The Social Protection of Rural Workers in the Construction Industry in Urban China

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Abstract

The construction industry is important for Chinese rural to urban migrants. Over 90% of urban construction workers are rural migrants, and over a third of all rural migrants work in construction. The construction industry is not only particularly important, but is also different from other industries in its pay and labour recruitment practices. In common with other rural workers, construction workers have long suffered from various problems, including delayed payment of salaries and exclusion from urban social security schemes. State policies designed to deal with these problems have in general had mixed success. Partly as a result of the peculiarities of the construction industry, state policy has been particularly unsuccessful in dealing with the problems faced by construction workers.

This paper considers both the risks rural workers in the construction industry face because of the work they do and the risks they face and because of their being rural workers. It shows that social protection needs to take into account both the work related risks and status related risks. The authors first review the literature concerning work related risks, and then build up a framework to analyse the risks embedded in their work and status, and the relationship between these risks and the existing formal social protection. Thirty one in depth interviews with construction workers, carried out in Tianjin, PRC, are used to demonstrate both the risks and the inability of the state-led social policy to tackle these risks. The results suggest that rural construction workers in cities were exposed to all sorts of problems from not being paid for their work in time to miserable living conditions, from having to pay for their own healthcare to no savings for old age. This paper highlights the problems of policy prescriptions that failed to recognise the complexity of the problems faced by these workers and criticises the tendency to seek quick fixes rather than long-term and careful institutional design.

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Introduction
Numerous studies have been carried out on the circumstances of workers from rural areas in urban China (Guang, 2005; He et al., 2005; Sun, 2003; Solinger, 1999; Shen and Huang, 2003; Li, 2005). Construction workers are mostly studied together with workers from other industries and seldom treated as an individual group. However, there are good reasons to study the construction industry separately. First, the construction industry is particularly important to the Chinese economy. It has been growing steadily for more than 25 years (Figure 1), and the number of people employed in construction shows long term growth (Figure 2). About one third of all rural workers in cities work in construction (Ministry of Construction and All China Federation of Trade Unions, 2006), and it forms a growing share in the employment portfolio of growing numbers of rural workers (Figure 3 and Table 1). Second, it is an industry dominated by rural workers, which comprise over 90 per cent of urban construction workers. Finally, as will be shown later, workers in the construction industry in China are different from workers in other industries because of the way labour recruitment and pay is organised.

This paper considers both the risks rural workers in the construction industry face because of the work they do and the risks they face and because of their being rural workers. It shows that social protection needs to take into account of both the work related risks and status related risks. The authors first review the literature concerning work related risks, and then build up a framework to analyse the risks embedded in their work and status, and the relationship between the risks and the existing social protection system.

Literature review
The changes in the nature of work that lead to incompatible social security protection have caught the attention of researchers on both developed and developing countries.

In developed countries, where many welfare services have become rights for all citizens, the discussion is largely based on the rigid social welfare system’s inability to cope with the increasingly flexible working pattern (Perrons, 1999; Lazear, 1990; Pacelli, 2002; Dolado et al., 2002; Bentolila and Dolado, 1994) which creates disincentives to labour market participation (Maloney, 1997; Carling et al., 2000; Richardson, 1999), or lowers employers’ willingness to hire workers (Jackman et al., 1996; Maloney, 1997; Richardson, 1999). Such mismatch results in reduced motivation to work, or increased difficulty to find work.

In developing countries, where many welfare rights are not yet universal, the discussion is more about the inability of the state to provide social protection to

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1 They are also called rural-urban migrants, floating population in the related literature depending whether their stay in cities is long term or temporary.
certain social groups (Li, 2004; Rabi et al., 1998; Buchanan et al., 2006), especially people working under flexible arrangements or in the informal sector (Lund and Srinivas, 2000; Li, 2006b; Bernabé, 2002; Wesseling et al., 2002; van Ginneken, 1999). An increasingly important issue is the lack of social protection for people moving from the traditional agricultural sector to urban industries to find jobs (Li, 2005; Overbye, 2005; Robson, 1954) or working informally (Li, 2006b; Pisani and Pagan, 2004; Koo and Smith, 1983; Bigsten et al., 2004; Gallin, 2001). The rural-urban and the formal-informal divisions in social security leave a large proportion of the labour force exposed to high risks (Leung, 2006; Sirovatka and Mares, 2006; Li and Piachaud, 2006; Loewe, 2004; Knezevic and Butler, 2003; Micklewright and Marnie, 2005; Tang and Ngan, 2001; van Ginneken, 1999). The option of not working is not viable, and so the mismatch is manifested instead in workers taking up unprotected jobs with few or no elements of social security.

The key issue is the mismatch between social protection and the changes in the world of work. There are different prescriptions to solve the problems resulting from the mismatch in developing and developed countries. In the former, innovative policies are designed to help people participate more effectively in the labour market (Hudson, 2002), or make the social security system more employment friendly, as in “flexicurity” --- a framework for flexibility-security (Ferrera et al., 2001; Wilthagen and Tros, 2004), that aims to make social security more compatible with changing employment patterns.

