the absence of the local community's former class stratified elite, degrade the opinion forming and norm constituting functions of the public space, whereby value judgements are no longer locally negotiated but dictated from a far.<sup>15</sup>

The emancipation through mobility thus result in an opinion forming freedom, free from local responsibility for the exterritorial elite while the locally embedded immobile territoriality is deprived of it's meaning- and identity creating capacity.<sup>16</sup>

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<sup>12</sup> Bauman, 1998: 65-66

<sup>13</sup> Ibid.: 86

<sup>14</sup> Ibid.: 87

<sup>15</sup> Bauman, 1998: 24-25

<sup>16</sup> Ibid.: 18-20

## 5 China –land of reforms

Since 1978 China has undergone some dramatic changes. The political agenda since 1978 has been quite different from the Maoist a change primarily brought on by the new leadership of Deng Xiaoping, whose political aim was through reforms to eliminate the bureaucratic, egalitarian structures in communist China. The reforms aimed at creating a more market like economy and lessen the control mechanisms obtained by the state of i. e. the labour distribution.<sup>17</sup> All part of a plan to ultimately make China form what they consider a state socialism market economy, able to create sustainable economic progress and stability.

### 5.1 From redistribution to market economy

In his article: *A Theory of Market transition: From Redistribution to Markets in State Socialism* Victor Nee proposes a theory on the development from “state socialist redistribution system” towards a “state socialism market economy”. The theory is based on three different, but simultaneously occurring, socioeconomic principles, which he considers the three primary theses underlining the theory of market transition:<sup>18</sup>

1. The market power thesis:

The breaking of the redistributive sectors monopoly over resources and the allocation of surplus through market like principles have two consequences:

- I. Less power and control is located in the redistributive economy and more power is infused in market like transactions
- II. Direct producers acquire more power over the exchange for their goods and services when the prize of labour is determined through agreement between parties than when it is set by the administrative system.<sup>19</sup>

2. The market incentive thesis:

The possibility in market transactions for immediate producers to get a higher share of surplus from productions represents a personal incentive for the individual to improve efforts as the reward for actual work is linked to the individual’s performance. This in turn has a profound effect on e.g. the level of education, as higher personal skills and effectivity have direct effect on the ability to gain more surplus from production.<sup>20</sup>

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<sup>17</sup> Bian & Logan, 1996: 739

<sup>18</sup> Nee, Victor, 1989: 666-667

<sup>19</sup> Nee, Victor, 1989: 666

<sup>20</sup> Ibid.: 666

### 3. The market opportunity thesis:

The transition to market like system opens for new routes for socioeconomic mobility. Instead of mobility being limited to advancement within the state bureaucratic hierarchy, social mobility in the market system is highly linked to entrepreneurship and personal innovative initiative.<sup>21</sup>

These three factors; *Power*, *incentive* and *opportunity* represent a change in the social stratification within the changing society as allocation and distribution of resources instead of being centrally determined becomes a commodity negotiable and attainable for the individual producer. Better performance and ability of the individual does in this scenario equal better opportunity of social advancement and renders social stratification a result of ability, productivity and skills with the opportunity to, through knowledge and skills, to acquire higher standards of living.

The market transition theory does thereby propose that the power over social opportunities within the individual's personal life represent not just an incentive to acquire larger capital and access to resources but as well a mean to socially constructing and moulding ones life conditions. In this process the power over living standards is no longer held by the redistribution system but is instead a personal responsibility with possibilities and opportunities held within the framework of market logics.

One of the main consequences to derive from the market transition theory is the profound effect the changes at economic and political level have on the social life of the individual citizen. The changes in ways to acquire resources is therefore not just a political macro level matter but does in fact represent major changes in the individuals organisation of private life and participation in society. The socioeconomic consequences of reforming redistributive societies into market like systems work at many intertwined levels with unforeseen consequences between the different functions and effects that in turn bring about changes and challenges beyond merely a change of legislative, economic and political situations, but as well requires and produces new social conditions.

