

**NEITHER STATE APPARATUS NOR
MANAGERIAL TOOL:
STATE-SPONSORED UNIONIZATION
IN THE POST-SOCIALIST CHINA**

WANG JIE
(M.A.), SUNY at Albany

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Supervisor:
Associate Professor Chen An

Examiners:
Associate Professor Chong Ja Ian
Assistant Professor Yu Wenxuan, Nanyang Technological University
Professor Chan Hon S, City University of Hong Kong

DECLARATION

I hereby declare that this thesis is my original work and it has been written by me in its entirety. I have duly acknowledged all the sources of information, which have been used in the thesis.

This thesis has also not been submitted for any degree in any university previously.

王洁

Wang Jie

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Summary

Can Leninist states recreate a base of labor support and stability in the private sector? To what extent can Leninist states transform factory regimes in private enterprises where capital has created its domain of dominance? In light of the limited work on factory regime changes in transitioning Leninist states, this study investigates the state-sponsored unionization in the post-Socialist China in order to explain the uneven outcome of this state-engineered project.

I argue that the state-sponsored unionization has created neither state apparatus nor managerial tool, but a variance in union efficacy. Three major types of enterprise unions emerge in response to the contestations between the state, capital, and grassroots union leaders in the process of unionization. State intervention and managerial perception are necessary but not sufficient to explain this variance. When the two structural factors are held constant, agency of union leaders explains much of the variance in union efficacy.

Paperwork unions emerge only in enterprises which are hostile to unionization. They are the direct outcome of subdued agency of union leaders, who are suppressed by hostile management. Their presence indicates the failure of the Leninist state in transforming the factory regime in some part of the private sector. When enterprises are friendly to unionization, two other variances emerge. In managerial unions, union leaders are similar to constrained middlemen, straddling between the management and the state. Being middlemen means that they have constrained agency but have to prioritize managerial interest over the interest of employees and the state. Managerial unions cooperate with the state on beneficiary conditions but withdraw their cooperation when state policies incur costs on their host enterprises. Only proto-economic unions possess collective action power to support the interest-based claims of their employees. This power largely stems from their union leaders who have the ability in interest aggregation, organizational discipline and managing union-state relations. While the conciliatory variant of the unions represent the ideal union expected by the state, the confrontational variant is an unintended outcome of the state-sponsored unionization.

The study is based on a fieldwork on 17 enterprise unions in the Shenzhen Municipality.

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List of Abbreviations

ACFTU	All-China Federation of Trade Unions
CCP	Chinese Communist Party
CSR	Corporate Social Responsibility
FDI	Foreign Direct Investment
FIEs	Foreign-invested Enterprises
ILO	International Labor Organization
MNCs	Multinational Corporations
NICs	Newly Industrialized Countries
SOEs	State-owned Enterprises
SFTU	Shenzhen Federation of Trade Unions
SMEs	Small to Medium-sized Enterprises
TVEs	Township-village Enterprises
VCP	Vietnamese Communist Party
VGCL	Vietnam General Confederation of Labour

CHAPTER 1 INTRODUCTION

This is an exploratory study of factory regime transitions in one of the Leninist states, China, which have embraced the market economy. Despite their economic reforms, Leninist states such as China and Vietnam have maintained their monopolistic governance of labor organizations and sought to spread unionization in their private sector in order to recreate stability. Scholars have thus argued that the communist party-states sponsor unionization in the private sector to recreate the state apparatus or managerial tools: “unions” which are irrelevant to workers. Based on an extensive fieldwork, I argue that state-sponsored unionization in China does not intend to recreate Socialist unions in the private sector, nor do these enterprise unions become managerial tools which do nothing good to workers. The state-sponsored unionization has instead created a variance in union efficacy, as manifested in the emergence of three types of union: paperwork unions, managerial unions, and proto-economic unions. Paperwork unions consume state resources but serve no state interest. Managerial unions prioritize managerial interest over the interests of the state and of employees. Proto-economic unions acquire collective action power and hold the potential to agitate labor protests to challenge both capital and the state. The variance demonstrates that enterprise unions in the private sector are neither state apparatuses nor managerial tools.

It further suggests that the Leninist state can no longer intrude into the society from the commanding height as it did in the era of state socialism. In a market economy, it has to cultivate the incentives on the part of private sector actors – capital and union leaders – in order to make its policy produce some intended outcomes. Before outlining the specific research questions of my study and the variance in the dependent variable (union efficacy), I would like to set the stage by highlighting the research topic in the larger context of academic research.

1.1 Research Background

Unions are social organizations which promote labor rights and economic equity of the working class. The trajectories of economic and political transformation in a particular country largely determine the origins and functions of its unions. Early unions were the associations of craftsmen, which emerged in response to capitalist development. These early labor organizations exerted controls over production process to limit output in order to reduce the competition among craftsmen, bargained with employers, and staged sympathetic strikes to support the struggles of working class brethren (Montgomery, 1979). The associational power of the craftsmen was formed out of their intimate workplace, social and communal relationship (Koo, 1990, p. 677). The cultural heritage of crafts tradition laid the historical foundation of industrial trade unionism. Despite their origins as economic organizations, unions in industrial democracies have evolved into core equalizing institutions, raising overall labor standards of both unionized and non-unionized employees (Rosenfeld, 2014).

As capitalism spread to the late-developing countries, it caused the emergence of another kind of industrial relation which was dramatically different from those in industrial democracies. In order to harness labor to

support industrialization, the newly industrialized countries (NICs) in East Asia such as South Korea and Taiwan adopted a repressive industrial relation policy to handle labor unrests. The states allied with capital to coopt and suppress labor movements, thus eventually subordinating labor to the developmental goals propagated by their state elites (Deyo, 1989). A typical example is South Korea under Park Chung-hee's dictatorship. This authoritarian developmental state prioritized industrialization over social and economic equity, suppressed leftist unions, and propagated labor loyalty and worker-management harmony (Koo, 2001). As a result, labor movements only survived underground at the margins of the society. It was not until South Korea embarked on political liberalization in the late 1980s that independent unions were provided a political opportunity to join civil society's resistance against the authoritarian rule and facilitate the democratic transition.

The preceding historical account suggests that when the state was largely absent from intervening capitalist development and with the presence of a crafts tradition, unions emerged as economic organizations to wrestle a larger share of wealth generated in the production process. On the other hand, when the state drove industrialization and had a stake in maintaining political stability in the process of accumulation, labor agitations were often seen as a threat to the dominant state-capital alliance. As a result, union movements were heavily regulated, placed under state surveillance or actively repressed

by state elites and their industrial collaborators. Labor movements were only legalized and incorporated into conventional politics after democratization.

The end of the Cold War witnessed a further expansion of capitalism into the former Socialist bloc. Within three decades, successful reformers such as China and Vietnam revitalized their private sector, embraced foreign capital, actively participated in global capitalist production, and eventually replaced the old industrial centers in North America and Northeast Asia to become the new manufacturing hubs of the world. These post-Socialist states have become essential to the global capitalist production as the suppliers of inexpensive labor, the exporters of raw materials, and perhaps the entrepreneurs in the future. For their ruling communist parties, the rapid marketization of economy and labor has proved not only a developmental opportunity but also a political challenge. Since the 2008 global financial crisis, China's growth rate has slowed, fueling labor disputes and unrests which press on with an increasing amount of demands on the state. Industrial relation policies in these transitioning economies has become strategically important to the state as they affect millions of local workers, lifelines of global capitalism (through the global supply chains), and consumers in developed countries. These policies also reflect an imperative of the Leninist state in seeking ways, through building institutions or implementing *ad hoc* administrative directives, to cope with the dramatic socio-economic transformation and dislocation, while at the

same time preserving their regime legitimacy and improving social welfare.

This study seeks to examine industrial relation policies in one of the post-Socialist states: China. This country witnessed the most rapid industrialization in the 20th century. Its economic reform sent millions of peasants from the countryside to factories in urban regions. This process generated wealth and foreign reserves for China, but also spurred labor disputes and social unrests. The post-Socialist states are a unique amalgam of Leninist political institutions and market economy, which sets them apart from industrial democracies and authoritarian developmental states in terms of industrial relation policies. The ways in which these states manage labor disputes are new phenomena and remain under-investigated (Chen, 2015). Unlike liberal democracies, late industrialization did not allow the post-Socialist states to develop a crafts tradition, which had been essential to the germination of crafts unionism in the early European context. Moreover, unlike NICs in East Asia such as South Korea, the post-Socialist states have not democratized to allow the self-governance of labor organizations. Instead, their unions have evolved a different historical and institutional trajectory. As we will see in the case of China, the Leninist party-state does not rely on repression to harness labor to support accumulation, but seek to incorporate labor into state institutions to serve state goals of promoting labor productivity and garnering labor allegiance.

A legacy of these Leninist states¹ is that they have no intention to relinquish social control in the economic reform. Under the command economy, most industrial workers were employed in state-owned enterprises (SOEs) and were guaranteed a lifelong employment. Unions were established in every SOE to take care of workers' recreation, education and welfare. However, the restructuring of the state-owned sector, which started in the 1990s and culminated in the mid-2000s, devastated the SOEs unions. After that, it became impossible to recover unionization rates in the shrinking state-owned sector. Yet, the advance of the market economy has not succeeded in forcing the Leninist states to retreat from the private sector. With the intensification of labor unrests, the Leninist states have sought to recreate stability in the private sector through a state-sponsored unionization. For the state, unionization is a necessary means to recreate stability as well as to regenerate a base of support among employees and employers in the private sector. Thus, the state aims to create enterprise unions under the umbrella of

¹ In this research, "Leninist state", instead of "authoritarian state", is used to describe China's political institution in union governance. There are three reasons to justify the use of the term. First, I adopt a strict definition of "authoritarian state" as developed by Linz (2000) so that China is not yet qualified as "authoritarian". In a paradigmatic authoritarian state, there is an institutional separation between military force and the ruling party. By this definition, the Chinese party-state is not yet an authoritarian state because its military remains a part of the ruling party, which is a distinct feature of the communist totalitarian states. Second, the state's governance of labor organizations is Leninist. The Leninist principles are embodied in the ways in which the party-state governs labor organizations. Despite the market reform, the official unions maintain their monopoly on labor representation, including the private sector. All primary unions must affiliate with the official unions led by the All-China Federation of Trade Unions (ACFTU). The party-state suppresses independent labor organizations such as NGOs. Third, "the Leninist state" is a better analytical tool to understand the state-society relation in contemporary China and, in particular, the institutional difference between the post-Socialist states and paradigmatic authoritarian states. The term is used in the latest textbooks and journal articles such as Guo (2013) and Chen (2015). In my thesis, "the Leninist state" is used exchangeable with "the party-state" and "the post-Socialist state".

the official unions. At the same time, in order to prevent the emergence of alternative labor organizations, the state delegitimizes and represses independent labor organizations.

Beginning in the mid-2000s, China's peak labor organization, the All-China Federation of Trade Unions (ACFTU), has pushed unionization through the private sector by persuading firms to establish unions. A milestone was reached in 2006 when the ACFTU succeeded in persuading Wal-Mart, the most anti-union among multinational corporations (MNCs), to establish unions in all its branch stores across China. By 2012, the unionization drive has succeeded in boosting the number of enterprise unions to reach 2.6 million (China Statistical Yearbook, 2013), making enterprise unions the most numerous social organizations in the country.

Yet, limited research has been done to explore to the extent to which state-sponsored unionization has transformed industrial relations in China. So far, most of it is in the form of single case study, which has only yielded some limited empirical evidence. Some researchers hold a pessimistic view on union quality, suggesting that unionization has created shell unions or management-dominated unions which are irrelevant to workers (Chen, 2003; Liu, 2009, 2010). Others suggest that the unionization is a conspiracy between the state and capital to weaken labor movements by limiting labor's

organizational base at the enterprise level (Friedman, 2014). In their view, the Leninist state only intends to recreate either state apparatus or managerial tools through the unionization. The almost exclusive reliance on single case studies has prevented researchers from allowing for and showing a systematic inter-case and intra-case variance in union quality. It disallows them to engage a meaningful comparison of enterprise unions based on a larger and more representative sample size and then to construct an explanatory framework to explain these variances. The variances in union efficacy, as observed and measured in my research, suggest that enterprise unions are neither state apparatus nor managerial tool. They are resultant from, as I argue, a constant contestation between the state, capital and union leaders at the workplace in order to steer the direction of union development. Thus, in contrast to the previous research which saw enterprise unions embodying no contestation, my research suggests that contestation exists in all enterprise unions regardless their quality, be their paperwork unions, managerial unions, or proto-economic unions.

1.2 Research Questions

My research seeks to answer the following research questions. *How does a Leninist state, when it institutionalizes enterprise unions, intervene in the*

factory regime of capitalist firms? What outcomes have the state-sponsored unionization produced? How can we explain the variance in union efficacy?

The research questions connect to an underexplored terrain in the theoretical literature on factory regime politics. The first question assesses the means and effectiveness of state intervention in the private sector in terms of spreading unionization. The second question seeks to identify the variance in the dependent variable – union efficacy. The third question allows us to work on an explanation for this variance by offering an explanatory framework incorporating three variables: state intervention, managerial perception of unionization, and agency of union leaders.

1.3 Variance in Union Efficacy: Operationalization and Measurement

Union efficacy refers to the extent to which a union serves state interest and employees' interests. **TABLE 1.1** shows the measurement of union efficacy in terms of six institutional indicators. In this research, union efficacy is measured categorically as varying between paperwork unions, managerial unions, and proto-economic unions. Union registration, organizational development and transfer of state resource are the indicators of state-union relations. They reflect the degree of state intervention in union development

and the extent to which a union serves state interest. The other three indicators – promotion of fringe welfare, support for rights-based and interest-based claims – measure the extent to which a union serves the interest of its employees. Together, these six indicators enable a more refined measurement of union efficacy, as in previous research no such attempt of systematic measurement has been put forward.

TABLE 1.1 Variance in Union Efficacy: Paperwork Unions, Managerial Unions and Proto-economic Unions

	Union registration	Organizational development	Transfer of state resource	Promotion of fringe welfare	Support for rights-based claims	Support for interest-based claims
Paperwork unions	Yes.	No.	No.	No.	No.	No.
Managerial unions	Yes.	Varied.	Yes.	Yes.	Yes.	No.
Proto-economic unions	Yes.	Relatively developed.	Yes.	Yes.	Yes.	Yes.

As shown in **TABLE 1.1**, paperwork unions represent a group of enterprise unions which have the lowest level of union efficacy. Apart from acquiring registration, paperwork unions barely function and develop hardly any organizational structure. They do not serve the interests of their employees, as they are unable to represent them or promote their welfare, nor can they support their rights-based or interest-based claims. Paperwork unions do not serve the interest of the state either. They are unable to transfer state resources to enterprises nor can they preempt labor unrests. The presence of paperwork unions, as I argue, indicates the failure of state intervention in the internal environment of capitalist production. Thus, paperwork unions are an unintended outcome of state-sponsored unionization, rather than of a state-capital conspiracy.

Managerial unions represent a group of enterprise unions which have a

medium level of union efficacy. As **TABLE 1.1** shows, these unions acquire organizational development to varying degrees and their organizational structure ranges from minimal to full-fledged staffing. They can facilitate a partial implementation of state policies at the firm level by transferring state resources to enterprises and reverting grassroots information back to the state. Managerial unions can promote fringe welfare of employees and sometimes support their rights-based claims within the scope of law and the acceptability of management. However, they are incapable of supporting employees' interest-based claims by challenging managerial authority. This is due to the institutional weakness of managerial unions: they do not possess collective action power. Thus, they are unable to support interest-based claims such as wage increase, reduced work hours and severance pay, which require collective bargaining power on the part of unions. As a result, these unions seek to reconcile with the management in labor disputes rather than to aggravate labor-capital relations. Unlike previous research that regards them as managerial tools (Liu, 2009, 2010), I argue that they are not irrelevant to workers and that their efficacy varies with the level of union's organizational development, union leadership, and union-management relations.

Proto-economic unions represent the highest end of union efficacy in the Leninist state. As my research reveals, the emergence of proto-economic unions suggests that there is a potential of union activism in the Leninist state.

What constitutes their major institutional strength is their collective action power, which supports the interest-based claims of their employees. The collective actions they mobilize can take two forms: conciliatory collective actions and confrontational collective actions. When employers consent to bargain with the unions, these unions can mobilize conciliatory collective actions such as collective wage negotiations to realize wage increases without having resort to strikes. When the cooperation of employers is not granted, proto-economic unions mobilize confrontational collective actions, e.g. strikes and petitions, to wrestle concessions from capital and generate pressure on the Leninist state.

The variance in union efficacy is the phenomenon that this research seeks to explain. TABLE 1.1 presents the inter-case variance of union efficacy, that is, the categorical difference between three types of union resultant from the state-sponsored unionization. The variance testifies that previous research, which saw union efficacy as an invariance, was empirically deficient. If the state-sponsored unionization in the private sector merely recreates state apparatus, we are unlikely to see paperwork unions and proto-economic unions. Paperwork unions waste state resources while serving no state interest. Proto-economic unions possess the collective action power to challenge managerial authority and to pressurize the state. Obviously, neither of these two outcomes is what the Leninist state would anticipate. If enterprise unions

are managerial tools irrelevant to workers, we are also unlikely to see managerial unions supporting the rights-based claims of employees and proto-economic unions their interest-based claims as well.

Further, this research seeks to explain the intra-case variance within managerial unions and proto-economic unions. Some managerial unions are more active and successful in expanding employees' welfare whereas others are less capable of doing so. Some proto-economic unions have led successful collective actions whereas others fail. The intra-case variance points to an essential role of agents in shaping the development of labor organizations, albeit in a politically confined environment. Explaining the intra-case difference provides an effective means to isolate the causal impact of agency of union leadership on union efficacy from the two structural variables, the state and capital. In return, the intra-case comparison strengthens the thesis argument that state-sponsored unionization is not a state intrusion, but a contested and negotiable process in which the Leninist state and societal actors compete and compromise to shape union development.

1.4 Thesis Argument

In a market economy, the Leninist state has to abandon coercive and violent means to remedy social problems and transform the society. Instead, state

organs such as the official unions use persuasion or generate incentives on the part of private sector actors to achieve their intended outcomes in the process of unionization.

I argue that enterprise unions created by state-sponsored unionization are neither state apparatus nor managerial tool. In order to facilitate policy implementation at the grassroots level, the Leninist state seeks cooperation from capital and union leaders. This means that the outcome of state intervention hinges on the responses and reactions from capital and union leaders. Unionization is thus a negotiable and contested process between the state, capital and union leaders. The three variables – state intervention, managerial perception of unionization and agency of union leaders – interact at two levels. At the structural level, managerial perception conditions the timing and the extent to which the state can intervene in the factory regime. At the agent level, I assign causal proximity to the agency of union leaders, acknowledging their abilities in expanding union functions and maneuvering collective actions in a climate of political uncertainty. When the structural factors are held constant, the agency of union leaders accounts for most of the inter-case and intra-case variance (for a preview of the causal pathways of paperwork unions, managerial unions and proto-economic unions, please proceed to p. 69). The causal pathways of three variances in union efficacy and their implications are briefly stated as below:

Perceiving unionization as an extraction, hostile enterprises tend to reject state intervention in their factory regimes and suppress potential union leaders or activists. The hostility on the part of the enterprises thwarts state intervention and prevents the emergence of union leaders who could be responsive to the state. Paperwork unions thus indicate the failure of the Leninist state in contesting managerial authority and transforming the internal environment of capitalist production in some part of the private sector.

When the management perceives unionization as a resource, it tends to tolerate a limited degree of state intervention in factory regime, which allows enterprise unions a space to grow and develop an organizational structure. A friendly management thus constitutes a favorable structural condition for the emergence of managerial unions and proto-economic unions. The institutional divergence between managerial unions and proto-economic unions further stems from the agency of their union leaders. In managerial unions, the agency of union leaders resembles that of constrained middlemen, who prioritize managerial interest over the interests of workers and the state. That means that union leaders can only advance employees' interests and state interest so long as they do not run into conflict with managerial interest. Nevertheless, the managerial dominance does not suggest that unions do nothing for workers. As my research shows, managerial unions display an observable intra-case

variance because of the variance in their union leadership. The more competent and active union leaders are, the more likely their unions are to develop a broader set of functions and promote employees' fringe welfare.

Among the three types of enterprise unions, only proto-economic unions possess the collective action power to support the interest-based claims of their employees. This power stems from their distinct and effective union leadership. In proto-economic unions, union leaders are labor representatives and tend to see workers' interests on par with managerial interest. This leadership enables proto-economic unions to mobilize conciliatory or confrontational collective actions to support the interest-based claims of their employees. Intra-case variance is also a prominent feature of proto-economic unions. This variance, as my research shows, is attributable to differences in union leadership, which are manifested most in interest aggregation, organizational discipline, and state-union relations management during union-led confrontational collective actions such as strikes and petitions.

In short, I argue that state intervention and union leadership co-determine the outcome of union-led confrontational collective actions. While state intervention expands and contracts the operational space of union mobilizations, union leadership steers their directions. In this process, union leadership is strategic in eliciting state support to a union's cause, while at the

same time avoiding state repression. Union leaders need to carefully maneuver their mobilizations in a narrow safety zone, the boundary of which is vaguely defined but vigilantly patrolled by the Leninist state. Well-organized collective actions led by competent and state-recognized union leaders are more likely to elicit state sympathy and support to the union's cause. Poorly-organized ones, led by union leaders with ambiguous legitimacy in the eyes of the state, are less likely to elicit state support to their causes and are more likely to fail.

1.5 Research Significance

My study can contribute empirically and theoretically to the existing body of research on factory regime transitions in Leninist states such as China and Vietnam. The primary empirical contribution of my research is identification of proto-economic unions, the mechanism of their formation, and their intra-case variance. As mentioned above, previous research, which primarily relied on single-case studies, failed to observe the existence of such unions (Yu, 2008; Friedman, 2014; Zhang, 2015). While a very recent research by Li & Liu (2016) is able to discern the traces of proto-economic unions, its single-case investigation does not leave much space for the conceptualization and a theoretical explanation of proto-economic unions and their intra-case variance.

Theoretically, my research ventures into an underexplored terrain in labor politics research: factory regime transitions in transitioning Leninist states. Although scholars have extensively theorized on factory regimes in liberal democratic states and Socialist states, limited work has been done to explore factory regime transitions in post-Socialist states such as China and Vietnam. In particular, the existing research has not placed its focus on the transformation of enterprise unions, one of the most important institution-building efforts of Leninist states to intervene in the internal environment of capitalist production where state authority and capacity are heavily eroded by market force.

The lack of scholarly attention to enterprise unions stands in stark contrast to the important status they are assigned by the party-state. Enterprise unions are designated as the only legitimate labor organizations to represent labor and have remained as the basic units of labor organizing even after these Leninist state embraced market economy. The development of enterprise unions is a gauge of the degree of the transformation in the state-society relations in post-Socialist states. If the state-sponsored unionization fails to produce enterprise unions serving the interest of the state, it may indicate a failure of state intervention in the private sector. If the unionization can produce some outcomes in favor of the state, we may claim that the Leninist state is adaptive to market economy and responsive to the new demands arising from the

society. If the unionization produces militant unions which challenge the management as well as the state itself, we can claim that the Leninist institutions (or social and political institutions with a Leninist root) can potentially be transformed into representative social organizations reflective of societal interests rather than the interest of the state. Thus, the development of enterprise unions indicates not only the extent to which Leninist states have been able to transform the factory regime in a market economy, but also suggests the direction towards which Leninist institutions have been morphing in response to the market reform.

Further, by theorizing state-sponsored unionization as a contestation between the state and societal actors, my research complements Chan's conceptualization of "contested despotism". Chan (2010) argues that the factory regime in China has been in a state of transformation from localistic despotism to contested despotism. However, he fails to provide an account of the development of enterprise union as an essential part of this contestation between the state and societal actors. In response to this, my research contributes to the conceptualization of factory regimes in China by incorporating an aspect of union evolutions into the existing research.

1.6 Thesis Organization

The thesis is organized into 7 chapters. Chapter 2 provides the historical background of the research topic, conceptualizes the phenomenon under investigation, locates the gap in the existing literature, and presents an explanatory framework to explain the variance in union efficacy, the dependent variable. Chapter 3 introduces the research strategy and methods. Through examining 17 enterprise unions, Chapter 4, 5 and 6 elaborate on my explanatory framework in detail. In Chapter 4, I examine paperwork unions and their mechanism of formation. In the last part of this section, I present an alternative argument on union weakness to complement the state-centric view. In Chapter 5 and 6, internal diversity of managerial unions and proto-economic unions are explored through intra-case comparisons. In Chapter 5, I examine managerial unions and their mechanism of formation and their intra-case variance. I emphasize the role of their union leadership in making their intra-case diversity possible. In Chapter 6, I focus on two kinds of collective actions mobilized by proto-economic unions to support the interest-based claims of their employees. I argue that union leadership is crucial in steering union mobilization to a success. Chapter 7 is the thesis conclusion. It synthesizes the whole thesis and points out the direction of

future research.

CHAPTER 2 STATE-SPONSORED UNIONIZATION: HISTORY, CONCEPTUALIZATION, LITERATURE REVIEW, AND THE EXPLNATORY FRAMRWORK

This chapter situates the union movement in China in its historical and theoretical contexts before providing an explanatory framework to explain the variance in union efficacy (DV). Section 2.1 introduces the history of union movement in China and spotlights the union-state relations in the earliest period of the communist China and the subsequent transformations of the union system in the reform era. Section 2.2 constructs the state-sponsored unionization as a conceptual alternative to socialist corporatist unionism and liberal unionism. Section 2.3 reviews literature and locates the gap. Section 2.4 lays out the explanatory framework. Section 2.5 is the conclusion.

2.1 Lineage of Union Movement in China²

The union movement in China originated with the nationalist liberation movement. From the very beginning, the Chinese Communist Party (CCP) subsumed labor interest under national interest (Friedman, 2014) in order to

² Some information presented in this section is selected from *Contemporary China: Working Class and Trade Union Movement I*, published in 1997 by Contemporary China Publishing House. It is an official chronicle issued by the ACFTU. The main editor is Ni Zhifu (倪志福), who was the secretary of the party committee of the ACFTU from 1978 to 1983.

serve its political agendas. The national peak labor organization, the ACFTU, assisted the CCP to realize its political goals of national liberation and socialist transformation of Chinese economy and society. During the pre-1949 period, the grassroots units of the ACFTU developed into multi-purposes organizations, engaging not only in economic struggles against capitalists but also in war preparation and mobilization.

2.1.1 Creation of the Union System

After the communist regime was established, the ACFTU was designated by the CCP to facilitate a socialist transformation of economy. Between 1953 and 1955, the ACFTU mobilized its grassroots units to facilitate the nationalization of private enterprises. The party-state also entrusted the ACFTU to cultivate a modern working class, who were organized, skilled, and politically loyal to the communist regime.³ The CCP anticipated this class of Socialist workers to become its base of support in the newly consolidated state-owned industrial sector.

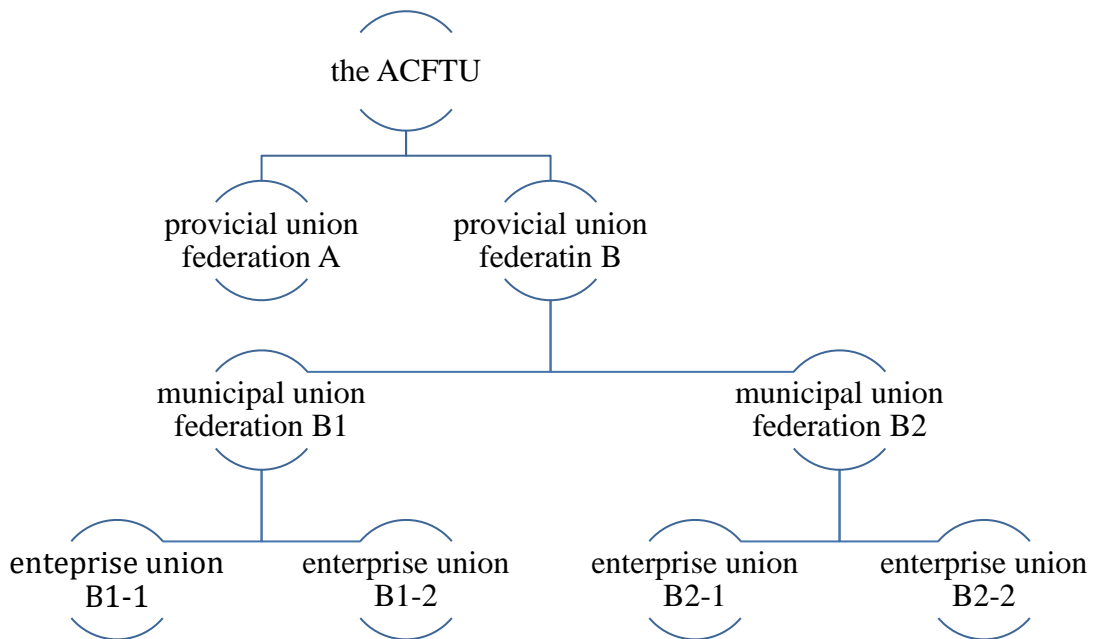
Thus, in the first decade of the communist rule (1949-1959), the ACFTU quickly expanded its branches at the regional and local levels. During this

³ The twofold tasks of trade union were mentioned by Liu Shaoqi (刘少奇) in the Political Report of the Central Committee of the Communist Party of China to the 8th National Congress of the CCP, September 15, 1956. An English translation can be assessed from the Liu Shaoqi Reference Archive, https://www.marxists.org/subject/china/documents/cpc/8th_congress.htm.

expansion period, the ACFTU established two principles of union organizing: the principle of industry and the principle of region. The principle of industry required that grassroots unions to include all employees in a single work unit (*danwei*) regardless of trade (工种) and occupation (职业). Under this principle, an enterprise union should include all employees as union members regardless of their occupations.⁴ The principle of region required the organizational structure of the official unions to match the structure of the administrative units of the government. Under this principle, the official unions at all administrative levels constituted a union system (**FIGURE 2.1**), which was hierarchically organized in order to strengthen the ACFTU's leadership over its regional, sub-regional, and grassroots units. As **FIGURE 2.1** shows, in the 1950s the ACFTU-led union system had an organizational coherence. The lower-level unions were answerable to their immediate higher-level unions. They all worked under the directives of the ACFTU.

⁴ In theory, socialist enterprise unions represent the whole working class, regardless of occupational differences between line workers, line leaders, technicians and managers.

PICTURE 2.1 The Union System under State Socialism (1950s)



During this period, the state-union relationship cozy, as the CCP was enthusiastic in supporting the ACFTU-led union movement. Many competent party cadres were designated to assist unionization or directly involved in expanding the scope of union functions and activities. The local party committees were actively involved in facilitating the functioning and operation of the union system. Party cadres convened meetings of worker representatives, created grassroots union committees, and called upon workers to participate in the operation of enterprise unions. With these concerted efforts, by the mid-1950s the membership of the ACFTU had reached 10 million, which covered 90% of industrial workers in China. However, the cozy relationship between the CCP and the ACFTU did not last for long, as the latter began to strive for greater autonomy.

2.1.2 Ideological Conflicts between the ACFTU and the CCP and the Purge of the ACFTU

In the 1950s, the ACFTU came into a series of ideological skirmishes with the CCP, which eventually led to its own purge in the Cultural Revolution. The cleavage came in a time when the ACFTU's leadership began to articulate a different voice from the party's leadership. Two top union leaders, Li Lisan (1948-1952) and Lai Ruoyu (1952-1957), insisted that the party leadership did not preclude the ACFTU from maintaining its autonomy and from serving the interest of the working class as its primary organizational task. As a former union activist, Li Lisan (李立三) advocated the ACFTU to carve out a distinct institutional identity from the party-state. He asserted that the unions existed to safeguard the interest of the working class. His successor, Lai Ruoyu (赖若愚), expressed a similar view. He suggested that the task of the unions was to unite the whole working class and to safeguard their material interests and democratic rights. Both leaders implied that the ACFTU was distinct from other state organs because of its connection to the working people.

The union ideology of Li and Lai brought them into political clashes with the top leader of the CCP, Mao Zedong (毛泽东), which had simmered since

the very beginning of the communist rule. Back in 1951, Mao had charged Li with advocating syndicalism (工团主义) within the party. The devastating blow to the ACFTU came in 1958. In March of the year, the Central Committee of the CCP convened a meeting at Chengdu, which excluded Lai (the then top union leader), to reshuffle the ACFTU-led union system under the name of “destruction of solidarity and unity of the CCP”. The meeting reasserted the CCP’s leadership and dominance over the ACFTU. A reshuffling of the union organization took effect immediately after the Chengdu meeting. The CCP was determined to abolish the autonomy of the ACFTU accrued from the earlier years and sought to retighten its control over the official unions. For that purpose, the CCP managed to completely subordinate the ACFTU to the party-state. The meeting was soon followed by the purge of a large number of senior union cadres, who were accused of being aligned with Li and Lai.⁵ The Chengdu meeting signaled the downturn of the ACFTU. The purge significantly weakened the organizational coherence of the ACFTU-led union system and the morale of union cadres.

Then came in 1966 was the most severe blow to the AFCTU, the Cultural Revolution (1966-1976). In 1968, the ACFTU was forced to cease all its functions and activities due to the destruction caused by the Red Guard. Many

⁵ Chen Yongwen, Dui jianguo chuqi gonghui ruogan wenti de huigu (A review of several questions on unions in the early period of the CCP). <http://www.zgdsw.org.cn/BIG5/n/2015/0527/c244516-27064241-2.html>. (May 27th, 2015). Accessed on May 5th, 2016.

experienced union cadres and activists, who rose from the rank-and-file and were dedicated to the union movement, were violently purged. The ACFTU was paralyzed.