In developing countries, extension of social citizenship to some excluded social groups has been a predominant theme in the study of social protection (Cook et al., 2003). Also, the role of self-financed and self-managed social security schemes, often closely associated with the activities of the NGOs and international organisations, and area based new initiatives, involving collaboration between local governments and “a wide variety of possible social security partnerships”, are recognised to be complementary to the formal system (van Ginneken, 1999).

The literature on the inability to extend formal social protection schemes to certain social groups in China has been quick to blame poor policy implementation resulting from local resistance: a combination of local protectionism and lack of understanding of the necessity to extend social protection (Zhang, 2005; Zhang, 2004; Research Team from Labour Science Research Institute, 2004; Wang, 2001). Reasons that make it difficult to implement these policies are rarely explored. The Central Government frequently publishes mandates that call for the “deepening”, “improving”, and “strengthening” of various reforms and policies it issued in the past without questioning why they have failed.

However, increasing attention has been given to the mismatch between various social policies and the social groups targeted. For example, Hu (2005) pointed to an ill designed poverty relief policy that failed to meet the needs of the rural poor. As a result, poverty could not be reduced even with good local government implementation. Similarly, Tang and Wang (2002) studied the design of the urban
minimum income guarantee, and criticised it for inappropriate design. Shi (2002) examined how women were in effect excluded in a policy environment that explicitly forbade discrimination against women.

In this paper, we explore the limits to relying solely on formal social protection schemes to tackle the vulnerability of construction workers from rural areas. It addresses the problems that lie in the organisation of the industry itself, and the problems associated with the formal social security.

**Introducing work related risks into the research of rural construction workers in Chinese cities**

We suggest that work related problems need to be considered when examining the social protection of rural construction workers in urban China. These workers are vulnerable not only because they are rural workers who do not enjoy the same equal social protection as their urban counterparts, as shown in many previous studies. They are vulnerable also because they work in the construction industry which brings with it a set of risks that are particularly serious for construction workers. They are also migrants who are not yet fully integrated into urban life and keep distinctive lifestyles. Therefore, even if the state policy intends to extend the formal social security schemes to these workers, a combination of work related risks, and social risks and personal understanding of the risks, often expressed with their status as rural-urban migrants, may lead to the failure of a simple extension of social security. To understand the challenges better, it is important to distinguish work related and status related risks that affect the livelihoods of these workers.

**Work related risks**

The labour supply in the construction industry is managed through the labour subcontractor system. Construction companies do not hire frontline workers directly, and instead sign contracts with labour subcontractors. These subcontractors are themselves workers from rural areas, who came to cities early, became familiar with the system, and started working as labour subcontractors. They are responsible for recruiting and supplying workers to construction companies. For many years, subcontractors were de facto agents of construction workers. Construction companies pay subcontractors, who then distribute the money to workers at the end of the project or once every year. The subcontractors themselves are paid either in instalments or after a project is completed (Lu and Fox, 2001).

Subcontractors have played a key role in China’s construction industry, based on their information advantage over both urban construction companies and rural workers. Subcontractors know where to recruit large groups of cheap labour, and can use their kinship and friendship networks to recruit people quickly. When there is labour shortage on site, which is often the case during booming periods, they can go back to their home villages or counties to persuade people to come to cities. They are thus...
much more effective than urban construction companies can be on their own. On the other hand, subcontractors know more than other ex-farmers which construction projects are in need of workers, and have a strong bargaining power vis-à-vis rural workers. Workers rely on these labour subcontractors. Experienced subcontractors can have hundreds of workers working for them over many years (Xiao and Liu, 2005).

Labour subcontractors thus are crucial in the life of frontline construction workers from rural areas. Labour subcontractors can decide at discretion who to hire, how and when workers are paid, how and when workers should work. Workers trust the labour subcontractors. “Good” subcontractors guard the interests of their workers. However, subcontractors are profit driven individuals. Their profit seeking activities or any unexpected problems on the side of the subcontractors may hurt the workers.

This system is largely based on “trust” (Guang, 2005). Labour subcontractors are often relatives or fellow villagers of the recruited workers. It is very common that workers do not sign any contracts either with subcontractors or with construction companies. Workers only have oral agreements with their labour subcontractors(China Construction Daily, 07-12-2004). The current labour subcontract system has several inherited problems which can be potentially problematic for construction workers:

First, it is widely reported that labour subcontractors often failed to pay for the work of rural workers at the end of the projects. This can be for various reasons.

- Some subcontractors deliberately hold the money for a long time to earn interest. When a subcontractor mainly hires workers from his home village or county, he is more likely to behave in a more responsible way, as he has to face the pressure back at home. Late or missing pay is more frequent when a subcontractor hires people from outside his home county.

- There is a chain of delayed pay in the construction industry. The owner of a project only pays for the work of construction companies after the project starts and sometimes only after the project completes. The construction companies would then hold the money to supplement shortage in working capital. Workers need to wait even longer to get paid. When there are serious disputes, the hope of getting paid in time will be even less (Erickson et al., 2003; Beijing Urban Household Survey Team, 2003; Fong and Murphy, 2005).

