

'Rust belt' most seriously hit by state industries restructuring

China lays off millions of workers

Whistles shriek through the enormous production hall at China's oldest iron and steel works in Anshan, while up in the hall an iron trough, its contents blazing, slides towards the mouth of the furnace. The workers, whose sole protective clothing consists of a red safety helmet, look on from a short distance away as the orange and yellow mass disappears with considerable force. A shower of sparks descends, while the heat and a dark grey cloud of dust deprive the visitors of breath. A little later, more whistles sound to indicate that it is now safe to walk on under the rail along which containers are transported to the iron smelter at short intervals.

The air in the factory hall is full of small twinkling stars: thousands of tiny metal particles floating slowly downwards. It must not be very healthy to work in the Angang factory, but these Victorian working conditions don't seem to bother the workers, who do not even have a protective cap over their mouths. 'As long as they don't lay me off, that's the main thing. I don't know what I'd do if they did,' says one of the men in between operations, as he wipes his perspiring face with a grimy white cloth. He is well aware that 20,000 employees at the Angang iron and steel works, where 70,000 people still work, will have to be made redundant between now and 2000. And there is no reason at all why he would not be one of the victims.

China has finally made an active start on the restructuring of the antiquated state industries, which swallow up thousands of billions of guilders' worth of government subsidies so as to cover the losses. During the 15th Party Congress last September, the Chinese leaders gave the go-ahead signal for a frontal attack on this, the last bastion of the socialist planned economy. And this means mass redundancy; more than 13 million people working in the state sector will lose their jobs this year alone. The industrial mastodons set up (with Russian help in many cases) after the Communist take-over in 1949 are now threatening to obstruct China's economic progress unless their inefficient production is drastically reduced.

The hardest hit in this reorganisation process is the so-called 'rust belt', the area that the Chinese simply refer to as 'the Northeast', where the core of China's smoke-stack industries is situated. The three provinces formerly known collectively as Manchuria, where the Japanese and Russians started up the industrial revolution at the beginning of this century, had perforce been indicated as the industrial base of the People's Republic during the rule of Mao Zedong (1949-1976). One-third of China's machines were manufactured in this region and it was responsible for half the total production of timber, coal and oil. The defence industry was also established here to provide the army with tanks, arms and aeroplanes; the Northeast was then able to develop into the richest part of the People's Republic.

Victims

Governor Wen Shizen says resentfully: 'We're really the biggest victims of the planned economy. The economical set-up in this region is irrational: three-quarters of it was based in an extremely limited way on heavy industry. Not only that, but the machinery and other production equipment have never been updated and adapted to modern developments. Our technology is lagging behind to a drastic extent, which means we can't compete with the rest of the world, or even with the rest of China. The coastal provinces in southern China, which were the first ones to open their doors to foreign investment in the 1980s, have been able to profit from the economic reforms process and build up a big start. The wealth of China is now in the south.'

Wen is Governor of Liaoning, the southernmost province in what used to be Manchuria, with a population of 41 million and an area five times the size of Belgium. Anshan is one of the 8 major

cities, with a population of almost 3.5 million. Governor Wen's position is not exactly an enviable one: of all the 31 provinces in China, Liaoning has the biggest number of large and medium-sized government enterprises, and more than 40% of the 900 or so companies are running at a loss. On the orders of the highest authorities in Beijing, Governor Wen will have to reduce the number of loss-making companies to 20% in 2000, and to restrict their total losses currently almost 1.5 billion guilders to less than 250 million guilders.

In order to achieve this goal, a further 800,000 jobs will have to be scrapped in Liaoning during the next two years. This number is additional to the 800,000 compulsory redundancies during the past three years. The large majority of these people are still unemployed; they have not yet found suitable jobs, or are following re-training projects in the hope of finding work at the end of the course. Wen, who confesses that he has sleepless nights now and again thinking about it, says dolefully: 'This is the price we have to pay for reforming the state run enterprises. It is an extremely painful slim-down, but unfortunately essential.' The number of unemployed in Liaoning (1.1 million) has meanwhile exceeded 10%, while an improbably low figure of about 4% unemployed is officially maintained for the rest of China. The actual percentage of workers who are wholly or partially unemployed in the rust belt is probably nearer 50.

The impending mass unemployment, coupled with the lack of any social safety net in the shape of benefits, is the reason why Chinese leaders have continually postponed reorganisation of the government enterprises during economic reforms. They fear uncontrolled social unrest amongst the 110 million workers employed in the government sector and living in the cities. After all, these workers have become accustomed to a job for life and being taken care of by the factory from the cradle to the grave. Free health care, free education for the children and living practically rent-free too, automatically formed part of the perquisites which were to last all their lives.

In September, Party Secretary General Jiang Zemin declared that this golden age of the 'iron rice-bowl' would be a thing of the past from now on. He said: 'Although redundancy and having to find a new job will mean that some of the workers will be in difficulties for a while, this is conducive to economic development and is also in the interests of the working people in the long term. The workers will have to change their ideas about work and improve their own qualities in order to meet the new requirements necessary to reforms and further development.' Jiang's message is quite clear, although many people will find his words hard to digest. The Party Congress has decided to make the government sector show a profit by compulsory liquidations, mergers and the issuing of shares in 2000.