2.1.3 Rehabilitation of the ACFTU after the Cultural Revolution

In 1977, the 11th Congress of the CCP announced the end of the Cultural Revolution and has since sent China onto the path of modernization. In order to reestablish control and order in a society revenged by violence and anarchism, the CCP rehabilitated mass organizations such as the ACFTU, the Youth League, and the Women's Federation. A new political task was assigned to the rehabilitated ACFTU. A year later, the 9th Trade Union Congress was convened in Beijing a year later to announce that the task of the unions in the reform era, which was to assist the economic reform. On the one hand, it seemed that the rehabilitation set a pragmatic goal for the ACFTU in China's modernization. On the other hand, the rehabilitation by no means indicated that the CCP was willing to embrace liberal unionism. Rather, unionization became a new means for the party-state to garner support from the new working class – migrant workers.

In particular, the political turbulences in 1980s within and beyond China

finally led the CCP to tighten industrial relation policies in a much more conservative direction. The collapse of Socialism in the Soviet Bloc and the 1989's pro-democracy demonstration signaled to the CCP that the prerequisite for the reform was political stability rather than political pluralism (Wilson, 1990). The CCP drew three lessons from the Soviet Bloc. First, the communist party must retain its leadership in governing social organizations amid the reform as "the final arbiter of decisions in Chinese society" (Wilson, 1990: 276). Mass organizations such as the ACFTU shall "function as a bridge" between the party and social groups to facilitate the grassroots penetration of the party. Second, Deng Xiaoping believed that the communist leaders in the Eastern Europe were too soft to handle popular unrests triggered by the economic and political reforms, which led to their own demise (p.272). Thus, in order to avoid the same fate befalling the CCP, Deng sought to restrict the associational space of social groups. As reflected in industrial relation policies, the CCP dropped the right to strike from the Constitution, which delegitimized any form of confrontational industrial actions.⁶ Third, the Solidarity movement in Poland indicated that the independent labor organizations posed a political threat to the CCP. As a countermeasure, the CCP has been repressive in dealing with labor NGOs. It manages to diminish the organizational space of independent labor organizations while granting the official unions a monopoly on labor representation at the same time.

⁶ As we will see in Chapter 6, the withdrawal of constitutional protection effectively leaves strikes in a political limbo, in which the state reserves the authority to arbitrate the legality of confrontational collective actions in industrial conflicts.

2.1.4 Transformation of the Union System in Market Economy

Despite the party-state's rhetoric to garner support for the regime from the working class, the state-initiated economic reform *de facto* dislodged state workers from their previously privileged status. The SOEs reform abolished "socialist social contracts" (Lee, 2007, p.12) that were guaranteed to state workers, under which they enjoyed the life-long employment, housing, medical welfare, and pensions. The reform caused a significant shrinkage of union membership in the state sector, which was the traditional organizational base of the ACFTU. With the hosting enterprises dissolved, the organization rate of the ACFTU plummeted from 72% around 1995 to between 50-60% at the end of the 1990s (Chinese Trade Unions Statistics Yearbook, 1994; 1997; 1998; 1999; 2000 & 2001). According to a report from International Labor Organization (ILO), the ACFTU was threatened both functionally and organizationally during 1997-2000 when there were estimated 17 million union members struck off the registration list (Traub-Merz, 2011).

With the decline of the state sector, the official unions have to rebuild their organizational base in the private sector, mainly constituted by privately owned enterprise (POEs) and foreign owned enterprises (FIEs). Hypothetically,

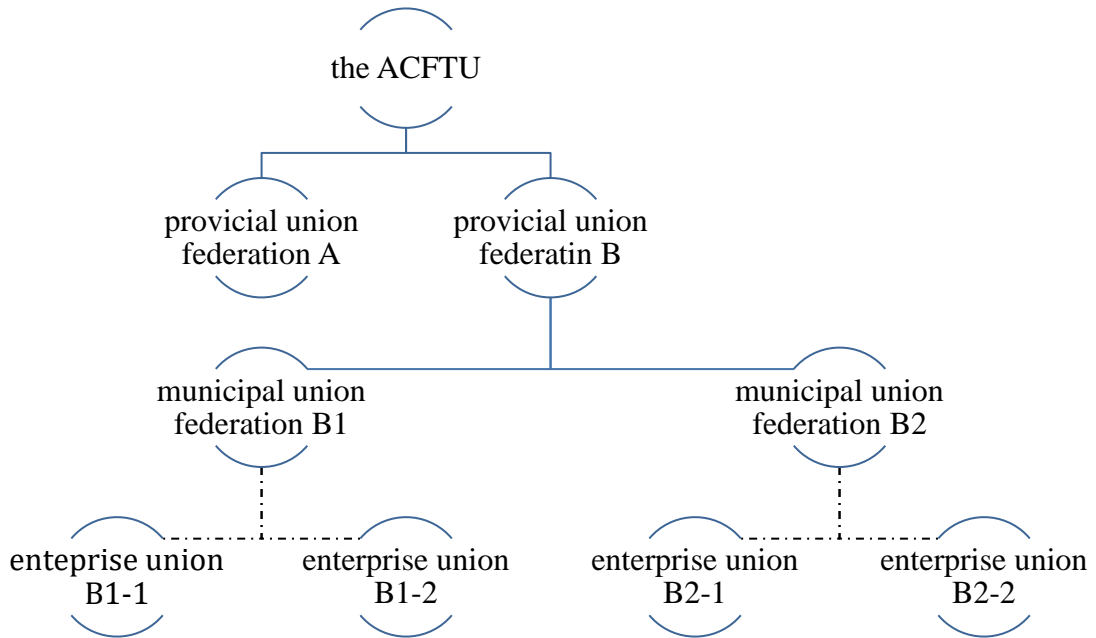
unionization in the private sector, if succeeds, brings three major benefits to the ACFTU and the CCP. First, the private sector has replaced the state sector as the primary contributor to the national economy. In 2006, POEs and FIEs together contributed to 68.8% of industrial outputs, whereas SOEs 31.2% (Brink, 2012). Unionization in the private sector would likely to bring more enterprises to contribute to the coffers of the official unions. Second, unionization in the private sector has brought the ACFTU to contact with the new working class – migrant workers, who have constituted the majority of urban workforce since mid-2000s (Wang, 2013). Enlarging union membership among migrant workers allows the ACFTU to broaden its organizational base in the private sector to compensate its loss in the state sector. Third, for the CCP, unionization in the private sector serves to contain labor-capital conflicts and alleviate the pressure on the state in maintaining social stability. Enterprise unions could facilitate state intervention in labor disputes, which reduces labor unrests and creates a investment-friendly environment (Taylor & Li, 2010).

The state-sponsored unionization has produced a dramatic increase in union registration rate in the private sector. All the grassroots union cadres whom I met during my fieldwork confirmed that the unionization rates in their jurisdictions were very high. Around 80-90% of enterprises have been unionized. By 2013, the number of grassroots union has reached 2.6 million. It

is fair to claim that a new layer of primary unions has been created with the advancement of unionization in the private sector. Meanwhile, the union-state relationship has also been recreated at the primary level. In the private sector, enterprise unions and the official unions are in a *de facto* non-authoritative relationship. As shown in **PICTURE 2.2**, enterprise unions hosted by private enterprises have come to constitute the majority of primary unions in the ACFTU-led union system nowadays.

PICTURE 2.2 Transformation of the Union System⁷ in Market Economy

(2000s)



PICTURE 2.2 visualizes the transformation of the ACFTU-led union system at its primary level. The interrupted lines connecting the official unions to enterprise unions represent the non-authoritative nature of their relationship. Enterprise unions in private sector are *de facto* independent from the official unions and the state. That means, they are genuine social organizations, though not independent from enterprise management. In order to promote unionization, the official unions have to use incentive-generating measures to

⁷ The official unions refer to all unions above enterprise unions. Together, they constitute the union system, the organization of which resembles the top-down administrative pyramid of the government. The official unions are hierarchically organized according to the geographic principle. By law, the ACFTU (headquarter) represents all official unions and enterprise unions at the national level. Moving down the union hierarchy, official unions are created in every administrative-geographic unit. All provinces and autonomous regions have their own provincial-level union, so does every city. In each city, union federations at district and sub-district levels are located further down the hierarchy. At the bottom of the pyramid, community-level union federations (社区工会联合会) are established in urban districts with a high density of industry and working population.

promote unionization. Thus, in a market economy, the state-sponsored unionization is a process full of contestation, negotiation, persuasion, and compromise between private enterprises and the official unions.

2.2 Conceptualization: Liberal Unionism, Socialist Corporatist Unionism and State-sponsored Unionization

I create an alternative conceptualization, *state-sponsored unionization*, to capture the essence of the transformation in the Leninist union system and industrial relations in the reform China (or Vietnam). As shown in **TABLE 2.1**, a conceptual differentiation is made between state-sponsored unionization, liberal unionism, and Socialist corporatist unionism. The table compares the three major ways of conceptualizing union movements in the world in terms of five dimensions: union-state relation, dominant players in industrial relation, organizing mode, interest representation, functions, and nature of the organization. The comparison reinforces the central argument that the state-sponsored unionization creates neither state apparatus nor managerial tool, the outcome of which is a contestation between the state, capital and union leaders. The comparison further shows that, despite political constraints imposed by the Leninist states, enterprise unions in China have evolved similarly to unions in liberal democracies in terms of function. In a market

economy, enterprise unions increasingly face the interest-based demands of workers, which were rare in the Socialist period.

TABLE 2.1 Conceptualization: Liberal Unionism, Socialist corporatist

Unionism and State-sponsored Unionization			
	Liberal Unionism	Socialist Corporatist unionism	State-sponsored unionization
Union-state relation	Independent	Dependent	Semi-dependent
Dominant players in industrial relation	Market; capital; organized labor	State	Capital; state
Interest representation	Private sector; public sector	State sector; public sector	Private sector
Organizing mode	Occupation- or industry-based	Enterprise-based	Enterprise-based
Functions	Consumption; interest-based claims	Social control; Labor productivity; workers protection (right-based claims);	Workers protection (rights-based and interest-based claims); social control
Nature of the unions	Social organizations; interest groups	State organs	Social organizations
Representative Countries	Liberal democracies, e.g. the U.S.; the U.K.	Communist states, e.g. the USSR; China before the reform	Post-socialist states ruled by the communist parties, e.g. China; Vietnam

Liberal unionism

Liberal unionism refers to the union movements in liberal democracies such as the Anglo-American states which hold to liberal market principles. It originated from the craftsman unions in the 19th century. Historically, craftsmen leveraged their superior knowledge and skills to exert control over the production process, which enabled them to obtain a certain degree of autonomy at work (Montgomery, 1979). As the collective autonomy of craftsmen grew, they demanded for not only wage increases but also workplace rights. By staging sympathetic strikes, craftsmen supported workers in other trades to resist exploitation. Crafts unions thus played a crucial role in advocating state legislation on workplace relations. For example, the 8-hour daily work and the prohibition of child labor were originally union demands and later were incorporated into state laws in most liberal democracies.

There are several notable features of liberal unionism. In liberal democracies, unions are organized along the line of occupation, industry or sector. They advocate interest-based claims of employees such as wage increase, work hour reduction and pension welfare. Thus, unions are interest groups. What affects unions most is not state intervention, but market force. Labor market conditions and industrial relation policies are the major determinants of the rise and decline of unions. Unions accrue more collective

bargaining power, when economy booms. When economy shrinks, unions have less leverage in bargaining with employers. Since the 1980s, the ascendance of neo-liberalism has led to de-unionization in developed countries. The members of Organization for Economic Co-operation and Development (OECD) suffered an irreversible union decline, and union density⁸ in these countries dropped from 40% in 1990 to 29% in 2010 (OECD, 2012). On the other hand, the global dispersion of production procedures, the rise of informal sector and the proliferation of precarious work have created new barriers for traditional unions to recruit new members.

Socialist corporatist unionism

Socialist corporatist unionism refers to the communist union movements which held to the Marxist-Leninist principles. Three ideological principles underlie Socialist corporatist unionism, which are classic dualism, party leadership and socialist interest consensus (Pravda & Ruble, 1986). Classic dualism means the socialist unions have dual functions at best. The primary function of the unions is to promote labor productivity through mobilizing workers in production process. Unions are also the guardian of workers and shall protect their legal rights. In practice, however, productivity function was often prioritized above protection function. Party leadership suggests that

⁸ According to OEDC (2012), union density refers to “the number of trade union members as a percentage of wage and salary earners”.

Socialist unions are politically subordinate to their ruling communist parties. Designated by the party as “transmission belts”, unions convey party policies to the working class and send shop-floor information back to the party (Sorenson, 1969, p.122-123). Socialist interest consensus means that the communist states perceive no fundamental interest cleavage between employees and employers in a state-owned economy. Industrial conflicts indicate the failure of the unions in making a consensus between employees and employers. The role of the unions is to alleviate industrial conflicts and to preempt strikes. Unions shall maintain industrial harmony by facilitating an alignment between individual and group interests and the policies of the communist parties.

There are several notable features of Socialist corporatist unionism. Unions are organized at the enterprise level and are incorporated into work units, *danwei*. The symbiosis between unions and their hosting enterprises suggest that Socialist unions are state apparatus which serves the goals of the communist parties. The unions supervise the enterprises’ compliance with the party policies and directives, namely the rights-based claims of employees. However, they do not possess collective bargaining power to support the interest-based claims of employees. In a state-owned economy, workers’ short-term economic demands were subsumed under labor productivity, which was deemed as the long-term interest of the party-state and the working class

(Tanzer, 1960). Thus, Socialist unions are state organs by nature. Their functions and operations are subsumed under the communist party-states. State policies, rather than labor market conditions, are the major determinants of the rise and decline of unions.

As these Leninist states started to embrace market economy since 1970s, some scholars suggest that corporatism, which emphasizes state dominance in industrial relations, can capture the essence of this transformation (Chan, 1993; White, 1996; Unger & Chan, 1995). Corporatism means that the state and society interact in an organic and coordinated yet unequal way (Williamson, 1989). In order to organize the society as an organic whole, the state does not yield to pressure and demands of various interest groups. Instead, it entrusts state-affiliated peak organizations to aggregate and represent societal interests to itself. The state delegates regulatory power to these peak intermediary organizations, which grants them a significant degree of autonomy in governing their membership. This corporatist arrangement of industrial relation facilitates state ideology to indoctrinate labor as well as disciplinary power of the state to restrict interest representation and articulation of labor (Buchanan & Nicholls, 2004).

I argue that neither socialism nor corporatism is a valid conceptualization of the unionization campaign in a post-Socialist context. The term “socialism”,

on the one hand, is too obsolete to capture the nature of enterprise unions in private sector as social organizations. Corporatism, on the other hand, too focused on the state-labor relation at the national level, which pays scant attention to the grassroots transformation of the union system. Both conceptualizations regard the state as the sole dominant player in industrial relations and overlook the role of capital in shaping the industrial relations in a market economy. In response to this inadequacy, I thereby propose a conceptual alternative to Socialist corporatist unionism in order to capture the nature and new dynamics in the industrial relations in the private sector since the Leninist state launched the unionization campaign since the mid-2000s.

State-sponsored unionization

The term, *state-sponsored unionization*, denotes a unionization process in which the Leninist state attempts to create enterprise unions in favor of itself, but the actual outcome is so contested that unions develop towards unintended directions. The new conceptualization recognizes that the Leninist state has a strong institutional imprint on the formation and operation of enterprise unions. At the same time, it admits that in a market economy the unionization has become a contested terrain because of the rise of the new powerful player – capital. The state intends to build unions as social organizations which are responsive to state interest. It anticipates these unions to protect workers

against exploitation and promote their economic and social welfare in the private sector. By doing so, unions not only advance labor interest but also serve to maintain social stability. However, the quality of the unionization depends on managerial cooperation as well as activism of grassroots union leaders. Since the state can no longer rely on administrative directives or sheer coercion to transform the society, it needs to cultivate the incentives of enterprises and union activists in cooperation with the state to realize the dual goals of workers protection and social control. Thus, the proliferation of enterprise unions, as expected by the state, serves to establish its connection with private sector, increase its responsiveness to the rights-based and interest-based claims of workers and its vigilance to labor protests. Nevertheless, the uneven development of enterprise unions suggests that, aside from cooperation, societal forces emerging from the market economy could compromise or evade state intervention.

One notable feature of state-sponsored unionization is that enterprise unions are expected by the state to support the rights-based and interest-based claims of employees. That means, at least in terms of function, enterprise unions in the transitioning Leninist states are converging towards unions in liberal democracies. Now, their very survival in a market economy depends on to what extent they could satisfy the increasing demands from workers.

2.3 Literature Review on Factory Regime Politics and Unions

This section reviews the literature on the factory regime transition in China. In particular, it reviews the transition from bureaucratic despotism and localistic despotism to contested despotism. The literature on bureaucratic despotism and localistic despotism is too structural-centric to reflect the nature of factory regime transformation in China's Polanyian countermovement. The literature of bureaucratic despotism argues that the Leninist state's totalitarian control of the factory regime makes enterprise unions nothing but part of state apparatus. The literature of localistic despotism argues that managerial dominance in the private sector turns unions into managerial tools, which are of little relevance to workers. The literature of contested despotism does look beyond structural factors and explores the role of workers' agency in their resistance at the shop floor and on the street. However, contested despotism fails to account for an institutional aspect of this contestation, the evolution of enterprise unions in a market economy. This insufficiency enables me to locate a gap in literature of contested despotism (**TABLE 2.2**). I argue that this conceptualization is incomplete without systematically investigating the evolution of enterprise unions in a market economy, where the state has to balance growth and equity, and the rise of societal actors such as capital and union leaders complicates state intervention in factory regime which lead to unintended outcomes.

TABLE 2.2 A Categorization of Literature on Factory Regime

Politics and Unions

The Leninist State		
	Intervention refrained Internal and external environment	Intervention exerted Internal and external environment
Socialist firms	N.A.	Bureaucratic despotism (Burawoy, 1985); Socialist corporatist unionism: union as state apparatus
Capitalist firms	Localistic despotism (Lee, 1998); Union-free; union as managerial tool	Contested despotism (Chan, 2010); *State-sponsored unionization: unionization as state resource or extraction

NOTE: Historically, the intervention of Leninist states in labor process was totalitarian. One cannot find an instance of the Leninist states refraining from intervening in the factory regime. Therefore, the upper-left hand corner of this table is left unfilled.

Burawoy (1985) conceptualizes two major types of factory regime: a hegemonic regime and a bureaucratic despotism regime. Hegemonic regime refers to the factory regime in industrial democracies, in which factory politics and state politics are disconnected (not shown in **TABLE 2.2**). Liberal democracies only intervene into the external environment of capitalist production, where the state institutionalizes labor laws and social welfare systems to insulate the reproduction of labor power from factory work. Liberal democracies primarily rely on legal instruments to regulate the external environment of capitalist production (Kim, 2008), while leaving the internal environment of production to the discretion and discipline of capital at the same time.

In Socialist states, the dominance of communist parties created another paradigm of factory regime and shop floor politics, which Burawoy conceptualized as *bureaucratic despotism* (TABLE 2.2). In this regime, factory politics and state politics were connected, which means that the conflicts in factories could spill over into politics (Burawoy, 1985). The interconnection between the two arenas necessitated the Leninist states to suppress workers' struggles and to directly intervene in shop-floor relations. The state exerted total control over the external and internal environment of production. Andrew Walder (1986) once described the labor relation in this factory regime as "organized dependence", which was an all-encompassing dependence of workers on the state in all aspects of economic, social and political life. This dependence rooted in the Leninist state's monopoly of resources which were essential to workers' livelihood and its political control within the factory (Lee, 1999, p. 45). Thus, the political role of unions was to reinforce the leadership of communist parties in the industrial sector, which strengthened the communication between workers and management and ultimately between the working class and the party-states. In a nutshell, the research on bureaucratic despotism sees unions as state apparatus and attributes union impotence to the political dominance of the Communist party-states. These studies also show a proclivity to underestimate labor's agency and activism (Lee, 1999, p. 45). Labor agency was often disregarded as it was considered being unable to

overcome state dominance and therefore as having no obvious causal power. Nevertheless, writing in the 1980s, Burawoy could not foresee the economic reforms in some Leninist states such as China and Vietnam, which dislodged the state as the sole player in shaping industrial relations.

Extending on Burawoy, Lee (1998) traced the transformation of the factory regime after the economic reform in China. She argued that a new factory regime had emerged in the private sector and referred it as *localistic despotism* (TABLE 2.2). The regime was characterized by a despotic managerial control, intertwined with a gendered control exerted through localistic networks. A notable feature of this regime was that state intervention was nearly absent in both the external and internal environment of capitalist production. The Leninist states were *laissez-faire* and deliberately refrained from intervening in the internal environment of capitalist production. In the external environment of production, the state created neither a social insurance system nor sophisticated labor laws to protect workers.

A number of scholars sought to further explore the *laissez-faire* Leninist state and explain its impact on labor regime transitions. Two distinct lines of explanation were offered. The first group of scholars focused on the source of local economic development (Walder, 1995; Oi, 1995; Wank, 2001). They attributed the reform's success to a particular kind of state-society nexus at the

local level: the local developmentalist states and their entrepreneurial clients. The fiscal reform fostered a strong pro-growth incentive among these local states, which encouraged local officials to act like market-oriented agents (Oi, 1992; Oi, 1995; Walder, 1995). Henceforth, the officials developed a symbiotic and clientelistic relation with societal actors, mostly private entrepreneurs, who shared with them the same interest in accumulation (Wank, 2001). This close relationship between the local states and capitalists thus made the former advocates, rather than regulators, of local economies and enterprises (Oi, 1995).

The second group argued that in their pursuit of growth local states had compromised their responsibility in labor protection (Hsing, 1998; Gallagher, 2005; Feng, 2006; Gallagher, Lee & Kuruvilla, 2011). In fact, they viewed local states as pursuing growth at the expense of labor (Hsing, 1998; Chen & Zhang, 2004; Gallagher, 2005; Feng, 2006; Gallagher, Lee & Kuruvilla, 2011; Xu, 2011). In order to attract and retain investments, the local states developed a vested interest in maintaining labor flexibility (Gallagher, Lee & Kuruvilla, 2011) and acquiesced managerial domination at the workplace. In the meantime, for most FIEs and township-village enterprises (TVEs), cutting labor cost was the most effective strategy to survive and remain profitable (Hsing, 1998; Gallagher, 2005). Therefore, they tended to evade labor laws and regulations in order to maximize labor exploitation. Because of the shared

interest in accumulation, local states acted *laissez-faire* towards capital. As Ma (2011) contends: “Government regulation, monitoring and enforcement capability have seldom been in place, and employers have exercised active and decisive power in their interactions with employees, at least at the enterprise level.”(p.156). In particular, Gallagher (2005) argued that the central government and the official unions had largely failed to contain the overwhelming power of management in determining labor practice. As a result, unions were largely absent in the private sector, and when they did appear in a few enterprises, they were no more than decorative (Ma, 2011).

Some do acknowledge that the official unions are empowered by the party-state to participate in labor legislation⁹, to spread unionization, and to represent workers in individual legal actions (Chen, 2003, 2009; Friedman, 2014; Clarke & Pringle, 2009). However, they believe that these pro-union initiatives are half-hearted, serving mainly to stabilize industrial relations rather than to mobilize labor and unions. The official unions’ unwillingness to empower enterprise unions leaves the latter at the mercy of the management. Because of the cooptation by the state and capital, enterprise unions become shell unions (Chen, 2003) or managerial tools irrelevant to workers (Mingwei Liu, 2010). As He & Xie (2012) contend, enterprise unions face a dual cooptation from both enterprises and the state, which are content with weak

⁹ It was a similar move in the union reforms in some other post-Socialist states such as Vietnam and Russia.

grassroots unions. For enterprises, maintaining weak unions reduces the threat to managerial autonomy. For the official unions, union quality does not matter, because they only need to report union quantity to state authority in order to fulfill their unionization quotas. On the whole, the above literature on localistic despotism suggests that the interest alignment between the state and capital allowed the latter to maintain a despotic factory regime, in which labor interest was compromised and unions were turned into managerial tools which were irrelevant to workers. Weak unions are seen as intended outcomes of the state.

However, these scholars did not anticipate the interest divergence which has meanwhile emerged between the state and capital. The divergence is triggered by the economic reform and the social unrests it has caused, which the state finds eroding its legitimacy greatly. As Polanyi (2001) contends, in a modern market society a *laissez-fair* movement always exists in opposition to a protective countermovement. The former seeks to expand the scope of the market autonomy, whereas the latter resists the disembedding of the economy and seeks to recreate stability. In China, the Polanyian countermovement was first driven by grieved citizens who resisted the socio-economic dislocations caused by the market reform, and subsequently by the Leninist state itself, which sought to address these grievances and to contain social unrests in order to maintain regime legitimacy. In the 2000s, social unrests exploded as a result

of the economic and social dislocations triggered in the reform process. Between 1993 and 2008, the number of social unrests in relation to labor disputes, land acquisitions, corruption and other kinds of social grievances, increased ten times (Shirk, 2007, p.57). Among these, collective protests made the CCP particularly concerned, as they exerted political pressure on the party-state and eroded its legitimacy (Xie, 2012). Moreover, the accelerating urbanization and population concentration in major cities have made an easier access for citizens to mobilize social unrests while increasing the difficulty for the state to persecute them (Wallace, 2014).

The tipping point finally came in the mid-2000s, when the Leninist state elevated social stability to an equal position as growth in local governance (Wang & Minzner, 2015; Xie, 2012). In the 2000s, the state launched a series of institution-building measures to address social grievances and enhance legal and administrative mechanisms for their resolution and prevention. In labor governance, the state has actively sought to (re)-intervene in industrial relations. Since then, China has gradually developed a complementary set of legal and administrative institutions to regulate industrial relations, mostly in the *external environment* of capitalist production, which covers labor contract, reproduction of labor power, labor dispute resolution, and other dimensions of employment relation. Legal scholars have extensively investigated the enforceability of these labor institutions and their social impacts (Guan, 2001;

Thireau & Hua, 2003; Tsui, 2009; Ho, 2009; Cooney, Biddulph & Zhu, 2013). They find that, though far from perfect, these labor institutions have worked to a varying degree (Ho, 2009; Cooney, Biddulph & Zhu, 2013). A very recent research documents that the 2007 Labor Contract Law has made significant strides in increasing the coverage of written contracts, reducing the likelihood of wage arrears, and eliciting a greater compliance from firms across ownership (Li & Freeman, 2015). Moreover, as Ho (2009) argues, “Indeed, the legal framework governing employment in China is already quite protective, and many basic labor standards more resemble European practice than that of the United States.” (p. 39). Thus, it can be concluded that China’s factory regime has departed from localistic despotism (Lee, 1998). In the external environment of production, workers nowadays have various interlocking and relatively effective formal channels to lodge complaints against employers.

Nevertheless, state regulation of the external environment of production alone is insufficient to stem labor unrests. This is evident from the fact that labor disputes have continued to rise (China Labour Statistical Yearbook, 2009; 2010), overloading formal labor institutions such as labor arbitration system and courts. At the same time, labor protests have started to display new features and momentum. In 2010, a strike wave hit the auto industry in South China, where the workers demanded not only a wage increase but also a representative

labor organization. For some scholars, the strike waves signal “the germination of political consciousness” (Friedman, 2014, p.159). For others, they indicate the inadequacy of collective rights on the part of labor (Chen, 2007, 2015; Friedman, 2014). For the state itself, these strikes points to a deficiency in its industrial relation institutions, namely a lack of firm-level mechanisms for communication, negotiation and dispute resolution between labor and capital. This institutional deficiency constitutes the rationale for the state to sponsor unionization in the private sector, which can serve as a mechanism to monitor industrial relations and to preempt larger-scale protests within specific firms.

The rising worker protests and state intervention in industrial relations have led Chan (2010) to argue that China’s factory regime has transited to *contested despotism* (**TABLE 2.2**). He has studied how informal networks of skilled workers empower them to resist managerial decisions which undermine their authority and autonomy at the workplace. While he acknowledges that some progressive changes in legal institution of the state and in managerial practice have occurred because of the power of worker protests, he regards worker resistance as incapable of producing a labor movement due to the absence of effective workplace representation. This lack of capacity is manifested in the state-affiliated, malfunctioning enterprise unions. Thus, worker protests are “class struggle without class organization” (Chan, 2010, p.145). He attributes the absence of genuine worker organizations to the lack of institutional

support from the state, namely the state's denial of the right to strike¹⁰ and its official unions' monopoly on labor representation. In particular, the monopoly of the official unions on labor representation impedes the formation of representative class organizations at the workplace, making individualized resistance (e.g. quitting and wildcat strikes) the only option available to workers (p.121).

Chan's conceptualization of contested despotism may capture the new dynamics in factory regime transitions aptly, but his discussion on unions, the very means by which the Leninist state intervenes in the factory regime, is far from sufficient. The ethnographies he carried out in two union-free enterprises cannot adequately explain why enterprise unions fail to become representative labor organizations. In other words, Chan's research suffers from the same methodological problem as that of many other researchers. For example, his claim that enterprise unions have no associational power is not in line with the latest empirical data collected by Li & Liu (2016) as well as in my own study. Even though he was unable to investigate a larger number of representative cases, he makes an overarching argument on union quality. As I argue, his conceptualization of contested despotism is incomplete without a systematic investigation of unions under contested despotism. This aspect will allow us to understand how factory regime is contested between capital, the state, unions

¹⁰ The right to strike was dropped from the Constitution in 1982.

and workers in the era of the Polanyian countermovement.

There is only one study so far which has suggested the unions with associational power are viable in Leninist states, and attempts to bring in another unit of analysis, the agency of union-led union leaders, to explain the success or failure of labor protests. By investigating a failed union-led labor protest, Li & Liu (2016) argue that enterprise unions could be transformed into genuine labor organizations if their leaders, elected through more or less democratic procedures, are affected by managerial decisions. Moreover, networking with civil society groups such as labor NGOs and labor lawyers can greatly facilitate this transformation. They attribute the failure of the union-led protest they have studied to state repression. In their interpretation, Li & Liu (2016) adopt a classic dichotomous view of state-society relations. Societal groups assist each other to facilitate the resistance of disadvantaged groups, whereas the malicious state always attempts to coopt or repress social resistance. On the one hand, it is certainly true that Leninist state is repressive in some collective actions (Deng & Brien, 2013). On the other hand, as many other researchers have argued, state intervention constitutes an important resource for grieved citizens to achieve their goals in collective actions (Wang & Minzner, 2015; Lee & Zhang, 2013; Lee, 2007). Although Li & Liu (2016) shed light on a positive direction of union evolution, the generalizability of their research is limited by their single case study method. Why some union

mobilizations succeed whereas others fail in transitioning Leninist state? In order to answer this question, a cross-case comparison is needed as it can explain the variance in the outcomes of the union-led labor protests. It is precisely this issue that my research works on through a more sophisticated sampling strategy and a representative case comparison.

Therefore, I intend to build on as well as to supplement existing knowledge on factory regime transition in transitioning Leninist states in four major aspects. First, my research broadens the empirical scope of extant research by identifying proto-economic unions – a new kind of unions with collective action power. The lack of empirical data has caused many scholars to see union efficacy as largely invariant (Chen, 2003, 2007, 2009; He & Xie, 2012; Yu, 2008; Liu, Li & Kim, 2011; Friedman, 2014). Based on more representative cases, I will show that enterprise unions do display a variance in union efficacy as manifested in three major types of union.

Second, with regard to state intervention, the existing literature assumes that state interest and capital interest are strongly aligned, underestimating the possible divergence between them. According to this assumption, the presence of paperwork unions is interpreted as an intended outcome anticipated by the Leninist state because it wants to preempt the emergence of genuine unions. I argue that this assumption requires a re-examination, as it cannot explain why

the state has devoted so many resources in unionization. As my analysis will show, paperwork unions do not serve state interest. They are unable to implement the basic functions of the Leninist state, in particular, grassroots penetration and social control, e.g. collecting intelligence from the private sector, solving labor disputes, and preempting or defusing labor unrests. Thus, it would be irrational for the state to invest a large amount of resources in useless social organizations.

Third, with regard to capital, prior research has assumed that the management has a strong incentive in suppressing unions. Undoubtedly, this was quite common in the early reform period (1990s), when a regulative labor institution was largely absent and most enterprises competed on thin profit margins. This assumption becomes less solid when we take account of the changing external environment of capitalist production and its impact on the managerial perception of industrial relation policies. With the labor law reform and enhanced law enforcement (Ho, 2009; Chan, 2010; Cooney, Biddulph & Zhu, 2013), nowadays enterprises operate in a much more stringent institutional environment and face more labor resistance and state pressure than in previous decades. It becomes difficult for enterprises to resist unionization. Some researchers continue to suggest that even upon accepting unionization enterprises are only content with unions functioning as managerial tools (He & Xie, 2012; Liu, Li & Kim, 2011; Liu, 2010). In

particular, Liu (2010) contends that grassroots unions dominated by management are irrelevant to workers (p.36). I argue instead that viewing enterprises as labor-repressive fails to account for the intra-case diversity of managerial unions and their roles, though limited, in promoting the fringe welfare of workers, facilitating employee-employer communications and creating a limited degree of industrial democracy. We need to understand under what conditions some enterprises embrace unionization whereas others do not.

Fourth, the need to explain variance brings forth an agent-level variable: the agency of union leaders. Previous research has largely concluded that union leaders do not matter, because they are controlled by the management or the state (Wilson, 1990; Chen, 2003, 2009; Friedman, 2014). Under the dual structural constraints, union leaders are unlikely to enact any agency. This proposition was valid when the state and the management were merged (e.g. bureaucratic despotism), or the two parties had an interest alignment and colluded to repress labor activism (e.g. localistic despotism and developmental authoritarian states). Nowadays, neither of the two preconditions is any longer present. The merger between the state and the management has come undone due to the SOEs reform and the rise of the private sector. In the private sector, the interest alignment between the two parties has also been significantly weakened, as the state has to balance growth and equity where capital pursues

profits. Thus, the divergence between state interest and capital interest, as I argue, has created a niche in which enterprise union leaders can explore the boundary of union activism in response to the state's unionization policy and the management's reaction to unionization. Facing the transformation in the external environment of capitalist production, enterprises need union leaders to coordinate corporate interest with industrial relation policies. Furthermore, the state relies on them to facilitate policy implementation at the firm level.