- Even if subcontractors have received the money, they are not willing to pay the workers in full straightaway, mainly to make sure that workers will not leave the project before it is finished. In this way, workers are rarely fully paid for their work before the end of the project. Before the final pay, labour subcontractors give workers a small amount of money to cover their living expenses (Lu and Fox, 2001; Sha and Jiang, 2003).

Second, workers are exposed to frequent unemployment. Construction workers are hired on a per project basis. A subcontractor may not always be able to sign up for a
new project, and projects can be at different parts of the country. At the end of each project, the team of frontline workers is dismissed. Some workers follow the subcontractors to a different project or even to a different place. Some workers have to find new employers. Even workers who team up with certain subcontractors for a long time are not guaranteed future employment. The job is thus of transitory nature (Lu and Fox, 2001; Xiao and Liu, 2005).

Third, another work related risk is injuries. Construction work involves hard labour and operation of heavy equipment. Industrial accidents are frequent, especially among poorly trained and inexperienced workers(Kisner and Fosbroke, 1994). Workers who come to cities for the first time rarely have any training before they start on a construction site, and are thus in particular risk of accidents. Another cause of injury is operation in dangerous weather. Quite often, construction companies need to meet deadlines or cut costs of labour protection. Workers are forced to work under unsafe conditions unaware of the danger of such conditions(Fan, 2004; Xia et al., 2000).

**Status related risks**

Status related risks can be left unprotected by exclusive social policy and self-exclusive behaviour.

As discussed in many previous studies, for many years, rural-urban migrants could not live like other urban citizens. There has been a household registration system (Hukou), within which people were labelled with their place of origin. People from cities had urban Hukou, and people from rural areas had rural Hukou. The state controlled labour mobility by preventing people without urban Hukou moving to cities, and used this system to limit their entitlement to urban social welfare (Li, 2005; Fong and Murphy, 2005; Solinger, 1999; Li, 2006a). Starting from the late 1990s, the state decided to reduce this level of social control and grant rural workers the right to live and work in cities. Therefore, the role of the Hukou system to control labour has largely been removed. However, free entry to cities does not mean equal treatment. Rural workers are not yet entitled to many social rights that are available to urban residents.

This is not only a problem caused by the exclusive urban system. It is also related to the fact that workers from rural areas tend to move back and forth between the city and the village. They go back to the countryside when they cannot continue in cities. The lack of identification with the urban society among rural-urban migrants can potentially generate a major problem for the extension of formal social security: a low participation rate in the urban welfare system and continued reliance on rural social security, which is still largely distinctive from the urban system. This kind of self-exclusive behaviour is often criticised for its short-sightedness. After staying in cities for many years, some workers find it difficult to resettle in the countryside. In particular, many young people are unwilling to return to villages (Li, 2006a). Many farmers from peri-urban areas have lost their land after they abandoned farming for some years, so they do not have any choice but to stay in cities (Li, 2006a; Gar-On...
Yeh and Li, 1999; Skinner et al., 2001). But the inactive participation is understandable if we consider that they had rarely been exposed to the risks of urban life before.

In summary, work, exclusive policy and self exclusive behaviour all contribute to the high risks faced by rural-urban migrants in the construction industry (See Figure 4 for an illustration of how these elements work in the construction industry.).

Policies addressing the risks

In the late 1990s, the Chinese government started to engage in the improvement of labour protection for workers from rural areas. Some policies were also designed to target construction workers specifically.

Policies targeting status related risks

In 2004, the Ministry of Labour and Social Security published “Suggestions on Urging Employees Working in Enterprises of Mixed Ownership and Non-State Owned Economic Organisations to Participate in Health Insurance (guanyu tuijin hunhe suoyouzhi qiye he feigongyouzhi jingji zuzhi congye renyuan canjia yiliao baoxin de yijian)”(Ministry of Labour and Social Security PRC, 2004). This document explicitly requires employers to contribute to social insurance of healthcare for workers from rural areas, in the same way as they contribute for urban employees. This document asks the Labour and Social Security Departments at the provincial level to design their own contribution rates and schemes so that workers suffering from major illnesses can be insured.

Apart from these national level regulations, there are various local regulations which try to cover workers from rural areas within the social insurance system. In Beijing, Shanghai, and Guangzhou employers were required to contribute to social insurance schemes to help rural workers to receive pensions in the future. Also, local schemes were designed to protect workers construction workers against injuries caused either by industrial accident or by unforeseeable causes at work, serious illnesses, and unemployment.

Policies targeting work related risks

The State Council, following a mandate in 2001 to keep order in the construction market and reduce delayed pay to workers (Office of the State Council PRC, 2001), published “The Notice from the Office of the State Council to Effectively Solve the Problem of Delayed Pay in Construction Projects”, calling for all government departments, unions and social groups to help clear the delayed pay in the construction industry (Office of the State Council PRC, 2003).