## **5.2 Impact on social stratification**

In their article *Market transition and the Persistence of Power: The Changing Stratification System in Urban China* Yanjie Bian and John Logan argue that the market transition's impact on social stratification depends on two components:

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<sup>21</sup> Ibid.: 667

- 1) To which extent political capital based on the former redistributive system still provides advantages to the elite. That is whether or not the former informal connections and formal positions still is the major determinant for political positioning.
- 2) To which extent the market mechanisms create new forms of income inequalities.<sup>22</sup>

These two factors are crucial when considering if and how the shift to market economy affects the social stratification in China, because if positioning within the former hierarchy is still the major determinant for advantages even after entering into market economy, the routes towards obtaining greater power and capital basically have not changed. That is, that the stratification is still in effect based on the elitist hierarchy of the redistribution system. Furthermore, the potential creation of new income inequalities through market mechanisms, strengthen the possibility of reproducing the stratification pattern of the former system, if access to advantages actually is still linked to hierarchical position. The main consideration here is whether or not entering into market logics concerning negotiating the value of both products and services depends on relations within the former redistributive hierarchy.

The opinions on the status of these two factors are diverse. Some believe that in time the differences between holding and not holding advantages within the former hierarchical structure, will diminish, others that political positions themselves offer continuing advantages even after changing into market structure.<sup>23</sup>

Another view is that it is not as much the position as such but rather the political and cultural capital, i.e. skills and educational level, that affects positioning even after the change to market economy.<sup>24</sup> Therefore it might appear as if former high status is a determinant for obtaining high status within the new stratification order, but in fact, in this view, the positioning is actually more based on personal characteristics and qualities, that accounts for the ability to uphold a certain position.

### **5.3 A work in progress**

What is important to remember is that the transformation from redistributive to market economy is a work in progress. It is still only in the making and the social consequences earlier mentioned that Victor Nee points out are for sure, only possible outcomes of this changing process.

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<sup>22</sup> Bian and Logan, 1996: 740

<sup>23</sup> Ibid.: 740

<sup>24</sup> Bian and Logan, 1996: 740-741

Fact is that the change in system takes a long time and at present it is only possible to guess the full consequences for the Chinese society. Still it is a process that has taken place through roughly 25 years now and some of the above mentioned possible consequences are beginning to show, especially in the Shanghainese very market influenced society. And it is a process that is being politically controlled so as not to create the situation the former communist countries of eastern Europe has experienced, where political and economic adaptation to and adoption of market economy and logics has left the better part of east Europe in both political and economic chaos.

This leads me to exactly the point Nee is also making in his article; that the transition in china is from redistribution to markets in “*State socialism*”. The aim is not to over through the communist reign but rather to adapt market logics to state socialism within the framework of the communist state.

The question is whether this is possible? The basis for market economies in the world have to date been capitalistic. So the major point in discussing market economy in china is whether market economy can exist without the basic capitalistic characteristics which Esping-Andersen means historically has shown themselves as companions (or even perhaps the grounds on which it grows) to market economy.

## **6 Chinese civil society**

Elaborating on Esping-Andersen’s above mentioned characteristics of capitalist society it is crucial to consider the situation of civil society and the functions of such a social phenomenon. The capitalistic democracies of the western world comes with an inherent logic of aspects characterising civil citizenship, but discussing societal structures in China involves the acknowledgement of a possible different social inheritance concerning social organization within a societal framework different from that of the west.

### **6.1 Considering Rights**

The western conception of civil society mainly relies on the rights and responsibilities that follow citizenship. A notion that claims a polarization of state and society –a division of public from private realm. This social citizenship demands and reinforces a notion of the citizen’s social rights and responsibilities in the realm and interaction between private and public space.

According to Frederic Wakeman, Jr., as expressed in the article: *Western reflections on Chinese Political Culture*, the Chinese notion of social existence are more based on obligation and interdependence than on the idea of rights and responsibilities.<sup>25</sup> In the process of market transition the discussion of civil society becomes essential, as this represents a shift in system away from a completely centralised governing of state and society. In the changing of the labour market, emancipated from state administration and distribution, an intermediating realm between state and society, through a civil society, is called for.

## **7 Social implications of Market transition –a discussion**

The change taken place in China is big and massive, and the different implications for social change are enormous as the previous examples on theoretical approaches on the subject implies. The Chinese society is in the process of changing into a market economy in state socialism. But is this in fact doable?

