

2008

Approaches and perspectives in the studies of China's urban poverty

Zhiming Cheng
Macquarie University, zhiming@uow.edu.au

Follow this and additional works at: <https://ro.uow.edu.au/commpapers>



Part of the [Business Commons](#), and the [Social and Behavioral Sciences Commons](#)

Recommended Citation

Cheng, Zhiming: Approaches and perspectives in the studies of China's urban poverty 2008, 109-120.
<https://ro.uow.edu.au/commpapers/1531>

Approaches and perspectives in the studies of China's urban poverty

Abstract

The paper reviews some research on urban poverty in China. This topic began to attract academic attention in mid- 1990s. In the marketization, the old socialist system in China, which included full employment and comprehensive social welfare for urban citizens, has been replaced by an emerging labor market and a socialized and partially privatized social security. The time lag between the old and establishing systems has thrown a large number of retrenched state workers and migrant workers into poverty and then concentrated the poor in particular areas or communities of city. There is impressive progress on identifying and measuring poverty, as well as casual processes of poverty creation. However, effective policy recommendations on anti-poverty and social security have seldom been suggested. Recent attempts in other countries prove that multidisciplinary approach could provide fresh and innovative perspectives on multidimensional poverty. Hence this is necessary to address the deteriorating urban poverty in China and to reveal its dimensions and characteristics under different conditions.

Keywords

Approaches, Perspectives, Studies, China, Urban, Poverty

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Cheng, Z. (2009). Approaches and perspectives in the studies of China's urban poverty. *International Journal of Interdisciplinary Social Sciences*, 3 (11), 109-120.

Approaches and Perspectives in the Studies of China's Urban Poverty

Zhiming Cheng, Macquarie University, NSW, Australia

Abstract: The paper reviews some research on urban poverty in China. This topic began to attract academic attention in mid- 1990s. In the marketization, the old socialist system in China, which included full employment and comprehensive social welfare for urban citizens, has been replaced by an emerging labor market and a socialized and partially privatized social security. The time lag between the old and establishing systems has thrown a large number of retrenched state workers and migrant workers into poverty and then concentrated the poor in particular areas or communities of city. There is impressive progress on identifying and measuring poverty, as well as casual processes of poverty creation. However, effective policy recommendations on anti-poverty and social security have seldom been suggested. Recent attempts in other countries prove that multidisciplinary approach could provide fresh and innovative perspectives on multidimensional poverty. Hence this is necessary to address the deteriorating urban poverty in China and to reveal its dimensions and characteristics under different conditions.

Keywords: China, Urban Poverty, Literature Review

Introduction

THE OPEN-UP REFORM since 1978 has progressively transformed socialist China into a new influential power in global politics and economics. Compared with the pre-reform era, its economy is incontrovertibly successful in terms of a range of economic and social indicators. As a whole, economic expansion in the past thirty years has dramatically raised income and consumption of urban and rural residents, improved living standards and provided people diverse occupational choices.

Recent boosting of the economy is accompanied by fast urban area changes. Similar to the rural land reform in the 1980s, it was once perceived inconceivable to many that Chinese cities would likewise changed so significantly and rapidly. Scholars predicted that by the early 21st century, the then existing urban centers would be unable to absorb even a small proportion of rural surplus labor force (for example, see Kirkby (1985)). However, recent statistics shows that nearly 200 million migrant-workers have been absorbed by cities (Research Office of the Central People's Government, 2006). According to the United Nations (2006), China has a faster speed of urbanization than the average of eastern Asia as the number of long-term residents in urban areas expands quickly. The national proportion of urban population increased from 246 million in 1985 to 531 million in 2005--a 115 percent increase in just two decades. Since China is projected to keep on urbanizing, 873 million people, or 60.3 percent of the total population are expected to live in cities by 2030. Urban devel-

opment and redevelopment have been implemented to cope with increasing demand of urban *hukou* (household registration) status, basic infrastructures, housing and living facilities and many others. Hereby the process of urban transformation involves politics, economics and social alterations.

Urban poverty has recently emerged as a predominant predicament that threatens the Chinese Government's endeavor toward the "harmonious society" proposed by the Chinese Communist Party (CCP). Building upon the socialist equalitarianism and administrative separation of rural and urban areas, urban poor was nonexistent before and at the early stage of reform except a small proportion of urban residents categorized as *sanwu* (no living source, no work ability and no reliable relatives). The market reform brought China the disappearance of full employment with permanent jobs for urban residents and the gradual disintegration of *hukou* system that restricted the labor mobility from countries to cities. Two largest groups of new urban poor, namely the laid-off state sector employees and migrant-workers, consequently replaced the position of traditional *sanwu* residents in contemporary urban poverty. Accompanied by rapidly changing urban landscapes, degraded socialist working-class communities and urban villages gathered the unemployed and rural migrants in straitened circumstance. They spread over the city from the very centre to urban-rural borders. In the capital Beijing, a block only one street away from Tiananmen Square became an embarrassing slum. The daily living expenditure per capita for the majority of 57,551 residents in this block was



under 8 *yuan* (around 1 American dollar in the survey year), which was only one quarter of the average of Beijing residents (Beijing Academy of Social Sciences, 2005).

Each group of urban poor has its own distinctive characteristics, but official documents customarily employed the terms “disadvantaged group” or “social vulnerable group” to synthetically refer to both laid-off workers from urban state- and collective-owned enterprises (SOE/COEs), and migrant-workers from rural area. These definitions reveal the poor’s tight squeeze but they are inadequate to conceptualize urban poverty. Defining and measuring urban poverty are not easy propositions as migrant-workers with rural *hukou* are excluded from official urban population statistics as they are not respected as permanent urban residents unless they attain urban *hukou*. Most research based on only one of the several urban poverty groups due to the distinctions between them. Proceeding from this reality, this paper will specifically focus the group of SOE/COE workers.