In 2003, the State Council of China issued “The Regulations on Social Insurance against Industrial Accidents” (Gongshang baoxian tiaoli), which requires employers to
contribute to a socialised industrial accident fund. The rate of contribution is decided according to the overall risk level of the industry (State Council, 2003). Once an accident happens, the employer should cooperate with the local government offices to check the injury and estimate the costs of healthcare, medication, food, salary and relevant welfare benefits to be paid by the social insurance fund. The regulation further set the compensation for various circumstances, including not being able to go back to work for more than twelve months, disability and death.

In 2003, the Ministry of Construction issued “Guidelines on Improving Insurance against Unforeseeable Injuries in the Construction Sector” (Guanyu jiaqiang jianzhu yiwei shanghai baoxian gongzuo de zhidaoyijian), which included a compulsory contribution by employers to social insurance schemes against unforeseeable injuries, such as injuries caused by flying objects (Ministry of Construction PRC, 2003).

More recently, a suggestion made by the Central Government (Ministry of Construction PRC, 2005) acknowledged the problems associated with the labour subcontractor system. From July 1 2005 all the labour subcontractors were to be replaced with formally registered urban companies. These companies will then sign formal contracts with workers, and be responsible for their welfare. In case of dispute workers will be able to file formal complaints, and it will be much easier for the state to protect the interests of workers. In addition, large scale professional labour companies have a pool of projects in a specific area, which will help to reduce the unorganised labour flow.

Among these changes, there are polices addressing some of the direct causes of risks: lack of social insurance coverage, higher rate of accidents and removal of labour subcontractor system. Apparently, the state intended to improve the circumstances of rural construction workers in cities. Will these targeted measures solve the problems? The policies that address the work related risks treat the labour subcontractors and the incomplete coverage of the state provided social protection as the root causes for the risks that rural-urban migrant construction workers face. Following this logic, extending the existing state protection and removal of labour subcontractors will be effective.

The case of Tianjin

To see whether these policies had been able to solve the problems, the authors of this paper carried out in-depth interviews with construction workers in Tianjin in 2005 to see how the reforms in the last several years have affected their circumstances.

Tianjin is one of the four metropolitan cities directly controlled by the Central Government. It has become an important destination for rural-urban migrant workers in North China (Lu and Fox, 2001). More recently, the Olympic Games in Beijing in 2008 made Tianjin, 120 kilometres southeast of Beijing, a hot spot for real estate development. Workers from all over the country now flow into Tianjin to work on construction sites.
Thirty-five interviews were started, of which thirty-one were completed. Interviewees were chosen among frontline workers or labourers on site, based on an earlier survey of 300 rural workers from various industries in Tianjin. The interviewees were poor before they came to Tianjin. We could not gain access to all qualified interviewees because of inconvenient working schedules, lack of response, or unwillingness to be interviewed. Because of the small scale of this particular research, it is difficult to generalise the research findings quantitatively. However, our intention was to examine whether the reforms had effectively addressed work and status related risks. By making ourselves aware of the historical policy changes and previous studies on how the industry works, we are confident that our interviews captured the crucial risks we were interested in.

The interviewees were fully informed of the context of research, and participation was voluntary. They came from five construction sites in Tianjin: Tianjin Madison Square project (including a hotel, an eighteen-storey apartment building, a department store and parking space), Wangdingdi Housing Regeneration Building No. 1 and No. 2. (two housing projects with eighteen-storey above ground housing and a one-storey basement), Tianjin Sunshine 100 International New City (a high rise building including a department store, offices, and commercial flats (Floor 9-11), and an equipment room and a bicycle parking lot in the basement), Nankai University Student Centre (a building of offices and function rooms), China Railway No. 16 Bureau (an office building).

The interviews were in semi-structured schedules. The questions included three main elements: (1) personal information, (2) work related and status related risks, and (3) help from the state and participation in social security schemes. In addition, interviewees were able to elaborate on their answers, and interviewers could ask follow-up questions. Each interview lasted for about one hour. The interviews were recorded and later transcribed. Interviewees are referred to by alphanumerical labels to preserve anonymity.

The thirty-one interviewees came from ten provinces. Three were women, and twenty-eight were men in accordance with the gender distribution in construction. Most men were frontline workers, such as carpenters, scaffolders, ironworkers, wielders, crane operators, glass workers and builders. Some undertook miscellaneous tasks on site. The three women were on-site cooks for the frontline workers. The average age of interviewees was thirty-eight. This is higher than the average age for all construction workers from rural areas, as we deliberately chose workers who were in poverty before they came to cities. While older workers came to cities mainly to escape poverty, younger workers often came because of a desire to become urbanised (Li, 2006a). Twenty-six interviewees were married, three single, and two divorced. In terms of education, four did not finish primary school education, eleven finished primary school, twelve completed secondary school, and four graduated from high school.
The interviewees came from ten provinces. One third of them only came to Tianjin in 2005 but worked in other parts of China before. Among the other two thirds who stayed in Tianjin for more than one year, most had worked in other cities before they came to Tianjin. Some workers also travel between cities and the countryside, sometimes because of lack of employment opportunities, and sometimes because of their own decision to leave, either temporary or permanently. In many cases, workers never completely abandon rural life. They only come to cities to earn cash when not busy in agriculture.