The market economies of the west are imbedded in a capitalistic welfare organization of society, with principles of political and civil rights, property rights, social citizenship and trade unionism. The purpose of all these principles is to maintain some form of equilibrium between market mechanisms, state intervention and the private realm.

The present Chinese policies have opened up for market logics to enhance economic growth, with great socioeconomic changes.

### **7.1 Mobilizing in market economy**

One of the primary factors I would like to emphasize in relation to the market transition from redistributive to market economy is the notion of mobilization. Market economy relies on the enterprise and entrepreneurship of individuals within the frame of market logics, where the market powers are the controlling mechanisms in the relation between employer and employee. In the light of this the need for the upholding of rights becomes obvious. It is simply imperative that the wage earners in a market economy have the freedom to mobilize and organize; otherwise the labour force will be completely commodified. This to a high degree is connected with the civil rights of the citizens, the political and social rights that within the western capitalist society are fundamental for maintaining society. If the civil and political rights to organize and thereby exercise political

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<sup>25</sup> Wakeman, 1993: 133-134

pressure is not honoured, the labour force is commodified and the alleged negotiation of the value of labour power that should be won by market transition is diminished.

In China wages and the distribution of work has been a state matter, with wages set from political side without the wage-earners influence on the value of their work. The market transition thus in this matter represent a socioeconomic change, where the wages are not decided by the state but is laid out to the logics of market powers. In his *market power thesis* Victor Nee claims that more power and control is infused in market like transactions by market transition, and that direct producers thereby acquire more power over the exchange for their goods and services.

I agree with the fact that with market transition more power is induced in market transactions, but still I question whether direct producers necessarily benefit from this induction of power. By this I mean that the induction of power into market transactions necessarily includes a discussion of how this induced power is distributed between respectively employer and employees. If the market forces set free by the market transition only introduces a larger latitude and more power to the trades and industries and not at the same time enhance the labour force's possibilities of exerting pressure on their employers to influence their working conditions and wages, this induction of power into market transition does in fact not represent an actual empowering of the labour force but only of the trades and industries. This means that the market transition does not necessarily enhance the possibilities of the workforce to mobilize and thereby affect the social conditions they live under. Their civil right to mobilize is therefore not necessarily the outcome of market transition but rather it enhances the powers of raw market logics.

In continuation of the above I question Victor Nee's second thesis, that direct producers gain more surplus by the market transition, as this surplus necessarily is connected with the above-mentioned power.

In order for Nee's first and second theses' to hold accuracy in proportion to reality and not represent merely the theoretical ideal of market transition it is, as mentioned, necessary to contemplate how the power that are released from the state's sphere and into society is distributed between the involved parties. As already mentioned the workers' chances of mobilizing and organizing are absolutely essential as the political power necessary to influence both market forces and the



political regulation of these, requires the formation of communities beyond both the political scene and the trades and industries.

## **7.2 Mobility as social stratification**

The reforming of the communist, redistributive society has resulted in the dissolving of previously established societal institutions which had the task of exercising social control as well as securing the social security of the citizens. Up till the 1980s the prime contributor of social security and distributor of social welfare have been the *work units*. Every person was associated with a work unit, supplying the citizens with guaranteed lifetime employment, social security and citizen rights.<sup>26</sup> The distribution of work was centrally determined without as well employer as employee having any say in the matter. Place of work was determined by state administration and opportunities of mobility was practically impossible as moving out of the scope of one's work unit meant the abandoning of rights.

The affiliation with one's work unit and workplace were also the prime stratifying factor, as the social level and living standards were connected with the hierarchical position and abilities of the workplace and work unit.<sup>27</sup> Futhermore, this social stratification through affiliation with one's work unit within the scopes of a planned economy and state redistribution resulted not as much in differentiation in salary but rather in differentiation through different access to benefits such as better housing, access to better schools and so forth.<sup>28</sup>

In his third thesis Victor Nee points out the emergence of a new pattern of social stratification by the market transition via new possibilities for socioeconomic mobility; mobility associated with entrepreneurship and initiative. This new pattern of stratification apparently should open for new routes to advance outside the realm of the elitist state hierarchy. What I find particularly interesting in this connection is that the stratification mechanism to a high degree becomes mobility. In a typically class stratified society welfare mechanisms serve to counterbalance the class differences and thereby create a new stratification pattern. This has been one of the primary consequences of the welfare state in the western world during the 20<sup>th</sup> century.