One of the attractions held by this particular subject is, in the context of the socialist China (or post-socialist China recognized by some others) without experiencing fatal economy recession and regime shift as its counterparts in Eastern Europe, how to conceptualize, explain, and finally theorize the urban poverty. Unlike Russia where the Soviet system was born as a result of struggle for dominance based in the cities (Harloe, 1996), CCP claimed their political victory over the Kuomintang was based on rural dominance. Urbanization was then sternly controlled in order to conserve the “revolution base” in countries. Additionally, Mao Zedong required a city of production rather than consumption to distinguish the communist China from the predecessor. Learning from the practice in the Soviet Union and ensuing from his own belief, many walled *danwei* compounds as the icon of communism were established in cities. They contained the socialist work units responsible for producing industrial goods, supplying living and educational facilities and providing housing and medical care for the workers. These *danwei*, owned by state or collective, were the major cells of pre-reform Chinese urban society. In the 1990s, market

power put *danwei*, the product of egalitarian socialism, into the trials of enterprise reform that terminated, closed, bankrupted, sold or joint-ventured the unprofitable SOE/COEs and laid off their workers to release the increasingly heavy financial burden on governments.

The main purpose of this paper is to discuss the contributions, approaches, perspectives and gaps in some of the research on Chinese laid-off workers. The first section of this paper discusses the urban poverty estimation and the data problem. The second section categorizes the research on the creation of urban poverty from macro to micro-level dynamics. The approaches and perspectives to urban poverty are discussed in the third section, followed by a brief conclusion.

Urban Poverty Estimation

The two must-be-answered questions in poverty analysis are the identification and aggregation of poor. Recent estimations of urban poor have been widely divergent as the poverty headcounts range from 10.5 to 37.1 million and poverty rates range from 0.54 to 11.87 percent in accordance with different methodologies, data sources and poverty lines (Table 1)¹.

Urban poverty analysis can provide limit or only partial information in the context of rapid economic changes, varied regional differences, mobility of people, and diversification of employment. Given the spacious land and uneven development of inland and coastal regions, a national urban poverty line is not applicable, unlike the rural poverty line that has been applied in China for many years. As Satterthwaite (2004) points, the aggregate data hide poverty in low and middle-income countries. As higher cash incomes are needed to combat urban poverty, the scale and depth of urban poverty based on official definition is systematically underestimated in most of China’s official statistics (DFID, 2004). The recent discussion on increasing the national income poverty line in China also neglects the hidden aspects of poverty which could hardly be revealed by the poverty lines alone (Cheng, 2008).

¹ Official statistics from the Ministry of Civil Affairs (MCA, 2000) suggested an increase in poverty rate since the mid-1990s from 2.4 to 6.2 percent. Higher poverty rates have been computed by scholars. Using data of China Household Income and Poverty Survey in 1988 and 1995, Khan (1998) puts forward that during this period of rapid growth in urban China, when real per capita disposable incomes rose by 36 percent, the estimated number of urban poor had an 21 percent increase. Li (2001) estimates the urban poverty rate was 5.1 percent in 1999, and Zhu (2002) gives a figure of 6.7 percent in 2000. Although Ravallion and Chen (2004) present a rare low urban poverty rates in 1990s that only 0.54 percent in 2000 and 2.6 percent in 1990, most researchers agree that there was a growing trend in urban poverty in recent years.

Table 1: Urban Poverty Headcount and Poverty Rate

Author(s) and publication year	Years of estimation	Urban poverty headcount	Urban poverty rate (percent)	Data source and/or urban poverty line
Khan (1998)	1988 1995	n.a.	12 percent increase	China Household Income and Poverty Survey
Li (2001)	1999	23	5.1	China Household Income and Poverty Survey
Tang (2006)	1997 2006	20 30	n.a. n.a.	Number of laid-off workers, registered unemployed and <i>sanwu</i> residents
Y. Wang (2002)	1995 1998 1999 2000	19.09 14.77 13.38 10.50	n.a. n.a. n.a. 3.4	Urban household survey 1875yuan/year in 2000
Ren and Chen (1996)	1991 1995	4.4 5.8	n.a. n.a.	n.a.
Zhu (2002)	2000	30.65	6.7	Number of laid-off workers, registered unemployed and <i>sanwu</i> poor
Ministry of Civil Affairs (2005)	2001	15	2.4	Minimum living standard (MLS) and minimum living allowance recipients
Ministry of Civil Affairs (2008)	4 Jan 2003	19.98	6.2	Minimum living standard and Minimum living allowance recipients 152 yuan/month
All-China Federation of Trade Unions (2002)	Apr 2002	18.3	5.9	Laid-off workers in hardship
H. Zheng (2003)	Sep 2002	19.6	4.1	Minimum living standard and Minimum living allowance recipients
F. Zheng (2007)	1999 2002	19.5-23.3 15.1-20.1	5-6 3-4	Urban household survey
Ravallion and Chen (2004)	2002	n.a.	0.54	1200 yuan/year
Hussain (2002)	1998	14.7 37.1	4.73 11.87	Urban household survey and province-specific basic food bundle yielding 2100 kcal for bottom 20% of urban residents
Du et al. (2006)	2002	n.a.	3 (MLS) 6	China income distribution survey
Park et al. (2006)	2004 and 2005	n.a.	3.8 1.8 4.4 10.1	China urban labor survey

The difficulty of estimating poverty is rooted in the quality and availability of data sources, a hackneyed issue in the China studies. Official data are often rigorously criticized by academia and usually not suitable for research purpose. At the same time, relatively dependable and accurate data sources are usually unavailable or inaccessible due to political,

administrative or institutional restrictions. A number of statistical and measurement issues in official data (e.g. household income survey conducted by National Bureau of Statistics (NBS)) include “changes in statistical methodology” and “the number of regions included in the panel and the weight they are given in the survey” over time (Maurice & Whiteford,

2004). Hence better data are necessary in a circumstance that “the data on China’s personal income distribution still provide too fragile a basis for firm policy conclusions” (Bramall, 2001). And it is crucial to develop new statistics to “accurately measure urban poverty, which has increased during painful enterprise restructuring that will continue under the competitive pressure of WTO” (Park & Wang, 2001).

