SOCIAL ASSISTANCE FOR MIGRANT WORKERS DISPLACED BY THE ECONOMIC DOWNTURN: PROVIDING A SAFETY NET AND FOUNDATION FOR A STRONG RECOVERY

Abstract

- A proactive and strong Government response has helped limit the impact of the global economic crisis on the People's Republic of China (PRC) compared with other economies.

- Beyond aggregate figures, however, the crisis has cost at least 20 million jobs and led to massive displacement of the PRC's migrant workforce—concentrated in low-skilled and export-driven sectors hardest hit by the downturn. A protracted downturn may create both immediate and longer-term challenges.

- In recent years, the government has made key strides in constructing social protection systems in both urban and rural areas. However, these systems must now be rapidly bolstered and mechanisms strengthened to address migrant workers' vulnerability.

- Asian Development Bank experts identify newly emerging forms of poverty within two groups of displaced migrants: (i) those unemployed migrants remaining in urban areas who lack access to support mechanisms, and (ii) returnees to rural areas who lack suitable land or other means of livelihood.

- Within the Government's overall response, priority interventions that urgently address vulnerabilities while contributing to long-term aims include (i) bolstering temporary assistance targeted at these groups, (ii) new measures to lower their expenditure burdens while protecting longer-term human capital, and (iii) enhanced program integration with strengthened central government support and oversight.
I. Impact of the Economic Downturn and the Particular Vulnerability of Migrant Workers

1. Alongside the impact of the present global economic crisis on gross domestic product (GDP), trade flows, and other macroeconomic figures, international experiences suggest that poorer groups may be disproportionately affected and least able to cope with such downturns. National poverty figures more than doubled in both Indonesia and the Republic of Korea during the 1997-1998 Asian Financial Crisis. Recent Asian Development Bank (ADB) analysis predicts that a 3% decline in GDP growth for the Asia region would mean that 30 million fewer people will escape from extreme poverty (living on below $1.25/day) in 2009, with 64 million more people mired in poverty in 2010 compared to a no-crisis scenario. Moreover, the impacts of lapses into poverty, lost financial assets and human capital, and broader forms of vulnerability on sizeable shares of national populations may extend well beyond impacts on trade and GDP.

2. A proactive and strong Government response has helped limit the overall impact of global economic crisis on the People's Republic of China (PRC) vis-à-vis other economies. Aggregate figures, however, conceal the particular toll on and vulnerabilities faced by the at least 130 million rural-to-urban migrant workers, whose toil has helped drive the PRC's rapid growth and modernization in the past three decades. The downturn has led to massive displacement of the migrant workforce, concentrated in precisely those low-skill export-driven and manual labor-intensive sectors that have been hardest hit: recent urban poverty research by ADB and the State Council Development Research Center estimated that in recent years more than half of migrant workers worked in the manufacturing (30.3%) and construction (22.9%) sectors.

3. By official figures, at least 20 million migrants returned to rural areas after losing urban jobs—eclipsing unemployment figures in other countries—and many remain unable to find suitable work. The number affected is likely much larger if one includes un- and under-employed migrant workers remaining in cities with little or no income. In addition to migrants' own incomes, this has far-reaching effects, including dramatically decreasing the "life line" of remittances to rural areas. Displacement will likely worsen in the short term, creating both immediate and longer-term challenges for both the economy and the PRC's social fabric.

4. To better understand the impact of the crisis on migrants and other particularly vulnerable groups, experts under an ADB-Ministry of Civil Affairs cooperation project conducted a rapid assessment in areas of three major labor-importing provinces (Zhejiang, Shanghai, and Guangdong) as well as rural areas of Henan (a major labor-exporting province), including in-depth interviews with local governments and migrant workers. Key findings are outlined below, followed by suggestions for government consideration to further strengthen social protection policies and interventions. These strongly complement thrusts identified in the Premier's 2009 Government Work report and at the National People's Congress (NPC), such as on migrant employment and entrepreneurship, urban housing, rural land rights, and agricultural subsidies.

II. Policy Interventions and Remaining Short- and Longer-term Challenges

5. The PRC Government has responded swiftly to the downturn, already releasing two tranches under a four trillion RMB stimulus package. Beyond infrastructure and industry support, some localities have proactively launched initiatives to maintain employment, give subsidies to unemployed urban-registered residents, and promote reemployment (e.g., via training coupons and employment services), all of which have helped curb the downturn's impact on economic stability and employment. However, the expert team's field investigations and other evidence point to large variations in local responses. For example, some provinces such as Henan have quickly launched large training programs targeting jobless migrants (following a
related February 2009 central directive), while other localities like Beijing have focused on providing job search information. Gaps in programs and in coordination undermine responses to the downturn.