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<sup>26</sup> Keister, 2002: 178

<sup>27</sup> Ibid.: 173

<sup>28</sup> Ibid.:172

What seems to be happening in contemporary China along with the market transition is a social change towards the welfare capitalistic class stratified society of the west. This in itself is not particularly peculiar as history shows that the implementation of market economy seems to have this effect regardless of how or where it is done. What makes the present situation interesting is that the Chinese society while in the process of market transition is also induced to globalization as a factor.

In the western world capitalism and market economy has been a societal structure for more than 100 years. During this period and parallel with the development of capitalism, welfare mechanisms have been established to control and reduce the segregating social effects of the powers of the market economy. Especially the institutionalization of a third realm, as the labour unions, has acted as a mediating structure between market, state and society.

In contemporary China these institutions have not been established. That is to say that currently there does not exist an institutionalized mediating structure to counterbalance the class differences and the social stratification inherent in a market dominated system.

At the same time as this is the current situation for a contemporary China in market transition, the mobility as social stratification factor is enhanced by the globalization tendencies towards emphasizing this exact social mechanism. Hereby I mean that the Chinese society is not only facing the socioeconomic challenges and difficulties that market economy represent; difficulties it has taken at least a century to solve or accommodate in countries such as e.g. Denmark and Sweden, but as well has to deal with the empowerment of class stratification that globalization, in Bauman's opinion, seems to represent all over the world

### ***7.3 The exterritorialization of power***

Besides reinforcing mobility as a stratification factor I also argue that globalization introduces another problem to the present situation in China. If the mobility of the elite becomes one of the main social consequences of globalization, it also indicates that power and capital get exterritorialised. This signifies that the forces able to affect the social development is no longer embedded in the local sphere but potentially has no local roots and therefore not uphold the social responsibility for the development of society.

Capital and power is in this situation moved out of range of the state whereby its options for action is limited. Thereby China, while in a globalized world opening up for market economies in the attempt to improve economic and social conditions, is also weakening its power. So in the attempt to create favourable conditions for industries and trades in China the consequence might be the evasion of power and capital from the state.

This is in no way a unique situation, it is happening all over the world, but what makes the Chinese situation a bit different is the fact that China, while subjected to the influence of the globalization's exterritorialization of power and capital, is also in the process of both economic and social transformation. Thereby China is in a situation where improvements for the trades and industries are imperative while the exact same change may create conditions weakening the opportunities for internal social reforming.

## **8 Welfare regime in China**

The establishing and discussion of social security in China is, not surprisingly, of great importance to the political organs in contemporary China. The privatization of enterprises, that is the dissolving of the completely redistributive principles of communist China, has to a high degree moved the responsibilities of social welfare previously entirely held by the state through the work unit, above the individual workplace and into the configuration of state, family and labour market as described by Esping-Andersen. This situation certainly represents a major social change in the Chinese society, because who is now actually securing the rights and upholding the living standards of the Chinese citizens?

China are entering the world of the capitalist societies where, as earlier argued, the establishing of capitalist welfare regimes and the institutionalization of social security measures is imperative in order to counterbalance the logics of market economy and subsequently class stratification.

But what actually makes the situation in China especially interesting is the fact that market economy in state socialism requires the existence of dual economic, legislative and social systems, meaning the existence of market like principles integrated in society on equal terms with redistributive-like principles. This "dual organization" actually seems to call for a definition of society beyond the scopes of both capitalist and communist organizing of society. But still the task of establishing institutionalised social welfare is present; the market transition does just simply demand a restructuring of this.

But how is the composition of welfare in China during market transition. What kind of welfare regime does the profound effect of market transition on society, and consequently the social changes following, produce?

## **8.1 The legislative basis for Chinese welfare regime**

On April 30<sup>th</sup> 2002 the state council information office published the article: *White paper on Labour and Social Security Published*<sup>29</sup> in which laws and regulations for social security and welfare institutions in China are presented. I will in the following focus on the information contained in the third chapter of this article concerning the *Establishment of a Social Security System* in which the criteria and determinants for social security is presented.