Extended statistical problems exist in the research field of state sector derived from the difference between the conventional definition of unemployment and the contextual meaning of layoff in China². The laid-off workers do not account for a variety of forms of joblessness such as early or forced retirement. *Xiagang*, the original Chinese term of layoff, essentially alludes to temporary leave of work assignment with low or without wage rather than unemployment. Similar to the urban population statistics, the urban unemployment statistics is politicized and covers only the residents with urban *hukou*. For instance, those whom have been laid off would not be counted in statistics of unemployment unless they officially register their status as jobless. Urban registered unemployment rate has been widely used in official documents and announcements to deceptively describe the labor market circumstance³.

The factual unemployment becomes an attention-grabbing topic. Solinger (2001) attempts to answer a crucial question: “why we cannot count the ‘unemployed’?” It could be concluded from her research that neither the official reemployment nor any other urban poverty statistics will be trustful since the laid-off data has already biased. She states:

As of mid-2001, after six or seven years of massive bloodletting from the rolls of state-owned firms, one stark outcome is apparent. No one, and certainly not the central government, knows how many once-state workers have been removed from their post.

Giles et al. (2005) were stimulated into the efforts to answer another fundamental question: “What is China’s true unemployment rate?” Using data from five large cities and employing “an internationally comparable definition of unemployment” which mostly follows the International Labor Organiza-

tion’s guidelines, they estimate that 14 percent of the urban permanent residents were unemployed in 2002. Anyway, as explained by Holz (2004), in transitional China it is understandable that accurate statistics is hard to be compiled while there are “incentives for data falsification, political prerogatives, and shifting interests of reporting units”. But it should be noticed that the NBS is striving to overcome the shortcomings of its production through institutional innovation.

Dynamics of the Urban Poverty

The region-bias development strategy since 1980s has contributed to rapid growth of the coastal region while left the interior behind. Provinces had not equally benefited from the rapid economic and social development, especially for those in the western region. On the causes of urban poverty, studies on regional inequalities provide macroeconomic investigation that would help to get a better understanding of the background. The two issues identified by Wang and Hu (1999), which are also crucial to poverty alleviation, are “Has regional inequality widened or narrowed since China introduced its market-oriented reforms?” and “What are the key factors that have contributed to changes in regional disparity?”

This is a part of ongoing debate on regional disparities in China. The neoclassical growth model predicts a convergence between poor and wealthy regions as market should be facilitating resource flows to equalize factor returns across different areas. It appears that the risen regional inequality of China is contrary to the experience of such as the United States, Japan and Europe. This is partly due to the failure of spillover from the coastal to the interior. Such heterogeneous spillover effects, as projected by Brun et al. (2002) will continually enlarge the income gap between coastal and western/central provinces (Table 2). Nevertheless the Chinese provinces have progressed economic integration (Xu, 2002), widened regional inequalities after 1990s at different levels are reported in most recent research⁴. For instance, Song et al. (2000) indicate that the eastern region developed at a greater rate than west-

² The complicated definition shows the hybrid nature of transitional economy. Li (2006) characterizes the laid-offs as “the product of working unit system. Some workers of state or collective enterprises that are in severe debt, have closed or partially closed down but could not declare bankruptcy due to institutional reasons, lost their jobs, but their labor contracts with their enterprises have not been terminated. The enterprises are still responsible for allocating living expense, medical insurance and pension contributions.” Also see H.Y. Lee (2000) for the process of layoff in China.

³ For instance, the Guangzhou Bureau of Labor and Social Security, proclaimed the capital city of Guangdong Province had pulled off a “full employment” and “extreme low unemployment rate” as of March 2007, evidenced by a very low 2 percent registered urban unemployment rate (H. Wang & Qi, 2007). However, source from the Guangzhou Bureau of Statistics (2007) just revealed a decrease of 5.21 and 8.09 percent on staff number in SOEs and COEs respectively by the end of 2006.

⁴ For this, Yang (2002) outlines several hypotheses on the factors that influenced income distribution. Among these possible causes, the historical factor is valuable to examine the influence of pre-reform heavy industry development in today’s western region. As a complex process naturally, global, state and local forces all influenced the changes of inequality (Wei, 1999).

ern and central regions due to the government policy in 1980s and 1990s.

Table 2: Income Ratio between Groups of Provinces, 1998 and 15 Years Projection

	Coastal/Central	Costal/Western	Central/Western
1998	2.02	2.55	1.26
Projection (15 years)	2.45	3.88	1.58
Source: Brun et al. (2002)			

Using the data in 1982, Tsui (1993) finds that the disparities among the coastal, central and western regions were not significant and the interprovincial inequality was a more important source of overall regional inequality rather than the interprovincial inequality. By adopting the same decomposition method of Tsui's paper, Lee (2000) reports that, in terms of output, interprovincial inequality and disparity between the coast and interior region are recently in the dominant places of overall regional inequality sources. Moreover, growth rates differences were far more severe when using city-level data rather than aggregate province-level data (Jones et al., 2003). For example, special economic zones and open coastal cities have 3 and 5.5 percentage higher annual growth rates on average than those cities without such statuses awarded by special and preferential policies.

There is now an extensive literature on the underlying processes of regional disparities from the historical, geographic, economic and political perspectives. The western provinces are not main beneficiaries in post-reform China. Alternatively, the coastal provinces feature the transitional and industrializing economy (Golley, 2002). By 2004, the per capita GDP of western region was only a quarter of that of eastern region. In order to address the enlarging and striking disparities, the Chinese Government introduced the Western Development Strategy in 1999, a massive western development proposal for the third time in its socialist history. The previous two, the First Five-Year Plan and the Third Front Construction, had build up the pre-reform industrial bases in the western region. They were once the symbol of socialism but have become heavy burden on pre-reform industrialized cities, e.g. Xi'an and Baoji in Shaanxi province. In some defense and heavy industrial bases constructed during the Third Front Construction in rural and mountainous areas, regional industry recession and changes of external political environment excluded them from economic development, making their economic condition "similar to mid-1980s" (H. Chen, 2005). In contrast, as Vogel argues (1989), one reason of Guangdong's taking off was its less number of state-owned enterprises released its readjustment burden in the post-Mao era.