*Work related risks*

**No contract**

In all the construction sites we investigated, subcontractors, often called “the boss” by our interviewees, determined who to hire. They used favouritism and nepotism, largely based on social distance. Family members had priority, followed by relatives, fellow villagers, friends from outside the village but in the same county, etc. This could change over time, however. As subcontractors stayed longer in cities, they became more willing to hire people from other parts of the country. The recent urban construction boom made it easier for workers without any connections to find a job, especially during the harvest season when many workers returned to their villages. Therefore, there were cases when workers did not have any “acquaintances” on site.

LL1: “Skills do not matter much for this kind of work. If a construction project starts and you do not know anyone there, no matter how skilful you are, no one will hire you. Most people rely on acquaintances. We all need to count on people we know. The more people you know, the easier it is to find work.”

ZHJW²: “I came to Tianjin to work for a job introduced by a friend. Unfortunately, it did not work out. I did not know any other people and became jobless for more than six months. I spent all my savings and finally got an offer to work on this construction site. But I can only work here for two months…. I did not realise that it would be so difficult to find a job.”

Workers were often reluctant to demand a formalised working relationship, mostly regarding a contract unnecessary and sometimes out of consideration for their personal relationship with the “boss”.

LL1: “We do not sign any contract. None of us here signed a contract. If any thing goes wrong, for example, some one seriously injured, they (the construction company and the boss) will take care of us. There is no

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² This is the code used to replace the name of an interviewee. Similar codes will be used for other interviewees.
use signing contracts….The bosses understand but we do not, and we do not have the energy to understand…. I have not signed any contract.”

Routinely and unexpectedly delayed pay

Our interviews identified two methods of pay. One method was a monthly living allowance of 300-500 Yuan plus end-of-year full pay. The pay was calculated according to number of days a worker had worked. The other method was monthly pay based on informal arrangement oral agreement. It only happens in very special cases. This happened to one of our interviewees, ZHJW, who did not trust the employer and negotiated monthly payments. The salary with this kind of arrangement was fixed, 800-1500 RMB Yuan per month depending on the type of work.

ZHJZ : “…depending on how much I work. If I have more work to do, I earn more. We cannot get all the money every month. The full amount can only be calculated at the end of the year.”

KY1: “In some occasions, for example when family members become ill, the kids need to pay school fees at the beginning of a term, or the harvest time back at home, our boss will give each of us an extra of 200 Yuan each month.”

ZHJC: “The biggest problem I had come across was that I worked for a boss for a whole year. Before the New Year, he left and we were not paid. Luckily, we found him one year later. But I only got the money at the end of the second year. I worked so hard for one year and it took me another two years to get paid for my work. That was the toughest time in my life. “

Injuries at work

If a project was delayed, the subcontractor would face difficulty getting full pay, and so had incentives to push the workers to work even in poor weather. Most of our interviewees had worked in dangerous weather conditions.

KY1: “When there is not enough work for you to do and it rains, they will ask you to stop. If there is a lot of work to do, even if it is in thunder storm, we have to work.”

KY2: “There is no compensation if you suffer from heatstroke or catch a cold. If you cannot work the next day, you will not be paid. If you have to see the doctor and if there is penalty for delay, you have to bear the costs.”

According to regulations, in case of major injury, construction companies have to pay for healthcare and loss of salary during the recovery period. However, this does not mean that workers do not need to worry about the costs of injuries.
ZJC: “If there are injuries on site and the costs are less than 1000 Yuan, we have to pay by ourselves. If there are small expenses, 20 Yuan today and 20 Yuan tomorrow, we will have to pay on our own. If your finger is broken and you have to go to hospital, and the costs are more than 1000 Yuan, the boss has to pay. Workers usually know to claim this back. We only earn 1000 Yuan per month. If we have to pay 1000 Yuan for injuries, we will not be able to live. It is just so straightforward.”

ZJW: “People in our group (the group for miscellaneous tasks) rarely suffer from major injuries. My boss is nice. He pays for part of the small costs. If I spend 100 Yuan, he will pay 70. That is the best he can do. If I have to rest for 10 days because of the injury, he will not pay me anything.”

Frequent unemployment

Whether workers could find the next project is largely dependent on labour subcontractors and their social network. Unless the same subcontractor could offer another project to continue, it was unavoidable that a worker became unemployed for a while before he or she could find another project. This was largely due to the intensity of the jobs, which demanded full devotion during the construction period. It was almost not possible for a person to start looking for another project before the previous one ended. Nevertheless, as the construction industry had been expanding rapidly in Tianjin since 2000, it was relatively easy for workers to find jobs at the time of the interviews. The interviewees of this research were mostly optimistic about getting other jobs after this one. However, workers who had stayed in cities for a longer time still remembered more difficult times:

ZHJ: “For a while, in 1998, it was very difficult to find a job in construction. You had to know the right people. New workers had to be introduced by older workers…. The older workers were your relatives. Or you had to be exceptionally skilled. Since 2001, construction became prosperous again. Many bosses cannot find enough workers. Now every company is in shortage of workers. All bosses are willing to hire people.”