The market reform has created a favorable environment for union leaders to enact their agency. First, unlike the union staff of SOEs, enterprise union leaders in the private sector are not state agents. They are not embedded in the *nomenklatura*¹¹ and the party-state bureaucracy. Thus, they enjoy a *de facto* independence from the state, which may broaden the scope of their agency. At the same time, being close to the employees, enterprise union leaders hold the potential to mobilize workers (Li & Liu, 2016). Second, although they are on employers' payrolls, this does not really cut their agency oftentimes. Union leaders are appointed or elected because of their reputation among employees or their good skills in managing workplace relationships. This quality enables them to solve workplace conflicts in a way mutually beneficiary to employers, workers and the state.

¹¹ The *nomenklatura* is a system for appointment and dismissal of leading party cadres in the state or state-affiliated sector, including the government, universities, SOEs and hospitals.

2.3.1 Measurement of State Intervention

This subsection provides a measurement of the three explanatory variables, which have been discussed above: state intervention, managerial perception of unionization, and agency of union leaders. My explanatory framework will be presented afterwards.

State intervention is the first variable which affects union efficacy. It is defined as the extent to which the Leninist state is able to transform the internal and external environment of capitalist production regardless of the resistance of enterprises. The variance in state intervention is measured dichotomously as intervention refrained and intervention exerted. *Intervention refrained* occurs when the state fails to create labor-protective institutions in both the internal and external environment of capitalist production (Lee, 1998), or when its intervention is effectively compromised by capital. The second situation is the more common, as nowadays the state usually possesses the will but not enough capacity to intervene in labor relations in private firms. *Intervention exerted* occurs when the state creates protective institutions in both the internal and external environment of capitalist production, or when enterprises, unions and workers actively seek state intervention in the internal environment of capitalist production. For enterprises, state intervention can bring beneficiary resources or it can facilitate resolving industrial conflicts in

favor of capital. For unions and workers, state intervention is Janus-faced. It grants legitimacy to unions and their leaders. In labor protests, it can either pressurize capital into making concessions or repress unions and workers.

2.3.2 Measurement of Managerial Perception of Unionization

The second variable, managerial perception of unionization, is measured dichotomously as either an extraction or a resource. For the management, unionization is *an extraction* when it incurs substantial costs on or facilitates state intervention into the firm. On the other hand, unionization can also be *a resource*, if it brings beneficiary resources, tangible or intangible, to the firms.

It is likely that enterprises relying on low labor costs to maintain their competitiveness are inclined to see unionization as an extraction. If the official unions request unionized firms to contribute to union funds, maintaining enterprise unions could be costly. For example, Hsing's investigation of Taiwanese-invested small to medium-sized enterprises (SMEs) in Guangdong in the early 1990s showed that these firms expanded their production capacity mainly through deliberate labor exploitation such as reducing labor costs (Hsing, 1998). The cost-cutting orientation of these firms is likely to make them regard unionization as an extraction rather than a resource, an

unnecessary cost on their operation.

On the other hand, the literature on dual institutional pressure suggests some enterprises value social legitimacy and tend to cooperate with industrial relations policies. Drawing on the practice of multinational corporations (MNCs), this research argues that the subsidiaries of MNCs need to obtain legitimacy from local stakeholders (Hillman & Wan, 2005), the local government in particular, in order to thrive in host countries. The enterprises' response to industrial relation policies in host countries is influenced by managerial interpretation of the local institutional environment as well as the national business systems in their home countries (Oliver, 1991; Hillman & Wan, 2005; George, Chattopadhyay, Sitkin & Barden, 2006; Kim, 2008; Kim, Han & Zhao, 2014). In particular, researchers have found that if the managers of MNCs are from countries friendly to collective employees' representation, they are more open to unionization in China (Kim, Han & Zhao, 2014). Thus, the legitimacy concern motivates the subsidiaries of MNCs to conform to industrial relation policies in their host countries, because social legitimacy is a resource for enterprises operating overseas to survive and thrive in a foreign environment.

The above findings hold for domestic private firms as well. Like MNCs, domestic private firms do have their legitimacy concerns. Establishing

enterprise unions indicates their willingness to cooperate with the government, which is another form of acquiring social legitimacy. Nowadays, private entrepreneurs are increasingly integrated into the political system and have displayed an increasing interest in participating in formal political institutions (Dickson, 2007). Thus, they tend to develop incentives to conform to formal institutional rules. Moreover, large private enterprises with a long-term development goal are likely to develop more sophisticated human resource management systems (Ma, 2011, p. 157). As they grow in size, enterprises become more socially visible and are more likely to be held to higher labor standards. As a result, compliance with industrial relation policies can enhance the public images of these firms. Scholars have found a positive correlation between the size of an enterprise and its receptiveness to union (Heery & Simms, 2010; Yao, Li & Han, 2009). Further, as labor governance in China becomes more rigid, domestic private firms are likely to view unionization as an intangible resource, which can enhance their social legitimacy. Lastly, enterprises are likely to have unions, if unionization brings them tangible resources without incurring any substantial cost. In a nutshell, private firms tend to embrace unionization if they are to benefit from it in a tangible or intangible way.

2.3.3 Measurement of Agency of Union Leaders

The third variable, agency of union leaders, is the most proximate explanation of the variance in union efficacy, when the structural factors, state intervention and managerial perception, are held constant. Agency of union leaders is defined as the capacity of union leaders to expand union functions regardless of management's resistance. The variable is measured as varying between subdued agency, constrained middlemen and labor representatives. The agency of union leaders is subdued in hostile enterprises. Constrained middlemen and labor representative-type leaders only appear in friendly enterprises.

Union leaders are most likely to see their *agency subdued* in hostile firms. Private enterprises which stick to low labor standards tend to reject unionization or tolerate paperwork unions only (Ma, 2011). These enterprises can compromise state intervention in their factory regime. Without the empowerment from the state, union leaders in these firms are suppressed and unlikely to enact any agency.

In friendly enterprises, enterprise union leaders can act as *constrained middlemen* to coordinate industrial relation policies of the state with corporate interest. Enterprise unions depend on their hosting enterprises for future existence and their union leaders for salaries and promotions (Luo, 2013).

Thus, union leaders tend to prioritize managerial interest above the interests of employees and the state. For example, Zhang (2015) observes that enterprise unions in SOEs and joint ventures have little bargaining power and tend to be cooperative with the management. In these firms, union cadres emphasize the common interest shared between workers and the management but are reluctant to talk about the conflict of interests between the two parties. When union leaders mobilize workers against the management, they are soon neutralized (Friedman, 2014). In order to avoid potential retaliation, union leaders act as constrained middlemen to avoid a confrontation with the management.

Union leaders who act as *labor representatives* can emerge in transitioning Leninist states. As compared to authoritarian developmental states, Leninist states were much less repressive in labor governance (Anner & Liu, 2016; Chen, 2015, p. 26). Even the most repressive authoritarian state – South Korea under Park Chung-hee – failed to contain the rise of labor movements (Koo, 2001). Grassroots union leaders emerged, either voluntarily or involuntarily, to lead labor resistance. Thus, state violence does not necessarily dissuade labor activists from representing workers and struggling on their behalf in any non-democratic contexts. Furthermore, the transitioning Leninist states' concern about social stability can be favorable to the emergence of labor representatives. Indeed, Leninist states have been shown to rely on grassroots

leaders to contain social unrests and maintain social stability (Lee & Zhang, 2013). For the state, identifying responsive grassroots leaders is the key to restore order and to re-establish communications and negotiations with grieved citizens. Grassroots leaders can aggregate the interests of grieved citizens and facilitate the bargaining between them and the state. Thus, in labor protests, the activism of union leaders may not be contradictory to the interest of the state, so long as it assists the state to solve labor disputes and restore social stability. Aside from their roles in labor protests, labor representatives can facilitate workers and labor to reach mutually beneficiary compromises. Facilitating compromises is as important as staging industrial actions. Even in industrial democracies, unions are inclined to reach compromises and enter negotiations with employers and the government (Littler & Palmer, 1986, p.264). Unions exchange their bargaining for the delivery of peace and worker cooperation. Workers themselves also have an interest in maintaining “the continued viability of the units of capital which employ them” (Littler & Palmer, 1986, p.265). Thus, the agency of union leaders being labor representative is manifested not only in staging industrial actions but also in interest aggregation which seeks compromises and negotiations with capital and the state.

In this section, I reject the null hypothesis that individual agency does not matter in an institutionally restricted environment. Previous research on labor

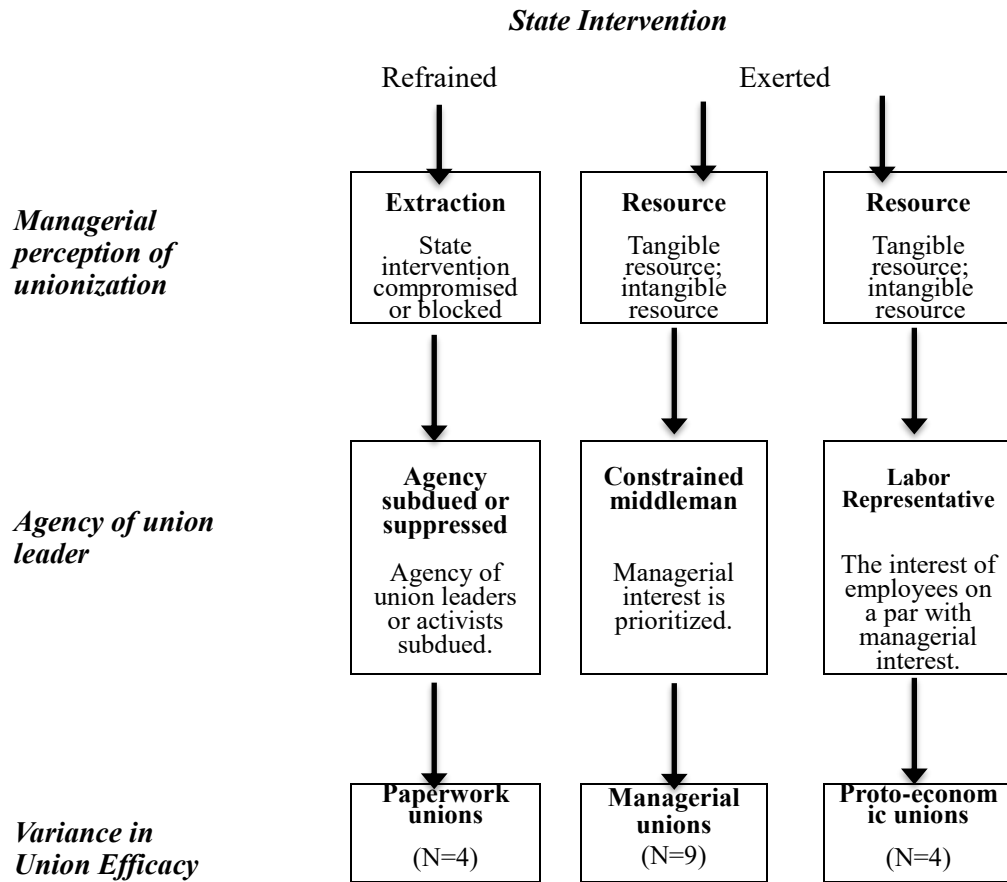
movements in an authoritarian context suggests that even the most repressive authoritarian states did not preclude the emergence of labor movements led by charismatic leaders. Thus, it is logical to assume that agents do matter in a transitioning Leninist state which has been concerned about labor protection than. In China, structural variables have become favorable to the emergence of union leaders who can facilitate policy implementation in the private sector. The state anticipates union leaders to be responsive agents to create a counterbalancing point in the factory regime of private firms. Moreover, a more stringent institutional environment of labor governance also creates a stronger incentive on the part of management to comply with industrial relation policies. Even in labor protests where the Leninist state places stability above all other concerns, union leaders have latitude in aggregating citizens' complaints and in seeking a solution to social unrests in favor of the state.

2.4 Explanatory Framework

My framework combines two structural-level factors (state intervention and managerial perception of unionization) and one agent-level factor (agency of union leaders) in order to explain the variance among paperwork union, managerial unions and proto-economic unions. I argue that neither state intervention nor managerial perception alone is sufficient to explain this variance. Agency of union leaders needs to be incorporated into the framework to explain not only inter-case differences (between paperwork unions, managerial unions, and proto-economic unions) but also any intra-case variance in the same type of union. When the structural factors are held constant, agency of union leaders accounts for much of the inter-case difference and intra-case variance.

TABLE 2.3 shows the causal pathways of the variance in union efficacy. The causal pathway of paperwork unions is the most straightforward among the three. Paperwork unions emerge in enterprises which perceive unionization as an extraction. Due to the resistance of capital, the state refrains, deliberately or involuntarily, from intervening in the factory regime of these firms. When state intervention is absent in empowering union leaders or activists, any activism of these agents is unlikely to be tolerated by enterprises.

TABLE 2.3 Explanation of the Variance in Union Efficacy (N=17)



The causal pathways of managerial unions and proto-economic unions are more complicated. They share the structural-level precondition: a management that perceives unionization as a resource. This managerial perception then opens up operational space for union leaders to expand union functions and activities. In managerial unions, union leaders act as constrained middlemen, straddling between enterprises and the state. Without collective action power, these leaders tend to prioritize managerial interest above the interests of the state and workers. As a result, managerial unions are only able to develop a limited set of functions, as these unions are incapable of challenging

managerial authority to support interest-based claims of employees.

Proto-economic unions diverge from managerial unions with regard to the agency of union leaders. In these unions, union leaders act as labor representatives, who tend to see the interest of employees on par with that of management. Union leaders in proto-economic unions have an ability to aggregate the interest of employees and discipline their behaviors. Thus, under their leadership, unions can organize collective actions, conciliatory or confrontational, to bargain with their employers. In confrontational collective actions, state intervention can be a resource for unions to achieve some success in their mobilization, if their leaders successfully leverage state pressure to make employers meet the demands of their unions.

2.5 Conclusion

This chapter starts from reviewing the history of union movement in China. Historically, the party-state kept a tight control on unions, subordinating them to its political goals. However, the economic reform has transformed the union system from the below and replaced its grassroots units with enterprise unions hosted by private enterprises. Distinct from liberal unionism and socialist corporatist unionism, state-sponsored unionization seeks to spread

unionization in the private sector in order to represent the new working class and recreate stability in China's industrial relations.

The literature review suggests that the state-sponsored unionization in China occupies an underexplored terrain in the labor politics literature. I argue that a gap has existed in conceptualizing and explaining the dynamics of enterprise unions in the transitioning Leninist states. No systematic research, largely due to the lack of empirical data, has been done to explore the intervention of the Leninist states in internal environment of capitalist production through institutionalizing enterprise unions. I argue the conceptualization of contested despotism (Chan, 2010) incomplete without a systematic analysis of union evolution in a market economy. My research thus complements the conceptualization of contested despotism by showing how unionization outcomes are contested between the state, capital and union leaders.

I argue that state-sponsored unionization has created a variance in union efficacy, rather than the invariance as assumed in previous research. Then, I introduce an explanatory framework to explain this variance by combining two structural-level factors, state intervention and managerial perception of unionization, with one agent-level factor, agency of union leaders. When the structural variables are held constant, the inter-case and intra-case variance is

largely explained by the variance in agency of union leaders.

CHAPTER 3 RESEARCH STRATEGY AND METHODS

The research is based on an eight-month fieldwork in China between December 2014 and July 2015, as well as a follow-up fieldwork in May 2016. The primary site of investigation is the Shenzhen municipality in the southeastern Guangdong province. Supplementary fieldwork was conducted in Hong Kong and Beijing.

I aimed for collecting data with diversity and randomness in order to achieve a higher level of generalizability. Case diversity was achieved through a diverse case method. The goal of the method is to “capture the full range of variation along the dimensions of interest” (Gerring, 2007, p.97-99). In my research, it was implemented through combining random sampling and convenience sampling in order to capture a fuller range of variance in union efficacy. The sampling strategies created a limited diversity and randomness in my case selection, which avoided case selection on the dependent variable.

I used semi-structured interview and participant observation as the primary methods. The primary data was from my interviews with enterprise union leaders, grassroots union cadres, labor NGOs activists, labor lawyers, and workers. I joined eight rounds of labor inspection at two industrial parks in

Shenzhen, where I visited more than 20 firms. Participant observation has an advantage in opening researchers access to specific economic and social environment in which unionization and labor inspection were implemented on a daily basis. As for the secondary data, I delved into the documents of Shenzhen's political economy, which were housed in the Shenzhen Library at University Town. These documents, mostly consisted of yearbooks, cover the history of all municipal districts of Shenzhen, which offers an invaluable source of data on the developmental trajectory of the municipality. In Hong Kong, I interviewed two labor NGOs and a labor scholar from the Hong Kong Baptist University. They helped me contact some labor activists who were willing to share their views on unions and worker mobilization in Shenzhen. In Beijing, my focus was on library research at the China University of Labor Relations.

The research strictly abides by the NUS-IRB procedure to ensure a maximum protection of informants. A consent form was given to each informant before the interview (Appendices 1a). Interviews were conducted only after written or oral consent was obtained from informants. Each interview lasted for 45 minutes or less; but in some cases, with informant's consent, it was extended to one hour. Audio-recording was used only with informant's consent. All individual and institutional identities were concealed. Symbolic gifts bearing the NUS logo were given to informants as token

appreciation for their participation and support of the research.

This chapter constitutes three sections. Section 3.1 introduces the selection of research site. Section 3.2 introduces the selection of informants. Section 3.3 introduces the selection of gatekeepers. Section 3.4 is the conclusion.

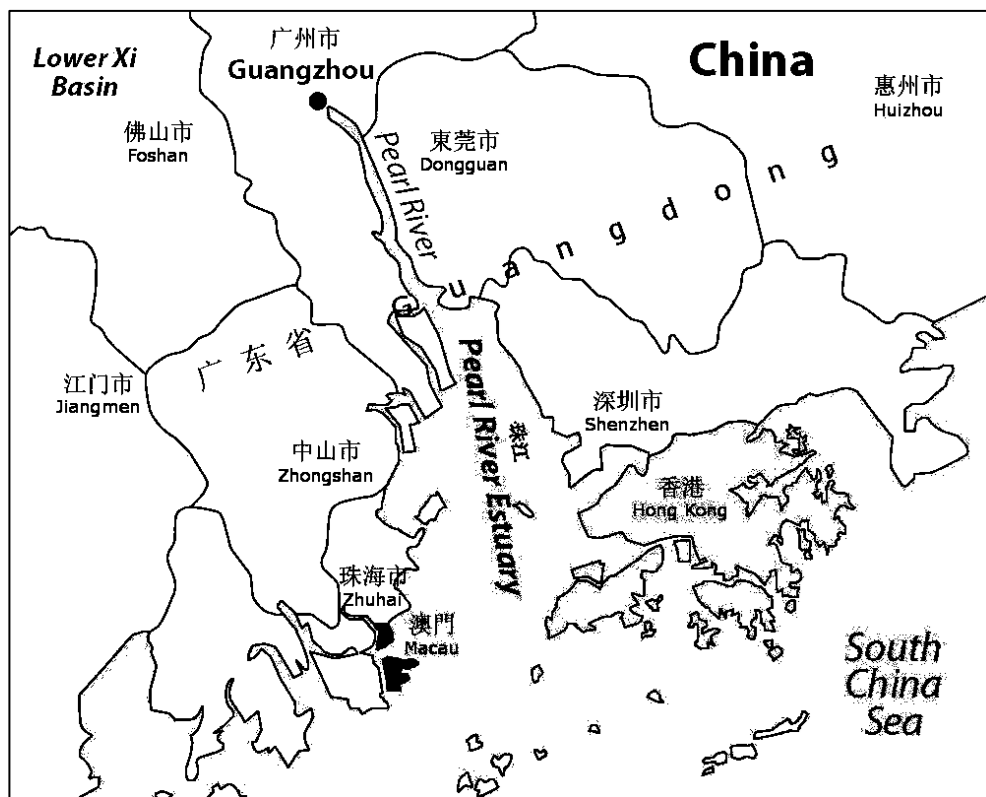
3.1 Selection of Research Site: the Shenzhen Municipality

The Shenzhen municipality is located at the estuary of the Pearl River Delta, bordering Hong Kong (PICTURE 3.1). In the late 1970s, the municipality was selected as the first experimental zone in China's path-breaking economic reform. In its early years, Shenzhen pursued an export-driven industrialization, which utilized China's rural labor surpluses and land resources to seek an entry into the global capitalist market. The recent years saw Shenzhen actively seeking a path of industrial upgrading in order to develop a technology-intensive economy.

In the short period of 35-years, Shenzhen has grown from a frontier town to a world-class metropolis with a population of more than 12 millions. In the 1990s, the city attracted foreign direct investment (FDI) only in processing trade industry, whereas in the 2000s it has progressed to produce sophisticated manufacturing products such as electronics. Thus, Shenzhen exemplifies a

complete circle of industrialization from traditional manufacturing to high value added-manufacturing. This unique configuration of different phases of industrialization in one location makes the city an ideal site for studying factory regime transitions.

PICTURE 3.1 Shenzhen and The Pearl River Delta



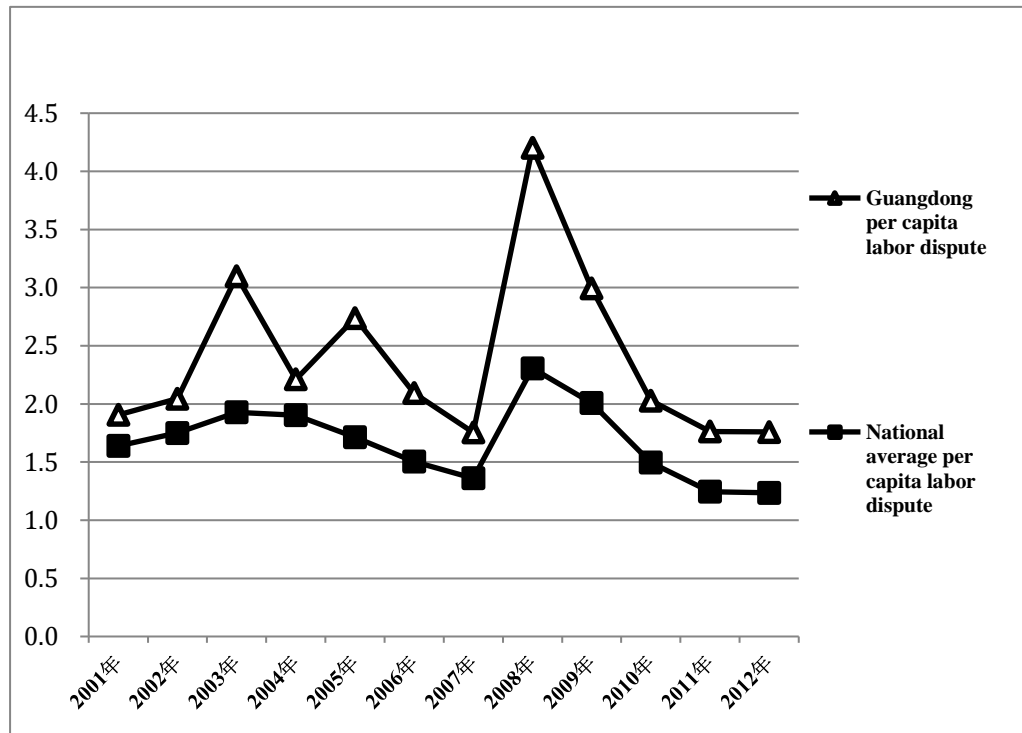
Shenzhen is highly representative as a research site for studying late-industrialization and its impact on labor relations. In academia, a significant portion of industrial relation literature was produced based on the fieldwork in Shenzhen. Theorization on factory regime transitions such as Lee (1998) and Chan (2010) would have been impossible without empirical

data collected from this city. Following this research tradition, I select Shenzhen as the research site of my research on enterprise unions in China, as the city has been and will continue to be a breeding ground of labor politics theories.

The factory regime in Shenzhen is in a transition from localistic despotism to contested despotism. In the 1990s, the city was notorious for the prevalent labor exploitation in its industrial parks. The local government, similar to its counterparts in other late-developing countries, sacrificed labor welfare for industrial growth. This was especially so when manufacturing migrant workers in Shenzhen were mostly recruited from the inland provinces. However, as labor conflicts have become a primary source of social instability since the mid-2000s, labor governance in the city tilts towards protectionist. **FIGURE 3.1** shows the per capita labor dispute (the number of registered labor disputes per 100 million GDP, measured by CNY) of Guangdong and the national average between 2001 and 2012. As it shows, the per capita labor dispute of Guangdong is far above that the national average, indicating that the industrial relations in Guangdong are far more confrontational than those in the other provinces of China. As most labor disputes in the province concentrate in Shenzhen, **FIGURE 3.1** indicates the high intensity of labor disputes in Shenzhen as well. Now, the local state of Shenzhen faces multiple challenges of having to rejuvenate its economy and maintaining social

stability.

FIGURE 3.1 A Comparison of Guangdong and National Average in Per Capita Labor Disputes, 2001-2012



SOURCE: China Labour Statistical Yearbook, 2002-2013; Du, 2008, 2010; compiled and calculated by the author

3.2 Selection of Informants

The informants were selected first through random sampling and then convenience sampling. As for random sampling, 32 unionized enterprises were selected from the database of the Statistics Bureau of Shenzhen. The municipal official union – the Shenzhen Federation of Trade Unions (SFTU) helped me verify their registration status. I contacted these unions in the early

December of 2014, among which two agreed to participate in my research. Due to the limited results produced by the random sampling, convenience sampling was used to recruit more informants. 15 more enterprise unions agreed to participate in my research. They were recruited, in a snowballing manner, through gatekeepers. Apart from enterprise unions, the official unions, labor NGOs, and workers were contacted for interviews.

Two strategies were used to reduce selection bias in convenience sampling. First, I increased the diversity of gatekeepers (as elaborated in section 3.3) to reduce the reliance on any single gatekeeper. Second, I tried to have my case selection spread out geographically to represent different urban districts of Shenzhen. Instead of treating Shenzhen as a homogeneous site, I recruited informants from all six urban districts of the municipality. **TABLE 3.1** is the breakdown of informant information in terms of type and geographic location. As the table shows, my interview data was collected from 17 enterprise unions, 9 official unions and 4 labor NGOs. In total, I interviewed 34 individual informants (**Appendices 1b**).

TABLE 3.1 Selection of Institutional Informants in Shenzhen:**geographic distribution**

District	Enterprise unions	Official unions	Labor NGOs
Futian	4	2	0
Luohu	1	1	0
Nanshan	8	3	0
Longgang	1	2	1
Bao'an	2	1	3
Yantian	1	0	0
In total	17	9	4

3.3 Selection of Gatekeepers

Gatekeepers are the knots tying with informants. An increase of diversity in gatekeepers helps reduce selection bias in convenience sampling. I recruited informants through five types of gatekeeper: the official unions, labor office, vocational training agencies, tax bureau, and labor NGOs. They were selected to demonstrate a greater diversity of the relationships between the state and private sector actors in union governance. The official unions, labor offices and tax bureaus are the state organs which have contacts with enterprise unions at various stages of unionization. Vocational training agencies are private social organizations which provide services to unionized enterprises. Labor NGOs are bystanders to enterprise unions, which they regard as state-coopted and useless. Thus, gaining access to informants through this diverse group of gatekeepers is highly likely to yield more robust data.

The official unions have a regular contact with enterprise unions. They are in charge of union registration, union recordkeeping, and supervising enterprises in law compliance. Labor office is an agency of sub-district government, which is in charge of labor inspection and labor dispute resolution. Taxation bureau supervises tax records of enterprises. Tax officers work closely with financial staff of enterprises. Two officers from a local taxation bureau helped me contact 6 informants, most of which were public-holding enterprises. Vocational training agencies provide educational services, which are funded by the official unions, to enterprises. Since these training agencies tend to have an amicable relationship with enterprises, they offer an easier access to enterprise unions than the official unions. I included labor NGOs from Shenzhen and Hong Kong as gatekeepers. In Shenzhen, in addition to interviews, I attended seminars and joined outreach activities organized by labor NGOs. These independent labor organizations provided legal consultation to migrant workers and assisted them in litigation. Because of their “illegal” nature, labor NGOs had to operate under the specter of state repression. Thus, they were the most critical informants in my research. In Hong Kong, I interviewed two labor NGOs in May 2015, which were Worker Empowerment and the Hong Kong Confederation of Trade Unions.

3.4 Conclusion

This chapter lays out the research strategy and methods of my research. Random sampling and controlled convenience sampling allowed my case selection to have a limited diversity, randomness and a higher level of generalizability.

CHAPTER 4 PAPERWORK UNIONS

4.1 Introduction

Researchers have shown little interest in paperwork unions, as the name suggests, they do not really qualify as unions. However, paperwork unions represent an important part of the variance in union efficacy and their mechanisms of formation can reveal how the state-society relations have been transformed in a market economy. Paperwork unions suggest that state intervention has failed in some part of the private sector due to the resistance of the strongest societal action – capital.

Past research suggests that the Leninist state is rendering enterprise unions ineffectual (Chen, 2003; Mingwei Liu, 2010). I argue otherwise that the union weakness is caused by a weak state intervention. At the structural level, the Leninist state has failed to provide effective legal and political institutions to govern unionization. The institutional deficiency is manifested in the lack of enforcement authority on the part of the official unions in their implementation of the 2001 Trade Union Law. Without an authority to enforce the law, the official unions are placed in an inferior position when bargaining with enterprises. At the agent level, the official unions are too weak to empower

union leaders to counteract capital. As a result, paperwork unions have become prevalent in some parts of the private sector.

In order to make my argument, the chapter is organized as follows: section 4.2 explicates the transformation of the economic sector and the prevalence of paperwork unions. Section 4.3 shows that paperwork unions are unintended outcomes of state-sponsored unionization. Section 4.4 explains the mechanisms of formation of paperwork unions. Section 4.5 provides an alternative explanation of the union weakness by taking into account of the characteristics of Chinese migrant workers. Section 4.6 summarizes the main arguments of this chapter.

4.2 Transformation of the Economic Sector and Prevalence of Paperwork Unions

In a command economy, unions were established in nearly every state-owned firm as a mechanism to coordinate employee-management relations, to encourage production, and to provide welfare to state workers (Tanzer, 1960; Aczel, 2005). Enterprise union was an embedded institution of the state-owned firms. In China, the economic reform since the 1970s has fundamentally transformed the economic sector, upon which the socialist labor

institution was based. Efficiency concerns precipitated the Chinese state to initiate the reform of SOEs, which forced most medium- and small-sized SOEs into privatization or bankruptcy and subsequently caused an irreversible decline of unions in the state-owned sector. According to a report from the International Labor Organization (ILO), during 1997-2000 the enterprise unions in China were threatened both functionally and organizationally, as it was estimated that 17 million union members were struck off the registration list (Traub-Merz, 2011). As a result, the SOEs reform dislodged the state-owned sector as the primary base of unionization. After the reform, the ACFTU sought to boost unionization in a burgeoning private sector beyond its traditional base of organization.

Although state socialism once eradicated the private sector, this sector has gradually reemerged due to private farming, the SOEs reform, foreign investments and private entrepreneurship. Today, the private sector in China has displaced the state-controlled sector to become the major source of economic and employment growth and the major contributor to the global trade (Lardy, 2014). Private firms have become the dominant players in industry, construction and the service sector. Up until 2011, they have contributed 74% of industrial output of industry and construction sector (China Statistical Yearbook, 2012) and have employed 2/3 of urban workforce in 2011 (Lardy, 2014, p.84). Among all kinds of private ownership, FIEs have made a huge

contribution to the expansion of China's global trade. In short, the private sector has become of strategically important to China's economic growth.

Thus, strengthening union presence in the private sector becomes crucial for the party-state to regain a representation monopoly of the new working class. This comprises migrant workers (Friedman, 2014) as well as the urban population employed by private enterprises. However, the private sector operates by a different logic, which is a prioritization of profitability over any other social concerns. This logic has created an enormous obstacle to unionization. In the private sector, profitability and market share dominate the calculation of firms, conditioning their response to state policies. Unlike SOEs, private firms are not politically subordinate to the state and have not yet (and may never have) institutionalized unions as part of their organizational structures. Unionization have to rely exclusively on the persuasive ability of the official unions and the consent of enterprises, rather than the coercive power of the state. If unionization appears to be costly, private firms are likely to evade unionization or institute paperwork unions for window-dressing purposes.

Although there has been no official or academic estimation of the ratio of paperwork unions, my fieldwork suggests that their numbers are huge. The prevalence of paperwork unions can be glimpsed from the recruitment process

of my fieldwork. In my initial random sampling, only 3 out of 32 enterprises accepted my request for an interview. Most rejected. Some told me they were union-free, despite the fact that they were registered as unionized according to the record of the SFTU. The rest of the sampled enterprises constantly delayed their response to my request by telling me that their union leaders were on business trips or on leave. When I asked when they would be coming back, the replies from these unions were opaque, saying that the date was unknown or confidential. These initial contacts with enterprise unions suggested a great deal of reluctance on their part to promote the publicity of their unions or to admit that their unions had done little.

4.3 Ideal Enterprise Unions and their Premises

My central argument is that paperwork unions are unintended outcomes of state-sponsored unionization, because they deviate greatly from the ideal union envisioned by the state. Historically, Leninist states expected all social organizations to serve state interests such as facilitating the implementation of state policies, surveillance of society, and information and resource transfers between the state and the society (Harding, 1997; Yang, 1996). It is irrational for the state to sponsor a campaign to create useless organizations to itself. Thus, how far is a paperwork union deviate from an ideal union?

The 2001 Trade Union Law provides a sketch of this “ideal” union. According to the law, a union shall serve three purposes which reflect the interest of the state and that of the employees. First, enterprise unions have an obligation to protect workers’ legal rights (Article 2, 20 & 22). Second, enterprise unions should promote industrial democracy by representing workers to management (Article 5, 6, 21 & 38). Third, the law specifies two initiatives which a union can undertake amid industrial conflicts in order to bring back industrial peace. Enterprise unions can organize conciliatory collective actions such as signing collective contracts on behalf of workers with management (Article 20). When confrontational collective actions such as stoppages or slow-downs take place, enterprise unions can negotiate with hosting enterprises on behalf of their workers and represent their demands to management (Article 27). In short, the law anticipates enterprise unions to be active coordinators of shop floor relations, who can reconcile labor-management conflicts in a prompt manner. As paperwork unions fulfill none of these purposes, they are a far cry from what the state has envisioned as ideal.