Despite some given factors, e.g. geographic location and investment from oversea Chinese, provinces

have been treated unfairly in many aspects. The fiscal decentralization makes some provinces get less fiscal resources from the Central Government as they generate less than the others (Zhao & Zhang, 1999). Using the household survey data from 1992 to 1998, Fang et al. (2002) demonstrate that the income gap between the western and the other regions has been widening and the western region concentrates the highest proportion of urban poor. In a study of fifty years, Kanbur and Zhang (2005) construct a long-run time series from 1952 to 2000 to explain the regional inequality and argue that greater openness is associated with greater regional inequality. In other words, lack of trade is decisive to lag the western region behind. Even if it is too early at this stage to state whether the new western development will be successful (Golley, 2007), the Western Development Strategy, like the other central-oriented developments in north-east and central regions, gives hopes to a number of poor provinces.

On the transition of socialist planned economy to market economy in former Soviet Union countries, Milanović (1998) describes:

It is the period of dramatic declines in income, the reappearance of diseases long forgotten, growing poverty and unemployment, and great uncertain

This is applied to the current situation in China to a certain extent. China once had one of the lowest levels of national inequality in the world owing to its very equal distributions across sectors (Adelman & Sunding, 1987). Regarding the present situation, Dollar (2007) writes:

(China's) growth has fueled a remarkable increase in per capita income and a decline in the poverty rate from 64 percent at the beginning of reform to 10 percent in 2004. At the same time, however, different kinds of disparities have increased. Income inequality has risen by the growing disparity between highly educated urban professionals and the urban working class. There have also been increases in inequality of health and education outcomes.

The relation between of income equality and poverty has been long established (Atkinson, 1975;

Ahluwalia, 1976; Kakwani, 1980). It is no wonder that China's recent "retreat from equality" (Riskin et al., 2001) attracts great interest and produces a large number of literatures on income inequalities. Regionally, the income started to diverge in 1990 when the coastal provinces grow markedly faster than the interior (Jian et al., 1996). Market reform and capital-driven urbanization lead to a dramatic increase in urban inequalities. In cities, urbanization does not narrow the distributional disparity; on the contrary, urban poor is the concomitant of industrialization and marketization (A. Chen, 2002).

The state sector reform as the most direct cause of massive urban layoffs and unemployment, political scientists contribute a lot by increasingly placing urban politics in the analytical emphasis in the field of Chinese politics (Hurst, 2006). A number of literatures discuss the reasons, outcomes and implications of state sector reform and laid-off policy (for example, see Lin (2001), Chiu & Hung (2004) and Cai (2006)). Economic empirical study shows that, enterprise reform was one of the most important factors contributed to the emergence of urban poor between 1994 and 2000 (Meng et al., 2007). The state sector reform is accompanied by a range of other changes. Sociologist and geographers contribute to the community study. Their recent studies not only describe the macro urban change but also explain the recent social stratification, housing reform and so on. At the same time, a number of questions remained unsolved. What kind of households is easier to fall into poverty than the others? In India, Kenya, Uganda and Peru, poor health and its related expenses is one of the major reasons for descent into poverty whilst diversification of income is important to escape from it (Krishna, 2007). What are the differences between the experiences of China and other countries?

Approaches to the Urban Poverty

The Minimum Living Standard Scheme

Governments of all levels in China apply a benefit poverty line, whereas some researchers try to establish different poverty lines to give directions to social policy and academic research. In policy practice, each city runs the Minimum Living Standard Scheme (MLSS) that mainly employs a basic needs approach. The government covers the gap between the Minimum Living Standard and the recipient's income. The MLS therefore is an absolute poverty standard based on consumption but uses income as the norm to examine eligibility. As a benefit poverty line, the MLS has to correspond to local fiscal status to identify the poor in a local context. Generally, larger cities (in terms of the population and/or economy) have higher MLS than smaller ones, and the eastern cities have higher MLS than the western ones. As one of the most accessible and intuitionist indicators of urban poverty, the MLS has worked as a reference in the construction of other poverty lines. But the diverse patterns of income, consumptions and price differentiate the setting procedure of MLS across provinces and even cities within the same province as they have diverse economic geographic backgrounds and fiscal capacities. The MLS was equivalent to approximately 22 percent of the average income per capita of urban residents as a whole. Among the recipients, 70 percent were unemployed and 50 percent had working capability (S. Zhang & Tang, 2005). As of February 2008, about 23 million residents or 11 million households had received MLS and the amount of subsidies per capita was 123 *yuan* (Ministry of Civil Affairs, 2008).

Table 3: Statistics on Minimum Living Standard in Selected Major Cities, 2005

Region	City or Municipality	MLS (<i>yuan</i> per month, as of September 2005)	Urban <i>hukou</i> population (million, by the end of 2005)	Gross regional product (billion <i>yuan</i> , by the end of 2005)
Eastern	Guangzhou	330	7.50	515
	Shanghai	300	13.60	915
	Beijing	300	11.81	689
	Tianjin	265	9.27	370
Central	Wuhan	220	8.01	224
	Zhengzhou	200	6.79	166
	Taiyuan	183	3.40	89
Western	Xi'an	200	7.41	127
	Lanzhou	190	3.12	57
	Yinchuan	180	1.41	29
	Xining	165	2.09	24
	Urumqi	161	1.94	56

Some officials worry that the MLS is too high to encourage recipients to work but this is inconsistent with the results from Chen et al. (2006). They find that the MLSS is good at avoiding leakage to non-poor and has an unlikely adverse effect on recipients' incentives to earn income. The MLS is the best program in developing countries in terms of targeting, though the actual effect is doubtful. When using the data of the NBS Urban Household Short Survey 2003/04, they find the coverage of people under the MLS is weak. Even though it should have played crucial role in alleviating urban poverty and is claimed to be a method to assure the proper spending of limited MLS funds (Tang, 2005), it is not suitable for identifying the urban poor. A number of studies have constructed alternative urban poverty lines to identify urban poor and benefit current poverty analysis.