Status related risks

None of our interviewees were permanent urban residents. They still have limited access to social protection benefits available to permanent urban residents.

Health problems

Among the thirty-one interviewees, twenty-five reported that they were in good health and five reported that they were fairly healthy. Only one reported a minor but chronic
illness. This is related to the fact that construction work is physically demanding. Anyone on site has to be in good health.

KY1: “We cannot afford to go to hospitals. Let me tell you, workers all think it is too expensive to go to hospital and take medicine. If we have minor illnesses, we never go to see the doctor. If we suffer from high fever, we just take some medicine on our own. If we have to go to nearby clinics to take intravenous injection, it is always nearly a hundred Yuan charge. If we need to go to large hospital..., it is simply unthinkable. “

Older age

Construction workers were mostly quite young. This is partly because of physical demands. People who are old or not strong will not be able to stay. This is also because the construction industry is easier for new comers to enter. After all, the history of rural workers coming to cities is not very long. It was young people who first came to cities to work. As time moves on, those who were young ten or even twenty years ago are no longer young. Many of them still work in cities. Some even remain in construction. Three of our interviewees were in their 50s and eleven in their 40s.

Their current circumstances

By the time of the interviews in October 2005, the deadline for removing labour subcontractors had passed. The workers in Tianjin were still working under the labour subcontractors and were not aware of the potential changes. Are there any improvements in terms of social protection? We focused on participation in social insurance schemes, and the problem of delayed salary pay.

Workers still have difficulties getting their pay

The state made it clear that workers should be fully paid, and that employers will be punished if they failed to do so. However, the implementation of the policy could only be successful if workers had signed contracts with their employers, or at least were able to bring evidence to prove the existence of employment relationship. However, as shown earlier, workers in Tianjin still failed to sign contracts. They had only verbal agreements with labour subcontractors. It was not uncommon that workers could not even name the construction companies they worked for. Many of them only knew their labour subcontractors. When the subcontractors defaulted or ran away, workers had difficulty showing evidence of their work. What was more, since projects owners, construction companies and the labour subcontractors often came from different parts of the country, the local government did not necessarily have the incentives or even the ability to chase them. As a result, delayed or missing pay remained a serious problem in this industry and was difficult to solve.
LL3: “I went to the government once. They told us to go to the Construction Bureau and gave us the address. When we arrived (at the Construction Bureau), the officer asked whose project we had worked for. We said the project of Bureau Six. They said: ‘You should go to ask them.’ We told them we went to Bureau Six before. It was in Tanggu District. The officer asked: ‘Where was your project located?’ I told him Tianjin University. The officer said: ‘It is in Nankai District. You should go to the office there.’ When we went to the Nankai District government, the officer said: ‘You should go to Bureau Six’. What’s the point? They are useless.”

Workers have not participated in social insurance schemes

Workers from rural areas suffer from many risks such as health problems, old age and unemployment. The urban social insurance system is designed to address these risks. However, as shown earlier, construction workers’ risks are related to the organisation of the industry. Various social policies are designed to protect workers from these risks. Are they successful?

Apart from industrial injury which is covered by construction companies, all other social insurance schemes involve workers’ contributions. So far, workers still have difficulties getting their salaries paid in time and in full. The last thing they want is a further deduction. Therefore, they are more than willing to avoid contributing to insurance schemes. However, money was not the only issues that concerned workers. There were various reasons behind the unwillingness to join the social insurance schemes.

Our interviews showed that many interviewees, who spoke with resentment about social insurance, were aware that social insurance could be helpful for them to guard against risks. Nonetheless, they also understood that the existing policy did not take care of their needs and they were not really treated equally.

ZHJW: “People in cities buy insurance. I have seen on TV. They have stable income. We do not. This lucky year brought in more money. When we were not lucky, our income was low. Urban people work for big enterprises. They get guaranteed salaries and the insurance contribution is on top of their salaries. We need to pay out of our own pocket. We do not have the extra money. We cannot retire. We just work until we are old. When we are too old to work, we just wait to die.”

Urban healthcare is no longer fully funded by the state. Since the late 1990s, there have been major efforts to develop a healthcare system which is funded by social and private insurance, and to develop community healthcare system. The social insurance system is based on employers and employees’ joint contributions. So far, the coverage is not universal. Different types of employers, different regions and even enterprises
within the same industry have different policies towards what to cover and who to cover. The state requires employers to contribute for rural workers in the same ways as they do for urban residents. It has so far not been well accepted by both the employers and the rural workers. It seems that the segregated healthcare system is not able to cope with other workers from rural areas, not to mention construction workers who move much more frequently than other workers. What is more, the rural healthcare system is based a cooperative healthcare system which should in theory offer primary healthcare to nearly 90 percent of the population. It has collapsed as the ability of rural collectives to raise funds for healthcare fell under the influence of household responsibility system. Hospitals in towns and counties depend less on public funding and more on private payments (Li and Piachaud, 2006).