Thus, the discrepancy between the ideal union and paperwork unions makes an assumption held by the law at odds with the reality in a society undergoing a significant transformation. The law’s enforcement is premised on one

precondition: enterprises operate on a *bona fide* manner, cooperating with state policies. Under this assumption, the law expects the management to provide resources essential to union functioning (Article 38), to respect and listen to opinions and suggestions from unions, especially amid industrial conflicts (Article 27), and to make relevant changes upon receiving lawful requests for correction from unions (Article 22). The enterprises which conform most closely to this image are state-owned or state-affiliated enterprises¹². These enterprises retain many key features of SOEs in terms of governance structure, enterprise culture and employment policy. Many state-affiliated firms were state-owned in the days of the pre-reform era but transferred part of their shares to private hands or foreign investors in order to conform to the reform policies. Thus, these firms with a state origin are much more law-abiding than private enterprises, as most of them have integrated enterprise unions as an integral part of their governance structure. For example, in an interview with the union chair of a public-holding enterprise, I was amazed at the rigidity with which his firm complied with the trade union law (Interview 21). When I asked about the reason for such rigid compliance, the union chair was startled to be asked such a question and replied simply: “it is a legal obligation.” (Interview 22).

¹² State-affiliated enterprises refer to joint adventures (shared ownership between state-owned enterprises and foreign investors) and public-holding enterprises (公众型上市公司). I call these firms “state-affiliated” instead of “state-owned” because legally they are not state-owned firms in terms of their share-holding structure.

However, this assumption of *bona fide* enterprises does not hold beyond the state-owned or state-affiliated sector. First of all, in the private sector, *bona fide* enterprises are relatively uncommon. It is more rational for enterprises to evade strict labor laws. Second, the law assumes enterprise unions to be capable of absorbing industrial conflicts at the firm level and thus fails to anticipate the escalation of shop floor conflicts into large-scale industrial conflicts such as strikes and petitions, which the ideal union is incapable of handling. As will be elaborated in the following sections, hostile enterprises have become realities which confront union cadres in their attempts to unionize private firms. Moreover, the law's failure to address confrontational industrial actions leads to another unintended outcome. Some enterprise unions have outgrown the state's expectations and begun to get involved in strikes and labor petitions. This will be more fully discussed in Chapter 6 on proto-economic unions.

4.4 Explaining Paperwork Unions

In accounting for paperwork unions, I intend to show that their causal pathway is constituted by two structural-level factors (hostile enterprises and refrained state intervention) and one agent-level factor (subdued agency of union leaders or activists). At the structural level, paperwork unions emerge when

hostile enterprises are determined to compromise unionization. Their weakness is further aggravated by weak legal and political institutions created the state which ineffectually intervene into the factory regime. At the agent level, hostile enterprises are least likely to tolerate union leaders' activism. This is aggravated by the state which refrains from empowering union leaders to counteract capital due to its weak capacity.

4.4.1 Refrained State Intervention

According to Ching Kwan Lee's conceptualization of localistic despotism (Lee, 1998), when the Leninist state refrains from intervening into the factory regime of capitalist firms, it is a deliberate act of the state being *laissez-faire* in order to encourage accumulation. The state lacks the will but not the capacity to intervene in the factory regime. As the factory regime in China has transitioned to contested despotism (Chan, 2010), this has changed. Nowadays, it is the lack of state capacity, rather than the lack of state will, which makes the Leninist state refrain from intervening in the key domains of factory regime such as enterprise unions. As the following subsections will show, three institutional dimensions of (refrained) state intervention create the preconditions for paperwork unions and perpetuate their existence. The three dimensions constituting refrained state intervention are a weak legal institution

in governing unionization, a weak political institution in supporting unionization, and weak state agents in implementing unionization.

A weak legal institution in governing unionization

A weak legal institution undermines the capacity of the state to elicit compliance from hostile enterprises. The primary legal instrument, the 2001 Trade Union Law, lacks teeth to sanction noncompliance, as it is extremely vague on enforcing the agency of unionization and legal sanctions against noncompliant enterprises. The law does not designate enforcement authority to any state organ, including the official unions, to sanction noncompliant firms. Although in practice the official unions are in charge of spreading unionization, they are not granted any administrative authority to enforce it. For example, under the law, enterprises employing more than 25 persons are obliged to establish enterprise unions. However, despite the stipulation of unionization as a legal obligation, it is not uncommon for enterprises to ignore it. In reality, enterprises seldom unionize without being “prodded” by the official unions.

Thus, the law has created a dilemma of enforcement. On the one hand, the official unions are not given enforcement authority within their own

professional jurisdictions. On the other hand, for other state organs, such as the labor bureau, which have enforcement authority, implementing the Trade Union Law is not their primary duty and these agencies have little incentive to do so. As a result, this weak legal institution has made it very difficult for grassroots union cadres to be effective, placing them in a weak bargaining position with enterprises. A union cadre shared with me how the law's weakness allows some managers to manipulate the consent of employees in order to evade unionization:

“The official unions have no authority to enforce the law, so enterprises can choose not to unionize. The Trade Union Law can do nothing about it. Last year, there was an enterprise which refused to be unionized. I informed the management that they were required to provide a consent letter to me, signed by employees, to prove that they had no interest in establishing a union. What else could I do? Employees in private enterprises would sign the letter if they wanted to keep their jobs. Others might not even think about it [union] at all. So, promoting unionization is very difficult in this region.” (Interview 3)

A weak political institution in supporting unionization

A weak political institution is another factor perpetuating paperwork unions. It is manifested in the weak intra-agency collaboration between the official unions and other state organs in implementing the laws and policies with regard to unionization. In general, inter-agency collaboration among government agencies with overlapping jurisdictions and shared responsibility can improve effectiveness in policy implementation and reduce policy fragmentation (Kaiser, 2011). China is no exception to this, as many administrative tasks such as unionization require collaborations between various state organs and social organizations. However, in union governance, the official unions often find themselves in an isolated situation. While state laws and policies designate them as the only legitimate representative organs of labor, these legal and policy instruments do not grant them an enforcement authority nor provide an effective political institution to support their work. The weak inter-agency collaboration greatly reduces the deterrence effect of the Trade Union Law on noncompliant enterprises.

The current laws and policies provide two instruments to the official unions in order to strengthen their control of enterprise unions. The first instrument grants the official unions the right to collect union dues from unionized enterprises in collaboration with local tax bureau. The legislative intention is

to give the official unions a better financial means of controlling grassroots unions. However, in reality, the union due collection is largely ineffective due to a weak inter-agency collaboration between the official unions on the one hand and the courts and the tax bureau on the other hand. The Trade Union Law designates local courts to enforce union due payment upon the request of enterprise unions or the official union at the next higher level, if the hosting enterprises refuse to pay dues without a proper justification (Article 43). In practice, however, local courts have never enforced union dues collection, nor have any other state organs done so. In the few fortunate cases when enterprises consent to pay, there still arises a problem due to the weak inter-agency collaboration. As an administrative procedure, the union dues collection goes through the local taxation system. The local tax bureau can only proceed to collect union dues from a unionized enterprise after it has signed up for payment on its tax forms. However, the lack of inter-agency collaboration undermines the efficiency of the union dues collection. The local tax bureau does not ask or remind a unionized enterprise to sign up for payment. Since the tax bureau does not benefit financially from the collection, it has little incentive to use its administrative resources for this kind of non-beneficiary duty and sometimes even ignore it altogether. Without the mandatory collection of union dues, many enterprise unions are unable to function due to the absence of funding. A union cadre told me that many new enterprise unions would not end up as paperwork unions, if the collection was

properly enforced, as she explained:

“If the Trade Union Law is enforced, it can save a lot of our energies. If so, there is no need for us to persuade enterprises to pay union dues. [Once union dues are collected mandatorily] enterprises will want to establish enterprise unions and make them work.” (Interview 11)

The second instrument available to the official unions to strengthen enterprise unions is through supervising the operation of the latter. As designated in the Trade Union Law, the parent official unions are the immediate supervising agencies of enterprise unions (Article 50). In theory, the official unions have the right to visit enterprise unions, convene meetings of union chairs, and organize training sessions for union leaders and employees. In reality, it is difficult, if not impossible, for the official unions to supervise enterprise unions due to their resource limitations. Enterprise unions far outnumber their supervising official unions, making *de facto* supervision impossible. For example, given its very limited staffing, a sub-district union federation is responsible for “supervising” hundreds and thousands of enterprise unions in its geographic jurisdiction. The low-level official unions is only equipped with very poor staffing. Usually, one union office has one civil servant and 3-4 grassroots union cadres who are contract employees.

They are responsible for unionizing all qualified enterprises in the whole sub-district. With this overwhelming load of work, what union cadres can do is mostly just bureaucratic paperwork such as compiling basic information of enterprise unions. With limited staffing and resources, the official unions are unable to keep an eye on most enterprise unions on a regular basis. Given the lack of regular and effective supervision from the above, it is not surprising that many enterprise unions only exist on paper. Since employers and employees in the private sector tend to have little knowledge on unions, they are unlikely able to operate unions without an input from the state that familiarizes them with union ideology.

My interview at a paperwork union, TAI-1, supports my argument that the union weakness is caused weak, rather than strong state intervention. In the interview, the informant, a human resource manager who was also in charge of union affairs, insisted that the weak disciplinary power of the government was responsible for TAI-1's *status quo* (Interview 1). Since TAI-1's registration, its parent official union had never visited the enterprise union nor had it provided any guidance on how to run TAI-1. Thus, the informant suggested that more intrusive state intervention and more stringent legal sanctions against noncompliance would be necessary for union development in the private sector:

“The government does not discipline. We were asked to establish a union, but no one required us to perform any union duty. No one is in charge of this...the government does not pay much attention to this [unionization]. I think the primary responsibility lies with the government. Our parent official union has never visited us to ask how the union works and what activities we have organized. They have never come.” (Interview 1)

The above sections examines two policy instruments, union dues collection and supervisory right, which the current legal and policy institutions have granted to the official unions. Despite the good intentions of these instruments, their effectiveness has been undermined by the weak inter-agency collaboration between the official unions and their collaborative state agencies.

Weak state agents in implementing unionization

Due to the lack of support from the legal and political institutions outlined above, the state agents who are in charge of implementing union policies – grassroots union cadres (基层工会干部) – find themselves disempowered. These union cadres work at the front line of unionization and come into direct contact with enterprises. Every year, they receive unionization quotas from their employers – the official unions – and then set out to persuade targeted enterprises to comply with union policies.

Despite being dubbed as “cadre”, these grassroots union officials are not public servants but contract employees of the official unions. Employed as contract workers, they have to assume a much heavier workload and are paid much less than civil servants of the union system. Zhang (2015) refers this dual employment practice as “labor force dualism”. This mechanism draws a boundary between formal employees, who have stable tenure, a higher salary and more generous welfare, and temporary employees, who are employed on a short-term basis through labor agencies with a much lower salary and fewer benefits. Since the 2008 financial crisis, this employment practice has spread globally in response to the demand for labor flexibility. Workers are increasingly stuck in short-term contract work and are unable to convert their employment relationship with their employers into a formal and regular one

(Nair, 2016, p. 129-130). In China, this situation has spread from the private sector to the public sector. Nowadays, most employees in state-owned enterprises and low-level state organs such as sub-district offices and community service stations work on a contract basis. Grassroots union cadres belong to this group of temporary employees of the state.

In Shenzhen, grassroots union cadres comprise mainly two groups of people. The first group consists of young college graduates, who have migrated from rural areas or inland cities of Guangdong. After graduation, most of them choose to stay in regional metropolitan areas such as Shenzhen and Guangzhou and refuse to return to their relatively under-developed hometowns. Initially, they are willing to work as grassroots union cadres, because these positions confer them urban *hukou* (household registration status). At the same time, however, they consider their work as transitory. With their higher education, they have a greater chance of moving upward on the occupational ladder than people without qualifications. Hence, union work is only instrumental. The second group consists of local residents, who are uncompetitive in the local job market. They work for the official unions simply because they have no other options. For them, working as union cadres is more stable than private sector employment. At least, the official unions offer them decent social insurance plans to compensate for their low wages. Although most of them are unsatisfied with union work because of its dim

career mobility and low remuneration, they stick to their jobs. As a result, the strong instrumental motivation held by many union cadres certainly has a negative impact on their attitudes at work.

As grassroots agents of the state, union cadres have to handle pressures from both the official unions and enterprises. On the one hand, private enterprises have no legal obligation in cooperating with the official unions, as both laws and policies grant no enforcement authority to them. On the other hand, the unionization quota set by the official unions affect the career of union cadres. The official unions evaluate cadre performance to decide whether to renew contracts with them. Thus, in order to meet the assigned quota, union cadres have to use every possible means to persuade enterprises to cooperate with them. Union cadres have to bargain with private enterprises, and sometimes even beg for their cooperation, which makes law enforcement a *de facto* negotiation between state agents and capital. Unfortunately, in this negotiation, they are in a very weak position vis-à-vis the stronger societal actor, capital.

My fieldwork observations at various union offices show that union cadres fear enterprises and this fear erodes the quality of unionization from its root. Each time when I asked a union cadre to introduce members of some enterprise unions as my informants, the reply was “it may be OK if we have a

good relationship with them”. The phrase, “good relationship”, was used very frequently and appeared to signal that the relationship between the official unions and enterprise unions is non-authoritative. At the same time, though, it also indicates a lack of confidence on the part of union cadres with regard to their relationship with enterprises. This mentality was evident among union cadres from both the higher and the lower level of the union system. When visiting a district-level union federation¹³, I asked a high-ranking union cadre to put me in touch with people from some enterprise unions who could serve as my informants. He immediately called a staff of a local enterprise union. After a friendly exchange of greetings with the latter, he told me that he could do nothing because the enterprise union did not allow research. If he continued to press on the enterprise union, their “good relationship” might be jeopardized.

Union cadres who bear the hostility of enterprises tend to harbor a strong resentment against enterprise unions, in particular those which are uncooperative. For many of them, doing work for unions fails not only to bring them empowerment but also respect. When I visited a sub-district union office, a union cadre made an utterly blunt complaint to me, venting that the official unions were “disadvantaged” groups which enterprises disregarded totally. Another union cadre from a community-level union office complained

¹³ In terms of administrative rank, district union federation is only one level below than municipal union federation.

that some enterprises did not grant her a door entry when she approached them for simple paperwork, showing no respect of her work. Some others felt their efforts were fruitless, no matter how hard they had worked. A disillusioned union cadre had resigned after working for three years for the official unions. She told me that she would soon start work as a legal assistant at a law firm, a career path which she regarded as more promising than union work. Aside from complaining about the low pay, she said that her work as a union cadre had failed to bring her any fulfillment. Her disillusion began when she realized that her hard work was doomed to be fruitless:

“Between 2012-2015, I worked at this union office. Could you understand...as if I had done a lot work but with no obvious outcome. We worked very hard on organizing union activities...contacted union chairs...I remembered in 2012 when I just started my work, I visited enterprises one by one. I worked really hard. In the end, I felt my hard work produced no satisfying outcome.” (Interview 17)

As a result, some union cadres have developed an almost cynical attitude towards their work, which further compromises the quality of unionization. One union cadre hinted that she tried to reduce her face contacts with

enterprise unions as much as possible.¹⁴ She did not approach them unless it was necessary. When she was required to pass policy documents to enterprise unions, she inserted them into their mailboxes and then left straight away.

As the following subsection will show, the frustration of grassroots union cadres is rooted in the transformation in the relationship between the official unions and the private sector it seeks to represent. The economic reform has greatly empowered capital to dominate the factory regime at the expense of the state.

4.4.2 Managerial Perception: Unionization as An Extraction

A private enterprise's rationale to cooperate with the state is contingent on its assessment of cost and benefit associated with the cooperation. Hostile enterprises tend to see unionization as an extraction imposed by the state, which incurs costs on them or invites an excessive amount of state intervention in their corporate governance. They also tend to perceive the costs of unionization as outweighing its benefits. Enterprises perceive unionization from two angles: financial burden and ideological resistance. Some enterprises reject unionization or maintain paperwork unions because they regard unionization, when it involves union due collection, as a financial

¹⁴ Field visit at a community union office (Bao'an District), March 19th, 2015.

liability. Others justify their resistance on ideological grounds, believing that unionization can empower labor to confront the management within their enterprises.

Financial burden

Hostile enterprises see union dues as heavy burdens. Union due collection was an established practice in SOEs. After state-sponsored unionization spread to the private sector, the policy had been suspended for a long time because of enterprises' resistance. Since the early 2000s, the ACFTU and the State Administration of Taxation (国家税务总局) have sought to enforce union due collection among private enterprises. As briefly mentioned in section 4.4.1, a new system of union due collection has been created to encourage inter-agency collaborations between the official unions and the local tax bureau in collecting union dues. The new system has three purposes. First, it involves the local-level tax bureau as a collaborative agency in union due collection. Second, the system integrates union due collection into a local-level taxation system to make its procedure more streamlined and transparent. Third, it encourages enterprises to pay taxes in tandem with union dues, which simplifies the collection procedure. Since 2002, the official unions in 29 provinces have started to collaborate with their local tax bureaus

to collect union dues.¹⁵ By 2013, most provinces, including Guangdong, were covered by the new collection system. These measures embody a renewed effort of the state to control in seeking to gain a financial control of enterprise unions. However, in a market economy, when a Leninist state attempts to translate intent to control into action, sometimes difficulty arises. Perceiving union due as a state-imposed extraction, many enterprises have resisted or evaded unionization. Their resistance has been quite effective. A union cadre from a sub-district union federation told me that among hundreds of unionized enterprises there were only 7-8 enterprises which paid their union dues (Interview 17).

Enterprises view their non-compliance justifiable. Union dues come from employers' contributions, which constitute 2% of the monthly payroll of a firm. If fully enforced, it can become a financial burden on many SMEs with a tight budget. A human resource manager from a unionized enterprise told me that many enterprises resisted unionization because they are reluctant to pay union dues:

“Money is the primary reason. Nowadays, enterprises are heavily burdened. [She then started to talk about union dues.] The total

¹⁵ Guangdongsheng shuiwu daishou gonghui jingfei gongzuozhengce jieda (The explanation to policies on tax bureau collecting union dues in Guangdong province). <http://sd.gdltax.gov.cn/portal/site/site/portal/fzgb/sd/nrpage.portal?categoryId=GTNGFLAZ6DK5G97X EIYBN37Z9FVJKE77&contentId=3BUZ6ETZXY973E0TJ6O6GR9BKHE7VBK1>. (August 13th, 2013). Accessed on January 8th, 2017.

wage bill of our company exceeds RMB 3 million. 2% of it is RMB 160,000 per month and RMB 720,000 per year. How can it be possible?! The enterprise has been burdened too much. To be honest, I am not the boss and do not care about the high cost. The only concern we have is what if such a high cost crushes our enterprise?" (Interview 6)

The informant went on associate union dues with government corruption, arguing that union dues were just a miscellaneous extraction imposed by a corrupt government. Thus, her company purposefully kept their union at a paperwork status in order to avoid future union dues. As she remarked:

"Although our firm has an enterprise union, we do not want our employees or outsiders to know its existence. We do not want to admit that we have a union. The primary reason is that we do not want to pay union dues. The money, if it stays in our own account, is nothing bad, right? Why should we pay union dues to the government? The government is so corrupt. Who knows where the money will end up?" (Interview 6)

Ideological resistance

Other enterprises see the union-induced extraction through an ideological lens. They dread that unionization may rally employees to confront the management in their firms. Unionization can complicate corporate governance by giving a voice to employees in the decision-making process of an enterprise. Thus, they try to minimize the space of union development. When interviewing the union chair of a paperwork union, who was appointed by the management, the informant informed me that his enterprise prevented its union from turning into an “authentic” labor organization. He worried that as the union developed it induced conflicts between employees and the management and created pressure on their human resource management:

“An authentic union generates pressure on enterprises. From the perspective of human resource managers, unions represent employees’ interests and unite them in making demands. When their demands focus too much on wages and welfare, our human resource department will be put under pressure. It will become more difficult for the department to handle these claims. Thus, we have managed to minimize the role of our enterprise union.”

(Interview 5)

A union cadre from a community-level union federation in the downtown area of Shenzhen echoed the above informant. At the time of my visit, this part of the downtown area had almost completed its industrial upgrading from an industrial park to an entertainment hub. Newly-built restaurants had begun to dominate the landscape by replacing factories at an accelerating pace. However, the industrial upgrading did not seem to promise a better future for unionization, as it became even more difficult for the official unions to organize workers in the tertiary sector whose work and life patterns were atomized and enterprise owners were unreceptive to unionization. The informant told me that it was extremely difficult to unionize enterprises if their management was aware of the union's potential to mobilize employees to contest managerial authority. Thus, for many enterprises, avoiding unionization was a way out of this dilemma, as she commented:

“You can see those private firms. Their bosses know nothing about unions. Some do know, but they will not unionize. They fear their employees would defend their rights through unions, just like those *foreign unions* did...enterprises are wary of this possibility.” (Interview 3)

An interesting observation from my fieldwork was that my informants often referred to “foreign unions” as ideal. In their imagination, foreign unions were

genuine labor organizations, whereas unions with “Chinese characteristics” were weak and useless. They saw unions in industrial democracies as adamant in defending labor rights and confronting bosses, but Chinese unions as unwilling to confront capital and the government. In reality, however, enterprises are wary of “unions with Chinese characteristics”. Once an enterprise is unionized, there is indeed a possibility for the state or employees to activate their union, when circumstances allow. A recent study of Vietnam, another Leninist state, suggests that the presence of enterprise unions, regardless of their qualities, increases the incidents of strikes in plants (Anner & Liu, 2016). Thus, for some enterprises, evading unionization or maintaining paperwork unions is the best means to halt any mobilization from within and outside.

4.4.3 Subdued Agency of Union Leaders/Activists

Whether a union leader or activist is present determines the likelihood and quality of unionization. Enterprise union leaders are the gatekeepers between enterprise and the official unions. They are the key agents, who can act as points of contact between enterprises and the official unions. Without the active cooperation from union leaders, it is difficult for the official unions to establish contact with enterprises. Responsive union leaders can facilitate the

compliance and cooperation of enterprises with the union policies. If union leaders are uninterested in facilitating information transfers between their enterprises and the official unions, it is very difficult for the official unions' policies to reach the grassroots.

The connection between union leaders and the state poses a threat to enterprises which are hostile to unionization. As a result, they seek to suppress the emergence of potential union activists in order to counteract unionization. They do so often by appointing their loyal agents to “play” the role of union leaders. The appointed personnel are unlikely to represent their unions because they know the intent of their employers. These management-appointed union chairs have a strong incentive to shirk their responsibilities. A union cadre recounted to me a failed case of unionization, in which her attempts to identify union activists were eventually thwarted by the hostile management. According to her account, the management appeared to be cooperative at the beginning and agreed to appoint a union chair. However, the cooperation was merely nominal and soon gave a way to a chaotic situation. All appointed union chairs resigned after a few months and new employees were appointed to replace them. This circle repeated itself, as each newly appointed union chair tried to shirk his or her responsibility as soon as possible. This frequent turnover of union chairs made the union cadre's work impossible, as she recalled:

“He [the boss] let an administrative personnel to meet me...then, the union chair of the enterprise changed more than ten times. Every one pushed the issue away...the changes of union chairs were so frequent that neither signing collective contracts nor establishing an enterprise union was possible.” (Interview 3)

Hostile enterprises not only attempt to control the appointment of union leaders but also actively suppress union activists who are responsive to state policies. When visiting a labor office¹⁶, I met a union chair who initially had been quite enthusiastic about his work for the union. He worked at a local rubber factory as a general worker. After unionization spread to the industrial park where his factory was located, his boss decided to create a paperwork union to stave off the pressure from the local government. In order to make the union compliant, the boss appointed our informant to be the union chair. Because they came from the same hometown, the boss seemed to trust him more than other migrant workers. Then, about a year ago, the official unions started to encourage the union chair to promote the fringe welfare of their employees such as organizing a few recreational activities for workers. The union chair was willing to set the initiative in motion, as it posed no harm to the firm and also gave him the chance to move his union a step forward.

¹⁶ Labor office is a grassroots branch of the sub-district government.

However, when he approached the boss with his proposal, the latter immediately rejected him responding sarcastically: “This is not a Socialist firm! We don't do union things!”. The blunt rejection from the boss forced the union chair to drop his proposal and the enterprise union remained a paperwork union. This event shows that in hostile enterprises it is highly likely that the agency of union leaders is suppressed.

In the above I have suggested that paperwork unions are unintended outcomes of state-sponsored unionization. As manifested in its causal pathway outlined in the preceding three sections, managerial perception is the predominant variable in explaining the impotence of unions, which preempts two other variables to activate union function. It seems that, when the enterprise management is determined to obstruct unionization, neither state intervention nor union leaders can overcome this structural barrier. The weak legal and political institutions further compound union weakness. The official unions are neither given any authority to enforce union laws and policies, nor can they empower union leaders to counteract the management's hostility. Oppressed by a hostile management, enterprise union leaders are unable to activate union functions at the micro-level.

4.5 An Alternative Explanation: Workers' Atomized Work and Life Patterns and Their Apathy towards Labor Organizations

Most prior research attributes union weakness to the state, arguing that the state's monopoly of union representation has disenfranchised the working class, which leads to labor's apathy towards the official unions (Chan, 2010; Friedman, 2014). In particular, Friedman (2014) contends that the monopoly of the state on labor representation is the fundamental cause of the weakness of enterprise unions. Rather than organizing and mobilizing workers to become a countervailing force to capital, the state seeks to contain labor mobilizations through incorporating labor into enterprise unions affiliated with the official unions. This appropriated representation leaves workers disillusioned, as enterprise unions are too weak to represent labor and address labor grievances. The absence of representative organizations forces workers to resort to insurgency rather than "rationalized, legal channels" (p.20) such as enterprise unions to resist exploitation. Other research maintains that for migrant workers labor NGOs present an organizational alternative to enterprise unions and the official unions (Xu, 2013; Li & Liu, 2016). However, all these arguments rest on the questionable assumption that the formation of class organizations is a voluntary process, which takes workers' participation in collective organizations for granted. Thus, it assumes that the repressive state is the only hindrance to the formation of genuine and autonomous labor

organizations. Once the state is removed, labor movements will thrive.

I argue that this state-centric explanation is inadequate because it fails to explain the weakness of labor organizations in China in two major ways. First of all, the existing literature has been inaccurate in its characterizing of manners in which Leninist states govern labor organizations. Leninist states do not repress labor movements but seeks to incorporate them into their Leninist institutions such as the official unions. Secondly, the extant literature fails to take account of the characteristics of the Chinese workforce when explaining the weakness of labor organizations. I argue that Chinese workers, most of whom are young migrant workers, are far from constituting a solidary class due to their atomized and highly fluid work and life patterns. They show little interest in collective organizations, and even if they do, their apathy toward associational life makes them unlikely to sustain any kind of labor organization, official or autonomous, at least at the current stage.

To elaborate on the first of the above, portraying the Leninist state as utterly repressive towards labor is not in line with the reality. In a market economy, communist parties seldom resort to hyper-repressive measures to handle worker unrests. Instead, the state tends to appease grieved workers by offering them compensations while dispersing radical mobilizations at the same time (Chen, 2003, 2009b, 2010). Moreover, the transitioning Leninist states have

been institutionally adaptive to the transformed industrial relations brought about by the economic reform and have demonstrated a strong capacity in improving labor institutions to absorb labor grievances (Clarke & Pringle, 2009; Thireau & Hua, 2003; Tsui, 2009; Ho, 2009; Cooney, Biddulph & Zhu, 2013). As Feng Chen points out, the Chinese Leninist state has succeeded in using two institutional means to preempt the emergence of a labor movement (Chen, 2009a). First, the state has maintained an effective governance of organizational behaviors and collective actions of workers, which weakens their ability to organize labor protests. Second, the state has engaged in a series of pro-labor legislation to address labor grievances which historically prompted labor movements to rise. Thus, if workers are disenchanted by the ineffectiveness of the labor institutions, they can actively seek support from NGOs or participate in labor organizations which are autonomous from the state. However, I find that workers are not devoted to the cause of NGOs as well. In fact, the new generation of Chinese workers is apathetic towards an associational life, whether it is organized by the official unions or any labor NGOs. Their apathy, as I argue, is caused by their atomized work and life patterns, which are antithetical to the workplace conditions conducive to the rise of a class awareness and identity as described in the classic literature.

In the literature on class formation, working class formation is portrayed as a rather linear and voluntary process (Marx, 1982). In this process, workers

develop class interests and acquire a working class identity first, before they participate in struggles and mobilization, and finally develop their own organizations (**FIGURE 4.1**). Sharing a common interest and identity makes workers aware of their social and economic difference from other social groups. Cementing a common identity encourages them to mobilize against exploitation. Mobilization in turn cultivates a solidarity among workers, which eventually leads to the formation of class organizations such as trade unions.

FIGURE 4.1 A Classic Narrative of Working Class Formation



This narrative is based largely on the industrial life of workers of the past. The question that arises then is to what extent does this classic account capture the experience of contemporary Chinese workers? Historically, industrial work constituted an important part of individual and collective identities of workers (Bauman, 1998). Starting work in their youthful years and finally becoming veterans, workers gradually acquired the knowledge to control the production process after accruing skills from their work (Montgomery, 1979). Their superior industrial knowledge enabled them to acquire a degree of autonomy in factories (Montgomery, 1979), which formed the basis of their

organizations and mobilization. A distinct feature of early factory work was the stability of workplace and the long tenure of workers. Their lifelong tenure at a single workplace allowed these early industrial workers to accumulate knowledge and skills and to develop a strong attachment to their fellow workers, thereby creating the possibility of collective resistance and identity. However, this prototypical workplace condition ceased to exist after the spread of global capitalism to the developing world after the Second World War.

What dominates the industrial landscape of China nowadays (as well as that in other developing countries) are SMEs. These firms compete with each other on low labor costs and thin profit margins. They tend to have a very short lifespan which usually lasts around 2 years, because of fierce market competition and their precarious market shares. The cost and market competitions wipe out eliminated firms quickly. Because SMEs make up the majority of employers in the private sector, the precarious nature of their production renders workplaces and workforce today highly unstable. For example, Li (2014) studied the job mobility of young migrant workers, who at present constitute 60% of migrant workers in China. He found that these workers work stay an average of 2-4 years at a single workplace. They frequently move among different low-paying and low-skilled jobs and have hardly any opportunity of upward mobility. This occupational immobility

further exacerbates their horizontal mobility in an increasingly hopeless search for better jobs. Their precarious employment patterns, as I argue, are detrimental to the formation of a class identity and organizations, discouraging them from developing an emotional attachment to a single workplace and to a relatively stable group of co-workers.

Moreover, as compared to the older generation of migrant workers, young workers are much more elusive and less physically resilient. Research ethnographies, media biographies¹⁷ and my own fieldwork confirm that young workers quit their jobs easily due to their physical frailty and also because they have less subsistence pressure (Chan, 2010; Li, 2014). Immediately after arriving at Shenzhen, I rented a studio flat in the heart of its metropolitan area. My rental included an in-room cleaning service. Twice a week, a janitor came to clean my room, collected my trash, and changed my bed sheets. Soon, I got acquainted with her and got to know the story of her family. Her family's situation was typical among migrant workers. All her family members – her husband and two sons – were working or had previously worked in cities. After she learned that I was a doctoral student with teaching experience, she started to complain about the laziness of her younger son to me. According to her, her younger son was not hardworking at

¹⁷ Ding Yan, Wangyi renjian (163 in the world). <http://renjian.163.com/16/0628/16/BQLLB1CN000153N3.html>. (June 28th, 2016). Accessed on December 12th, 2016. The columnist, Ding Yan (丁燕), has written extensively on young migrant workers' work and life in the Pearl River Delta. She has published two novels and several biographies about young migrant workers in Guangdong.

school and showed little interest in learning workplace skills. Through his mother's connection, the boy entered a local factory but quit his job soon thereafter. After his withdrawal, instead of looking for a new job, the boy wandered around the town and spent his leisure time in Internet bars. When his money was used up, he returned to his mother and asked for more. The janitor described her son as "playing with his cellphone all the time; having no interest in work or learning workplace skills; reliant on his parents".

Thus, compared to their parents, young migrant workers have more freedom and less subsistence pressure, but their work and life patterns seems not promising for the germination of class power. Fluid and alienating workplaces diminish the possibility of young workers to form an emotional attachment to a single workplace and co-workers, which can develop only after a long and stable tenure. In the day, exhausting factory work consumes all their energy. Many of them do not even have a chance to talk to fellow workers who live in the same dormitory. On weekends, cellphones and Internet bars occupy most of their leisure time.¹⁸ As their factory work becomes more impersonal, their life becomes more atomized.