### **8.1.1 The basic social security**

In 1998 a social security management system was established under the centralized management of the *Labour and Social Security Administration Department*.<sup>30</sup> The basic social security system established in 1998, named *the two guarantees policy*, contained two principles:

1. The obtaining of basic livelihood of laid-off workers from state-owned enterprises, covering basic living expenses and payment of the social insurance premium.
2. The basic livelihood for retirees.<sup>31</sup>

It is important to point out that this *two guarantee policy* is made for urban areas and therefore does not include rural residents. This basic social security system is upheld by the state and guarantees the basic livelihood of all retired urban citizens but concerning laid off workers it only covers former employees of state-owned enterprises, thus not covering non-state enterprise laid-off workers. The unemployment insurance therefore is not universal for urban residents but is a “service” only rendered for workers within the state-owned enterprises, leaving non-state employees without unemployment security at least as far as state intervention is concerned.

To enhance the performance of the *two guarantee policy* the Chinese state, in the absence of the former distributing work-unit, has had to create institutions maintaining the execution of a law-

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<sup>29</sup> [www.cpirc.org.cn/e5cendata1.htm](http://www.cpirc.org.cn/e5cendata1.htm)

<sup>30</sup> White paper, 2002: 8

<sup>31</sup> Ibid.: 8

based social and labour security administration.<sup>32</sup> An establishing of new state institutions brought on by market transition and the following change in the labour market.

### 8.1.2 Social insurance

Besides the *two guarantee* basic social security system the Chinese welfare system rely on personal insurances of the citizens. Private insurances set up to cover four main social security areas:

- *The old-age Insurance system.*
- *The medical Insurance system.*
- *The Unemployment Insurance System.*
- *The Industrial Injury Insurance system*

Finally there is a fifth part to the social security system, namely *the social welfare system* (a configuration that correspond to ‘social assistance’ in other countries, but in the Chinese social legislation has been named *the social welfare system*).

Common for the four main areas of welfare system is that the insurance is paid for jointly by enterprise and employee with a pre-set percentage of respectively wage bills and personal wages. Employees and enterprises are obligated by law to pay the premiums of these insurances.<sup>33</sup>

### 8.1.3 The “social welfare system”

The fifth element mentioned in *the White paper*; the *Social Welfare System*, has the task of ensuring “... *the livelihood of senior citizens, orphans and the handicapped persons who are in extraordinarily strained circumstances.*” (White paper, 2002: 11) These extraordinarily strained circumstances means elderly, orphans or handicapped persons without family and without the ability to take care of themselves.<sup>34</sup>

## 8.2 Determining a welfare regime

Following the lines of Gösta Esping-Andersen’s notion of welfare regimes, determined through the emphasis on respectively the state, labour market and family, the welfare regime in China seems to be heavily based on the labour market’s responsibilities in maintaining social security for the Chinese urban citizens. The *two guarantee policies* do offer social security for all retired citizens at a basic-livelihood level. But state secured unemployment security is only available for state-

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<sup>32</sup> White paper, 2002: 7

<sup>33</sup> Ibid: 8-11

<sup>34</sup> Ibid.:11

enterprise employees making all non-state employees' social security a labour market responsibility. This underlines the earlier mentioned situation of a dual organization of Chinese welfare.

One could argue that the market transition in China at many levels make policy measures temporary especially concerning retirement plans. By this I mean that the current social policies necessarily has to include the securing of all retirees, as the saving for retirement through personal insurance policies is a fairly new approach to social security in China, and there accordingly is bound to be a transition period in which the older generations with a lifetime of employment within the redistribution system enjoys the state guaranteed retirement security. But as it is obvious in the data from *the white paper* old-age insurance is a part of the younger generation's social security through insurance plans. It seems as if this state guaranteed old-age security for all will not continue to be a state responsibility, at least it seems a very plausible conclusion considering the Chinese social security laws.

The shift in placement of responsibility represents a major change in the Chinese society, a social change characterised by the change from a completely centralised state redistribution of resources and social benefits to a situation where this responsibility is left to the labour market and the family. Basically the dissolving of the work units' socially distributing role has left a major gap in society that now needs to be filled. This is, as the white paper shows, done through allocating the responsibilities of welfare to labour market and family.

