

## **Gender and the Financial Crisis: Chinese Aspiring Equitable Response**

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According to Carmen Reinhart and Kenneth Rogoff (2009), there are similar features of the aftermath of the financial crisis in both advanced economies and emerging markets: asset market crisis in terms of the declines of real housing price as well as equity price; banking crisis which is also associated with declines in output and employment; increase of government spending or debt while tax revenues contract. While the authors include a number of emerging markets (Indonesia, Malaysia, Philippines), mainland China (thereafter, China) was not on the list. China does seem to be a different case, sharing less of the above features.

Since China has been largely focused upon developing an export-driven economy, the contractions in world markets have been affecting China's output and employment. There are 20 million migrant workers who have lost their jobs just in the manufacturing processing zones of southern China and, at the same time, there are close to 50 million college graduates entering the job market every year. Job creation is the number one concern on the part of the Chinese government. The housing market, on the one hand, has not fallen as dramatically as in other countries but uncertainties in the market and the economy have caused loss of confidence in real estate. On the other hand, interest rates have been falling and banks are ready to lend, and developers are offering their apartments at lower prices. So in some areas, real estate has had a slight rebound. China so far has been spared by the crisis in the banking sector. The government has accumulated a huge foreign reserve in the amount of US\$2 trillion (half of which is being invested in the USA), which is the largest in the world. The majority of Chinese are still having a relatively low income with little opportunity to save. The net per capita income of the rural population in 2007 was only 4,140 RMB (about US\$600), while the per capita disposable income of the population who have urban residential status was 13,786 RMB (just less than US\$2000). Currently 60-70 percent of the population live either in the countryside or hold rural household registration and are therefore excluded from an access to social benefits provided by the government to the urban residents, such as schooling and social assistance programs to low income families.

The effects of the Chinese share of the Crisis have a gendered aspect. Since more women than men were employed in export-oriented industries, more women, especially

young migrant women, now become unemployed. Most of them tended to have a lower level of education and had worked largely in low skilled jobs. Many of these jobless women have become desperate and looked for work in the informal, unprotected job markets, including the growing sex trade and industry, to make a living and support themselves and their families. Being part of the underground economy exposes them to abuse by employers, including withholding pay, harsh working conditions and, in the case of sex trade, to health hazards including HIV/AIDS. Moreover, as I discussed earlier (Chen, 2008), most of those who lose out during the reforms of the past thirty years were women especially middle-aged and elderly women. If they live in rural areas, they are burdened with the tasks of farming and caring for children/grand-children at the expense of their health and wellbeing. If they live in urban areas, many of them were laid off from state-owned factories during the privatization of the 1990s and are now vulnerable as they fall outside of the protection of social security programs and form a majority of those who are in need of low income housing support.

Given this gendered look of economic slowdown in China, the Chinese Government's adoption of a stimulus plan that would address women's vulnerability while at the same time work towards a growth rate of 7 percent would just meet a long term need in society for a more equitable approach to economic and social development. Early indications show that the Chinese government is committed, as part of the stimulus plan, to establishing a basic healthcare program for all Chinese in three years. As I have argued together with my co-author Hilary Standing (Chen and Standing, 2007), a basic healthcare with universal coverage would benefit women. It must include sexual and reproductive health services appropriate to the changing needs of rural and urban women and men and guarantee the right to maternity and other reproductive healthcare for all women, including migrants. A closer look at the stimulus plan suggests that a gender equity strategy is necessary for the government to take advantage of the opportunities that the stimulus plan offers by integrating the plan with the enforcement of the new Labor Contract Law and other regulations that promote equality and ensure fairness.

The Chinese government announced a stimulus plan in February, 2009 as its response to the effects of the Crisis. According to Chinese Premier, Wen Jiabao, who was answering questions about the plan to netizens through the Chinese Government website on March 28<sup>th</sup>, the plan consists of an investment package worth 4 trillion RMB (about US\$570 billion), one fourth of which will be used for the reconstruction of the earthquake-torn areas in Sichuan. The central government will contribute 1.18 trillion RMB (about US\$173 billion) and the rest will be raised from local governments, banks and the private sector. The goal of the Plan is to have a growth rate of 7 percent this year through restructuring major industrial sectors and encouraging domestic demands. The government sees the Crisis as an opportunity to upgrade the level of productivity through improving technology and management. A list of ten industries to receive special support through the stimulus plan include auto, steel, shipbuilding, textile, machine-manufacturing, electronics and information industries, light industry, petrochemicals, nonferrous metals and logistics. The government also plans to step up support for social services, healthcare, housing and education in order to help encourage domestic demands. 909 billion RMB are expected in 2009 to be used for improving the

quality of people's lives, such as housing, healthcare, education and culture.