Alternative Monetary Approach

The problems in measuring levels and characteristics of China's urban poverty are analyzed in Hussain (2003). Also, general and food poverty lines have been constructed respectively, using the NBS 1998 Urban Household Survey. The results reveal the estimate of urban poverty rate is highly sensitive to slight shifts in the general poverty line. For example, the official number of urban poor with *hukou* was 4.73 percent of the total urban population, but an increase by only 15 percent of poverty line almost doubles the poverty rate to over 8 percent. Further, when the poor are identified in terms of expenditure instead of income, the figure shoots up to 12 percent. The sensitivity to a comparatively small shift in the poverty line suggests that a significant proportion of

the non-poor urban population is highly susceptible to a fall into poverty. This could come about through a relatively small reduction in income or, for example, a rise in non-food expenditure as a result of illness. These results are backed up by Knight and Li (2006), in which study they identify the extent and nature of three types of China's urban poverty by means of a 1999 household survey also from NBS—"income and consumption", "income not consumption" and "consumption not income". A large proportion of the poor have income above, but consumption below the poverty line. Under the circumstance that new medical and social security systems have not been set up, the precautionary consideration and special needs for sickness prevent the poor urban households to advance their consumption level.

There are recently two attempts to improve the monetary poverty lines in China—subjective and equivalence scale poverty lines to overcome the neglect of demographic characteristics and economies of scale in households. As "poverty is feeling you do not have enough to get along" (Hagenaars & de Vos, 1988), one should be defined as poor when per capita income is less than the amount he or she considers to be sufficient to live a non-poor life by asking the Minimum Income Question. A subjective poverty line then could be derived from responses to the MIQ by an intersection method (Goedhart et al., 1977). This approach concerns the thought of people rather than of experts. Gustafsson et al. (2004) for the first time apply a subjective poverty line to the urban China. They find that the urban poverty counts under subjective poverty line is "surprisingly close to those obtained when applying the methodo-

logy used when providing official estimates on poverty in urban China”.

Two major implications could be drawn from these studies. Firstly, opinions on the constitution of minimum needs are considerably varied by individual and locations. Households in the costal cities considered higher minimum income standard than those did in the inland cities. Secondly, subjective poverty studies raise the concern to the attribute of household scale economies as the per capita income is used as recipient units in a number of urban poverty investigations. Though the household size does not necessarily has positive effects on the probability of being poor in developing countries (Lanjouw & Ravallion, 1995), empirical evidences in China show that the household size do has positive correlation with the probability of being poor (W. Zhang & Li, 1992). And poverty is more likely to occur in the households with more family members. For example, 40 percent poor households have 3 person and 57 percent poor households had 4 or more persons in 1995 (NBS, 1997). A research on the Jiangxi Province's 880 urban households shows that the average household size of the non-poor was lower than that of the poor households (Liu, 2001). Comparatively, in the 2001 national survey, the average poor household size was 3.69 persons, 0.57 higher than the average household size of total samples (Y. Wang, 2002).

The existence of economies of scale calls attention to the demographical characteristics of household because “family rather than individual is the natural as far as consumption behavior is concerned” (Sen, 1979). Poverty line often presents in a per-person form, such as the World Bank's a-dollar-a-day standard. Some Chinese official statistics have adopted the so-called expenditure coefficients, e.g. a three-person household is one standard expenditure unit while one-person and two-person households are 1.5 and 1.23 times the expenditure of a standard unit respectively. But this is not sufficient as it omits the life cycle of family members and that child in family. Using the 1993/97 UHS data, an empirical analysis based on equivalent scale by Chen (2006) suggests a complete set of urban poverty lines to suit households with different demographic attribute, i.e. the number of adults and the number and age of children in the family.

Capability, Social Exclusion and Participatory Approaches

Above attempts to identify and measure the urban poor based on defining a monetary poverty line, the others draws on capability, social exclusion or participatory approaches as narrow perception of poverty may fundamentally underestimate the extend and severity of poverty .

Social exclusion is an ideal measure of poverty as it provides different interpretations of old findings (Brady, 2003). Besides the difficulties to interpret the concept of urban poverty (Laderchi et al., 2006), a concern is its political connotations of social exclusion theory in a socialist country due to the intrinsically focus on deprivation and marginalization. This may be a sensitive topic to the authorities because exclusion is a relative concept that directly points to the excluders and excludees. A study on social exclusion in five cities provides categorized interviewees' opinions on income, consumption, health, education and social network. For example, some of these poor households (as defined by MLS) could not meet the expense of regular meat consumption, most adults did not buy new clothing, and children's education expenditure had laid a heavy burden on them (Tang, 2002). Partly attributable to social discrimination, the poor tended to avoid affiliating with others. The essential assumption of similar studies is that the urban poor are the excludees, and then discuss poverty generally in an economic sense of basic-need approach. Therefore the questions of “Who is the excluder?” and “How do the poor become excluded?” have not been fully answered. The value of social exclusion perspective is not only on its contribution to the concept of multidimensional poverty but also to the understanding of horizontal inequalities (as suggested by Stewart (2002)) that concerns groups rather than individuals and to the social, economic and political forms of exclusion. For instance, the boundary between rural and urban citizens in pre-reform China excluded rural people from entering cities while urban workers enjoyed much more benefits. Nowadays, as a significant portion of laid-off workers have been left out by the market system and migrant-workers still suffer from assorted discrimination, they all become “outsiders” relative to the “insiders” who benefit the most from the reform. But they still in different layers of “outsiders” toward a center of “insider”, according to Li (2005), in which enterprise employees are more close to the “insiders” than rural residents. After all, the urban citizens with *hukou* still have more benefits, e.g. unemployment insurance and MLSS, than the rural residents, no matter nominally or virtually.

Another argument is the applicability of social exclusion approach on developing countries, since its analytical framework builds on developed countries. A study on young people in East European former socialist countries suggests that high unemployment will not lead to exclusion; hence social exclusion exists peculiarly in Western Europe and North America (Roberts, 2001). Great efforts had been made on expanding its application range in developing countries. The conceptualization of the lack of rights that leads to social exclusion is one attempt

and the attention is given to the suffering of urban poor on social rights (Hong, 2005). The unbalanced economic policies requested the western provinces to sacrifice the chance to “be rich first” and unequally allocated resources between regions, finally created regional disparities and uneven development. A study on Gansu Province in northwestern China tries to identify the several types of missing rights that produce urban poverty, including policy preference towards the eastern region, the inequality of economic benefit distribution between sectors and industries, and the absent of employment opportunities and social protection (Tu, 2006). Monopoly and corruption also contribute to unfair distribution of income but only a few studies have involved these topics.