The fluidity and atomization of the life of young workers make any organizing efforts of official unions and labor NGOs largely ineffective. The

¹⁸ Ding Yan, Dongguan gongchang de nangong sushe (Male dormitory in a factory of Dongguan). <http://renjian.163.com/16/0628/16/BOLLB1CN000153N3.html>. (June 28th, 2016). Accessed on December 12th, 2016.

official unions specialize in providing educational services to workers (Chapter 5), while labor NGOs provide them legal assistance. Both parties attempt to organize migrant workers under their own banners, but neither of them can claim a success. The apathy among workers has left a strong impression on union cadres and NGOs activists. They feel disheartened by the lack of interest the workers show for their services and programs, even though these were created for their benefit. One grassroots union cadre complained to me as follows:

“We have no way to force them – those kids aged 17 or 18, so called ‘born in 1990s’. They don’t think our programs are interesting. It is very difficult for us to absorb them into our programs. If they feel that attending seminars or vocational training sessions is uninteresting, they will not come. We can do nothing about it. Then, we asked them – what kind of training sessions would you like to see in the future? They replied – ‘nothing, just nothing’.” (Interview 11)

Similarly, a labor NGOs activist told me that it was difficult to organize young workers on weekends because they preferred individual entertainment to group activities:

“Young workers have more entertainment options now, unlike workers in the previous decades who only had some books to read in their free time. For example, we had some training sessions to educate them about the labor law. Although we told them these sessions were free and relevant to their work, they showed no interest. They have more choices to have fun instead.” (Interview 20)

Some workers do utilize the services provided by labor NGOs, but display no commitment to the long-term agendas of these organizations such as building up the associational power of labor. I asked two NGOs activists to respond to the same interview question: did they think that migrant workers constituted a class, or did they have the potential to develop class solidarity? Their answers were almost identical but negative. Both informants suggested that workers were highly rational and tried to maximize the short-term utility of NGOs. However, they had little interest and commitment to promote the long-term interests of workers similar to them. After these workers addressed their own grievances with the help from NGOs, few of them stayed to assist other workers. Workers are not only apathetic to labor organizations, but also to other workers. Thus, it is too early to claim that Chinese workers have created a class solidarity. The working class formation in China is still underway. The responses of the two informants to my question can shed

further light on this important interpretation:

“Class is a deep [concept], which means workers have a self-aware identity, a collective and common [identity]. Most workers came to us to seek help on individual grievances and they left after having their own problems solved. This is a group, but not yet at the level of a class.” (Interview 20)

“I regard the Chinese working class today as a disadvantaged group. I have seen many workers only concern about their own individual interests. After solving his own problem, he will no longer care about this group [migrant workers]. He will continue his life in another environment. Many workers have this problem – the lack of solidarity. Only a handful of them will show concern about other migrant workers or other groups of disadvantaged people. Most of them cease to be concerned about this group after solving their own problems. We help a lot of workers every year. Only a handful of them continue to show interest on the group of migrant workers and most do not.” (Interview 18)

To summarize, this section triangulates the different sources of data to re-examine the weakness of labor organizations in light of the characteristics

of workers themselves. I argue that the fluidity and atomization of workers' life and their apathy can account significantly for the weakness of unions in a market economy. Although I do not intend to displace the state-centric argument which pins union weakness to the representation monopoly of the official unions (Friedman, 2014), I argue that this argument is far from sufficient to explain why it is equally difficult for labor NGOs to organize workers. My data suggests that when the structural condition is held constant it is workers' apathy towards labor organizations, official or non-official, that can be held accountable for the weakness of these organizations.

A broader argument I can make is that the working class formation in China stalls at the first stage of the classic model (see, **FIGURE 4.1**). Chinese workers have not been able to form a common interest and identity. Lacking unification by a common identity, workers' resistance is largely exercised through their individual pursuit of justice (e.g. utilizing legal institutions) or unorganized insurgencies (e.g. wildcat strikes). Without a class identity, workers are unlikely to identify labor organizations as their base of resistance and struggles. As a result, the official unions and labor NGOs become two among many utilitarian instruments for them to pursue their individual justice.

The 30 years of rapid industrialization in China has not been promising in the making of proletariats and their organizations. Migrant workers have come

and left. They have barely left any trait on the urban political landscape, although they have transformed the physical landscape in cities with their sweats and blood. They contribute to the majority of registered labor disputes and labor unrests but seldom attempt to institutionalize their resistance through sustainable organizations. They have become active in leveraging litigation to pursue their individual justice (Lee, 2007), but few of them have shown an interest in pursuing collective justice through organizational means. Both the state and independent labor organizations attempt to organize them, but find their efforts producing very few durable outcomes.

4.6 Conclusion

This chapter has investigated how the Leninist state fails to create effective labor organizations in some part of the private sector. I argue that paperwork unions are unintended outcomes of the state-sponsored unionization. The emergence of paperwork unions is associated initially with a refrained state intervention, hostile enterprises, and subsequently the subdued agency of union leaders. I have drawn on interview data from enterprise union chairs and union cadres to show that hostile enterprises can overcome the pressure of unionization from the state and insulate their factory regimes from state intervention. The weakness of the state is further demonstrated by its

reluctance to supply a supportive legal and political institution to the official unions in their governance of enterprise unions. Without an authority to enforce laws and policies, the official unions have to negotiate unionization with capital from an inferior position. At the micro-level, the official unions' weakness cripples their ability to empower enterprise union leaders or activists to counteract management's hostility. Nevertheless, paperwork unions do reflect an attempt of the state to contest managerial despotism in order to recreate stability in the society. For that purpose, the state has abandoned its *laissez-fair* policy and become increasingly pro-active in intervening in industrial relations in the private sector. Thus, the emergence of these unions indicates the state's intention to promote labor rights in tandem with economic growth, rather than a state-capital conspiracy.

On the other hand, the presence of paperwork unions suggests that the Leninist state has failed to transform the internal environment of capitalist production in some part of the private sector, where capital has created its own domain of dominance to compromise state intervention. Perceiving unionization as an extraction, hostile enterprise owners are unlikely to accept enterprise unions being established within their firms, which hold the potential to undermine managerial authority and invite state intervention into their factory regimes.

At the end of this chapter, I offer an alternative explanation of union weakness. I argue that the state-centric view is not sufficient to explain workers' apathy to labor organizations, official or non-official. I contend that the characteristics of migrant workers – fluidity, atomization and apathy – account for a significant part of the union weakness. The root causes are that Chinese workers do not yet constitute a solidary class and acquire a strong identification with labor organizations of any sort. They are more interested in pursuing individual justice, rather than collective justice which demands higher personal costs and commitment.

CHAPTER 5 MANAGERIAL UNIONS

5.1 Introduction

This chapter investigates the mechanism of formation of managerial unions and their intra-case variance. Managerial unions¹⁹ are the unions, which acquire a basic organizational structure and are capable of promoting fringe welfare of employees. The past research regards managerial unions as irrelevant to workers because of managerial dominance (Liu, 2009, 2010). Based on my research, I argue that managerial dominance does not make managerial unions irrelevant to workers. With a managerial consent and an active union leadership, these unions can improve fringe welfare²⁰ of employees and promote a limited degree of industrial democracy within their firms. However, managerial unions share an institutional weakness. They are incapable of supporting the interest-based claims of employees, because they do not possess collective action power.

The chapter is organized as following. Section 5.2 describes the institutional

¹⁹ Managerial union has the largest share in my samples. 9 out of 17 enterprises are categorized as managerial unions.

²⁰ Fringe welfare marginally improves employees' economic wellbeing and increases their identification with employers. It refers to mini-benefits distributed by or through enterprise unions such as recreational activities and festival gifts.

features of managerial unions. Section 5.3 explains their mechanism of formation. Section 5.4 investigates the intra-case variance of these unions. Section 5.5 is the conclusion.

5.2 Institutional Features of Managerial Unions

Two institutional features mark managerial unions from two other variances of union efficacy. As compared to paperwork unions (Chapter 4), managerial unions represent a significant institutional departure. They are more organizationally and functionally developed. They transfer state resources to enterprises and seek to promote fringe welfare of their employees. Sometimes, they can even support their rights-based claims such as supervising enterprises in law compliance. As compared to proto-economic unions (Chapter 6), managerial unions are unable to confront the management in supporting the interest-based claims of their employees, because they do not possess collective action power.

First of all, managerial unions establish points of contact between the state and private enterprises, allowing the two parties to exchange information and resources. Through managerial unions, the official unions transfer union resources to unionized enterprises (Interview 25). Second, managerial unions

promote a limited degree of industrial democracy, which can eventually increase the fringe welfare of employees. When staffed by competent union leaders, these unions can become a platform for their employees and the management to discuss and debate issues relating to the implementation of union policies. Third, as a distinct institutional weakness, managerial unions are incapable of supporting the interest-based claims of their employees. Namely, they are unable to support their employees' claims which are beyond what the law has stipulated. Making interest-based claims requires unions to leverage their collective action power to pressurize capital and the state into concessions. Unfortunately, managerial unions lack the capacity to organize collective actions to bargain with management. As a result, they seek conciliation, rather than confrontation, with their host enterprises.

5.3 Explaining Managerial Unions

I argue that the emergence of managerial unions is made possible by two structural-level factors, an exerted state intervention and friendly enterprises, and one agent-level factor, a constrained, middleman-type union leadership. At the structural level, managerial unions emerge in friendly enterprises which regard state intervention in a form of unionization as a resource. The contacts between the state and the unions thus allow information and state resources to

be transferred to unionized enterprises. At the agent level, friendly enterprises tend to tolerate a union leadership which can make unionization beneficiary to their firms, but without incurring excessive costs.

5.3.1 Exerted State Intervention

In the private sector, if the Leninist state wants less resistance and more cooperation with unionization, it has to exert its intervention in a delicate manner. The delicacy can be seen in the ways in which the official unions increase incentives on the part of private enterprises, which induce the latter to cooperate with unionization. Nevertheless, whether or not an incentive is created depends on the ways in which the official unions approach these private firms. The primary means for the official unions to do so is to increase material incentives of unionization. The official unions approach these enterprises as a provider of services and resources. Aside from service provision, the official unions provide technical support to enterprise unions' organizational development.

Doling out material incentives to enterprises

Since the current legal and political institutions are not supportive of the enforcement of the Trade Union Law (Chapter 4), the official unions have to rely on incentive-generating measures to retain enterprises' cooperation. One major means of doing so is to dole out material incentives to unionized enterprises by transferring union resources to enterprise unions, which eventually benefits their host enterprises. Thus, it is not surprising to see that many enterprises welcome unionization because they can receive resources from the official unions (Interview 29). Among the most important resources provided by the official unions are educational ones. Educational resources are welcomed most among enterprises.

The ACFTU had tradition of providing educational services to workers from the early 1950s (Ni, 1997). The early Chinese working class, largely illiterate and unskilled, failed to match the image of the most advanced class as depicted in Marxism. The problem of workforce quality compelled the ACFTU to create a system of education and vocational training in the 1950s. The education system sought to guarantee workers a sufficient amount of time for an elementary-level education and vocational training. Unions were in charge of mobilizing and organizing workers to participate in these educational and training programs. For example, many large enterprise unions

had their own schools and teachers, which delivered literacy courses to workers (Interview 4). After the Cultural Revolution, the ACFTU resumed its educational function, which had been suspended during the ten-year turmoil. However, the problem of workforce quality has not been alleviated, if not aggravated. A 2009 research shows that the average year of school attainment in China was 8.5, indicating that most Chinese have attained only a junior high-level of schooling (Chen, 2011). What makes this problem even more acute is the 2008 financial crisis. The economic crisis has triggered a wave of relocation of labor-intensive industries from South China to Southeast Asian countries where labor cost is lower. Since then, China has started to lose its comparative advantage and is compelled to find an alternative path of economic growth.

The financial crisis has exposed a weak spot of Chinese economy: an overreliance on cheap, unskilled and undereducated labor and a lack of technological innovation. In order to address this structural weakness, the central government has initiated a series of policies to promote workforce quality since 2008.²¹ In this initiative, the ACFTU-led official unions are given a special attention and are designated as the key to promote workforce quality of the whole country. According to a 2008 resolution of the ACFTU,

²¹ State Council, Guowuyuan guanyu jiakuai fazhan xiandai zhiyejiaoyu de jue ding (The decision of the State Council on accelerating the development of vocational education). http://www.gov.cn/zhengce/content/2014-06/22/content_8901.htm. (May 2nd, 2014). Accessed on May 26th, 2016.

the official unions are committed to promote unions as “big schools” (工会“大 学校”) for cultivating an army of high-quality workforce to meet the new international competition on human resources.²² The initiative serves four groups of labor: employees from the enterprises struck by the financial crisis, migrant workers, unemployed, and new labor force.²³ Migrant workers are particularly targeted. Through a project called “Dream Action” (求学圆梦行 动), the official unions aim for assisting these migrant workers to acquire college degrees or polytechnic diplomas. According to the ACFTU’s reports, the official unions in various provinces have actively expanded the scope and coverage of Dream Action since the first half of 2010s. For example, since 2011, the Beijing Federation of Trade Unions starts to fund college tuition fees of migrant workers, helping more than 1,500 migrant workers obtain college degrees.²⁴ The Guangzhou Federation of Trade Unions has invested RMB 10-20 million in subsidizing employees’ expenses in pursuing higher degrees.²⁵

As the manufacturing hub of China and the world, Shenzhen was heavily struck by the financial crisis. After the crisis, the city’s comparative advantage

²² AFCTU, Guanyu chongfen fahui gonghui”daxuexiao” zuoyong tigao zhigongduiwu zhengtisuzhi de jueyi (The decision with regard to the role of union “big school” in promoting workforce quality). <http://ghxj.acftu.org/template/10001/file.jsp?cid=86&aid=2527>. (December 30th, 2008). Accessed on January 15th, 2017.

²³ ACFTU, Kaizhan “qiuxue yuanmeng xingdong” youguan qingkuang (With regard to the Dream Action). http://www.moe.edu.cn/jyb_xwfb/xw_fbh/moe_2069/xwfbh_2016n/xwfb_160324_02/160324_sfc102/201603/t20160323_234954.html. (March 24th, 2016). Accessed on September 17th, 2016.

²⁴ *Ibid.*

²⁵ *Ibid.*

gradually worn away, as its export-driven and labor-intensive sector declined. It has become increasingly urgent for the local government to bail the city out of its economic downturn by seeking an alternative and sustainable path of development. Shenzhen has thus embarked on an industrial upgrading in order to create a technology-based economy. In this effort, the municipal official union, the Shenzhen Federation of Trade Unions (SFTU), becomes an important ally of the local government. Since 2008, the SFTU has invested more than RMB 35 million in vocational training, assisting 5,300 migrant workers to obtain college degrees.²⁶ By 2015, the SFTU has provided 607 training sessions and workshops to enterprises, benefiting more than 70,000 employees.²⁷

The SFTU provides two kinds of educational resources to unionized enterprises and union members, which are free or heavily subsidized.²⁸ The first one (as mentioned above) is diploma/degree training (学历培训). The second one is skills training (技能培训). The diploma/degree training provides tuition subsidies to migrant workers and local residents, enabling them to acquire college degrees or polytechnic diplomas at a very low cost.

²⁶ *Ibid.*

²⁷ SFTU, Shenzhenshi zonggonghui 2015 niandu fagui shishi qingkuang de baogao (The report on law implementation of SFTU in 2015). <http://www.szrd.gov.cn/UserFiles/File/%E9%99%84%E4%BB%B610%EF%BC%9A%E5%B8%82%E6%80%BB%E5%B7%A5%E4%BC%9A.doc>. Accessed on January 3rd, 2017.

²⁸ *Ibid.* However, the policy places some limitations on the status of applicants. In order to be eligible for the subsidies provided by the SFTU, an enterprise must satisfy two conditions: 1) acquiring union registration, and 2) paying union dues according to the law and regulations. For individuals, an eligible applicant must be 1) a union member and 2) having a labor contract with an employer for at least one year. Although the policy requires enterprises to pay union dues, in practice this requirement is relaxed to benefit enterprises which have not paid.

Successful applicants are required to attend weekend courses at SFTU's vocational training schools. The program lasts for three years but costs only RMB 2,000 (USD 290) per person (Interview 17). Upon completing coursework and passing final exams, students will be conferred degrees or diplomas in business management or accounting by reputable public universities. Because of its low cost and long-term benefit, the program has become very popular among employees. It provides not only an opportunity for them to obtain an upward mobility but also fosters their interest and awareness in continuing education. A union cadre who was in charge of this program told me a case in which a union member benefited greatly from the program:

“At the beginning, she [the union member] told me that she was interested in attending the entrance exam. However, she was not confident. An applicant must pass the entrance exam before he or she can submit his or her application...for those people who have left school for more than a decade, [the exam] is really a painful endeavor. This is common among company employees...I encouraged her to try...[in the end] she benefited enormously from the program. For her, the most important thing during the 3-year program was of knowing a large group of middle-aged students similar to her. The education experience had broadened

their horizons.” (Interview 17)

The above personal experience shows that the union-funded education not only provides an affordable experience of continuing education to employees but also challenges their old perceptions of education. Many believed that one should stop studying after having left school. It is embarrassing for middle-aged people to pursue education, which is often stigmatized, as the society regards education as a young man’s endeavor.

The second kind of educational resource which the official unions provide to unionized enterprises is skills training. Unlike the degree/diploma training program which targets individual employees, the skills training program serves enterprises directly. This program responds to an increasing demand for skilled labor from enterprises after 2008, and addresses this demand through offering a series of short-term skills training sessions, workshops and lectures to enterprise employees. It aims to impart hands-on skills and occupation-related knowledge to employees in the fastest manner. I attended one of their workshops on teamwork building in May 2015. The workshop was held at the SFTU’s school. The participants came from unionized enterprises. The workshop adopted an innovative measure to teach the essence of a modern corporate culture. The lecturer used games to train participants in workplace relations management and teamwork. The workshop’s creativity

impressed many participants, as one union member from a local state-owned enterprise told me that the session was much more interesting than she assumed.

The skills training sessions are organized in two ways, which are tailored to specific needs of enterprises. These sessions are held at private vocational training schools or at enterprises, depending on enterprises' demands and convenience. On the one hand, the SFTU has contracted with private training agencies to provide services to enterprises. These contractors tend to try their best to find lecturers capable of delivering lectures with quality and enthusiasm, because they want to secure their contracts with the state in the future. Delivering state resources through private sector actors allows market selection to weed out ill-performing agencies, which improves the quality of the union-funded educational service. On the other hand, many workshops and lectures are held directly at particular enterprises. Enterprises can select among a variety of sessions/workshops which match the needs and interests of their employees and then apply to the official unions for the delivery of selected services. What enterprise unions need to is to solicit logistical support such as venues and stationery from enterprises and to encourage employees to participate.

Nevertheless, a precondition exists for those enterprises which intend to

utilize state resources. The precondition is unionization. Having a minimally functioning union is the precondition for an enterprise to receive state resources. The exclusion indicates an intention of the state to increase the incentive of unionization among enterprises while at the same time keeping out free riders. State resources can be offered to enterprises for free, if the latter consents to establish enterprise unions in their firms. **PICTURE 5.1** shows the latest flyer of SFTU's skills training program. The flyer states: "we train employees in teamwork, innovation, efficient communication, and self-management. We provide door-to-door services with pragmatic contents, experienced lecturers and students' recognition. Eligibility: unionized enterprises."

PICTURE 5.1 2017 Flyer for Skills Training Program of the SFTU

深圳市总工会职工职业核心能力项目2017精彩继续.....

内容模块

- 团队建设
- 创新创造
- 问题解决
- 自我管理
- 高效沟通

项目特色

- **免费**送教上门
- **内容紧贴实际**
- **名师**倾力呈现
- **数万学员验证**

申请条件：成立了工会的深圳企业！

专用教材

职工职业核心能力
提升读本

名额有限，抓紧联系： : 电话： 。手机： 。

As unionization brings resources, it is reasonable for many enterprises to take the “bite”. Hence, the incentive for an enterprise to have a functioning union increases as it expects unionization to channel resources from the state. Thus, in friendly firms, enterprise unions are allowed to develop a limited set of functions and a basic organizational structure so as to facilitate the transfer of resources and information from the official unions.

Organizational guidance from the official unions

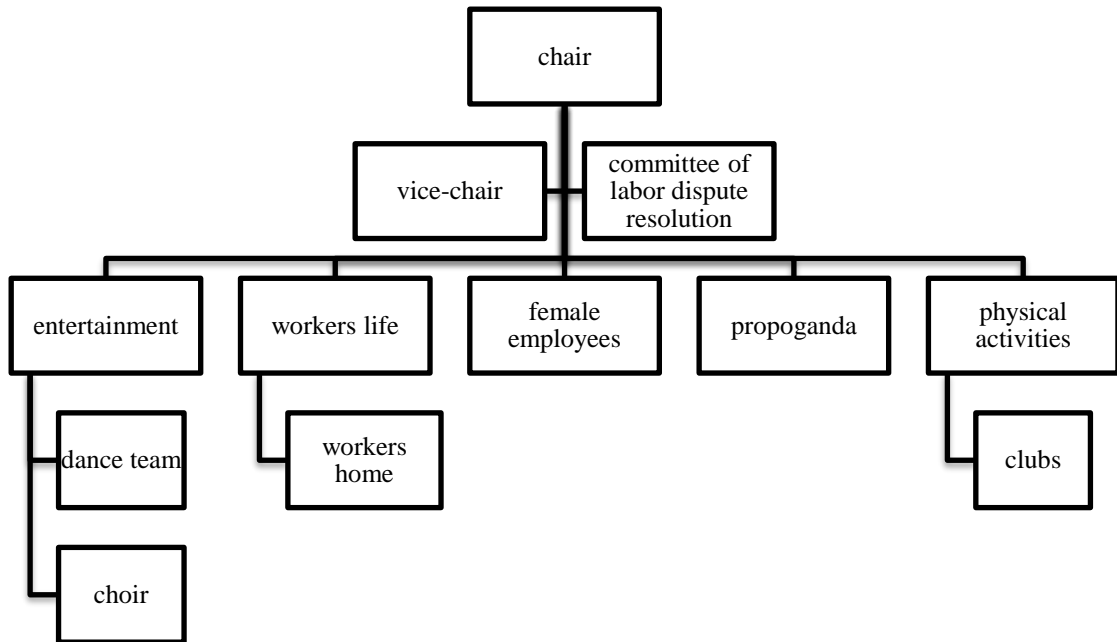
Through doling out material incentives, the official unions implicitly encourage enterprises to develop the organizations of their enterprise unions. After acquiring more developed forms, enterprise unions can better facilitate resource and information transfers between the state and enterprises. However, the organizational development of unions is never an easy task, if the technical support from the official unions is absent. This is because most employers and employees in the private sector lack a basic knowledge of unions. They have no idea of any technical aspect of union operation such as union's organization, union finance, union election, and so on. Thus, the official unions monopolize the spread of union knowledge.

In terms of developing union organization, the official unions do provide a template to enterprise unions and expect them to adapt. In this template, an enterprise union consists of 5-6 union committees.²⁹ Each of these committees takes charge of a specific area of union activity related to work and live of employees. In terms of staffing, an enterprise union is led by a chair and a vice-chair. Union committee members lead their respective committees. These people form the core of a union. Union chairs and

²⁹ The full title of the document is “notice with regard to strengthening the formalization of grassroots union committees” [关于加强基层工会委员会规范化建设的通知]. The document offers a glimpse of what the official unions expect from enterprise union chairs in strengthening union organization. I obtained this document from a union chair.

vice-chairs designate specific tasks to committee members and coordinate with them to achieve specific goals. **PICTURE 5.2** shows the full-fledged organization of an enterprise union. The union consists of a chair, a vice-chair, and five committee members. The chair and vice-chair are main union leaders and lead the committee of labor dispute resolutions. In each committee, sub-organizations are created to perform specific functions. The committee for entertainment, for example, has two sub-organizations – dance team and choir – to organize recreational activities for their employees. “Workers home” (职工之家) is housed by the committee for workers’ life, which is a venue for workers to communicate their workplace concerns to their union in order to seek a suggestion or solution. The informant who showed me this organizational chart is one of the union’s committee members. She told me that the union’s organization was developed under the guidance of its parent official union.

PICTURE 5.2 Organization of A Full-fledged Enterprise Union



In reality, the organizational development of managerial unions is highly uneven due to the differences in degree of managerial consent, size of their host enterprises, number of their employees, and commitment of union leaders. In my research, enterprise unions with a relatively developed form tend to appear in large, foreign-invested enterprises. For many other nascent unions, their organizations are primitive and, oftentimes, their union chairs are the only union staff.

The development of a union's organization facilitates state surveillance of industrial relations at the firm level. First, the more organizationally developed a union is, the more it needs to maintain contacts with the official unions. Unions with a developed form better facilitate the spread of union ideology

and knowledge from the state to private enterprises. They set up a model for other less developed unions to adapt. For a toddler union, the process of learning may take years and require a huge effort and commitment from union leaders. Sophisticated union functions such as making union budgets and holding union elections require a technical support from the official unions as well as an active learning on the part of union leaders. In other words, ordinary people tend to have no idea of what unions are and what they do. Only the state, as represented by the official unions, has the legitimacy to impart union ideology to employees and employers. Although the state-sponsored unionization aims to create unions which are responsive to state policies, the very process itself has facilitated the spread of union ideology to people who were previously ignorant of labor organizations. A union committee member told me that their enterprise union has evolved institutionally throughout these years because he and other union leaders have constantly learned from its parent official union:

“We have learned gradually. Since this year we’ve started to learn how to make a union budget. In the past, our union budget and our company budget were merged...now we start to consider union budgeting, which means we will spend what we have. Thus, this is a slow learning process.” (Interview 29)

Second and the more important, the more organizationally developed a union is, the more it becomes legible to the state. As a union becomes more legible to the state, the more its functions and activities are exposed to state surveillance and require the latter's legitimization. It also means that the more a union becomes organizationally and functionally developed, the more its staff needs state recognition. For example, the election of union leaders requires the endorsement from the official unions. Without state endorsement, union election is illegal by law. The official unions also keep particulars of union committee members. This allows the state to more effectively monitor industrial relations in the private sector through enterprise union leaders who have a regular contact with the official unions.

5.3.2 Managerial Perception: Unionization as A Resource

When enterprises perceive state intervention as channeling resources into them, they tend to be open to unionization. This section identifies two kinds of resource which incentivize enterprises to embrace unionization. Some enterprises perceive unionization as an intangible resource, which confers legitimacy and social recognition on them in a survival-stricken market. Some others perceive unionization as a tangible resource, which channels state resources such as union-funded education and training into them.

Unionization as an intangible resource

My research suggests that most enterprises conform to the unionization policy out of a concern of legitimacy, instead of being driven by material incentives. As my later intra-case analysis will show, 8 out of 9 union leaders whom I interviewed regarded legitimacy as their firms' primary reason to unionize, which is followed by the concern of corporate development (see also at **TABLE 5.1**). In particular, FIEs and public-holding enterprises tend to see unionization as a legal necessity. This is not surprising that FIEs are subject to a much more stringent monitoring and supervision from the local state authority than domestic enterprises (Interview 1). Thus, unionization demonstrates their willingness to conform to laws and regulations in their host country. My interview with a union leader was revealing of this serious concern of legitimacy held by FIEs. When comparing the operating environment of FIEs to that of domestic enterprises, the informant said that the operating environment of FIEs was more rigid than that of domestic firms:

“In general, FIEs tend to be relatively law-abiding. In order to survive and develop here, FIEs usually have to do this [abiding the law]. FIEs are concerned more about the long-term corporate

development here, so they tend to be more attentive to [maintaining] a harmonious labor relation.” (Interview 9)

While FIEs see unionization as a legal requirement to comply with, public-holding enterprises internalize this concern of legitimacy. Public-holding enterprises³⁰ are former SOEs which restructured their ownership in conformity with the market reform. These enterprises feature an ownership structure in which the state holds less than 50% of their total shares while the rest are sold to the public. However, even after these enterprises go listed on stock markets, they retain enterprise culture and employment practice of their SOE predecessors. Thus, in these firms, unions are created by default, meaning that enterprise unions are almost at the same age as their hosting enterprises (Interview 26). Union laws and policies are strictly followed, union elections highly routinized, and held on a 3 or 4 years basis (Interview 26; Interview 21). These enterprises pay union dues regularly to fund the recreational activities of their employees (Interview 26; Interview 22). Their willingness to abide by the law is best demonstrated in case of PHU-1. PHU-1’s hosting enterprise is a leading producer in the glass industry of South China. In 2006, the ACFTU issued a policy to ban the deputy director of an enterprise from concurrently holding the position of union chair, which seeks to reduce managerial interference in union operation. The enterprise

³⁰ I consider public-holding enterprises, as broadly defined, private enterprises, because they are not controlled by the state and their operation conforms to the market.

immediately complied with the new policy, removed its deputy director from the union, and re-elected a new union chair (Interview 21).

Enterprises embrace unionization also because of the need of corporate development, which is often intertwined with their concern of legitimacy. In my research, corporate development seems to be a strong internal factor which incentivizes enterprise's management to support its union's operation. For some managers, union development is compatible with their enterprises' long-term corporate development. Sometimes, the support from the management is so decisive that it can transform a paperwork union into a managerial union. TAI-2 offers a typical example of this management-driven union development. TAI-2's hosting enterprise is Taiwanese-invested, which specializes in providing catering service. The company employs more than 1,000 employees in Shenzhen. In 2012, it established TAI-2 after being persuaded by a local official union. In the first two years since its creation, TAI-2 was nothing more than a paperwork union. Nevertheless, the turning point came in 2014, when the general manager – one of the shareholders of the company – decided to appoint a full-time union chair to run the union. The general manager anticipated TAI-2 to play a role in cultivating employees' loyalty to the hosting enterprise. The management soon appointed a full-time union chair and started to pay union dues, which allowed TAI-2 to have a regular amount of funding. As commented by TAI-2's union chair, the

management was supportive of union activities because it expected the union to serve employees and the enterprise's long-term interest:

“Our general manager is one of the bosses. The creation of the union and the appointment of a full-time union chair were supported by him...He was hoping that...the enterprise had been overwhelmingly focusing on work, profitability and operation, but there was no single [organ within the firm] to promote welfare, training and career development of employees. As a consequence, it has led many things to happen. Employees' complaints, high turnover rates, and some bad 'habits' [of employees]...for example, everyone wanted to claim some money from the firm when he or she was leaving. They confronted the firm without showing any gratitude. Thus, he hoped that the union could take care of these issues which were beyond what the enterprise had anticipated.” (Interview 24)

Unionization as a tangible resource

In my research, a small number of enterprises perceive unionization as purely a tangible resource which they can opportunistically utilize. For these firms, a modicum of state intervention is welcome so long as it provides them

needed resources while incurring no cost. Thus, in order to become the recipients of state resource, these enterprises tend to cooperate with the official unions upon any beneficiary condition. A union chair mentioned to me that union registration was the prerequisite of acquiring resources from the official unions (Interview 8). The firm was quite satisfied with the free educational resources provided by the official unions, but was unwilling to pay union dues.

5.3.3 Agency of Union Leaders: Constrained Middlemen

As compared to paperwork unions, union leaders in managerial unions have stronger agency. Thus, I conceptualize their role as *constrained middlemen*. Being middlemen means that these leaders have a dual loyalty at best. On the one hand, they have to be loyal to their enterprises' management, because they are on their employers' payrolls and their appointments are often supported or acquiesced by their management. On the other hand, the official unions expect them to be responsive to union policies, since the state relies on enterprise unions to transfer information and resources to unionized enterprises. Moreover, the official unions expect union leaders to promote industrial democracy and maintain industrial peace within firms. For example, a union chair is expected to acquire basic abilities such as convening union meetings,

participating in democratic management, signing collective contracts on behalf of employees.³¹ In collective labor disputes, union leaders shall solicit information from employees and report to the official unions.³²

However, one rarely finds managerial unions confronting management to support interest-based claims of employees in practice. As constrained middlemen, union leaders are tethered to prioritize managerial interest over the interests of employees and the state. On the other hand, although the Trade Union Law prohibits employers from retaliating union chairs who represent employees in labor disputes (Article 17), in reality employment relationship between the two parties gives employers an authority over union leaders. As a result, these leaders tend to refrain from confronting the management in advancing the interest of employees beyond the law. Since they do not seek to challenge managerial authority, they are unlikely to acquire collective action power.

In the next two subsections, I identify two perceptual barriers, *managerial mentality* and *legalistic interpretation of rights*, which have led union leaders in managerial unions to prioritize managerial interest above the interests of

³¹ Heyuan Federation of Trade Unions, Guanyu jiaqiang jiceng gonghui weiyuanhui guifanhua jianshe de tongzhi (Notice with Regard to Strengthening the Formalization of Grassroots Union Committees). <http://zgh.jiyuan.gov.cn/zlzx/ggtz/201609/P020160929558634117665.doc>. (August 30th, 2016). Accessed on December 12th, 2016.

³² Union Federation of Guangdong Province, Zhonghuaquanguo zonggonghui guanyu xinxingshi xia jiaqiang jicengonghui jianshe de yijian (The ACFTU's opinion on strengthening the grassroots unions under the new circumstances). http://www.gdfu.org.cn/xx/wj/201606/t20160603_773802.htm. (June 3rd, 2016). Accessed on October 4th, 2016.

employees and the state.

Managerial mentality

There is a particular disposition among union chairs to place their loyalty to management above that to the employees and to the state, which I call “managerial mentality”. Union leaders see the major functions of enterprise unions as assisting corporate governance by creating and maintaining a harmonious shop-floor relation and that the interests of employees are subsumed under managerial interest. This managerial mentality is manifested in that, most obviously, managerial unions will not seek to promote the interests of employees and the state when these interests conflict with managerial interest. A typical example is that these union chairs refrain from supporting the interest-based claims of their employees, which requires them to bargain with their employers. In my research, when union chairs were asked whether their unions had initiated wage bargaining with their enterprises, they often told me that it was the management and the market which decided employees’ wage levels, and that their unions had no right to interfere with such decisions (Interview 9).