6. Most importantly, while migrant laborers are most affected by the downturn, they are in many cases *de facto* excluded from key social protection programs and access to an array of public services in both labor-receiving cities and labor-exporting rural areas. These gaps most seriously affect two groups of "newly-emerged poor" among migrant workers: (i) jobless migrants remaining in urban areas who lack access to support programs and family networks, and (ii) returnees to rural areas who lack suitable land or other means of livelihood.

7. There are at least two strong justifications to prioritize these groups for concerted and unified support. First, old solutions may not address the realities of the new crisis. Compared the Asian Financial Crisis, land's role as a basic safety net for displaced migrants has weakened, due to a rapid conversion of farmland and the fact that many long-term migrants have *de facto* leased away their land-use rights. Characteristics of the wave of migrants born after around 1980 may also make them less able to cope with the present downturn. Wuhan University research suggests nearly 40% of rural *hukou* holders born after 1980 have never farmed. Many of them have planned for long-term urban residence and many have lower savings rates, leaving them less recourse to turn to farming to cushion short-term shocks and unemployment.

8. Second, social safety net programs for migrant workers are only in early stages of construction and provide little if any coverage of these groups. In the absence of strong central government funding and coordination, officials in all six cities covered in the rapid assessment expressed reticence to unilaterally expand programs for unemployed migrants, for fear of a large influx of migrants from cities providing less support.

A. Two Types of Newly-Emerged Poor Population

9. The ADB experts' rapid assessment shed new light on the emergence of two new forms of poverty and vulnerability among migrants due to the economic downturn, affecting migrant workers remaining in urban areas and those returning to rural areas, respectively.

10. **The "triply vulnerable"—newly-emerged poverty among unemployed migrant workers in urban areas.** The field investigations confirmed that many young migrants have remained in urban areas seeking jobs, drawing down limited savings. As the downturn continues, they are at increasing risk of falling into abject poverty, due to an inability to find suitable work. They are away from traditional rural support networks and are also not covered by existing urban social safety net systems. Most at risk are those labeled in some areas as the "triply vulnerable ": i.e., those lacking formal employers (*danwei*), a spouse or any other immediate relative who holds *hukou* registration in that city, and a long-term stable residence. In most cities, the absence of all the above three conditions leaves migrant workers not covered by most insurance and social protection schemes and government policies.

11. **The "three withouts"—newly-emerged poverty among returnees to rural areas.** At the same time, a second new form of poverty is increasingly emerging among migrant workers who have returned to rural areas but without traditional means of livelihood. In rural Henan, for example, the most at-risk group is labeled as the "three withouts": i.e., return migrants without land to farm (due to lease or transfer to others, conversion for development, etc.), other available jobs, or any stable source of income. As with their urban counterparts, this newly-emerged poor group of returned migrants lacks access to most social safety nets. While the landmark decision in 2007 to establish a rural minimum living standard protection system (*dibao*) nationwide and increased funding for programs like "the five guarantees" represent key
advances, such programs generally restrict support to those unable to work, obstructing participation by migrant workers. In turn, at least in some areas, migrant workers have difficulty accessing other social protection programs—e.g., medical financial assistance (MFA) for the poor—whose eligibility is often limited to beneficiaries of dibao or five-guarantee assistance (support for food, clothing, housing, medical care, and burial expenses targeted principally to the elderly and disabled).

B. Newly Poor Migrants Face a Double Burden

12. In sum, both groups of newly-emerged poor lie outside existing social safety nets in rural and urban areas, with no cushion against a loss of livelihood. Meanwhile, they still face a heavy burden from expenditures for basic subsistence and children's education and care. Recent years have seen great progress in eliminating tuition and fees for compulsory education, included surcharges for migrant children attending urban schools. However, even where policies have been fully implemented, education for children of migrant workers may be obstructed by school-related miscellaneous costs (e.g., books and activity fees).

13. Migrant families must also directly bear the high costs of secondary and higher levels of education. Particularly for post-compulsory education, cash costs are compounded by opportunity costs: families with financial difficulty may be compelled to remove children from school to contribute to family income via a job or farm work. The downturn exacerbates such challenges, and migrant workers have been largely left out of relevant programs, mainly subsidies and allowances some cities have issued for education and vocational training.