Participatory approach has been introduced to rural China for some time to assess, monitor and develop poor rural community and build local capacity (e.g. ADB (2001)). However, as of 2006, there is only one comprehensive participatory poverty assessment on China’s urban poverty. This study conducted in Beijing provided a groundbreaking application of participatory method to inquiry the constitution and condition of residents with both urban and rural *hukou* (Zhou, 2000). Apart from its referencing value, the results provide limited information and the turn of expression and research design are disputable. It writes “the result of participatory wealth ranking by poor shows that the urban poor mostly are those who are laid-off, unemployed, jobless, released prisoners, unhealthy, aged, and disable”. As no indications in relevant chapter (p.14, Section 3.2) explained that how participants (rather than “poor” in above original wording) were chose, one could only assume from its context that the participants were those according to the official MLS, an absolute income poverty line that indubitably underestimated the urban poverty as discussed above. Consequently, this criteria heedlessly neglected a large number of

poor should be considered, including people whose income above the MLS but live poorly under other monetary poverty standards, whose consumption were under MLS, as well as who had the potential to be considered as poor in the PPA but had not recruited. It seems there is an oversight that the poverty standard was set up before “voice of the urban poor” was heard. Therefore it undermined the advantages of participatory approach that avoided external imposed standards and generated results that had less contribution to the understanding of urban poverty from the perspectives of participants. The ethics is another issue of this study as it provides full details of participants and even the criminal records of two of them but there are no notes to clarify whether these are anonym.

Conclusion

Systematic research on China’s laid-off poor commenced just after the problem could not be covered any longer as more and more protests and demonstrations took place in cities. Deteriorating from “master to mendicant”, this group of unskilled and middle age workers was forced to “discover new modes of livelihood” (Solinger, 2004). Also described by Hurst (2004), the recent laying off is a process that unmakes the Chinese proletariat. On discussing the appropriate analysis framework of social and political change caused by unemployment, he criticizes the “one size fits all” template which treats China as an ordinary developing country will downplay the historical and other aspects of this problem. The research on the laid-off poor, or broader, the entire urban poor, could contribute to the market transition debate. More innovative approaches and perspectives are needed to theorize the urban poverty in China and shed some light on the policy-making to combat the problem.

References

- All-China Federation of Trade Unions (ACFTU). (2002). Laid-off workers in hardship. Retrieved September 10, 2007, from <http://www.acftu.org/template/10005/column.Jsp?cid=879>.
- Adelman, I., & Sunding, D. (1987). Economic policy and income distribution in China. *Journal of Comparative Economics*, 11(3), 444-461.
- Ahluwalia, M. S. (1976). Inequality, poverty and development. *Journal of Development Economics*, 3(4), 307-342.
- Asian Development Bank (ADB). (2001). *Reflecting Voice of the Poor: Participatory Poverty Assessments in Nayong County, Guizhou Province, P.R.China*. Asian Development Bank
- Atkinson, A. B. (1975). *The Economics of Inequality*. Oxford: Clarendon Press.
- Beijing Academy of Social Sciences (BASC). (2005). *Beijing Chengqu Jiaoluo Diaocha (Investigation of urban corners in Beijing)* (Vol. 1). Beijing: Social Science Academic Press.
- Brady, D. (2003). Rethinking the Sociological Measurement of Poverty. *Social Forces*, 81(3), 715-751.
- Bramall, C. (2001). The quality of China’s household income surveys. *The China Quarterly*, 167, 689-705.
- Brun, J. F., Combes, J. L., & Renard, M. F. (2002). Are there spillover effects between coastal and noncoastal regions in China? *China Economic Review*, 13, 161-169.
- Cai, Y. (2006). *State and Laid-Off Workers in Reform China: The Silence and Collective Action of the Retrenched*. London: Routledge
- Chen, A. (2002). Urbanization and disparities in China: challenges of growth and development. *China Economic Review*, 13(4), 407-411.