According to the Chairman of the Board, Liu Jie, the restructuring and modernisation process within the Angang group in Anshan – which employs a total of 180,000 people – has already been going on for several years. Investments have been made in new machinery for the iron and steel works, and 17 independent enterprises with exceedingly diverse activities have also been set up under the umbrella group. Some instances of these are a milk factory, a nursery and a company that manufactures flip-flops. During a talk with Liu, he still does not make it clear whether these companies are making a profit, and if they actually will be able to take on the 20,000 redundant steel workers as he claims.

Job seekers

As in a number of other former industrial cities in China, a services centre has been established in Anshan by way of experiment in order to help the redundant workers from the state industries. Unemployed people can register there as job seekers, consult a vacancies department and follow retraining courses. The director of the centre, Mrs Wang Lin, says: 'About a couple of thousand people visit us every day to ask for information.' She adds that although there are a large number of vacancies, the main problem is that young people are required for most of the jobs going, while the majority of the unemployed are over forty: 'It's extremely difficult to find another job, especially for women over forty,' she says. 'The town council is currently trying to involve this group in social activities like serving lunch to schoolchildren.'

A few people are standing listlessly outside the services centre looking at the vacancies advertised in the window. They are still partly dressed in the traditional dark blue Mao suits and do not have much

expectation of getting a new job. After pressing him for an answer as to why he does not want to find a new job, an electrician named Li finally tells us: 'If I go and work for another company I'll lose my pension. Not only that, but if I get sick and have to go to the doctor, I'll have to pay all the medical expenses myself. And my rent will go up a lot too.' He became redundant two months ago and was put on reduced pay: 150 yuan (a bare 40 guilders) will be paid out to him every month for the first year, but after that he will have to find another source of income. When asked how, he shrugs indifferently and says: 'No idea.'

The silence preserved by the others is significant. The 'iron rice-bowl' mentality still prevails to a great extent in this traditional industrial area. Research has shown that the majority of workers in the government sector much prefer to subsist on reduced pay that only amounts to 200 yuan (50 guilders) a month. This is because, even though they have no work, they are still able to benefit from the social protection offered by their employer, and they have hopes that their former boss will find another job for them.

Lost generation

For China's lost generation, 'the factory' is the only security in a life in which they were not brought up to be enterprising citizens anyway. In the old days, the State assigned a lifelong job to them without their having any choice in the matter. Right up to the beginning of the 1990s, they never had to think about what they would have to do if they ever lost their jobs. And on top of all this, they now have to compete in the labour market with youngsters who are better educated and who are more willing to take risks because they have never known what it is to be permanently looked after all one's life.

The Chinese government, which is faced with the well-nigh impossible task of instantly creating millions of new jobs, considers it has found a panacea to the problem in the development of the services sector. Large numbers of people can be helped to find jobs by stimulating trade and tourism in particular. In Shenyang, the capital of Liaoning, with its 6.7 million inhabitants and a huge statue of Chairman Mao on one of its squares, the authorities have chosen to set up dozens of so-called 'bazaars', amongst other things. These are permanent wholesale markets on a gigantic scale, where shopkeepers and market stallholders stock up on their wares. The market is surrounded with small stands selling food and drink; the latter also being newly-created jobs.

Mrs Zhang (35) stands noting down prices in front of a booth groaning under the weight of toys and games. She is doing her weekly round of purchasing at Shenyang's biggest bazaar, 'Wu Ai', where 20,000 traders are registered. She was dismissed from her job as accountant at a chemical company last year, and she invested most of the 10,000 yuan (2,500 guilders) she received as a farewell present from the government on her dismissal, in a small shop selling writing materials, toys and small gifts. 'If I hadn't been forced to make the choice, I would never have discovered my talents as a business woman,' she says cheerfully. 'Before I lost my job, it didn't matter how much work I got through or whether or not I did it properly. I'm now working for myself, so the results have to be good or otherwise I'll be out on the street without any income.' This energetic lady adds that she now feels like a new woman.

We cannot judge how many of the millions of redundant workers from the government sector feel just as happy as Mrs Zhang. Looking at the situation from the outside, it would appear to be impossible to retrain millions of miners and factory workers who have done heavy, rough and dirty work for many years and turn them into merchants, restaurateurs, waiters, chefs, barbers or taxi drivers, to name but a few examples. And then there is also the problem that the remaining workers' and managers' way of thinking will have to be adjusted to capitalist production methods as part of the modernisation of the state industries. Whatever the results of this restructuring will eventually be, it is certain that the Chinese workers were able to do very little to change the course of their own destiny, even in the 1990s. Or, as one steel worker from Angang puts it: 'We are like screws in the hands of our leaders: sometimes they tighten us up and sometimes they loosen us.'