14. In addition, a large share of migrants currently remaining in cities with their children are young adults (averaging below 29 years of age). Their children are generally too young for free primary school education, and many migrants report that high costs of early childhood care and development (ECCD), including nursery care and preschool fees, pose a major burden.

C. A Priority for Concerted Government Action

15. While limited data, rapid shifts, and local variation make it difficult to estimate precisely the size of these two groups of newly emergent poor, they are clearly sizeable—at the March 2009 NPC, Vice Minister of Agriculture Wei Chaoan estimated unemployment of a quarter to a third of migrant workers in some regions. Moreover, persistent or increasing un- and underemployment and evaporating household savings may create social tensions in the coming months.

16. Addressing these groups' vulnerabilities represents a critical frontline, with implications for both the depth of the crisis' socioeconomic impact and pace of the PRC's subsequent recovery. Market forces will not address (and could actually exacerbate) such challenges, but the government has the capacity to tackle the most urgent vulnerabilities by building on existing programs with only a modest new investment. In view of the above, we propose below three sets of urgent interventions to contain the downturn's socioeconomic impact, which are viable in the short-term while also paving the way for longer term structural solutions.

III. Policy Recommendations: Tighten Safety Nets to Address Immediate Challenges While Investing in the PRC's Longer-term Development Prospects

17. The rapid and strong government response has been critical in lessening the economic downturn's impact thus far, but there is an urgent need for additional efforts targeting emerging
poverty among migrant workers in urban (labor-receiving) and rural (labor-exporting) areas. We propose three core sets of suggestions aimed at (i) providing migrant workers without income access to existing temporary income assistance programs to protect them from destitution; (ii) simultaneously decreasing key financial burdens while protecting families’ longer-term human capital; and (iii) linking and aligning existing social assistance, health, and poverty-related programs to provide comprehensive support. These safety net interventions, outlined below, can vitally complement pro-employment initiatives, including expanded support for entrepreneurship and labor-intensive small and medium enterprises, and provision of public service jobs.

Suggestion 1: Further Refine Social Safety Net Programs by Expanding and Augmenting Temporary Assistance Targeted at the Newly Emergent Poor.

18. The 2009 No. 1 Policy Document jointly issued by the Central Committee of the Communist Party of China (CCCPC) and State Council—Opinions on Promoting Stable Development of Agriculture and Farmers’ Sustainable Income Increases—calls for extending both temporary assistance and rural dibao programs to the returned migrant poor within rural areas. However, the ADB experts’ rapid assessment found that the local governments in many rural areas have yet to formulate clear operational policies and mechanisms for this. At the same time, no such policies have been issued to cover the newly-emerged poor among migrants remaining in urban areas, and city governments have been slow to act unilaterally for fear of attracting waves of unemployed migrants from other cities.

19. Alongside dibao and other programs (see Suggestion 3), we propose to utilize the largely untapped potential of temporary assistance programs to address the urgent needs of the newly emergent poor, to help them stabilize their consumption of essential goods and services during the downturn. In early 2009, the central government provided 9 billion RMB in one-time living subsidies to the urban and rural poor, but these payments typically excluded migrant workers. We propose that newly poor migrants be explicitly targeted under further expanded funding for temporary assistance in both urban and rural areas. Second, benefits should be made conditional on active job-seeking and related activities (e.g., skill training), to maintain incentives to find work and exit from temporary support.

Suggestion 2: Take Further Measures to Lower Burdens on the Newly Poor while Insulating their Longer-term Human Capital Accumulation from the Downturn.

20. Experience in the PRC and globally suggests that expenditures for children’s education and nutrition, especially among girls, are among the first items cut following a substantial decline in household income. Illustrative of this, at one large school for migrant workers’ children in Zhejiang, enrolment had fallen more than 30%, largely reflecting dropouts and children being sent or taken back to rural areas. However, government support can play a major role. For example, large-scale investment by the Indonesian government (with assistance from ADB and other organizations) had a major impact on keeping children in school and infants and pregnant women nourished during the 1998 crisis, thus protecting longer-term human capital investment. We propose that urgent priority should be given to three areas or related support to the newly emerged poor population.

21. First, central and local governments should take strong measures to prevent children and youth in newly-emerged poor families from dropping out of school. De facto exclusion of such children and youth from new education and training subsidies should be reversed: new policies should not create new inequities. Children of migrants already in urban schooling are most at
risk of dropout, and should be explicitly targeted for support, along with children of poorer urban households. Special attention should also be given to rural left-behind children, to insulate their education from the effects of decreased remittances from migrant parents. Conditional cash transfers to migrant parents (or those caring for children left-behind in rural areas), coupons for education-related goods and services, and other measures should target completion of schooling. Children from newly poor households should be given greater access to student loans and scholarships, including through public-private partnerships involving schools/training institutions, banks, and non-government organizations (NGOs).