One way to explain this managerial mentality is union leaders’ strong

identification with management. This may be due to the fact that these union leaders are themselves managerial personnel. In my research, union leaders are concurrently managerial personnel in human resource management, administration, logistics or accounting. For them, holding a union position is only a part-time voluntary work, which is supplementary to their main positions in corporate governance. Two interviews with union chairs are particularly testifying to this proposition. Both union leaders sought to maintain a harmonious labor relation between their unions and the management, rather than seeking a confrontation with the latter. The first informant was a human resource manager, who concurrently held the position of union chair of her enterprise union. I paid two visits to her company in order to interview her. The first visit was not successful because she was very busy at the time and had to drop her appointment with me. I finally met her in my second visit. After I entered her office, she explained that her absence from our first appointment was due to her busy and irregular work schedule as a human resource manager. During the interview, she frankly told me that she regarded her position at the union as the least important one among all other positions she held in the company. Although she cooperated with the official unions in organizing many union-funded activities, she did not show any enthusiasm for her work as a union leader. When I asked how she handled labor disputes such as dismissal, she told me that she respected the opinions from other managerial departments at first. Namely, the union was not obliged

to speak on behalf of the employees in every labor dispute. Instead, it needed to balance different opinions from managerial departments. Obviously, she prioritized her identity as a manager above as a union chair, as she commented as following:

“The union serves to maintain a harmonious labor relation, rather than to make a fuss...although I am the union chair, I am also a mid-level manager of the company...I deliberate from the perspective of the enterprise at first.” (Interview 25)

The second informant came from a public-holding enterprise, where she was the manager of comprehensive administration (综合管理) department. Her department managed union, party's affairs, security, logistics, and human resources. As a typical practice of public-holding enterprises, the enterprise union was established from the very beginning. The company also had a separate budget for the union. With this budget, the union was able to make a generous distribution of fringe welfare to their employees, which included movie tickets, vegetables and fruits, moon cakes, and recreational activities. However, when it came to handling labor disputes, the union chair showed her strong identification with the management. In our conversation, she tried to make a distinction between their union and foreign unions. While foreign unions tended to leverage strikes to bargain with the management, their union

sought to maintain a workplace harmony. She tried to balance managerial interest and the interests of employees in the case of labor disputes:

“For us, labor-capital conflict is not a zero-sum game. We handle interest conflicts between the company and the employees harmoniously...our union is to coordinate [with the two sides]. Is it the problem of the employee? Or is it the company acting improperly? Actually, I have dual identities. If it is indeed the company’s fault, I will examine our institutions to make amends. If it is the employee’s own fault, I will tell the person that his justification is not sufficient...right? To placate the person...like this way.” (Interview 26)

The interviews above suggest that managerial mentality prevents union leaders from engaging bargaining with the management and from acquiring collective action power. These union leaders tend to perceive unions as “lubricants” (Interview 26), rather than rallying points of workplace contestation for promoting labor standards. In addition, some union leaders tend to see the interests of employees as parochial, which stem from their inability to transcend their self-interests and to integrate them with corporate interest (Interview 10).

State interest is also compromised when it runs into conflicts with managerial interest. This is most manifested in union due collection. Because union leaders have a strong identification with the management, they tend to sympathize with their enterprises' causes. For them, if unionization creates an excessive cost on their hosting enterprises, it is justifiable for their hosts to evade. Among many union chairs I interviewed, some recalled that they were at least once persuaded by the official unions to negotiate with the management on union due collection. In the end, they refused to pressurize the management to make such as a move. For example, one union chair reacted passively to this request. When I asked whether she had informed her enterprise about the policy, she replied cautiously that she hadn't notified her boss yet and she company was highly unlikely to afford it. Thus, she withheld the information in order not to pass a piece of "irresponsible" information to her employer. Some other union leaders displayed more enthusiasm, but they respected their employers' choices. Another union chair told me that she had tried several times to persuade her company to pay union dues. Despite her efforts, the management did not give a response. In my interview, she told me that she personally hoped to see her union to have its own funding. On the other hand, she fully understood the reluctance on the part of the management because union funds were paid by the enterprise:

"We really hoped that the enterprise could have paid union due.

If it did, our union would have money on its own. However, 2% of the payroll is a large sum of money. Even if the official unions refund us 50% of union dues, the other half goes nowhere. Eventually, it is the boss who pays union dues, so we can understand it. Anyway, union dues are paid out of his pocket.” (Interview 10)

Legalistic interpretation of rights

The second perceptual barrier is that union chairs consider abiding the law as paramount. Their interpretation of labor rights is restricted to the compliance with minimum legal standards, which excludes the right to contest higher labor standards through collective actions. So long as enterprises conform to laws and policies, there is no need for enterprise unions to take any initiative to promote employees’ welfare further. Thus, union chairs have little incentive to support interest-based claims of employees which have gone beyond what the law has stipulated. From their perspectives, it is unreasonable for employees to make above-law demands when enterprises are strictly law-abiding. My research shows that this perception is shared among union leaders of both FIEs and public-holding enterprises, indicating that it might be an institutional feature of managerial unions across ownership. I asked a union

chair of a FIE whether her union had bargained for wage increases for their employees. She told me that the wage standards of the firm were adjusted according to the municipal wage regulations and she did not see any necessity for the union to initiate a collective wage bargaining which would bring wages above the legal requirements:

“Our company is very law-abiding...the annual wage adjustment is made according to company’s regulation. This is not union’s job. For example, we will immediately adjust the minimum wage after the municipal government issues its annual wage adjustment scheme...[our adjustment] is higher than the minimum legal standard. Thus, the company, not the union, makes the adjustment according to the labor law. We do not have collective bargaining.” (Interview 7)

Another union chair from a public-holding enterprise held a similar view. In the interview, he emphasized many times that there was little the union was obliged to do once the enterprise was law-abiding. From his perspective, he had no obligation to support the interest-based claims of their employees such as wage increase, severance pay and reduced work hours. This was manifested most in his company’s annual meeting of employee representatives. During these meetings, employee representatives sometimes came into conflicts with

the management on work hour arrangements. The representatives demanded the management to reduce their hours of work and overtime shifts. However, the union chair never supported their interest-based claims in these circumstances because he considered their claims as “unrealistic”. Instead, he suggested to these workers that they could talk to the management directly with regard to their claims, which the union could not support:

“The union hadn’t taken any action. It was totally unnecessary for us to handle this...the workers’ demands were above the law, above the society’s average standards. If they required legal protection under the law, we could support them. Overtime is voluntary. Workers can choose not to work overtime shifts. However, these representatives asked for zero overtime...that is impossible...they can try to get an approval from the company if they do not want. If the company does not approve, they have to do overtime shifts. The characteristics of the enterprise and their occupations [as assembly line workers] make overtime shifts mandatory...this is a mutual choice. They can choose those companies which allow them to work only in the day...”

(Interview 22)

This section identifies two perceptual barriers which have constrained the

agency of union leaders in managerial unions: managerial mentality and legalistic interpretation of rights. Managerial unions refrain from supporting the interest-based claims of their employees in order not to confront the management. As a result, managerial unions function as supplementary departments of enterprises. They are unable to challenge managerial authority in setting wage standards, work hours, and other key aspects of employment relation.

5.4 Union Leaders and the Intra-case Variance of Managerial Unions

The constrained leadership does not mean that managerial unions are irrelevant to workers. This section explores the intra-case variance of managerial unions in order to shed light on the impact of union leaders on union development in a management-dominated environment. Based on an intra-case comparison of 9 managerial unions, I argue that union efficacy varies with the variance in the agency of their union leaders, when structural factors are held relatively constant. The more competent and active union leaders are, the more likely it is that managerial unions develop a broader set of functions in favor of employees.

TABLE 5.1 compiles the data of 9 unions which has been used in this

chapter to provide a birds-eye view of the intra-case diversity of managerial unions. The intra-case analysis seeks to isolate the causal impact of union leadership on union efficacy. The control variables include ownership of hosting enterprises, industry, number of employees, year of and reasons for union registration, relation between enterprise unions and their parent official unions (union-state relations), and condition of union due contribution. Their ownership encompasses private, public-holding and foreign-invested. These enterprises specialize in various industries and sectors, ranging from manufacturing to tertiary industry. As the table shows, the lifespans of these unions vary significantly. The unions hosted by public-holding enterprises tend to have a much longer lifespan than those hosted by private enterprises and FIEs. The unions with a more developed form tend to be hosted by the enterprises with more than 1000 employees, whereas the enterprises with a smaller size such as employing a few hundreds tend to host less organizationally developed unions. The concern of legitimacy is the primary reason which drives these enterprises to accept unionization. Most enterprises pay union dues regularly.

TABLE 5.1 An Intra-case Analysis of Managerial Unions

Controlled variables					IV	DV			Remarks
Code and ownership	Industry; number of employees	Year and reasons of union registration	Relation with official unions (State intervention)	Payment of union dues	Agency of union chair	<i>Resource transfer</i>	<i>Union fund usage</i>	<i>Organizational development</i>	
PEU-2; private	Jewelry manufacturing; 300 (labor intensive)	2010; legitimacy	Regular contact. Cooperative.	No.	A weak middleman; <i>reluctant to persuade union due payment</i>	Educational, recreational resources	N.A.	Minimal. Only staffed by union chair	Minimally active
PHU-1; Public-holding	Glass manufacturing; 100	1995; legitimacy	Infrequent contact	Yes.	A weak middleman; <i>legalistic interpretation of rights</i>	Educational, recreational resources	Recreational activities	Basic structure, routine established.	Minimally active; the chair refused to support the interest-based claims of their employees
TAI-2; Foreign-invested	Catering service; 1300 (labor intensive)	2012; legitimacy, corporate development	Infrequent contact; half-heartedly cooperative	Yes.	Active middleman; full time	Educational resources	Occupational health; recreational activities	Primitive structure established. Created sub-organizations	Relatively active because of the chair
JAP-2; Foreign-invested	Optical electronics manufacturing; 4000 (labor	2007; legitimacy	Infrequent but regular contact	Yes.	Active middleman; <i>persuaded the enterprise</i>	Educational resources	Recreational activities	Full-fledged structure. Created sub-organizations	Relatively active; the union does not support the

	intensive)				<i>to abide by law</i>				interest-based claims of their employees
SIN-1; Foreign-Invested	Electronics; 2000 (labor intensive)	2003; legitimacy	Infrequent contact but highly cooperative	No.	Active middleman; <i>Actively persuaded the boss to consider paying union dues</i>	Educational resources	N.A.	Full-fledged and stable structure. Created an institutional space for discussing union policies	Relatively active; the chair did not support the interest-based claims of their employees
PEU-3; private; listed	Original equipment manufacturing; 2000 (technology-intensive)	2000; corporate development, legitimacy	Regular contact; highly cooperative	Yes.	A reluctant middleman; <i>managerial mentality</i>	Educational, recreational resources	Recreational activities	Basic structure, routine established.	Relatively active because of the heavy overlapping between union work and HRM
PHU-2; State holding; listed	Previously manufacturing, now service industry; employee number unknown	1996; legitimacy	Seldom contact	Yes.	A weak middleman; <i>managerial mentality</i>	Educational resources	Recreational activities	Basic structure, routine established. Regularly held union election	Minimally active
PHU-3; State-holding	Construction supervision service; employee number unknown	1994; legitimacy	N.A.	Yes.	Assertive middleman; <i>persuaded the manager to abide by the law</i>	N.A.	Recreational activities	Basic structure, routine established. Regularly held union election	Relatively active; promote industrial democracy

PEU-4; Private	Electromagnetic shielding material manufacturing; 1000 (labor intensive)	2007; legitimacy; resource	Frequent contact; weekly	Yes.	Active middleman; <i>Actively cooperated with its parent official union</i>	Educational resources; recreational resources	Recreational activities	Basic structure, routine established. Attempted further institutionalization with guidance from its parent official union	Active; the union does not support the interest-based claims of their employees
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SOURCE: my fieldwork data

The state variable, the frequency of contact between enterprise unions and their parent official unions, has an ambiguous impact on union efficacy. There are only two cases (PHU-1 & PHU-2) in which the correlation between state intervention and union efficacy is positive, as the infrequent contacts between the enterprise unions and their parent official unions correlate with lower levels of union efficacy. In three other cases (TAI-2, JAP-2 & SIN-1), the infrequent contacts between the enterprise unions and their parent official unions do not seem to affect union efficacy. This might suggest that, when enterprises abide by the law and enterprise unions acquire a stable organization and functions, the impact of the state variable seems to be attenuated. The state might have fewer justifications to intervene in factory regime of unionized enterprises. As a result, the causal weight tilts towards agency of union leaders, when the two structural factors are held constant. Without an active union leadership, the state variable alone cannot create better unions. I encountered a case of weak union leadership which undermines union efficacy. The union chair was concurrently a logistics staff of her company. Her daily duty was managing workers' dormitories and maintenance. Thus, it became very difficult for the official unions to empower her because of her position as a mid-lower staff in her company. The union chair had to carefully handle the relationship between her enterprise and the official unions and she could not afford annoying the enterprise owner, her

boss, over issues such as union due contribution.

The agent-level variable, the agency of union leaders, stands out as it correlates strongly with the variance in union efficacy. In 5 out of 9 cases (TAI-2, JAP-2, SIN-1, PEU-3 & PHU-3), the active agency of union leaders is correlated with a higher level of union efficacy. As the following subsections will show, union leadership boosts union efficacy in a management-dominated environment. These union chairs are capable of making their unions an institutionalized platform for discussing and debating industrial relation policies to promote a limited degree of industrial democracy within their enterprises. Some others have undertaken initiatives to create sub-organizations within their existing unions in order to reach out to grassroots employees. Staffed by competent union leaders, enterprise unions can also supervise their hosting enterprises to comply with state policies.

Promotion of a limited degree of industrial democracy

Competent union leaders can promote a limited degree of industrial democracy by institutionalizing their unions as a platform for discussing and debating union policies within their enterprises. As mentioned before, union

due collection often generates tensions between unions and management. Hence, union leaders tend to be very reluctant to raise the issue to the management. Nevertheless, competent union leaders can handle this sensitive issue properly to allow a democratic discussion before the final decision is made. A union staff recalled that their union chair once summoned a meeting of their union committee to discuss union due contribution (Interview 9). During the meeting, the committee was divided between the junior managers who were close to the assembly line workers and the mid-level managers who aligned closely with the management. The junior managers were enthusiastic about having an independent union fund, which would allow the union to fund its own activities. The mid-level managers, on the other hand, showed a greater concern on the cost which would be born by the enterprise. Although in the end the union adopted the opinions from the mid-level managers to decline union due contribution, the democratic discussion itself did provide an opportunity for soliciting the opinions from different stakeholders and a collective deliberation on industrial policies.

Supervision of law compliance

In public-holding enterprises and large FIEs, unions are institutionalized as a part of corporate structure.³³ These unions can play a role in supervising the compliance of enterprises to state laws and policies. In public-holding enterprises, this union function has been weakened since the SOEs reform, which elevated managerial authority above party committees and enterprise unions (Cai, 2006). Nevertheless, we can still find that some union chairs have managed to preserve their unions' independence from managerial encroachment by leveraging their institutional status as guaranteed in the law. A union chair from a public-holding enterprise told me of a recent incident in which he had confronted a general manager of his firm over a union election (Interview 27). The general manager stayed overseas for many years and knew little about the Trade Union Law in China. Assuming an authority over the enterprise union, he attempted to interfere with the upcoming union election by nominating a candidate. When the union chair warned him of the illegal interference, the manager was very enraged, saying: "The union is this enterprise's union! Why I cannot interfere?!". The two nearly ended up in a fight. In the end, the union chair's warning took effect on the manager, who eventually withdrew himself from the election. The lesson to be learnt from this incident, according the union chair, is that union leaders need to act

³³ In public-holding enterprises, enterprise unions are led by their enterprises' party committees.

assertively to overcome managerial interference resultant from the market reform. Thus, even when structural factors such as market and state institutions become unfavorable to unions' autonomy, agency of union leaders can still change the shop-floor dynamics.

Similarly, in large FIEs, union chairs play a supervisory role in ensuring the compliance of their hosting enterprises with the law. JAP-2's hosting enterprise is a Japanese MNC, which employs more than 4,000 employees in Shenzhen. JAP-2 was registered in 2007. Throughout the years, the enterprise union has acquired a stable development, with 85% of the employees joining the union. One of the union committee members told me the union had played a consultative role in many of the enterprise's decision-making processes (Interview 7). A recent achievement was the union leadership successfully persuaded the Japanese management to comply with a newly enacted policy on public holidays. The new policy established September 3rd of every year as a public holiday for commemorating the victory of the Anti-Fascist War (the Second World War). The company initially attempted to evade the policy. Nevertheless, after hearing the complaints from many employees, JAP-2's chair and vice-chair negotiated with the management, which eventually persuaded the latter to fully comply.

Organizational innovation

Competent union chairs can also facilitate the organizational innovation of their unions by creating sub-organizations within the existing unions in order to better serve their employees. Some of their initiatives have gone beyond the laws and policies. Many enterprise unions are organizationally distant from their grassroots employees, because their organizational structures are too nascent to reach the lowest echelon of their companies' hierarchy. Thus, some active union leaders managed to overcome this organizational distance through brainstorming initiatives to attend to the needs of their employees. A union chair told me about her initiative to create union teams in her company's 38 chain stores in order to reach out to their grassroots employees. In each chain store, a team leader was selected from senior employees to represent grassroots employees. The union chair expected these union teams to function as the information-exchange knots that connected all the chain stores to the corporate headquarter. The structure would encourage grassroots employees to participate in union-organized activities such as those related to corporate social responsibility. Interestingly, her initiative was neither stipulated in the Trade Union Law nor inspired by the official unions. It was her brainchild. The union chair believed that the inputs from these team leaders were essential

for the proper functioning of the enterprise union and its hosting enterprise, as she commented as below:

“The first is to show our attention to our grassroots employees, including senior ones. The second is...in the future union welfare will be allocated to them. They are on top of the list. The third is...since they assume the position, they must make good suggestions to the enterprise, collecting [employees’] opinions, participating in corporate responsibility activities...working together with the enterprise union.”

(Interview 24)

5.5 Conclusion

Managerial unions function as an institutionalized channel for transferring resources and information from the official unions to their host enterprises, a mechanism for promoting fringe welfare of their employees and a limited degree of industrial democracy at the shop floor level. More and more enterprises are open to unionization out of their concerns on legitimacy or resources. As a result, managerial unions emerge from those enterprises which

perceive unionization as a resource, intangible or tangible. However, their union chairs' constrained agency predisposes them to prioritize managerial interest over the interests of employees and the state. Most union leaders consider the role of their unions as limited to promoting the fringe welfare of their employees and supervising the law compliance of their enterprises. They refrain from supporting the interest-based claims of their employees. As my analysis has shown, managerial mentality and legalistic interpretation of rights are the two perceptual barriers to explain the reluctance on the part of union leaders in supporting employees' interest-based claims. In short, managerial unions do not possess collective action power, which enables them to bargain with employers. Despite their inability to support the interest-based claims of their employees, managerial unions are not irrelevant to workers. As **TABLE 5.1** has shown, the more active and competent union chairs are, the more likely managerial unions are to have a higher level of efficacy in terms of promoting fringe welfare of employees and soliciting their opinions in corporate governance.

Nevertheless, managerial dominance in managerial unions does not preclude contestation. As this chapter has shown, managerial unions create a platform for low-intensity contestations between capital and the state through influencing the direction of union development. These low-intensity

contestations inject a modicum of industrial democracy into shop floor relations. The official unions often encourage enterprise union leaders to contest with the management on some corporate decision-making processes in relation to unionization. In many cases used in this chapter, the state relies on these grassroots agents to push through its policies in the private sector. For example, if the official unions succeed in persuading enterprises to pay union dues, both the state and employees will benefit from an extra source of funding. If their persuasion fails, the state still sets off a ripple among private firms by informing them labor policies. In the meantime, competent union leaders can take up their own initiatives to make their union better serve their employees and enterprises. Thus, the internal politics of managerial unions is very dynamic, full of contestations and compromises. It indicates that managerial unions are not managerial tools irrelevant to workers. They can become a platform for low-intensity contestations between capital, workers and the state on union development in a management-dominated environment.

CHAPTER 6 PROTO-ECONOMIC UNIONS

6.1 Introduction

This chapter investigates the mechanism of formation and intra-case variance of proto-economic unions. Proto-economic unions³⁴ are enterprise unions which have acquired collective action power. This power enables them to initiate, organize, and coordinate collective actions to support their employees' interest-based claims such as wage increases and severance pays. Past research have suggested that enterprise unions in China are unlikely to acquire collective action power because the dual institutional constraints imposed by the Leninist state and capital (Chen, 2007, 2015; Friedman, 2014).

Based on a larger number of and more representative cases, I argue that proto-economic unions have emerged in the Leninist state. Both structural and

³⁴ In creating this definition, I add the prefix “proto-” to “economic union” to suggest that some unions in China are becoming similar to the economic unions in industrial democracies in terms of their key functions. In the past, the Socialist unions were part of state apparatus and were deprived of the right to organize collective actions to make economic demands on enterprises. Thus, they were distinct from the typical unions in industrial democracies, which represented the economic interests of their membership. As I argue, the state-sponsored unionization has led to the emergence of unions that are capable of making the interest-based claims on behalf of employees. However, I refrain from calling them “economic unions” because their evolution is incomplete due to the institutional confine imposed by the Leninist state. The right for the unions to stage industrial actions is still in a political limbo. Thus, I add the prefix “proto” to “economic union” in order to show that proto-economic unions have to maneuver their collective actions in this political limbo. The Leninist state has the authority to arbitrarily expand or contract the space of and shapes the outcome of labor protests. This climate of political uncertainty forces union leaders to navigate union mobilization in a narrow safety zone vaguely defined but vigilantly patrolled by the state.

agent-level factors have contributed to their emergence. These unions emerge in enterprises which are friendly to industrial relation policies, because their host enterprises value their social legitimacy. Equally important is their effective union leadership in interest aggregation, collective bargaining and organizational discipline. Especially in protests, this leadership makes a negotiation between labor and capital possible and elicits state sympathy and support to these unions' causes.

Proto-economic unions adopt two mobilization strategies: conciliatory collective actions (e.g. collective wage bargaining) and confrontational collective actions (e.g. strikes and petitions). Without resorting to strike pressures, the unions can organize conciliatory collective actions to support employees' interest-based claims, if their host enterprises are willing to cooperate and their union leadership is effective in interest aggregation, collective bargaining and organizational discipline. When these enterprises refuse to bargain with their unions, these unions have to organize confrontational collective actions to elicit state pressure on capital.

This chapter is organized as following. Section 6.2 introduces the institutional features of proto-economic unions. Section 6.3 analyzes proto-economic unions in mobilizing conciliatory collective actions. Section

6.4 analyzes proto-economic union in mobilizing confrontational collective actions in two cases with contrasting outcomes. Section 6.5 is the conclusion.

6.2 Proto-economic Unions: Collective Action Power as An Institutional Advantage

Proto-economic unions are distinct from two other variances because of their possession of collective action power. Namely, the unions possess an ability to mobilize conciliatory or confrontational collective actions to support the interest-based claims of their employees. This unique institutional advantage arises from their union leaders' strong agency as labor representatives. These leaders regard the interest of employees on a par with managerial interest. They are sympathetic to employees. The following section, section 6.3, will introduce conciliatory collective actions before turning to confrontational collective actions in section 6.4.

6.3 Proto-economic Unions in Mobilizing Conciliatory Collective Actions

Conciliatory collective action becomes a possible strategy for proto-economic unions only when two pre-conditions are met. First, host enterprises are friendly to collective employees' representation and regard their enterprise unions as representative organs of their employees. In my research, such enterprises tend to be headquartered in countries friendly to collective employees' representation or they desire for an indigenous development in their host countries. These enterprises tend to be open to the unions' inputs in their corporate decision-making processes. Second, union leaders are capable of aggregating employees' interests and engaging in collective bargaining. Unless an effective union leadership emerges, a friendly corporate culture alone does not offer a solution to labor-capital disputes. After the two preconditions are met, a settlement can be negotiated between the enterprises and the unions.

6.3.1 Managerial Perception: Unionization as A Resource

The cases of FRE-1 and KEA-1 are particularly illuminating of the process in which proto-economic unions achieve wage increases through mobilizing conciliatory collective actions. Their hosting enterprises are union-friendly and have supported the institutionalization of union functions, e.g. holding regular union elections and contributing to union funds. For these firms, unionization is an intangible resource which increases their social legitimacy in China.

FRE-1's host enterprise, Time Factory, is French-invested and specializes in watch manufacturing. The enterprise is a subsidiary of Montrichard Group, a watchmaking MNC which has offices in multiple countries and regions. Montrichard divides its production between China and Switzerland. While most of its products are manufactured in Shenzhen, Montrichard liaisons technical supports from its Swiss subsidiary to conduct a quality control & inspection of the production in its Chinese factories. In China, Time Factory recruits migrant workers, skilled and unskilled, to assemble imported parts and components of timepieces and exports all the final products to overseas markets. As a supplier of AVON and Walt Disney, the factory's production is inspected regularly to meet the requirements of corporate social responsibility

(CSR). AVON, for example, sends labor inspectors to Time Factory before placing its orders. If the factory fails to meet the CSR qualification, AVON will withhold or cancel its orders. When I visited Time Factory in 2015, I noticed that all CSR requirements were posted on the company's notice board, which indicated the stringent CSR principle the company was held to.

Thus, it is not surprising that Time Factory's management is open to unionization. According to FRE-1's union chair, the enterprise union was established in 2012, after the official unions persuaded the enterprise owner, a French national (Interview 30). As a French, the enterprise owner surely had some prior knowledge of unions, as France was one of those countries which boasted a culture of collective employees' representation. For him, unionization in China seemed attractive, as it could facilitate the communications between the management and the workers. Seizing this opportunity, the official unions tried their best to propagate the idea that unions in China brought industrial peace rather than confrontation, which would eventually reduce strikes and other disruptive individual or collective actions resultant from workplace miscommunications. With the consensus reached, Time Factory's owner agreed to establish FRE-1.

The second union, KEA-1, is hosted by Samsung Telecommunication

(Shenzhen) Co., a subsidiary of the Korean conglomerate: Samsung Group. My fieldwork at KEA-1 would have been impossible without the help from a vocational training agency with which the union has worked closely. Unlike my visits to most other unions which only allowed me less than one hour to interview people, my visit to KEA-1 was quite formal and was warmly received. Upon my arrival at the enterprise, two union staff came to welcome me and escorted me to their union office where our meeting was held. They spent the whole morning with me to answer my interview questions. After the interview, they invited me to have a lunch with them at their enterprise's canteen.

Korean enterprises, especially SMEs, had a bad reputation among Chinese workers for their despotic factory regime, which was extremely abusive, disciplinary and inhumane (Chan, 2001). However, with their further integration into Chinese society, some larger enterprises such as Samsung have started to develop a localized management style which aims for creating an amicable enterprise-community relationship in China (Won, 2007, pp. 322–323). Aiming for such an indigenous development, the Samsung Group has cultivated a unique enterprise culture among all its subsidiaries in China. As commented by Won-Kie Chang, President for Greater China Region of Samsung Group, Samsung's long-term strategy in China is to create “the

second Samsung” (China Samsung Social Responsibility Report, 2013). This is reflected in its corporate slogan, which states that “to become the enterprise loved by Chinese people; to become the enterprise contributing to Chinese society”.

As one path to this goal, Samsung Telecommunication attempts to institutionalize a democratic management through supporting the development of its enterprise union, KEA-1, to become a bridge between their employees and the management. Because of the empowerment from the company, KEA-1 has initiated and participated in a wide range of union and corporate activities such as holding monthly meeting for employee representatives and organizing the CSR activities. The union staff whom I interviewed told me that KEA-1 had played such an indispensable role in corporate governance because of the trust between the union and its host enterprise (Interview 32). This mutual trust grants KEA-1 a considerable autonomy in performing various functions alone or in conjunction with other departments.

The above information shows that a friendly enterprise culture can provide a comfortable space for union development, laying a foundation for union-led conciliatory collective actions.

6.3.2 Agency of Union Leaders: Labor Representatives

As argued earlier, a friendly enterprise culture alone does not produce union activism if an effective union leadership is absent. For proto-economic unions to launch conciliatory collective actions, a leadership is required to aggregate the interest of employees and engage in collective bargaining with employers. I conceptualize the agency of these union leaders as labor representative. Being a labor representative means that a union leader regards the interest of employees on a par with that of the management. These leaders are strongly incentivized to represent their employees to bargain with employers. The following comments from one of the these union leaders particularly accentuated his mentality of being a labor representative:

“I have so many employees who are from other parts of the country. They should have someone to speak on their behalf. Otherwise, who protects the interest of such a huge group of people? The union is to safeguard their interests. Therefore, there must be someone to become the leader; I become the leader.”

(Interview 14)

As labor representatives, union leaders aggregate demands of employees

and then bargain with management in order to maximize their relative gains. In the case of FRE-1, the union chair, Mr. Xu (pseudonym), was pivotal in achieving wage increases for the employees. Mr. Xu was a veteran and a member of the CCP, who was re-elected last year as the union chair. In our conversation, he described his position as a responsibility he was obliged to take. In 2014, the statutory monthly minimum wage in Shenzhen was increased to RMB 1,800 (USD 275). Although Time Factory's base salary at the time was higher than this minimum wage, Mr. Xu began to hear complaints from many employees. Thus, he convened a meeting with line leaders and workers to solicit their opinions on the amount of increase they expected. After collecting the employees' opinions and investigating the industry-wide wage standards, Mr. Xu proposed an increase of RMB 350 (USD 54) for skilled workers and RMB 250 (USD 38) for general workers³⁵ per month. After the meeting, FRE-1 sent its proposal to the management. In response to the proposal, the enterprise owner sent a delegate to negotiate with FRE-1 and put forward a query to the union: the reasons the employees asked for wage increases. Responding to the management's query, Mr. Xu emphasized that the statutory minimum wage was hardly sufficient to sustain the livelihood of most employees. A timely wage increase was necessary to catch up with the fast increase of living expense in Shenzhen. Thus, he urged

³⁵ General workers are the workers who have no specific set of skills and ready to sell their labor at a low price.

the management to offer a living wage to its employees, which is, a wage level not only sufficient to support the employees themselves but also their families. Upon receiving Mr. Xu's justifications, the management conducted its own investigation and finally reached the same conclusion as FRE-1. Commenting on the entire experience, Mr. Xu remarked that the creation of the enterprise union had brought a remarkable transformation of the shop-floor relations in the enterprise. FRE-1 had succeeded in aggregating the individual claims of employees into a collective claim of the union. Prior to the union came into being, Time Factory had no collective mechanism for wage negotiations. As a result, the employees had to negotiate with the management individually. They staged stoppages or strikes to pressurize the management, when the latter failed to address their demands. Now, under Mr. Xu's leadership, workers' spontaneous and unorganized resistance had made way to conciliatory collective actions led by the union, which significantly reduced the number of shop-floor conflicts resultant from wage stagnations and other workplace grievances.

Similarly in KEA-1, collective wage bargaining was made possible because of the union leadership. KEA-1's committee member, Mr. Nian (pseudonym), showed me their union's achievements in collective bargaining in the past four years (Interview 32). It showed that Samsung Telecommunication made wage

increases on an annual basis. The company's wage increase rate was respectively 9.4% in 2011, 9.88% in 2012, 13.56% in 2013 and 16.52% in 2014. The 3% increase between 2013 and 2014 was resultant from the collective wage bargaining between the enterprise and the union. Mr. Nian told me that KEA-1 had disagreement with the rate proposed by the management and insisted on their own proposal. Nevertheless, this disagreement did not lead the union to confront the management. The two parties instead sought to communicate their different opinions and exchange evidences with each other in order to decide an appropriate rate of wage increase.

A tentative conclusion can be drawn from the above two cases. It only becomes possible for proto-economic unions to organize conciliatory collective actions when two pre-conditions are satisfied. First, host enterprises are friendly to collective employees' representation and regard enterprise unions as representative organs of the majority of their employees. In this scenario, enterprises tend to trust their enterprise unions and are willing to listen to their suggestions in order to preempt costly industrial conflicts such as strikes. The second precondition is a strong agency on the part of union leaders. Unless an effective union leadership emerges to aggregate employees' demands, communicate these demands to, and subsequently negotiate with the

management, a friendly corporate culture alone cannot lead to an efficient and amicable solution of labor-capital disputes over interest-based claims. Nevertheless, in most circumstances, the first precondition often is not present. When facing interest-based claims from employees, enterprises often refuse to negotiate with workers and unions. As a result, proto-economic unions have to mobilize confrontational collective actions such as strikes and petitions to pressurize capital and the state into response.

6.4 Proto-economic Unions in Mobilizing Confrontational Collective Actions

Most industrial conflicts start when enterprises refuse to bargain with their employees and unions. Capital's arrogance prompts unions to mobilize strikes or petitions to wrestle concessions from capital. In the Leninist state, union leaders have to weigh state intervention in their calculation of mobilizing strategies, because it is the state which arbitrates the legality of their mobilization and intervenes in critical moments to either support their claims or constrict their mobilizational space. In practice, proto-economic unions and grieved workers actively seek state intervention as a source of legitimacy to justify their mobilizations. The unions and workers also seek state intervention as a source of empowerment, which creates a counterbalancing point to capital

in their collective resistance. In short, the central argument here is that the state is a key ally sought by proto-economic unions and workers in their confrontational mobilizations. The unions mobilize confrontational collective actions to pressurize capital while at the same time seeking to elicit the state's support to their causes.

6.4.1 Exerted State Intervention

Once a union mobilization spills over into streets, state intervention becomes essential as it significantly shapes their outcomes. In general, the political environment in China has not been friendly to collective actions since 1980s. Perceiving social unrests as a source of political instability, the CCP has attempted to legally and politically constrict the space of collective actions resultant from socio-economic dislocations or political dissents. In 1982, the right to strike was dropped from the Constitution³⁶, leaving confrontational industrial actions in a legal and political limbo. The Chinese government categorizes confrontational industrial actions indiscriminately as “collective incidents” (群体性事件) along with all other kinds of social unrests. In the subsequent years, the state elevated social stability to a top priority of its

³⁶ Constitution of the People's Republic of China (1982), Accessed from: <http://china.usc.edu/constitution-peoples-republic-china-1982>

national policy and sought to coordinate with all party authorities in containing social unrests and crimes (Wang & Minzner, 2015, p.349). As a result, preemption, containment and dissipation of collective incidents have become a primary task of local governments. Stability maintenance has been given a heavy weighing in the performance evaluation of party cadres (Gao, 2015).