ZHJH: “It is not about money. When we are ill, we cannot stay here anymore. Who will take care of us if we are ill? We cannot expect our family members to come here to look after us. If we have minor problems or have to get intravenous injections, there is no need for others to help. In the worst case, some fellow workers can help out. If it is serious illness, I just go home straightaway. So we do not really need healthcare from the city.”

Similarly, social insurance against unemployment also depends on workers contribution. However, there is no effective mechanism to allow workers to move from one place to another. The current system also does not take into account of the possibility that workers may go back to their villages if they lose their jobs, therefore workers may simply lose the money they contributed if they go back to their hometown. This seems to be a major concern of the workers we interviewed in Tianjin.

LL3: “We do not stay at one place. We move a lot. We do not settle down permanently. I do not even know where I am going to be next year. How can I pay for insurance here?”

Discussion and Conclusions

As discussed by Duffy (1998) in his report on social exclusion in Europe, social policy itself cannot offer sufficient protection for disadvantaged groups. It is important to have a holistic approach which tackles the different factors that affects human development. Along similar lines, the ILO has been advocating the idea of ‘decent work’:

“It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.” (ILO, 2006)
Our research suggests that construction workers in China do not meet such standards for decent work and social protection. The labour subcontractor system contributes to the high risks workers face in the construction industry specifically. Trust without contract makes it difficult to be sure workers will be paid on time, or at all, or have any chance of compensation for damages. It is also related to frequent unemployment, which in turn affects the ability of workers to file complaints and be effectively protected. Jobs in construction also bring along high risks of injuries, especially when health and safety standards are not met.

In terms of claiming unpaid salaries, the labour subcontractor system also creates difficulties for those trying to implement policies to improve worker securities. The problems seemed to have disappeared temporarily after the state policy to fight against delayed pay was put in place. However, even in the construction industry (Li, 2006a), which was a major target for this policy, delayed or unpaid salaries seemed to have returned. Many researchers called for more creative methods to protect the workers, and criticised the state for not offering equal treatment to workers from rural areas. However, as shown in this research, the problems faced by these workers result from the organisation of the industry.

Removing the labour subcontractor system was exactly what the Ministry of Construction’s 2005 requirements were meant to do. However, such a policy failed to recognise the fact that the labour subcontractor system is playing a crucial role in the labour supply of the industry. By the time of our interviews, nine out of ten workers were still introduced to the construction sites by labour subcontractors. The feasibility of newly established urban labour companies being able to replace all the labour subcontractors and direct recruit workers in labour exchange is questionable.

Unlike urban job centres, the prosperity of labour subcontractors lies in the flexibility they offer to workers, such as allowing them to go back home for the harvest, and their ability to mobilize workers from rural areas when they have not planned to come, which are crucial to the spells of labour shortage in cities. As a result, the removal of all labour subcontractors can be a great threat to the labour supply to construction projects. As shown by our interviews, businesses were not following the new policy. In the future, as commented in Xiao and Liu (2005), the urban labour companies may in the end have to subcontract the recruitment tasks to sub-subcontractors again. As a result, the system will remain largely the same except for one extra layer of administration.

However, more effort can be made to address the core problem associated with the labour subcontractor system, i.e. defining a clearer employment relationship, rearranging the projects’ and workers’ pay system rather than writing off labour subcontractors. The state can overcome these problems by imposing regulations directly, for example, demanding formalisation of employment relationship by turning the subcontractors into registered employers whose licence renewal is subject to meeting certain conditions; or stripping labour subcontractors of the power to deliver the pay, and require construction companies to sign up workers directly after they are
introduced by labour subcontractors and take over labour management. Thus labour subcontractors become employees or service providers of the construction companies.

At the same time, rural construction workers face risks which are common to all workers from rural areas. It is their rural and migrant statuses that make their lifestyle different from ordinary urban residents. Despite of the prevalence of self-exclusive behaviour, it is also important to note that lack of trust of the state and its policies has played at least as a big role as lack of awareness. Our research shows that if policies do not address the special work and lifestyle of construction workers, they are unlikely to be accepted by the workers. This is partially in line with the discussion of so called ‘voluntary social exclusion’. As Burchardt et al. (1999) and Barry (1998) argued, even voluntary self exclusion can potentially be a result of “continued hostility in the wider society” that leads to the withdrawal of certain social group from the mainstream. When the inactive participation is caused by this root, then the solution lies in how to remove hostility and build up trust between the “self-excluded” social group and the society.

As shown in the research, the self-exclusion from the formal social security schemes could also be an outcome of rational choices based on the evaluation of the benefits and costs the individual schemes for the poor workers.

Among all the social insurance schemes, only the insurance against industrial accidents is solely based on employer contribution. Workers do not need to worry about contributing, and wherever they travel, they do not need to transfer any accounts to a different employer or a different place. It is furthermore straightforward to administrate. Although this policy suffers from a high threshold for claiming compensation, workers are aware of their rights; and construction companies, having paid for the insurance charge before the project starts, do not have incentives to default.