- Chen, H. (2005). "Sanxian" dierdai de mingtu (The life of the second generation of Third Front). *Nanfang Renwu Zhoukan (Souther People Weekly)*, 35.
- Chen, S., Ravallion, M., & Wang, Y. (2006). Di Bao: A Guaranteed Minimum Income in Urban China? *World Bank Economic Review*, WPS3805. Retrieved August 8, 2006, from http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2006/01/09/000016406_20060109155607/Rendered/PDF/wps3805.pdf
- Chen, Z. (2006). Measuring the poverty lines for urban households in China--an equivalence scale method. *China Economic Review*, 17, 239-252.
- Cheng, Z. (2008). Shouru pinkunxian buneng jieshi zhenshi de pinkun (Income poverty line cannot reveal the real poverty). *Nanfang Dushi Bao (Southern Metropolitan Daily)*.
- Chiu, S. W. K., & Hung, E. P. W. (2004). Good Governance or Muddling through? Layoff and Employment Reform in Socialist China. *Communist and Post-Communist Studies*, 37(3), 395-411.
- Dollar, D. (2007). Poverty, inequality, and social disparities during China's economic reform. *World Bank Policy Research Working Paper*, No. 4253.
- Du, Y., Gregory, R., & Meng, X. (2006). The impact of the guest-worker system on poverty and the well-being of migrant workers in urban China. In R. Garnaut & L. Song (Eds.), *The Turning Point in China's Economic Development*. Canberra: Asian Pacific Press at the Australian National University.
- Fang, C., Zhang, X., & Fan, S. (2002). Emergence of urban poverty and inequality in China: evidence from household survey. *China Economic Review*, 13(4), 430-443.
- Giles, J., Park, A., & Zhang, J. (2005). What is China's true unemployment rate? *China Economic Review*, 16(2), 149-170.
- Goedhart, T., Halberstadt, V., Kapteyn, A., & van Praag, B. (1977). The Poverty Line: Concept and Measurement. *The Journal of Human Resources*, 12(4), 503-520.
- Golley, J. (2002). Regional patterns of industrial development during China's economic transition. *Economic of Transition*, 10, 761-801.
- Golley, J. (2007). China's western development strategy and nature versus nurture. *Journal of Chinese Economic and Business Studies*, 5(2), 115-129.
- Gustafsson, B., Shi, L., & Sato, H. (2004). Can a subjective poverty line be applied to China? Assessing poverty among urban residents in 1999. *Journal of International Development*, 16(8), 1089-1107.
- Hagenaars, A., & de Vos, K. (1988). The Definition and Measurement of Poverty. *The Journal of Human Resources*, 23(2), 211-221.
- Harloe, M. (1996). Cities in the transition. In G. Andrusz, M. Harloe & I. Szelenyi (Eds.), *Cities After Socialism: Urban and Regional Change and Conflict in Post-socialist Societies*. Oxford: Blackwell Publishers.
- Holz, C. A. (2004). China's statistical system in transition: challenges, data problems, and institutional innovations. *Review of Income and Wealth*, 50(3), 381-409.
- Hong, Z. (2005). The Poverty of Social Rights and Dilemmas of Urban Poverty in China. *Journal of Contemporary China*, 14(45), 721-739.
- Hurst, W. (2004). The unmaking of the Chinese proletariat: the politics of xiangang. *Urban China Research Network Conference*. Hong Kong Baptist University.
- Hurst, W. (2006). The city as the focus: the analysis of contemporary Chinese urban politics. *China Information*, 20(3), 457-479.
- Hussain, A. (2002). *Urban Poverty in PRC* (No. TAR: PRC 33448). Asian Development Bank.
- Hussain, A. (2003). *Urban Poverty in China: Measurement, Pattern and Policies*. Geneva: International Labour Office.
- Jian, T., Sachs, J. D., & Warner, A. M. (1996). Trends in regional inequality in China. *China Economic Review*, 7(1), 1-21.
- Jones, D. C., Li, C., & Owen, A. L. (2003). Growth and regional inequality in China during the reform rra. *China Economic Review*, 14, 186-200.
- Kakwani, N. C. (1980). *Income inequality and poverty: methods of estimation and policy applications* New York: Oxford University Press.
- Kanbur, R., & Zhang, X. (2005). Fifty Years of Regional Inequality in China: a Journey Through Central Planning, Reform, and Openness. *Review of Development Economics*, 9(1), 87-106.
- Khan, A. R. (1998). *Poverty in China in the period of globalization: New evidence on trends and patterns*. Geneva: International Labour Office.
- Kirkby, R. J. R. (1985). *Urbanization in China: Town and Country in a Developing Economy, 1949-2000 A.D.* New York: Columbia University Press.
- Knight, J., & Shi, L. (2006). Three Poverties in Urban China. *Review of Development Economics*, 10(3), 367-387.
- Krishna, A. (2007). *The Dynamics of Poverty: Why Don't "the Poor" Act Collectively?* Washington, D.C.: International Food Policy Research Institute (IFPRI)
- Laderchi, C. R., Saith, R., & Stewart, F. (2006). Does the definition of poverty matter? Comparing four approaches. In D. Ehrenpreis (Ed.), *What is Poverty? Concepts and Measures*. Brasillia: United Nations Development Programme.
- Lanjouw, P., & Ravallion, M. (1995). Poverty and Household Size. *The Economic Journal*, 105(433), 1415-1434.
- Lee, H. Y. (2000). Xiangang, the Chinese style of laying off workers. *Asian Survey*, 40(6), 914-937.
- Lee, J. (2000). Changes in the source of China's regional inequality. *China Economic Review*, 11, 232-245.
- Li, B. (2005). Urban Social Change in Transitional China: A Perspective of Social Exclusion and Vulnerability. *Journal of Contingencies and Crisis Management*, 13(2), 54-65.
- Li, S. (2001). Increasing urban poverty at the end of the 1990s and its cause. Retrieved June 16 2008, from <http://www.cass.net.cn/jingjisuo/yjlw/01.asp?id=194>.