Nevertheless, the withdrawal of constitutional protection has not dampened workers' resolve in resisting the encroachment of market force. The extant literature has extensively documented state workers' and migrant workers' protests which sought to elicit the state's sympathy and support to their grievances (Lee, 2000; Cai, 2006; Lee, 2007; Chan, 2010; Friedman, 2014). More important, these researchers uncover a pivotal yet contradictory role of the Leninist state in its handling of social unrests. On the one hand, the state seems to demonstrate a strong incentive in dissipating social unrests which endanger regime legitimacy and social stability. On the other hand, they also find that the very procedure through which the Leninist state maintains stability sometimes legitimizes the claims of grieved citizens. As Perry & Selden (2000) contend, local governments simultaneously constrain and enable social resistance:

“In short, while local officials frequently crack down on popular

resistance, in numerous cases their leadership is instrumental in shaping, legitimizing and articulating the demands of social movements, and in some instances in networking with state officials on behalf of local interests.” (p.11)

Thus, I argue that it becomes possible for enterprise unions to mobilize confrontational collective actions, if they can obtain legitimation from the state. I identify two ways in which state intervention shapes the processes and outcomes of confrontational collective actions. In the first way, the Leninist state arbitrates the legality of union mobilization. Although the state does not encourage union leaders to mobilize labor protests, it tolerates union activism so long as it restores the order in an otherwise chaotic gathering. By granting or withdrawing legitimacy to unions and their staff, the state is able to exert some control over union-led collective actions. In the second way, the state pressurizes capital in order to induce the latter into making a modicum of concessions to grieved workers. Pressurizing capital may alleviate the state’s costs in maintaining social stability.

Arbitrating legality of union mobilization

The state's arbitration is evident in two ways in which the Leninist state grants legitimacy to unions. First, as the state endows legitimacy to unions, it is less likely to repress labor protests led by legitimate, state recognized unions. Thus, a union mobilization is less likely to induce state repression if the union acquires legitimacy, as endorsed by the official unions, prior to its mobilization. Being officially recognized by the state also means that the union has a legitimate representation of employees in the eyes of the government. Second, the state arbitrates the legality of collective action processes, expanding and contracting the operational space of union mobilizations. Labor protests, because of their combustible nature, are closely watched by and placed under the surveillance of the public security authority. It is necessary for union leaders to maneuver their mobilizations in a narrow safety zone, the boundary of which is vaguely defined but vigilantly patrolled by the state.

The state simultaneously expands and constricts the operational space of union mobilizations. As the only authority that grants legitimacy to unions, the state is able to exert some control over the collective action processes by inducing union leaders and workers to reconcile with capital at critical moments. In other words, while the state-granted legitimacy can shield unions from repression, it also allows the state to de-radicalize the claims of unions

and workers and induce them to seek reconciliation with capital.

Pressurizing capital

In order to reduce its own cost in maintaining social stability, the state has its own rationale to pressurize capital into making some concessions to workers. Industrial conflicts tend to erupt when enterprises refuse to meet the demands of their employees. Thus, in a logical sequence, it shall be these enterprises bearing a prior responsibility to resolve industrial conflicts with their unhappy employees through negotiation, bargaining or whatsoever means, rather than having the state involved at the very beginning of their disputes. On the part of the state, maintaining social stability consumes a lot of its resources, because local governments have to dole out material rewards to grieved citizens in an exchange for a quick appeasement of social unrests (Lee & Zhang, 2013). If more employers shirk their prior responsibility in negotiating with labor, it will inevitably incur a higher cost on local governments (Interview 34). Thus, the Leninist state has an incentive to pressurize capital into making some concessions to grieved workers in order to reduce its own financial burden in handling labor protests. However, as we can see in the two case studies, pressurizing capital is much more difficult than

pressuring unions and workers.

6.4.2 Agency of Union Leaders: Labor Representatives

Without a constitutional protection, the terrain of labor protests is a legally and political contested, in which the state arbitrarily expands and constricts the operational space of union mobilizations. Representativeness is hardly a sufficient qualification for union leaders to lead union mobilizations to their success. Their ability to maneuver collective action processes in a political uncertainty is the key to assure the state that their mobilizations will not go off the rails and jeopardize social order valued by the latter.

In this section, I use a more sophisticated indicator, union control, to measure the representativeness of union leaders and to predict the trajectories of labor unrests. Leadership's representativeness is generated in union elections, often prior to the actual processes and outcomes of collective actions. Thus, it may not be effective in predicting these leaders' representativeness in the process of collective mobilizations such as strikes or petitions, when workers are more difficult to organize and more opportunistic in actions. Instead, I use *union control* as the indicator to measure union leaders' agency during confrontational collective actions.

Union control in confrontational collective actions

Trade unions tend to develop into bureaucratic and hierarchical organizations (Lipset, 1956). As the size of unions increases, it becomes more difficult for local union units and members to constitute an effective opposition to union officials at the top. The organizational expansion of unions increases the difficulty in their membership control. Only in a few cases, union members used referendums or institutionalized party systems to make union policies responsive to membership instead of to union bureaucrats. In China, by contrast, the problem is not membership control but union control. It is difficult for many enterprise unions, including those holding regular elections, to control their membership, especially during labor protests. Currently, two explanations are given to the ineffective union control in Chinese enterprise unions. The first explanation is that enterprise unions lack legitimacy to represent workers in collective actions and as a result workers resort to wildcat strikes as a more effective means to make demands on capital and the state (Friedman, 2014). However, Friedman's account cannot explain the circumstances in which union leaders fail to control membership even when they were previously democratically elected. Thus, I offer a second

explanation, which places an emphasis on union leaders' ability in controlling collection action processes, regardless of whether they were elected prior to or are elected amid industrial conflicts.

In order to enable a sophisticated comparison of the two selected cases, my research analyses three aspects of union control. They are the key mechanisms which explain why agency of union leaders is so crucial in determining the ways in which a union mobilization is settled. The first mechanism is *interest aggregation*. This is the precondition for unions to initiate negotiation or bargaining with employers. After gathering relevant information and aggregating the interest of employees, union leaders identify the locus of employees' overlapping interests. Unions' information gathering and interest aggregation also enables their host enterprise to identify core demands of employees and to calculate cost of making concessions. With an effective interest aggregation on the part of unions, the state is also better informed of workers' grievances and demands in making its decision on intervening at critical circumstances and timing. The second mechanism is *organizational discipline*. This mechanism requires union leaders to maintain a unity among protesting workers, which aligns their actions with union goals throughout the whole collective action process. Effective union leadership disciplines protestors' actions to minimize their opportunistic behaviors such as engaging

vandalism or creating chaos in wildcat strikes. The third mechanism is *union-state connection*. Unions need to obtain state recognition in a time-sensitive manner in order to justify every step in their mobilizational processes, or to re-adjust their strategies to reconcile with capital. Amid a political uncertainty, it is necessary for unions to constantly seek recognition from the state in order to avoid its repression while at the same eliciting state support to their causes. Besides, union-state connection enables the state to establish a point of contact with grieved workers at critical junctures of their mobilization in order to understand the nature and justification of their actions.

In short, union leadership co-determines the processes and outcomes of confrontational collective actions with the state. Proto-economic unions which are able to aggregate employees' demands, have an effective organizational discipline and a strong connection to the state, tend to elicit state support to their causes. Proto-economic unions which are unable to aggregate employees' demands, have a low organizational discipline and a weak connection to the state, tend to end their mobilizations in a failure.

6.5 Success and Failure of Confrontational Collective Actions: A Comparison of Two Cases

This section traces the processes of the two union mobilizations to demonstrate their union leaders' strategic roles in steering collective action processes, which eventually led to their contrasting outcomes. The two cases, ASU-1 and AME-1, share commonalities which enable a systematic comparison of their mobilizations. They are representative of the recent, average-scale labor protests. Their host enterprises were FIEs, labor-intensive manufacturers, and employed an average number of employees between 100 and 1,000. Their average sizes make them representative cases for studying union-led collective actions, as it would be organizationally difficult for unions to mobilize collective actions in enterprises which have less than 100 employees or more than 1,000 employees (CLB, 2014, p. 21). Both protests were triggered by plant streamlining or closure, which followed the 2008 financial crisis.

The two plants underwent different patterns of transition. Hit by the financial crisis, the first enterprise (AME-1's host enterprise) planned to cut its manufacturing department, which involved removing all its assembly lines and manufacturing workers. The second one (AUS-1's host enterprise) underwent an ownership transfer, which converted itself from a MNC subsidiary to a joint-venture enterprise. However, it promised to retain all its employees under the same employment condition. In response to these

economic uncertainties, the workers of both enterprises staged protests and petitions to demand a severance pay³⁷ from the management, which asked for compensations beyond what has been required in the law. During the two protests, enterprise union leaders tried to aggregate the interests and demands of their employees, organize and discipline their actions, and propose solutions to solve the industrial conflicts. In the end, their mobilizations led to contrasting outcomes. One mobilization succeeded and the other one failed.

However, before analyzing the two cases, the next subsection will introduce the industrial upgrading in the Pearl River Delta as well as the legal reform around the 2008 global financial crisis which gave rise to the interest-based claims of workers. The two structural changes set the legal and economic backgrounds of the two cases under comparison and analysis.

6.5.1 Economic Background: Industrial Upgrading in the Pearl River Delta

The 2008's global financial crisis triggered a drastic re-adjustment in China's macro-economic policies. The crisis has made an industrial upgrading based

³⁷ Severance pay is the compensation paid to workers upon termination of employment or lay-offs. Because job displacement has a significant and sustained impact on employees' earning reductions (Couch & Placzek, 2010), in many countries severance pay has been included in labor law, which sets the conditions and measures of calculation.

on technological innovation imperative in the eyes of Chinese government. For Southeastern provinces which traditionally relied on their labor-intensive and export-driven sector, this transition has posed a tremendous challenge to their regional governments and local enterprises.

Guangdong is one of the typical cases. The past prosperity of this province was primarily contributed by its processing trade sector which produced manufacturing products for foreign markets.³⁸ Guangdong was extremely reliant on its processing trade sector. It was estimated that 70,000 out of 90,000 processing trade enterprises in China were located in Guangdong (Guangdong Yearbook, 2008). After China joined the World Trade Organization in 2001, Guangdong's processing trades boomed and greatly enriched the regional government's coffers. At the same time, the prosperity based on the booming processing trade sector made Guangdong economically dependent on foreign investments and markets. In 2002 report of the Guangdong party committee, the then party chief, Zhang Dejiang (张德江) pointed out that the province's reliance on its processing trade sector was simultaneously an advantage and a weakness (Guangdong Yearbook, 2003).

As an advantage, this sector did significantly contribute to the economic

³⁸ Between 2002 and 2007, the region's reliance on processing manufacturing spread to technology-intensive industry – electronics & telecommunication (电子信息) and electrical equipment and machinery (电气机械), which later became the two pillar manufacturing industries. In 2002, the sales incomes of the two pillar industries amounted to 575.2 billion RMB in total, which constituted 36.1% of the sales income of the whole manufacturing sector (Guangdong Yearbook, 2003). Their share of sales income increased to 40% in 2007 (Guangdong Yearbook, 2008).

growth of the region. As a weakness, it made the province dependent on foreign markets, technologies and other uncontrolled factors beyond the border of China. Although Guangdong's structural dependence caught the attention of the provincial party chief, the provincial government did not come up with any policy initiative to revamp the local economy prior to 2008.

Thus, when the global financial crisis struck in 2008, Guangdong was caught off guard. According to a 2009 report of International Monetary Fund, the 2008's crisis contracted global economy, leading to a severe loss in consumers' purchasing power in developed countries (Balakrishnan et al., 2009). The decrease in consumers' purchasing power in North America and Europe severely affected the economies in East Asia through trade channels, due to these economies' high dependence on their export sector. As the most trade-dependent province in China, Guangdong suffered most heavily during and after the crisis. By 2009, Guangdong's export value had decreased by 11.7% as compared to that of the previous year (Guangdong Yearbook, 2010). The province's GDP growth rate dropped from an average of 14.6% between 2005-2007 to 9.5% in 2009 (SBGP & NBS Survey Office in Guangdong, 2010). The crisis strongly signaled the provincial government that seeking an alternative path of development was the urgency rather than an option.

The government of Guangdong then diagnosed that the “disease” which plagued the regional economy was an overreliance on its labor-intensive, export-driven processing trade sector and a lack of technological innovation.³⁹ To cure this disease, the provincial government decided to initiate an industrial upgrading which aimed for moving out labor-intensive industries, in particular processing trade factories, out of the province. In the subsequent years, the municipal governments in the Pearl River Delta such as Shenzhen urged many processing factories to either relocate to less-developed regions or to acquire legal personality⁴⁰ if they intended to stay at the same locality (Interview 11).

In the other parts of the world, industrial relocation is a common strategy sought by both governments and enterprises to alleviate the problems associated with industrialization and urbanization such as overpopulation, industrial pollution, and soaring costs for manufacturing production (Bai, 2002; Liao & Chan, 2011; Shen et al., 2012). Relocation is also a business strategy

³⁹ Earlier, this was reflected in a report of the then provincial party chief, Wang Yang (汪洋), which was addressed to the provincial party committee in 2007. In this report, Wang highlighted that the development mode of Guangdong was too coarse to be technologically competitive (Guangdong Yearbook, 2007) and that the region’s economy lacked a core competitiveness in technological innovation. As mentioned in Wang’s report, enterprises in Guangdong only invested 1.2% of its GDP in Research & Development (R&D), lower than the 1.4% national average. Even the local high-tech enterprises relied heavily on foreign technologies, as 85% of their patents came from foreign companies.

⁴⁰ Tax breaks were once privileges enjoyed by the processing trade factories in the Pearl River Delta. The policy intended to attract foreign investment to promote the employment of local population and local development. Most of these factories were registered as the processing factories of their parent companies which are located overseas, and did not possess legal personality (法人资格). After the provincial government adamantly pushed through the industrial upgrading, these processing factories, if they opted not to relocate, were required to convert into companies with legal personality such as FIEs. After ownership transfers and re-registration, these firms acquire but do not enjoy tax break any more. As a result, a lot of these processing factories have moved out of Guangdong because of the diminishing tax benefits.

to evade rigid labor laws and trade union movements (Miyamura, 2016). In Guangdong, the provincial government was precipitated to pursue industrial relocation in order to evacuate industrial lands for more value-added industries. Moreover, rapid industrialization in the previous decades has also led to a dramatic increase in land prices, rising land and labor costs, which has been forcing manufacturing firms to relocate to inland provinces (Liao & Chan, 2011; Chang, Jiang, Chang, & Alam, 2013, p. 61; Ruan & Zhang, 2014). Plant restructuring or relocation inevitably entails mass termination or alteration of employment relations, workforce trimming, and lay-offs. It dramatically increases precariousness and flexibility in workers' labor process, threatens unemployment (ILO, 2016) and rapidly deteriorates their economic and working conditions as well as their social status (Chand, 2012).

6.5.2 Transformation in the Legal Environment and the Coping Strategies of Capital

In the meantime, China's labor law regime underwent some progressive, pro-labor changes. Since 2007, a new set of comprehensive laws has been enacted to empower workers to make more economic demands on employers. Among which, the 2007 Labor Contract Law supports workers to make a stronger interest-based claim on severance pay (the major contention in my

comparison of the two cases). The law also seeks to reduce labor flexibility by increasing employers' costs in ending their employment relations with their employees. It obliges an employer to offer a severance fee upon the expiration of a fixed-term contract, unless he or she renews the contract on no-less-favorable terms and conditions.⁴¹ Once employers proceed with contract termination, the 2007 law requires them to make severance payments to employees based on the length of their services. The total amount of compensation is thus calculated as one average monthly salary for each year of service.

In response to the economic downturn and the transformation in the legal environment, capital has also developed various coping strategies. According to a research, manufacturing firms have pursued three kinds of relocation strategies in response to the crisis (Liao & Chan, 2011). Traditional manufacturing firms such as textile manufacturers tend to seek a total relocation, moving their factories out of the whole region. Other firms opt for stratified or pseudo relocation, closing only their low-end production lines or outsourcing productions to domestic enterprises in inland provinces. In the following years, these coping strategies of capital gave rise to an increase in labor protests which demanded for severance compensations.

⁴¹ The 2007 Labor Contract Law, Article 46(5).

6.5.3 The Tale of Two Union Mobilizations

The two union-led labor protests under investigation took place in a temporal and contextual proximity. AME-1 led a successful petition to the local government in 2013. ASU-1's failed mobilization took place in 2014. In order to comply with the industrial upgrading policy, ASU-1's host enterprise, a processing factory which manufactured footwear, converted itself into a FIE with legal personality. Its former owner, an Australian-based MNC, transferred the factory's ownership to several shareholders from Southeast Asia. After the ownership transfer, the company management promised to keep all its employees' contracts unaffected and the calculation of the length of their service was to be continuous. Unfortunately, the management's reassurance did not have its desired effect but triggered a labor protest which lasted for one and a half months. Despite ASU-1's attempted in various ways to control the protest, its poor leadership failed to aggregate the demands of most employees or obtain any concession from the management.

AME-1 faced a similar situation. In response to its dwindling market share and profitability after the 2008 crisis, AME-1's host enterprise, a subsidiary of

an US-based MNC⁴², decided to cut all of its production lines and terminate employment contracts with all its manufacturing workers. The management attempted to handle the laid-off lawfully and proposed a N+2 severance package to all its affected employees. The package was slightly better than the legal amounts which employees were entitled to under the 2007 Labor Contract Law. Upon accepting the package, each dismissed employee was to receive two extra months' salaries, in addition to the compensation prescribed by the law. Despite that the management-proposed severance package was strictly legal, most employees insisted to be better compensated given their long tenure. In response to their demands, AME-1's successful organization of a labor petition to the local government finally pressurized the headquarter management into offering a more generous package to the employees.

In short, the two labor unrests were not triggered by law violations on the part of enterprises, but by employees who anticipated to receive a higher-than-law compensation when facing a perceived or imminent termination of their employment contracts. Both enterprises were law-abiding before the outburst of the unrests. The workers were prompted to protest, because they anticipated a reasonable rather than merely a legally prescribed amount of compensation for their long-term services from their departing

⁴² AME-1's host enterprise is one of the 105 subsidiaries of its parent company, an US-based MNC specializing in manufacturing electronic-communication connectors.

enterprises. Despite the similar causes and repertoires, the two union-led protests resulted in contrasting outcomes. The management and the state saw ASU-1's demands unreasonable, since its workers faced no immediate threat of dismissal or an alternation of their contracts. ASU-1 was also seen as incapable of reconciling conflicting interests of its grieved workers, aggregating their demands, and disciplining their actions during the protest. In the end, the union failed to create a centripetal force among the protesting workers. In return, the management seized the organizational weakness of ASU-1 to curtail the morale of the union and strikers. The management first declared the protest as illegal, followed up with a mass dismissal of the strikers, and eventually retaliated against ASU-1's leadership by dismissing its union leaders. In the end, ASU-1 failed to achieve any positive outcome for its workers. Even worse, its weak leadership and weak organizational discipline provided a ready-made excuse for the management to dismiss the employees *en mass*.

Contrastingly, the success of AME-1 laid in its organizational strength, in particular, its effective leadership. Similar to ASU-1's experience, the early demands of AME-1 were turned down by its host enterprise. The management's arrogance soon prompted some employees to petition to the local government. Facing a potential escalation, AME-1's union chair was

aware of a fact that a labor petition was simultaneously an opportunity to attract state attention and a risk to invite state repression. Thus, he managed to control and discipline the process of the petition to create a unity and an order among the employees. His effective leadership and his coordination with other union staff transformed the petition a concerted effort instead of a chaotic gathering. In the end, AME-1's mobilization achieved its dual goals. With an effective leadership, the union managed to leverage state pressure to push capital to sit at the bargaining table with the employee representatives. By demonstrating its ability in maintaining social stability in a labor protest to the state, AME-1 also deflected potential state repression.

I argue that the agency of union leaders explains a large part of the success and failure of the two labor protests. The difference in union leadership in effectuating a union control and maintaining a positive state-union relation accounts for the intra-case variance of the two protests. How a union mobilization is organized affects the perception and calculation of capital and the state, and conditions their responses to the union's demands. On the one hand, the management seeks to curtail the union's demands as much as possible, but it is likely to make some more concessions under state pressure. On the other hand, the state has a strong incentive to appease labor protests in the shortest amount of time by pressurizing capital into making concessions to

the workers. However, the state's patience tends to evaporate very fast when a labor protest protracts to long and workers' demands become too radical to be settled. When this happens, state repression looms large. Thus, it becomes urgent for union leaders to negotiate a way out of the limbo of labor protest by leveraging state pressure to obtain as many concessions as possible from capital, while at the same time not to protract their collective action processes so long as to trigger state repression. In order to obtain such a success, union leaders need to develop a time-sensitive, calibrated strategy to steering their mobilizations in a climate of political uncertainty.

The next subsection will analyze the interaction between the two unions and the state during their respective protest, which places an emphasis on the dual impacts of the Leninist state on union mobilization. The influence of the state did not cease at granting an initial legitimacy to the unions, but continued to expand or constrict the space of two union mobilizations at the critical moments of their protests.

6.5.4 Union Control during the Protests

This section analyzes the difference in union control effectuated by the two

union leaders during the protests. ASU-1 was weak in interest aggregation and organizational discipline and had a problematic relation with the state, whereas AME-1 excelled in all three aspects of union control. The difference in union control eventually led to the contrasting outcomes of the two labor unrests.

Interest aggregation

In the case of ASU-1, the initial standoff between labor and capital stemmed from the demands for severance compensations from some radical employees. The management turned down these demands on the basis of the law and government policies. The enterprise insisted that there was no legal or policy grounding for the workers to make such as a claim, because the company's ownership transfer had not affected their employment contracts (Interview 12). The enterprise did not seek relocation nor had it violated the 2007 Labor Contract Law.⁴³ However, for most of the employees, their enterprise's ownership change altered the terms and conditions of their employment contracts in substance. With the ownership transfer, the firm had severed its

⁴³ In 2008, the higher People's Court of Guangdong Province and the Guangdong Labor Disputes Arbitration Committee issued a guiding opinion (指导意见) with regard to the claim of severance pay in the circumstance of enterprise's ownership change or transfer. The clause 23 of the opinion states that the employee's length of service will continue after the change in enterprises' names, legal representatives, or investors. However, it does not support employees to claim severance compensations from their employers after he or she unilaterally terminates their employment contracts. Accessed from: <http://www.gdhrss.gov.cn/publicfiles/business/htmlfiles/gdhrss/s51/201204/33678.html>

ties with its former parent company, an Australian-listed MNC, which left the firm with few fixed assets. As a result, many workers were uncertain about whether the firm could keep up to its promise to feed all its veteran employees. A metaphor used by ASU-1's union leader vividly captured the emotional state of the workers when they heard of their firm's ownership transfer:

“The factory was undergoing an industrial upgrading according to the government's policies. After the upgrading, the company changed its legal representatives and means of production. In the past, our daddy [referring to the company's former owner] was rich. Now, this daddy had no relationship with our factory. With the termination of this father-and-son relationship, our factory was in a difficulty situation. Thus, our concern was justifiable. We worried that in the future if when our factory was in a really bad situation, who would give us a bowl of porridge.”

(Interview 13)

Thus, many workers saw demanding for severance compensations as legitimate. However, the management found the workers' demands hard to accept and then refused to negotiate with them anymore.

Amid the standoff, ASU-1 reelected its new union leaders (the above-mentioned union leader in interview 13). The new union's vice-chair, Mr. Li (pseudonym), started out to moderate the workers' demands in order to push the management back to the negotiation table. Unfortunately, the new leadership failed to effectively aggregate the interests and demands of most workers. Although Mr. Li acknowledged that the demand for severance compensation was unrealistic and tried to moderate the union's proposal, he was unable to persuade the workers to drop their radical claims on compensation. Many of them continued to protest for severance pay regardless of the union's objection. As Mr. Li recalled, he tried multiple times to persuade the workers to stop protesting, because their claims were not supported by the law (Interview 13). His words fell on deaf ears. Most workers ignored him and continued on with their strikes and creating chaos. Without a proper justification, the continuation of the strike provided a further justification to the management to reject negotiating with the union and the workers.

Thus, ASU-1's interest aggregation was remarkably ineffective. The diaries of ASU-1 and the factory⁴⁴, which I later obtained, also suggested that ASU-1 largely failed to aggregate workers' demands. Instead, the enterprise union

⁴⁴ I collected firsthand data from both sides of the labor protest of AUS-1. Both the union and the firm recorded the process, which allowed me to more objectively examine and evaluate their interactions throughout the whole protest.

was mired in the competing claims posed by different groups of workers, which it was unable to reconcile with. While the union called for a restraint and negotiation between labor and the management, many employees continued on their radical mobilizations for severance compensations, which the management found it hard to accept. Even worse, ASU-1's leaders failed to persuade radical workers to moderate their demands or to refrain from creating disruptions. Besides, the union failed to come up with a well-articulated proposal for a renegotiation with the enterprise and the state.

In a contrast, AME-1's interest aggregation was effective and efficient, which allowed it to propose an alternative solution to its workers' unrest. AME-1's strength laid in its effective union leadership. Its union leader played a crucial role in aggregating the interests and demands of its workers, brainstorming the bargaining strategies, and constructively approaching the management and the state in search for a reasonable solution to the dispute. From the very beginning, the union's demands were crystal clear, requiring its host enterprise to offer a compensation package to reward the veteran employees affected by the imminent laid-off. In order to allow a certain degree of flexibility and a space of negotiation, AME-1's proposal also stated that the compensations should be more generous than the original N+2 package, but was negotiable. This proposal came from a prior research conducted by the

union leader, Mr. Cao (pseudonym). In order to craft a good proposal, Mr. Cao collected intelligence from many firms which had encountered the similar disputes. With the new information, he brainstormed a few solutions and negotiated them one by one with the management. These initial negotiations lasted for nearly two months but achieved no outcome because of the management's objection. The management insisted that the original N+2 package was strictly legal and slightly above the law. It then became very stern, refusing to engage any further conversation with AME-1 and the employees, a standoff similar to what had encountered by ASU-1. Enraged by the arrogant management, many employees decided to petition to the local government. Interestingly, what happened in the next stage of the conflict led to a drastically different outcome from that of ASU-1. AME-1 managed to maintain an effective organizational discipline on the petitioners, inducing them to express their demands in a rational and orderly manner through the union's interest aggregation.

Organizational discipline

AME-1 had a much more effective organizational discipline than ASU-1 did, which elicited state sympathy and support to its cause. In the case of AME-1,

the threat of state repression was largely attenuated by the union's effective leadership, which maintained an order among their petitioners. Mr. Cao told me the key to maneuver a petition in a climate of political uncertainty was to demonstrate its "legality" to the government (Interview 14). For that purpose, he coordinated efforts with the other union staff and the employee representatives to create an organizational discipline of their petitioners. In specific, he required his union staff and the employee representatives to urge the petitioners to closely follow the directives from the union. He required his union staff to try every best means to prevent the employees from acting radically and opportunistically to engage in disruptions such as road blockade, vandalism, and littering in the process of their petition. The employees were also required to obey the law and not to jeopardize the social order. Mr. Cao remarked on the way he maintained union control among the workers during the petitioning process:

"I gave out an order and [the petitioners] basically followed my order. No one disobeyed me and acted on his own. During the whole petition, all of them were calm, restrained, and listened to us [union chair and staff]." (Interview 14)

Under this effective organizational discipline, the petitioners peacefully

marched towards the local government's building without creating any chaos. When the petitioners reached the government building, it was already at noon. They did not have lunch yet. Thus, Mr. Cao and other union staff ordered takeout from a nearby KFC and then all the petitioners, including the union staff, had their simple lunches in front of the government building. After the lunch, they packed leftovers into trash bags and placed all their trashes into garbage. In the afternoon, AME-1's union staff and the employee representatives were allowed to enter the government building to negotiate a solution with government officials in an informal meeting. The formal meeting between AME-1 on the one hand and the enterprise and the state on the other hand started on the day after the petition. In the interview, Mr. Cao proudly told me: "We did not block the road or do any other illegal things! This was because I emphasized repeatedly to them – don't do illegal things; follow the formal procedure." (Interview 14). Through this well-organized and disciplined mobilization, AME-1 and the petitioners demonstrated the "legality" of their collective actions to the government as well as their preparedness for the upcoming collective bargaining with the enterprise and the state.

In contrast to AME-1's disciplined mobilization, ASU-1's organizational discipline was nearly ineffective. On the one hand, the workers' trust and

patience on the union evaporated soon after they realized that the management was not to make any concession to the union. Subsequently, they resorted to individual strategies to pressurize the management, which bypassed ASU-1's leadership completely. Unfortunately, without an organizational control, their individual strategies created a further chaos rather than a solidarity. Soon after the management turning down their demands for severance compensations, a group of 150 workers petitioned to the local government without notifying ASU-1.⁴⁵ In order to pressurize the state into intervening in the standoff between them and the company, these workers blocked the entrance of the government building for a while, but were soon dissipated by the police. Charging with disturbing the public order, some of them were immediately brought to a police station.⁴⁶ Two days after the initial chaos, ASU-1 convened an emergence meeting, which called upon all the strikers to resume their work and to legally aggregate their demands through the union.⁴⁷ It was obvious that the union intended to control the collective action process in order to create a unity among the workers. However, most of the workers continued to strike regardless of the union's objection. On the other hand, for the management, the union's inability in controlling and disciplining their workers' actions called its intent and legitimacy into question. The management was unable to differentiate between wildcat strikes and union

⁴⁵ Police report, May 28th, 2014.

⁴⁶ *Ibid.*

⁴⁷ Memo of ASU-1's committee meeting, May 31st, 2014.

strikes in such a chaotic situation. As the strike protracted, it increasingly came to convince that ASU-1 had orchestrated this labor unrest. Thus, the enterprise's strategy was to dismiss the protesting workers *en mass*, because, as stated in the factory's regulation, participation in labor protests constituted a sufficient condition for dismissal.⁴⁸ The strategy of dismissal was effective and quickly spread a panic among the workers, prompting them to react even more radically. After a few days, some dismissed workers broke into the gate of the factory and occupied one of its buildings. They were dissipated by the police a few hours later.⁴⁹ A few days later, another group of 21 dismissed and frustrated workers broke into the factory again and climbed onto the rooftop of one of its buildings.⁵⁰ This time, they threatened to commit suicide, if the company did not meet their demands. The labor unrests eventually escalated into a public security crisis. The situation became so urgent that the local police and the fire services department immediately rushed to rescue.⁵¹ One thing we can conclude from the whole episode is that ASU-1 failed to stop the workers from engaging in radical and uncoordinated resistance. The strikers also never took the union's call for restraint seriously. In my interview with ASU-1's union leader, Mr. Li, he told me that he was unable to make the workers to listen into him in the protest. The workers acted too

⁴⁸ Nevertheless, it proceeded cautiously and notified ASU-1 each time before its announcement of dismissal.

⁴⁹ Factory diary, June 6th, 2014.

⁵⁰ Factory diary, June 19th, 2014.

⁵¹ *Ibid.*

opportunistically to allow the union to effectuate a disciplinary control of their actions. When commenting on the failed union control, he bitterly remarked:

“I told them [workers] that ‘the factory is on the verge of collapse...if you continue to protest...if the boss closes the factory...you will not get even a cent.’ At that time, many of the workers might feel there was a gap between my suggestion and their expectations. They did not seem to trust me. Some workers hoped that by making this protest they could eventually force the enterprise to offer severance compensations, which seemed quite charming to them. If that ever happened, they could get a huge amount of compensation. I was unable to stop them...they did not listen into my realistic suggestion, but they listened into the charming thing [the chance of getting severance pay by protesting].” (Interview 13)

Union-state connection

State intervention is a resource vital to the success of a union mobilization. The state not only grants legitimacy to unions, but also decisively shapes the

outcome of a union mobilization. Unions that have a strong connection with the state are more likely to elicit state support to their causes, whereas those with a weak state connection are less likely to do so.

AME-1's connection with the state was consistent and constructive. Prior to the labor unrest, the union had maintained an amicable relationship with its parent official union. Its union leadership was highly responsive to the union policies. AME-1 encouraged its employees to participate in recreational activities sponsored by the official unions. Its union leaders also participated in various workshops on collective bargaining as organized by the SFTU, the municipal official union. Through these workshops, AME-1's union leaders, especially Mr. Li, were acquainted with technical skills which were required on the part of union leaders in their handling labor disputes. As a result, AME-1 not only accumulated a prior theoretical experience in collective wage negotiation but also successfully held several wage negotiations with the management. **PICTURE 6.1** shows one of AME-1's collective wage negotiations. The union staff was sitting on the right-hand side of the round table, while the company representatives sitting one the left-hand side of it (upfront in the picture). An official from the local labor office was sitting between the two groups of people. This picture shows that a positive interaction did exist between AME-1, its host enterprise and the local

government prior to the 2013 protest. The early experience had created a relatively favorable environment for the enterprise union and the management to exchange opinions with regard to employees' welfare.

PICTURE 6.1 AME-1's Collective Wage Negotiation



AME-1 was highly responsive to the signals from the state during the protest. Its union leaders had a strong incentive to maintain the “legality” of their union mobilization. When Mr. Cao was unsure of how to maneuver the mobilization, he frequently consulted the union’s two lawyers, who were early designated as AME-1’s legal consultants by the SFTU. The two union lawyers guided him to “legally” organize the union-led confrontational collective action and in particular to refrain from creating any chaos or disruption to the public order. Mr. Cao later recounted: “without them, we may very likely have made a mess.” (Interview 14). Because of his effective leadership and his responsiveness to the state, the local government eventually pushed the parent

company to negotiate with AME-1. In our interview, Mr. Cao acknowledged that it was the state power which finally pushed the management to sit at the bargaining table with AME-1 and its workers. He admitted that the union might have no chance to negotiate with its host firm's parent company, had the state not intervened in the industrial conflict:

“If the state did not intervene in our petition, those people [the delegates from the parent company] would not come. We could not get the money. State intervention was crucial at this critical moment...the role of the government was to create a ‘platform’ [for the negotiation between capital and labor]. The company needs to take account of the words of the government...the role of the government is to pull the two sides to sit down together at a table to talk and negotiate...in this way, it [the government] makes capital come out to negotiate [with the union]. This is the function of the government, which is very good. The government does not command the company, but its words weigh heavily on the latter.” (Interview 14)

State intervention also had a prominent impact on the process of collective bargaining process between AME-1 and its host enterprise. In order to bring a

quick end to the industrial conflict, the local government and the official unions urged Mr. Cao to moderate the claims of their employees. A senior government official warned Mr. Cao against making radical claims. The official informed him: “The company’s plan is legal. If you piss off the firm, it will possibly not give you even a cent. Ask some more based on the N+2 plan. Ask what you deserve, don’t screw it up.”. In return for the government’s support, AME-1 reached a consensus with the enterprise in two weeks. In the new settlement plan, the management agreed to add an extra bonus, which amounted to RMB one million (USD 155,800), to the N+2 plan for rewarding its employees for their long tenures serving the enterprise. The new settlement made all parties satisfied. The parent company found the new settlement plan in an acceptable range. AME-1 and all the employees claimed the victory of the battle for labor dignity. The government appeased an otherwise socially disruptive labor protest.