On the other hand, other social insurance schemes, including pension, healthcare and unemployment benefits, all require workers to contribute regularly and/or have a formal employment relationship. Given that workers rarely sign contracts when they work for the labour subcontractors, when there are disputes, it is very difficult for workers to win. As can be expected, our interviews showed unwillingness to participate. There are also specific issues associated with each form of welfare. 1) Health care policy needs to take into account that construction workers rely heavily on good health. Once a worker is seriously ill, he/she will not continue to stay in the city. Therefore, it is unlikely that a worker will benefit from urban healthcare even if he/she contributes. 2) Minor injuries and illnesses, which are not considered to be major problems but need prolonged and regular medical care, can be heavy burdens for construction workers. These are not covered by the social insurance schemes. However, given their salary level and the frequency of their suffering of these problems, the current threshold (1000 Yuan in Tianjin) for benefiting from the social insurance schemes is very high. 3) The urban unemployment benefits also need to be designed to offer flexibility for workers to move between regions.
Therefore, it is not enough just to extend the coverage of formal social insurance to rural workers in cities. The social security system should consider the special needs of these social groups.

In conclusion, some risks faced by rural workers in the construction industry are work related and some other risks are related to their status as rural-urban migrants. Meeting the work related risks demands a better understanding of how the industry works. The status related risks need a more integrated system which will take into account workers’ background and income levels, and grant flexibility to workers moving between employers and between cities and villages. Finally, it is also important to deal with the hostility and the mistrust that exists between this disadvantaged group and the wider society.

This paper cannot offer a simple solution to the problems faced by rural construction workers in Chinese cities. Instead, it demonstrates the complicated interaction between social policies, industrial organisation and the process of rapid urbanisation, and thus the impossibility of solving these problems with a rapid top-down policy. It is unlikely that construction workers from rural areas can be effectively integrated into urban society if there is no social policy that is carefully designed to work with long term institutional changes, both at the level of the industry—construction—and at the level of the specific social group—rural-urban migrants.
Figure 1: Total Production in Construction (100 million Yuan)

![Bar chart showing total production in construction from 1980 to 2004]

Data Source: National Statistics Bureau of China, China Statistical Yearbook, various issues.

Figure 2: Total Number of Employees in Construction (in millions)

![Bar chart showing total number of employees in construction from 1985 to 2004]

Data Source: National Statistics Bureau of China, China Statistical Yearbook, various issues.
Figure 3: Employment of rural labourers (millions)

Table 1: Rural Household Employment

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>East</th>
<th>Middle</th>
<th>West</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of households surveyed</td>
<td>19484</td>
<td>6500</td>
<td>7396</td>
<td>5588</td>
</tr>
<tr>
<td>Total number of people in each household</td>
<td>4.00</td>
<td>3.89</td>
<td>3.88</td>
<td>4.28</td>
</tr>
<tr>
<td>Number of people with rural household registration</td>
<td>3.78</td>
<td>3.61</td>
<td>3.72</td>
<td>4.07</td>
</tr>
<tr>
<td>Number of people in the labour force</td>
<td>2.46</td>
<td>2.38</td>
<td>2.47</td>
<td>2.55</td>
</tr>
<tr>
<td>Including rural labour</td>
<td>2.35</td>
<td>2.24</td>
<td>2.38</td>
<td>2.45</td>
</tr>
<tr>
<td>Total number of days working outside hometown by household members</td>
<td>220</td>
<td>212</td>
<td>220</td>
<td>229</td>
</tr>
<tr>
<td>Total number of people working outside hometown in each household</td>
<td>0.91</td>
<td>0.84</td>
<td>0.92</td>
<td>0.99</td>
</tr>
<tr>
<td>Income earning through working outside hometown</td>
<td>6014</td>
<td>8097</td>
<td>5088</td>
<td>4816</td>
</tr>
<tr>
<td>Number of people working in agriculture</td>
<td>1.28</td>
<td>0.93</td>
<td>1.39</td>
<td>1.45</td>
</tr>
<tr>
<td>Number of people in manufacturing</td>
<td>0.27</td>
<td>0.41</td>
<td>0.24</td>
<td>0.17</td>
</tr>
<tr>
<td>Number of people in construction</td>
<td>0.11</td>
<td>0.10</td>
<td>0.14</td>
<td>0.15</td>
</tr>
<tr>
<td>Number of people in transportation</td>
<td>0.07</td>
<td>0.08</td>
<td>0.06</td>
<td>0.07</td>
</tr>
<tr>
<td>Number of people in trade and catering</td>
<td>0.23</td>
<td>0.26</td>
<td>0.20</td>
<td>0.23</td>
</tr>
<tr>
<td>Number of people working in other jobs</td>
<td>0.50</td>
<td>0.60</td>
<td>0.44</td>
<td>0.47</td>
</tr>
</tbody>
</table>

Figure 4: The risks faced by construction workers from rural areas

Construction workers from rural areas

Work related risks

Organisation of the industry
-- Labour subcontractors
-- Chain of delayed pay

Occupational risk

Injury

Irregular pay

Frequent Unemployment

Status related risks

Social exclusion by the state and urban society

No entitlement/
Lower entitlement

“Self-exclusion”

Unwilling to participate

Health care

Pension Housing
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