- Li, S. (2006). *Unemployment, Inequality and Poverty in Urban China*. London: Routledge.
- Lin, Y.-M. (2001). *Between Politics and Markets: Firms, Competition, and Institutional Change in Post-Mao China*. Cambridge: Cambridge University Press.
- Liu, L. (2001). Shilun dangqian woguo chengshi pinkun wenti chansheng de yuanyin (Probing into the cause of China's urban poverty (Part 3)). *Journal of Wuyi University*, 3(2), 11-14.
- Maurice, M.-A., & Whiteford, P. (2004). Income disparities in post-reform China: a review of the international literature. In *Income Disparity in China: An OECD Perspective*. Paris: OECD Publishing.
- Ministry of Civil Affairs (MCA). (2000). Minimum Living Standard in 36 cities. Retrieved September 10, 2006, from http://www.mca.gov.cn/artical/content/SDB_BZ/20051125172845.html.
- Ministry of Civil Affairs (MCA). (2005). 36 chengshi dibao biao zhun (Minimum Living Standard in 36 cities). Retrieved October 1, 2007, from http://www.cpad.gov.cn/data/2006/0303/article_341.htm.
- Ministry of Civil Affairs (MCA). (2008). 2008 nian 2 yue quanguo chengshi dibao qingkuang (National situation of urban Minimum Living Standard as of February 2008). Retrieved May 20, 2008, from <http://dbs.mca.gov.cn/art-icle/csdbs/tjsj/200804/20080400013467.shtml>.
- Meng, X., Gregory, R., & Wan, G. (2007). Urban Poverty in China and its Contributing Factors, 1986-2000. *Review of Income and Wealth*, 53(1), 167-189.
- Milanović, B. (1998). *Income, Inequality, and Poverty During the Transition from Planned to Market Economy*. Washington, D.C.: World Bank Publications.
- National Bureau of Statistics (NBS). (1997). Zhongguo chengzhen jumin pinkun wenti yanjiu (China Urban poverty research). *Chengshi Guanli*.
- Park, A., Wang, D., & Cai, F. (2006). Migration and Urban Poverty and Inequality in China.
- Park, A., & Wang, S. (2001). China's poverty statistics. *China Economic Review*, 12(4), 384-398.
- Ravallion, M., & Chen, S. (2004). China's (Uneven) Progress against Poverty. *World Bank Policy Research Working Paper No. 3408*.
- Ren, C., & Chen, X. (1996). Size, status and trend of poverty in urban China. *Research and Reference Materials*, 65.
- Riskin, C., Zhao, R., & Li, S. (Eds.). (2001). *China's Retreat from Equality: Income Distribution and Economic Transition*. Armonk: M.E.Sharpe.
- Roberts, K. (2001). Unemployment without social exclusion: evidence from young people in Eastern Europe. *International Journal of Sociology and Social Policy*, 21(4-6), 118-144.
- Research Office of the Central People's Government (ROCPG). (2006). *Zhongguo Nongmingong Diaoyan Baogao (Research Report of China's Migrant Workers)*. Beijing: Yanshi Press.
- Satterthwaite, D. (2004). The under-estimation of urban poverty in low and middle-income nations. *Working Paper on Poverty Reduction in Urban Areas*, No. 14.
- Sen, A. (1979). Issues in the Measurement of Poverty. *The Scandinavian Journal of Economics*, 81(2), 285-307.
- Solinger, D. J. (2001). Why we cannot count the "unemployed". *The China Quarterly*, 167, 671-688.
- Solinger, D. J. (2004). The new crowd of the dispossessed: the shift of the urban proletariat from master to mendicant. In P. H. Gries & S. Rosen (Eds.), *State and Society in 21st-century China*. New York: RoutledgeCurzon.
- Song, S., Chu, G. S.-F., & Cao, R. (2000). Intercity regional disparity in China. *China Economic Review*, 11, 246-261.
- Stewart, F. (2002). Horizontal Inequalities: A Neglected Dimension of Development. *Queen Elizabeth House, University of Oxford Working Paper*, No. 81.
- Tang, J. (2002). Shehui paichi yu chengshi pinkun qunti de shengcun zhuangtai (Social exclusion and the life of the urban poor?). *China Social Science Academy Sociology Research Institute Discussion Paper No. 13*.
- Tang, J. (2005). Chengxiang dibao zhidu: lishi, xianzhuang yu qianzhan (Urban Dibao scheme: history, current situation and forecast). Retrieved April 10, 2008, from <http://www.tecn.cn/data/detail.php?id=8426>.
- Tang, J. (2006). Tiaozheng zhong de chengxiang zuidi shenghuo baozhang zhidu (The Minimum Living Standard Scheme in adjustment). Retrieved May 18, 2008, from <http://www.sociology.cass.cn/shxw/shgz/shgz31/P020070208307561564811.pdf>.
- Tsui, K. (1993). Decomposition of China's regional inequalities. *Journal of Comparative Economics*, 17, 600-627.
- Tu, G. (2006). *A Brand-new Angle of Urban Poverty's Research that Takes Urban Privileges into Consideration--Demonstration of How Middle and Large-sized Cities' Population of Gansu Province*. Lanzhou: Lanzhou University Press.
- UK Department for International Development (DFID). (2004). *China Urban Poverty Study*. GHK (Hong Kong) Ltd.
- United Nations (UN). (2006). World Urbanization Prospects: The 2005 Revision Population Database.
- Vogel, E. F. (1989). *One Step Ahead in China: Guangdong under Reform*. Cambridge: Harvard University Press.
- Wang, H., & Qi, H. (2007). Guangzhou chengzhen shiyelv jin baifenzhier: dadao "chongfen jiuye" (Only two percent urban registered unemployment rate in Guangzhou: achieving "full employment"). Retrieved October 1, 2007, from http://www.ce.cn/xwzx/gnsz/gdxw/200703/28/t20070328_10843904.shtml
- Wang, S., & Hu, A. (1999). *The Political Economy of Uneven Development: The Case of China*. Armonk, New York: M.E.Sharpe.
- Wang, Y. (2002). Dui woguo muqian chengshi pinkun zhuangkuang de panduan fenxi (Assessment and analysis of urban poverty in China). *Market and Demographic Analysis*, 8(6), 14-18.
- Wei, Y. D. (1999). Regional inequality in China. *Progress in Human Geography*, 23(1), 49-59.
- Xu, X. (2002). Have the Chinese provinces become integrated under reform? *China Economic Review*, 13, 116-133.
- Yang, D. T. (2002). What has caused regional inequality in China? *China Economic Review*, 13, 331-334.

- Zhang, S., & Tang, J. (2005). Chengshi dibao biao zhun jingou weichi dibao duixiang de wenbao (The Minimum Living Standard can only guarantee the basic living of recipients). Retrieved August 25, 2007, from <http://www.sociology.cass.net.cn/shxw/shgz/shgz41/P020080115324216259633.pdf>
- Zhang, W., & Li, S. (1992). Zhongguo chengshi pinkun wenti de jingyan yanjiu (The empirical study of China's urban poverty problem). *Jingji Yanjiu*, 10.
- Zhao, X. B., & Zhang, L. (1999). Decentralization reforms and regionalism in China: a review. *International Regional Science Review*, 22(3), 251-281.
- Zheng, F. (2007). Jiushi niandai zhongqi yilai zhongguo pinkun yu dishouru qunti fazhan zhuangkuang ji dibao zhengce fenxi (Development of poor and low-income group in China since 1990s and analysis on Minimum Living Standard Policy). Retrieved January 1, 2008, from <http://dbs.mca.gov.cn/article/csdb/llyj/200712/20071200006224.shtml>
- Zheng, H. (2003). *Renmin University of China Research Report of Chinese Social Development--Social Vulnerable Group and Social Support*. Beijing: Renmin University of China Press.
- Zhou, X. (2000). Voice of the Poor: Report on Participatory Urban Poverty Analysis in Beijing. Beijing: Asian Development Bank.
- Zhu, Q. (2002). Chengzhen pinkun qunti de tedian ji yuanyin (Characteristics and reasons of urban poverty groups). *Zhongguo dangzheng ganbu luntan*, 4.

About the Author

Zhiming Cheng

The author is a PhD candidate at Department of Economics, Faculty of Business and Economics, Macquarie University, Australia. He sincerely thanks for the Macquarie University Research Excellent Scholarship and other supports from the Faculty and its staff. The normal disclaimer applies.