22. Second, prioritizing access to children of migrant parents, more public funding should be provided for ECCD, which in the past ten years received only 1.3% of all education expenditures and has been largely financed by individuals. This should be backed up by viable local plans. State support can lower the burden on migrant parents and has high economic returns (by better preparing children to excel in primary education), while ECCD programs are labor-intensive, creating jobs in a range of skill areas linked to instruction, including care and meals. In many cases, provision of grants or contracts to qualified private service providers and NGOs with demonstrated capacity may be most efficient and can draw on existing models (e.g., outsourcing of elderly care in Shanghai, and ADB-supported work on NGO-government partnerships in rural poverty programs in Jiangxi).

23. Finally, migrant families should be included in any programs providing food subsidies, coupons for necessities, and other measures, to counter the effects of lost income on reduced food intake and a shift to less nutritious foods. Special priority should be given to young children and pregnant and lactating women—in whom malnutrition can have a long-term and cross-generational impact on health, cognitive development, and productivity—including those left behind in rural areas now living on decreased remittances. Local governments and NGOs can cooperate to establish and expand food banks for the destitute. Interventions can also involve ECCD and/or school feeding programs, which also help improve student attendance and performance.

Suggestion 3: Further Enhance Program Integration Horizontally and Vertically.

24. In addition to contributing to national goals of social harmony and people-centered development, there is a strong public goods argument for increased state funding (particularly by the central government) to bolster safety nets in the face of the crisis. This is reflected in their prominent position in stimulus packages in many Asian and Pacific countries (e.g., large subsidy programs for vulnerable groups in Australia, Malaysia, the Republic of Korea, and Thailand) and also globally (e.g., Mexico's provision of education and health benefits, and a range of social programs in South Africa). Along with increased funding, the government should strengthen links between existing social assistance, health, and poverty-related programs, to enhance efficiency and comprehensiveness. Improving horizontal coordination (across line ministries and departments) and vertical coordination (across urban-rural and from the central down to the village/community level) is particularly urgent in three areas noted below.

25. First, social assistance and other social protection policies and agencies should be better coordinated, particularly at local levels. For example, expanded temporary assistance programs (proposed above) should better linked with (i) skill training and employment services (embedding incentives for the able-bodied unemployed to find work); and also (ii) the educational assistance program for poor children. In urban areas, temporary assistance should also be linked with assistance for the homeless—virtually all cities have programs to provide basic food, lodging, and return-home tickets for those in need, but services are often underutilized and not well coordinated with other programs.
26. Local governments should expand support, pool resources, and strategically align *dibao*, temporary assistance, education assistance, and MFA programs. The rapid assessment found that Shanghai and some cities in Zhejiang have successfully constructed unified information systems and at least partially extended coverage of medical and emergency benefits to long-term migrants (i.e., a "*duokoujin, yikouchu*" approach). Drawing on such models, the bar should be raised everywhere. In addition to funding, central agencies should more fully use existing monitoring systems to track and create the right incentives for localities' performance.

27. Second, better linkages across the urban-rural divide are urgently needed, particularly for health insurance, which is critical for preventing lapses into deep poverty. While rural cooperative medical system (RCMS) coverage is almost universal in the rural PRC, relatively few counties currently allow enrolled migrants to reimburse costs incurred in the cities. The RCMS should allow portability of benefits to cover major health expenses in urban areas, and migrant workers should be informed of related guidelines. In addition, currently separate urban and rural MFA schemes should be integrated and other measures taken to enhance MFA's capacity to help the poor with health expenditures beyond RCMS reimbursement. The rapid assessment found that some areas in Zhejiang already provide MFA support to migrants with major medical costs, using government funding and/or charitable contributions. Such models should be replicated as a matter of priority.

28. Third, social assistance should be more strategically aligned other poverty-related programs such as development-based poverty alleviation. In particular, in parallel with social safety net programs, the government should allocate more resources to participatory village poverty alleviation planning and cash-for-work programs in poorer areas. With more able-bodied adults now in rural areas, increased funding would provide employment while at the same time supporting pro-poor rural development. Such linkages can enhance the complementarity of poverty-related programs and their longer-term contributions to national social and economic development goals.