Based on the two goals, namely, raising productivity through industrial restructuring and increasing domestic demands by investing in social services, there is an opportunity for the Chinese government to address the issues of disparity and an imbalance between economic and social development, which have marred the "miracle growth" of the past 30 years. If we adopt growth and environment as main indicators, mixed evidence for improvement is expected from implementing the Plan in the restructuring of industrial sectors. On the one hand, two of the goals of the restructuring are to upgrade technology, especially through the use of cleaner technology, and to create Chinese name brands. On the other hand, all levels of the regional governments have been given the task of giving support to small and medium sized businesses and to those who are poised to start a business which create jobs, especially among the rural migrant workers. Past practice has shown that while small and medium sized businesses have created jobs and contributed to the economy growth, many of them have also been adding pollution to the local environment. In addition, local governments have been encouraged by the central government to provide affordable housing and to fund local projects that will generate jobs. The experience in the past has shown that women have often not benefited much from such initiatives unless there is some involvement from agencies with a mandate to advance women's issues such as local Women's Federations, which have a presence nationally, regionally and even reach down to grassroots women through their networks.

If we take gender equity as an indicator, we can expect less substantial evidence for improvement, except that the investment in the ten industries will create jobs for both women and men as three, or possibly four, of the ten listed industries (textile, electronics and information industries, light industry and parts of machine-manufacturing) have had women as their predominant workforce. These industries have been largely oriented to export which has helped the government accumulate the large foreign reserve. Simply relying on the stimulus plan will not change much of women's lives in these sectors. What is needed is to enforce the Labor Contract Law, adopted in 2008 and known as pro-labor, which protects women workers against discrimination in the job markets. What will also be helpful, of course, is a nation-wide system of social security programs that cover every, including migrant workers. More substantial improvement can be achieved, as it is discussed next, if the creation of a basic universal healthcare system is combined with the implementation and enforcement of the Labor Contract Law.

As part of the stimulus plan, the Chinese government is investing 850 billion RMB (US\$120 billion) over three years to establish a basic healthcare system. The journal of Feminist Economics had a special issue on China, Trade and WTO in July/October, 2007, which included an article on the Chinese healthcare policy reforms. The authors (Chen and Standing, 2007) noted that back in 2004, the coverage of healthcare insurance was only 20 percent and the majority of those uncovered were women, especially elderly women, as indicated by the 3<sup>rd</sup> survey of healthcare services in China. In 2003, on average, a visit to the hospital cost 219 RMB in urban areas (an increase of 85 percent from 1998) and 91 RMB in rural areas (an increase of 103 percent from 1998). A patient paid 7,606 RMB per year for hospitalization in urban areas (up by 88 percent) and

2,649 RMB in rural areas (up by 73 percent). The recent 4<sup>th</sup> survey of healthcare services in China shows that now 90 percent of the rural population have healthcare, which is a system based on a cooperative fund raised by the government contributing 20 RMB for every rural person who contributes 10 RMB a year (Chen and Standing, 2007).

With the investment of US\$120 billion (about US\$55 billion from the central government and the rest will come from local governments) in a universal basic healthcare system, there will be an increase of coverage of healthcare to 90 percent of the urban residents. This investment will also help build 29,000 rural medical centers, 5000 rural clinics, 2000 rural hospitals and 2400 urban clinics. It will, moreover, increase the average level of investment in each person's health services to 15 RMB in 2009 and hope to raise the amount again to 20 RMB in 2011. It will, moreover, help increase governments' subsidies to each person's healthcare coverage a year from 100 RMB in 2009 to 120 RMB in 2011. It is, therefore, clear that the government has decided to tackle the healthcare disparities from both the demand side and the supply side.

To invest in the demand side, the government intends to initially create three healthcare programs to cover three sets of populations: working people in urban areas, urban residents and rural residents who have, in recent years, seen an increase of healthcare coverage to 90 percent with the revival of healthcare programs based on cooperative principles. The government will expand upon a program which supports needy families who experience difficulty in paying for healthcare costs related to catastrophic illnesses in the family. It is hoped that in three years, the three programs will ultimately be merged into a nation-wide system of healthcare. This nation-wide system will help migrant population address their medical concerns because individuals can use their health plan to seek medical assistance outside their local provinces.

To invest in the supply side, the government is paying more attention to improving the conditions of local, especially rural, clinics and hospitals. As Chen and Standing (2007) argue strongly for a healthcare reform agenda, the government is planning to create a list of publicly funded medical facilities which can handle patients for a minimum registration fee and also underwrite a list of medicines and basic healthcare services. Based on the preliminary information that one can gather from reports on the Decision of the Central Committee of the Communist Party and the State Council to Deepen the Medical and Healthcare System Reform issued on April 6, 2009, on the list are preventive care, mother-child care, health education and information dissemination and public health service to communicable diseases, such as HIV/AIDS. Preventive care will be free to children up to 15 years of age. Post-natal healthcare and examinations will be free to children up to 3 years of age.

It will be exciting to observe how this system will take shape over the next three years. Of immediate concern are the rural-to-urban migrants who are covered currently by the rural cooperative medical plan at home but not in the urban areas where they are working and living. Based on the information available, it would be desirable to include them in the 90 percent of the urban residents whom the government pledges to support with healthcare over the next three years before the nation-wide system is to be

established.

One other concern with the stimulus plan is with respect to the absence of support for farmers and agriculture. As I previously discussed (Chen, 2008), women, especially middle-aged women and elderly women and men are predominantly forming the majority of the workforce in agriculture. They have experienced a slower growth of income from agriculture, compared to that from industries and services, due to international competition in the past years. It remains a concern that the Chinese government at different levels has not developed a strategy to improving rural conditions based on more equitable participation of rural women who are in the forefront of agricultural production.

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