Besides emphasizing the responsibility of the labour market as main contributor to social welfare the above mentioned laws also stress the importance of family in respect to welfare. For instance the previously mentioned fifth element, the *social welfare system*, is built upon the notion of families taking the responsibility of upholding social welfare for their elderly or disabled family members, as the economic support granted by the state is only available to those without families. With this as an underlying premise for the organizing of society, the Chinese state, in respect to Esping-Andersen's classification of welfare regimes comes close to the *conservative* organization of welfare regime, which places more emphasis on family responsibilities concerning welfare. China is though facing a major problem in this regard, as the one child policy of the last decades

creates a major problem in relation to the younger generation's ability to care for and support the elderly.<sup>35</sup>

But the legislative basis, as described in *the white paper* certainly seems to paint a different picture of the current establishment of welfare regime in China, as the basis for social welfare more seem to place emphasis on the labour market as main contributor to upholding social welfare mechanisms. Therefore the actual social legislation is basically enhancing a liberal welfare regime.

This situation appears a bit odd as the reforming of China, as earlier mentioned, aim at creating market economy in state socialism, and the establishment of a welfare regime more based on liberal organising of social welfare than on the more state intervening or administered social-democratic regime seem to oppose this very aim. Accordingly the notion of state socialism market economy, at least concerning the area of social welfare, appears to be a concept of theoretical character that when carried out in practice seems unattainable. At any rate the current Chinese social welfare policies does not seem to reflect particularly socialist ideals, but rather market logics.

## 9 Conclusion

As earlier mentioned the market transition in China is still, even after 25 years, a work in progress. We are here dealing with one of the largest populations in the world and a change as comprehensive as the market transition is bound to take time and efforts, with both set backs and progress. Accordingly, it is a long process with the main feature of not aiming at capitalism but striving after what the Chinese consider market economy in state socialism.

Ideally this represents a different organization of society than that of capitalistic countries, but one of the main conclusions is that the implementation of market economy represents the induction of a market logic that basically seems to have the same content whether it is administered through capitalist or socialist structures. Yet the organizing of social welfare and the legislative basis for this seems not to enhance the socialist notion but rather strengthen the powers of market logics and basically capitalism, as the prevailing welfare regime in China appears to be more liberal than

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<sup>35</sup> A problem popularly known as 2-4-8 (the family consisting of a married couple, their parents and grandparents) in which the number of elderly the younger generation has to care for is not equivalent with the actual number of children of working age. A situation that currently is influencing the child policy in China, granting two urban residents who are only-children the right to have more than one child. This in the attempt to meet future problems of 2-4-8 character.

social-democratic, with more emphasis placed on the welfare responsibilities of primarily the labour market and secondly the family.

Besides the establishment of a social welfare system, the powers of market logics “set free” by the market transition also requires administering and mediating through some kind of third realm. That is if the market powers are not to be carelessly transformed into a rough jungle law of survival of the fittest ultimately creating a work force completely commodified. To avoid this the ability and power to organize and mobilize is called for. Hereby I mean that the power released from state and set free into the market needs to be distributed freely and democratically between the involved parties and not just empower the trades and industries.

Another major consequence of market transition is the change in the stratification pattern, where the main stratification factor becomes mobility, the mobility within market as well as society. And a mobility closely related to that of a class stratified society. A strengthening of mobility brought on by the dynamics of the separation of market and individual from the state. A dynamic that makes room for social mobility for the individual, which was not present in the planned economy’s redistribution of capital as well as social resources. Again this is a factor that deeply seems to call for the creation of welfare mechanisms to counterbalance the class stratifying features of market economy. The entering of globalization on this scene does certainly not seem to better the situation as globalization appears to enhance the mobility factor and further the gap between classes. The fact that China is still in a developing process concerning the market transition further deepens the impact of globalization and the new order of stratification that it seems to cause.

The globalization’s exterritorialization of the elite, within this changed stratification pattern, deteriorate the situation further as the potentially absent elite escapes its social responsibilities and the creation of sustained social progress and welfare mechanisms therefore are at risk of being replaced with the exploitation of the work force instead.



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## **WebPages**

*White paper on Labour and Social Security Published, 2002, [www.cpirc.org.cn/e5cendata1.htm](http://www.cpirc.org.cn/e5cendata1.htm)*