In contrast to AME-1’s strong ties to the state, ASU-1’s connections with the state were weak from the very beginning and became even more problematic since the protest. Prior to the protest, ASU-1 was largely inactive. The union had no regular interaction with its parent official union. Workers also did not display any interest in union activities. Soon after the protest began, ASU-1 elected its new union leaders, which was not approved by the

official unions. Since then, ASU-1's legitimacy was called into question and became a hindrance to its collection actions. After the election, ASU-1 turned to its parent official union for a formal endorsement, but the latter refused its request. Although the official union claimed that ASU-1's election was not in line with the law, it suggested its union leaders to continue their mobilizations. The official union's murky response was intriguing. As a part of state apparatus, the official unions are obliged to maintain social stability and demobilize labor protests. Thus, their acquiescence of ASU-1's mobilization was intriguing, because they did not formally endorse the enterprise union nor did they suppress its mobilizations. A recent research may provide a tentative answer to the ambiguous intent of the official unions in labor protests. The official unions may benefit from spontaneous labor agitations, when these mass incidents increase their status in the party-state bureaucracy (Fu, 2016, p. 7). However, their dual role as both state bureaucracies and labor organizations (Chen, 2003) make them refrain from openly supporting labor agitations. Thus, in the case of ASU-1, it was likely that the official unions were opportunistic in handling this labor protest. It just waited to see how far this ASU-1's protest could proceed on its own before it officially recognized the union. If the protest failed and the workers got fired, the official unions claimed they had nothing to do with this failed labor agitation. If the protest succeeded and the industrial conflict was resolved, they then claimed that

ASU-1 had contributed to maintain social stability and officially endorsed it thereafter.

Unfortunately, ASU-1's leadership was too weak to effectuate a union control on the workers. Its ineffective leadership reduced its chance to reach a quick deal with the management. ASU-1 failed to present itself as a representative organ of the workers, with which the enterprise and the state could negotiate to solve the crisis (**PICTURE 6.2**). Even worse, without a state-recognized legitimacy, ASU-1 was seen as illegal in the eyes of the management. Charging the protest as illegal, the enterprise owner and the senior managers refused any negotiation with ASU-1 and its workers. Eventually, they managed to dismantle the strike through dismissal. ASU-1's leader, Mr. Li, when reflecting on the failure of the protest, remarked that the union's failure to obtain state recognition was accountable to this outcome:

“Our union informed our parent official union the outcome of our election. They responded that our election's procedure was not in line with the law, because they were not involved. That means, an election by our self did not count. We had no idea the a union election required their endorsement...an election approved by its workers but not the official unions was illegal.” (Interview

13)

PICTURE 6.2 Workers in ASU-1's Protest



NOTE: Disorganized workers stood in the courtyard of their factory.

ASU-1's failure suggests that a union mobilization is unlikely to succeed if its leaders fail to factor state intervention into their strategic deliberations. In labor protests, the state not only grants legitimacy to unions but also functions as a coordinating organ with other parties involved. A well-organized labor protest can demonstrate labor militancy to capital and the state, but it is insufficient to push capital towards the bargaining table without the state

laying pressure on the management. State intervention only becomes favorable to union mobilizations, when unions demonstrate their ability in interest aggregation and organizational discipline and pose no threat to social stability valued by the state. In the case of ASU-1, this condition was not satisfied because of the union's weak leadership and its weak connection to the state. During the labor protest, neither side of the industrial conflict was able to effectively communicate with the other side. Although many government agencies presented at the strike site, none of them was able to persuade the enterprise to negotiate with the union and the protestors. The workers did not respond to the union's call for restraint, nor were they willing to aggregate their demands through ASU-1's representation. The union was unable to control and discipline those radical workers. The enterprise was unable to grasp the true intent of the union and the strikers. Amid the chaos, the state was unable to construct a platform for labor and capital to negotiate a solution, since maintaining stability had already consumed most of its resources and energies. The standoff and miscommunications made the management sterner. After a month-long protracted standoff, the enterprise eventually managed to dismantle the strike by dismissing all protestors, including union leaders. The dismissal literally put the labor protest to its end.

The aftermaths of the two labor unrests were also strikingly different.

Eventually, most labor unrests will enter a phase of institutionalization. Court fight starts when street fight stops (Nair, 2016). When the employees brought their cases to the court, union legitimacy mattered again. In the case of ASU-1, the dismissed workers filed individual and collective lawsuits against the enterprise for reinstatement and compensations. However, without the state's endorsement, ASU-1 was disqualified to provide evidences to the court in favor of the strikers. In the end, all the workers lost their lawsuits. By contrast, AME-1 not only succeeded on street but also in court. The union continued to provide legal assistance to the laid-off employees who pursued individual lawsuits against their former employer. As a legitimate union, AME-1 was qualified to provide evidences favorable to the employees in court, thereby helping them win their court fights.

6.5.5 A Discussion of Alternative Explanations: State Repression or Capital's Resistance?

State repression was attributed as the primary cause of the failure of social protests, including labor unrests (Deng & Brien, 2013; Li & Liu, 2016). In my research, I argue otherwise that the failed mobilization of ASU-1 was not caused by state repression, but mainly by its weak leadership and its enterprise's resistance. Thus, why state repression was not the primary cause

of ASU-1's failure? As I argued early on, the Leninist state is Janus-faced in handling social unrests. It does have a proclivity to repress or dissipate social unrests, but it does not always resort to coercion. State repression appears most frequently when social unrests pose an imminent threat to public order. In most circumstances, the state only maintains a specter of repression, instead of directly applying repression to social unrests.

ASU-1's failed mobilization constitutes a good case for assessing the impact of state repression on union mobilization. Throughout the episode, there were two incidents of police intervention, but none of them targeted the union. The main function of police intervention was to restore social order or to preempt radical actions such as suicide on the part of workers, rather than to preempt labor's collective actions. In the first incident, some 100 workers petitioned to the local government and then blocked the gate of the government building. The police soon dissipated the crowds and brought 25 of them⁵² to a police station for questioning. This police intervention seemed a typical instance of state repression. However, a closer look of the questioning process revealed a lot more information. Two police reports, which I managed to obtain, showed that the police only inquired the workers about their reasons to block the government building.⁵³ They informed the workers it was illegal

⁵² Factory diary, May 28th, 2014.

⁵³ Police report (worker A), May 28th, 2014; Police report (worker B), May 28th, 2014.

to gather in front of the government building, which had constituted a disruption of the government's work and the public order. The police also suggested the workers to use legal and reasonable means to protect their rights and interests. In the second incident, some dismissed workers climbed onto the rooftop of the factory's building and threatened suicide in order to force a concession from the enterprise.⁵⁴ The police soon rushed to rescue them.

I also obtained the factory's diary as the evidences from the oppositional side of the industrial conflict. The diary showed that the company did call for police involvement many times throughout the labor protest. However, the police was largely unresponsive, and, when it did intervene in a few circumstances, its intervention was impotent.⁵⁵ Its inertia actually allowed many workers to repeatedly use sabotages and disruptions to sustain their strikes. On the part of the union, ASU-1's vice chair, Mr. Li, primarily blamed the enterprise for their failure, not the state.⁵⁶ He regarded the enterprise owner as the culprit of ASU-1's unsuccessful labor protest (Interview 13). In his eyes, it was the enterprise's stubbornness and arrogance, which refused any conversation with the workers, eventually pushed the workers and the state to exhaustion.

⁵⁴ Factory diary, June 19th, 2014.

⁵⁵ Factory diary, from May 26th to July 10th, 2014.

⁵⁶ Mr. Li was charged with inciting worker unrests and was detained by the police for 5 days. He was released soon after the protesting workers wrote to the SFTU for help. The municipal official union did help these workers somehow.

Although the state resorts less to repression in handling social unrests, it seeks to maintain a specter of repression. That means, the state threatens to repress more often than it actually represses. This specter of state repression makes the terrain of union mobilizations a highly contested process, in which union leaders are compelled to make calibrated decisions in order to avoid a potential state repression. AME-1's excellent union leadership and its cooperation with the state shielded itself from state repression. Nevertheless, the specter of state repression has a significant psychological impact on union leaders. AME-1's union chair, Mr. Cao, told me that the local government had an initial intent to detain him, because he appeared to be the organizer of the petition (Interview 15). The intent was only dropped after he proved himself capable of alleviating, rather than aggregating, the labor unrest. Later on, AME-1's parent official union also informed Mr. Cao that it was not good for an enterprise union to lead a petition, although they were quite happy with his performance during the whole event.

As for the second alternative argument, I argue that the state, though having a strong incentive to pressurize capital, faces a severe limitation. The likelihood of an enterprise to satisfy its employees' interest-based claims, which usually involve making a huge amount of compensations, depends on

its financial condition. If an enterprise is financially incapable of compensating its workers, neither labor militancy nor state pressure can force a concession out of it. AME-1's host enterprise was willing to increase the amount of severance compensations for its laid-off workers was also because it had a separate budget for employees' severance compensation. Thus, what AME-1 achieved was to maximize their workers' relative gains within the scope of this budget. In the case of ASU-1, some circumstantial evidence pointed to a speculation that the enterprise actually had no money to compensate its worker at all (Interview 12; Interview 13). Therefore, although state intervention in ASU-1's protest was much more heavier than in AME-1's, it eventually failed to persuade the enterprise to sit at the bargaining table with the union or the workers. Here, a tentative argument can be made is that some micro-economic factors such as a host enterprise's financial condition may have a more significant impact on the outcomes of union mobilizations than those of the state and labor. Unfortunately, these micro-economic factors may be beyond the control of the state and labor.

6.6 Conclusion

The emergence of proto-economic unions suggests that collective labor power can emerge in Leninist states. When enterprises are open to collective employees' representation, the unions can rely only on mobilizing conciliatory collective actions to support the interest-based claims of their employees. In the meantime, an effective union leadership is necessary to aggregate the interests of employees and to coordinate their collective actions. However, a meeting of these two conditions is infrequently seen in reality. When enterprises are not open to collective bargaining, proto-economic unions resort to mobilizing confrontational collective actions such as strikes and petitions to wring concessions from capital.

The success of a confrontational collective action relies on union leaders to control and discipline the collective action process as well as to leverage state pressure to push capital toward the bargaining table. The state variable thus becomes crucial as it determines the mobilizational space of proto-economic unions. In particular, the state delineates the boundary between "legal" and "illegal" confrontational collective actions. However, different from those who see the state-union relation in labor protests as a zero-sum game (Chen, 2003; C. Li & Liu, 2016), I argue that state intervention is actually a vital resource

for union mobilizations to succeed in a climate of political uncertainty. As the two cases study shows, Proto-economic unions which have a stronger tie with the state are more likely to be seen as legal in union mobilizations than those with a weaker tie. Moreover, state intervention closely interacts with the agent-level variable – the agency of union leaders. In order to elicit state support and sympathy, union leaders need to demonstrate their ability in aggregating the interests of their employees, effectuating an organizational discipline of their workers, and maintaining an effective interaction with the state during their collective action process.

Proto-economic unions may have a bifurcated impact on Leninist states. On the one hand, their conciliatory variants can promote the interest-based claims of their employees without resorting to strikes or petitions. In this regard, these unions can help with alleviating the pressure on the state in handling labor conflicts arising from wage stagnations. They can serve the interests of employees and the state simultaneously. On the other hand, their confrontational variants are unintended outcomes of the state-sponsored unionization. Possessing collective action power, proto-economic unions hold the potential to mobilize industrial actions, which are seen socially or politically threatening in the eyes of the state.

CHAPTER 7 CONCLUSION

Chapter 7 concludes the whole thesis and paves the way for future research. I will first summarize the major arguments in this thesis. Following the summaries, I will then test my explanatory framework in a most-similar case: state-sponsored unionization in Vietnam. The last section presents the concluding remarks of the thesis.

7.1 A Summary of the Major Arguments in the Thesis

State-sponsored unionization represents an institution-building effort of Leninist states in their adaptation to the industrial relations in a market economy. The Leninist state seeks to unionize private enterprises in order to reestablish social control and recreate social stability in the private sector. The state anticipates these workplace unions to protect and promote worker interests, engage in an amicable and constructive relationship with the management, facilitate the implementation of state policies, and preempt labor unrests.

Thus, my research investigates how and to what extent the state has

transformed the factory regime in capitalist firms through institutionalizing enterprise unions. I intend to answer three research questions: *How does a Leninist state, when it institutionalizes enterprise unions, intervene in the factory regime of capitalist firms? What outcomes have the state-sponsored unionization produced? How can we explain the variance in union efficacy?* I argue that the state-sponsored unionization has created neither state apparatus nor managerial tool, but a union variance as manifested in three types of union – paperwork unions, managerial unions and proto-economic unions.

In Chapter 2, I create an explanatory framework to explain this variance. I argue that the unionization's outcomes hinge on responses and reactions from capital and union leaders. At the structural level, managerial perception conditions the timing and the extent to which state intervention is allowed to influence factory regime. At the agent level, I assign the causal proximity to agency of union leaders, stressing their ability in expanding union functions and in navigating collection actions in a climate of managerial dominance and political uncertainty.

In Chapter 4, I investigate why and how state intervention has failed in some parts of the private sector, resulting in paperwork unions. Contrary to the conventional wisdom, I argue that paperwork unions are resultant from a weak state intervention rather than a state repression of the grassroots labor activism.

Hostile enterprises can compromise state intervention in their factory regime and suppress the emergence of union leaders and activists. Paperwork unions do not serve the interest of the state or the interests of employees. Their presence indicates a failure of the Leninist state in transforming the internal environment of capitalist production in some parts of the private sector due to the resistance of capital. This chapter also addresses an alternative argument on the weakness of labor organizations in China. I argue that migrant workers' apathy, largely caused by their fluid work and life patterns, accounts for the weakness of labor organizations, either official or non-governmental.

Friendly enterprises are the preconditions for managerial unions and proto-economic unions to emerge. In Chapter 5 and 6, I explain their mechanisms of formation and their intra-case variance. The qualitative difference in their union leaderships marks their further institutional divergence. Managerial unions emerge in response to a combination of two structural factors and one agent-level factor. At the structural level, the progressive labor law reform since the mid-2000s has led to a favorable change in managerial perception in a larger part of the private sector. More enterprises are open to unionization, when it brings intangible or tangible benefits to them. The positive changes in managerial perception have created more opportunities for the official unions to reach out to enterprise union leaders and to encourage them to be more responsive to the unionization

policies. Thus, the more responsible and competent union leaders are, the more likely managerial unions are able to develop a broader set of functions which include resource transfer, promotion of industrial democracy and support of the rights-based claims of their employees. For the official unions, managerial unions are definitely better than paperwork unions. Managerial unions facilitate a partial implementation of state policies by increasing the contacts and communications between the official unions and the unionized enterprises. Through managerial unions, the official unions also gain an access to the enterprise-level information, which may facilitate them to monitor union development. Thus, managerial unions can be said as the entry points for the official unions to intervene in the factory regime in the private sector.⁵⁷ However, managerial unions do not possess collective action power due to their leaders' constrained agency. As constrained middlemen, these leaders have a strong incentive to prioritize managerial interest over the interest of employees and the state. They rarely support the interest-based claims of their employees, which require a substantial bargaining power on the part of the enterprise unions.

Among the three types of union, only proto-economic unions possess collective action power, which enables them to support the interest-based

⁵⁷ According to a grassroots union cadre, the official unions intend to increase union's quantity before promoting its quality (Interview 17). The current union policies aim for unionizing as many as private enterprises as possible to spread union knowledge and ideology. The next step is to promote these unions' quality, which makes them "useful". Thus, the future of managerial unions remains to be seen.

claims of their employees. In Chapter 6, I argue that these unions' collective action power stems from the agency of their leaders. Union leadership is strategic in shaping the trajectories and outcomes of the union-led collective actions, conciliatory or confrontational. With an effective union control, proto-economic unions can facilitate collective wage negotiations between employees and enterprises and can possibly lead a successful strike or petition. Without an effective union control, the union-led confrontational collective actions are more likely to fail. Once a union mobilizations spills over the factory, its success and failure is intertwined with state intervention during its collective action process. The state expands or contracts the mobilizational space of the union-led confrontational mobilizations. Thus, it is strategic for union leaders to maintain a positive interaction with the state during the process of union mobilizations, if they intend to lead their mobilizations to success while at the same time avoiding state repression.

Together, my research challenges the structural-centric notion that the state-sponsored unionization can only create state apparatus or managerial tool in the private sector. My central argument is that this unionization campaign has created social organizations with varying degrees of responsiveness to state policies, rather than state apparatus or managerial tools. As my research shows, none of these unions is state apparatus, which only serves the interest of the state, or managerial tool, which is irrelevant to workers. The variance

suggests an important role of union leadership in expanding union functions and handling industrial conflicts. What makes these union leaders matter is the Leninist state's reliance on grassroots agents to facilitate policy implementation and to maintain social stability in a market economy. It means that societal actors such as union leaders and managerial personnel can also advance their own interests if they properly utilize the Leninist institutions.

7.2 Future Research: the State-sponsored Unionization in Vietnam

This section presents a comparative study of the state-sponsored unionization in Vietnam in order to test the applicability of my explanatory framework. The question here is: are the structural conditions (e.g. legal and political institutions) in Vietnam more favorable to the emergence of proto-economic unions than those in China? The answer here is that although Vietnam provides a more favorable legal and political environment to unionization, current evidences suggest that it does not seem to have more proto-economic unions than China does. In fact, Vietnam shares the same problem with China with regard to unionization: workers resort to wildcat strikes rather than enterprise unions to bargain with capital in industrial conflicts. My explanatory framework can roughly explain this puzzling outcome. Although Vietnam has favorable legal and political institutions for union governance, it scores low on

managerial acceptance of unionization and agency of union leaders. As I argued earlier, the outcome of the state-sponsored unionization hinges on the response from capital and enterprise union leaders. Private enterprises in Vietnam, mostly FIEs, are from those countries which lack a tradition of collective employees' representation, so they are less likely to embrace unionization than private firms in China. At the agent level, there is no evidence that enterprise union leaders in Vietnam are more representative than their Chinese counterparts, since their union finance is dependent on employers' contributions. Enterprise unions in Vietnam seek conciliation rather than confrontation with capital even in a climate of political toleration. Thus, it is not surprising that workers in Vietnam do not select enterprise unions as the primary vehicles for staging strikes. In a market economy, Leninist states have to cultivate the incentives on the part of private sector actors, capital and union leaders, in order to make its policies produce some intended outcomes. State variables do not solely determine a policy's outcome.

The history of the Vietnamese union movement is similar yet distinct from that of China. The union movements in the two Leninist states are similar in a sense that they maintain the same Leninist framework of organizing labor organizations after they transited into market economy. They maintain the key features of the Leninist union system: enterprise unionism. Since the economic reform in 1986, the Vietnamese Communist Party (VCP), similar to the CCP,

has demonstrated a strong incentive to penetrate into a dramatically transformed Vietnamese economy and society. Under the VCP's new directive, the national peak labor organization, the Vietnam General Confederation of Labour (VGCL), has sought to promote unionization in the country's emerging private sector (Nguyen, 1989). The VGCL's move serves a dual purpose for the party-state (Norlund, 1996). As the tool of the state, the VGCL's unionization campaign can facilitate a smooth transformation of Vietnam's economy from Socialism to capitalism. As the sole representative organ of labor, enterprise unions can provide a base of workers' organization and protection in the private sector. Some scholars suggest that since the VCP has a higher tolerance of strikes than the CCP does, we may see a divergence between the labor regimes in the two Leninist states (Norlund, 1996; Chan & Norlund, 1998). Others suggest that it is too early to reach such a conclusion, because the VCP and the VGCL show no sign of relinquishing their grips on social organizations and continue to restrict the associational space of labor (Khanh, 2015).

The VGCL does has a much more harmonious relation with the party-state than its Chinese counterpart. In China, the ideological clashes between the ACFTU and the CCP dated back to the early 1950s and eventually resulted in the purge of union cadres and the violent destruction of the ACFTU in the Cultural Revolution (Chapter 2). In Vietnam, the VGCL and the VCP never

came into such a political clash (Norlund, 1996). During the Vietnam War period, the trade unions played a subordinate but effective role in implementing the VCP's decisions in war and production mobilization as well as in mobilizing workers' support.

This state-union relationship seems to be path-dependent. The VGCL continues to enjoy a supportive political environment than its Chinese counterpart in the reform era. One reason may be that labor unrests pose less threat to the VCP than to the CCP. In the 1990s, both China and Vietnam embarked on the SOEs reform in order to streamline their ill-performed state-owned sector. The restructuring process inevitably caused mass laid-offs of state workers. The SOEs reform in China triggered mass labor protests, which specifically targeted the local governments. Thus, for the CCP, labor unrests became increasingly intertwined with political instability. The ruling party's perception of industrial conflicts has a heavy imprint on its industrial relation policies. Although the ACFTU is given a role as the guardian of labor, its primary functions, as required by the CCP, are restricted to maintain an industrial harmony. In Vietnam, the SOEs reform did not trigger mass upheavals among state workers, perhaps because of the low concentration (5%) of industrial workers in state sector (Chan & Norlund, 1998). Instead, most labor unrests in Vietnam took place in FIEs.⁵⁸ These unrests targeted foreign

⁵⁸ *Vietnamese Investment Review*, 22-29 November, 1993; and *Vietnamese Trade Union*, no.3, 1995, pp.27-28.

investors rather than the state. From the very beginning, labor unrests in Vietnam appeared much less politically threatening to the VCP. Thus, it is reasonable to assume that the different perceptions of labor unrests held by the two ruling communist parties have shaped their respective union reform policy in the coming decades.

In Vietnam, the legal institution governing unionization is undoubtedly more favorable than the legal institution that China has (Chapter 4). The Vietnamese labor law and trade union law have granted a greater autonomy to the VGCL and its grassroots units than Chinese laws do to its enterprise unions (Chan & Norlund, 1998). For example, on union registration, the 1990's Law on the Trade Union stipulates that Vietnamese workers can establish enterprise unions upon informing the official unions (Article 1.2), but the endorsement from the latter is not required. More important, managerial consent is not required in union registration, which means Vietnamese workers can create their own enterprise unions regardless of the management's objection. In China, the 2001 Trade Union Law requires union registration to be approved by the management and the official unions (Chapter 5). This state-granted legitimacy affects the bargaining position of unions in their collective actions (Chapter 6).

Yet, the most important divergence in their respective legal institutions is

the right to strike. In Vietnam, strikes have not only been legalized but also de-politicized. The 2012 Labor Code allows workers to resort to strikes in industrial conflicts upon fulfilling certain procedures. In Article 209, the Code defines a strike as “a temporary, voluntary and organized stoppage of work by the worker’s collective in order to achieve the demands in the process of the labour dispute resolution.”⁵⁹. Enterprise union is designated as the only legal body to lead strikes at the firm level; the official unions at upper-levels could lead strikes when the enterprise has no union.⁶⁰ Enterprise union is required to solicit the consent from over 50% employees before issuing a written strike notice.⁶¹ A strike notice must be issued simultaneously to the employer, the provincial labour management authority and the provincial official union 5 working days prior to the action and must contain issues with regard to the timing and venue of the strike, the demands of workers, the particulars of union representatives, and other information related to agents and process of the intended strike.⁶² In this regard, Vietnam has stridden far ahead of China to institutionalize industrial strikes. In China, by contrast, the CCP has withheld the constitutional protection on right to strike since 1982. Labor unrests are still treated indiscriminately along with other collective unrests and are primarily dealt with by the public security authority rather than the official unions or other labor management authorities. This legal limbo does not

⁵⁹ Article 209, Labour Code, 2012. Accessed from: <https://www.ilo.org/dyn/natlex/docs/MONOGRAPH/91650/114939/F224084256/VNM91650.pdf>

⁶⁰ Article 210. *Ibid.*

⁶¹ Article 213. *Ibid.*

⁶² Article 213. *Ibid.*

prevent state workers and migrant workers from staging strikes to voice their grievances and demands, but it does impose a specter of state repression on strike participants (Chapter 6).

Thus, given that the VCP is more open to grassroots union activism, can we make a prediction that more proto-economic unions will emerge in Vietnam than in China? That means, more workers are willing choose enterprise unions as their strike organizations. Clarke (2006), however, suggests the opposite. He argues that this favorable legal institution has failed to channel most labor unrests into the structure of enterprise unions. Wildcat strikes remain as the dominant form of workers' resistance. He suggests looking at the causes at both the structural level and the agent level. At the structural-level, the VGCL only allows enterprise unions the right to organize strikes, excluding all other non-official labor organizations as strike organizers. It is obvious that the VGCL has no intention to give up its monopolistic but ineffective representation of the working class, which is a form of "appropriated representation" as criticized in Friedman (2014). In this regard, the VGCL is not different from the ACFTU. At the agent level, Vietnamese workers are suspicious of the loyalty of employee representatives of their enterprise unions, because these union officers are often managerial personnel who tend to have little interest in speaking up for workers. Clarke's observation is confirmed by a latest research on the implementation of the 2012 Labour Code (Khanh,

2015). This study finds that workers continue to stage wildcat strikes to make claims instead of organizing their strikes through enterprise unions. More ironically, most strikes occurred in unionized enterprises. an attributes the ineffectiveness of enterprise unions to three factors: First, the associational power of enterprise unions is still very limited. The official unions usually persuade enterprises to establish unions only after the latter's opinions are solicited. Second, state intervention is so heavy in wildcat strikes that it actually hollows out enterprise union as an effective mechanism of dispute resolution. In practice, wildcat strikes are settled by a group of state envoys, which is a joint working group constituted by the People's Committee, the official unions, labor department and police. Similar to the Chinese state, the Vietnamese state intrusively intervenes in labor unrests in order to restore social stability. Unfortunately, this bureaucratic settlement not only bypasses enterprise unions but also increases the incentive of workers to use wildcat strike for making their demands, both of which weaken enterprise unions. Third, the leaders of wildcat strikes have never been punished. It further reduces the risk on the part of workers to use wildcat strikes to push their demands in industrial conflicts. In short, current research is state-centric. It suggests the Leninist institution hinders the progress of unionization in Vietnam, despite that this country seems to possess more favorable structural conditions for union development than China does.

Here, I provide a complementary argument to Clarke (2006), Friedman (2014), and Khanh (2015). I argue that a prediction on the future of the state-sponsored unionization in Vietnam needs to take account of managerial response to unionization and the agency of union leader, as my explanatory framework has suggested. As I argue, state intervention is necessary but not sufficient to explain the variance of union efficacy in transitioning Leninist states, where capital has created its own domain of dominance. In Vietnam, most FIEs come from countries without a tradition of collective employees' representation such as South Korea and Taiwan.⁶³ Past research in China suggested that these Korean- and Taiwanese-invested SMEs had the most abusive and inhuman factory regime among all FIEs (Chan, 2001; Won, 2007). Thus, they are unlikely to be friendly to unionization at the first place. In fact, the majority of wildcat strikes in Vietnam did take place in Korean and Taiwanese enterprises.⁶⁴ Clarke (2006) once remarked on the despotic factory regime in these firms:

“Korean and Taiwanese investors have tended to use the authoritarian management methods inherited from the SMEs from which many of them have grown, but they are also working in very competitive, low-skilled, labour intensive light industry where such management methods are common” (p.348)

⁶³ South Korea and Taiwan are the two largest investors in Vietnam.

⁶⁴ *Vietnam Economy*, 18 November 2003.

It is highly likely that these enterprises are union-free or they have suppressed unions (e.g. paperwork unions). When they do have unions, it is likely that their management perceives unionization as an extraction rather than a resource and has managed to suppress the agency of union officers. However, since Clarke's data was collected in the early 2000s, which was ten years from now, it is likely that his data no longer captures the latest composition of FIEs and the changes in their factory regimes. Thus, more research on enterprise ownership and corporate culture is needed before a robust comparison can be made between the two transitioning Leninist states.

Lastly, are union leaders in Vietnam empowered to lead strikes because they have the legal right to strike? This is a hard question, because the agent-level qualitative data is absent. Nevertheless, some scholars have tried to answer it based on indicators such as union finance. Their assumption is, if union leaders are paid out of union funds instead of by their employers, they are more likely to act independently and defensive of labor interest. For example, Chan & Norlund (1998) suggest that the 1992 Trade Union law provides some independent financial sources to union officials, as the law requires union staff to be paid out of union funds instead of company's payrolls (Article 15.3). However, I would suggest their observations were premature, which fails to capture the labor law reform in Vietnam in 2012.

The 2012 Labor Code provides some support to my caution. In its Article 26 on union finance, the law includes 2% of wage bill as one of the main revenues of union funds.⁶⁵ Interestingly, this article is exactly the same as Article 42 of the 2001 Trade Union Law of China. It is possible that the VGCL has learned from the ACFTU to supplement union funds from employers' contributions due to its insufficient membership contributions. The insufficient membership contribution may be caused by Vietnamese workers' work and life patterns. In Vietnam, most workers work in labor-intensive industries. It is unclear to what extent union members are willing to make a regular contribution to union funds and whether or not these union funds are sufficient to pay union officers. It is also unlikely that Vietnamese migrant workers are willing to contribute regularly to union funds out of their meager earnings. They are highly mobile and thus it is irrational for them to invest in a single enterprise union for long-term goals such as labor welfare.

Thus, Chan & Norlund (1998) can be too early to argue that Vietnamese union officers can act relatively independently from management because of their independent incomes. Khanh (2015) confirms that most grassroots union officers are part-time staff and paid by the employer. As a result, they are unwilling to lead strikes. So far, the evidences suggest that Vietnam does not have a higher frequency of proto-economic unions than China does. This is

⁶⁵ Law on Trade Union, 2012. Retrieved from:
http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=91648

because the two non-state variables, managerial perception and union leadership, are not favorable to the emergence of proto-economic unions. First, there is little evidence that FIEs in Vietnam have a greater respect of labor rights than their counterparts in China. Second, due to the lack of independent funding, union officers act conservatively and refrain from confronting the management.

To summarize, the Vietnamese laws allow the official unions to enjoy a greater associational freedom. Strikes are de-politicized. Enterprise unions are granted a greater autonomy in initiating industrial actions such as strikes. However, these favorable structural conditions do not produce a higher frequency of proto-economic unions in Vietnam because of the low values on the two other non-state variables.

7.3 The Concluding Remarks

This thesis argues that Leninist states rely on utilizing its legal institutions while at the same time generating incentives on the part of private sector actors in order to induce them to conform to labor policies. The state can no longer intrude into the society from the commanding height as it did in the era of state socialism. As the concluding remarks of the thesis, I want to discuss my three variables in a broader research context, which hopefully can provide some suggestions to further researchers.

One of my major findings is that the state is simultaneously a source of support to and constraint on enterprise unions. As a source of support, state intervention matters not only in the daily operation of enterprise unions but also when enterprise unions mobilize strikes. Many enterprise unions would have not existed if the state did not push unionization in the private sector. The state-sponsored unionization has indeed spread union ideology and knowledge, making more private sector actors aware of the existence of unions. Unlike previous research which suggests that the state undermines union mobilizations in industrial conflicts (Chen, 2003; Chen, 2015; Li & Liu, 2016), I argue that the state is Janus-faced in handling labor unrests because it relies on grassroots leaders to bring a quick end to industrial conflicts. In a short time span, the interest of the state overlaps with the interest of unions. When this overlapping interest between the state and labor occurs, unions can seek support from the state if their leaders manage to create an effective union control to demonstrate their ability in facilitating the restoration of social stability.

However, as a source of constraint, the impact of the state shall never be underestimated. The state defines “the political and legal constraints on labor actions” (Chen, 2015, p. 27). Although Leninist states do not necessarily stifle union activism (as shown in my research), the very enterprise unionism they

hold to makes enterprise unions in paradoxical and precarious existence. Being paradoxical in existence, enterprise unions have to reside in employers' organizations. Labor and capital, the two opposing sides of industrial relations, co-exist in a single economic organizations dominated by capital. The Leninist enterprise unionism encourages enterprise unions to develop a symbiotic and dependent relationship with their host enterprises, while at the same time discouraging them engage in confrontation with the management. As Friedman (2014) criticizes, enterprise unionism is a form of appropriated representation, in which "...the state unilaterally grants exclusive rights of political representation of an entire class to a particular organization in the absence of substantive or formalistic delegation from membership." (p.22). This appropriated representation eventually makes workers disenchant on enterprise unions. He contends that the Leninist enterprise unionism is too obsolete to adapt itself to a market economy. Although I do not agree with Friedman (2014) that enterprise unionism is the primary cause of union weakness (as I have discussed an alternative explanation in Chapter 4), I do agree with him on this Leninist institution's constraining impact on union organizing in the private sector. The state's insistence on enterprise unionism makes unions in paradoxical existence, which means they have to balance the interests of both sides of industrial relations rather than being the sole representative of labor. Being precarious in existences, the fate of enterprise unions is ultimately decided by the fate of their host enterprises. In my follow-up fieldwork, I

traced two proto-economic unions, ASU-1 and AME-1, after their respective labor protest. Unfortunately, I found that both unions had ceased to exist after their host enterprises relocated to the other regions or entered into liquidation. With their host enterprises gone, enterprise unions are gone as well. The precarious nature of private firms makes enterprise unions in precarious existence.

I regard managerial perception as preconditioning the timing and the extent of state intervention in factory regime, but I admit that factory regime nowadays is not isolated from the macro-level state policies. On the one hand, the management determines whether or not an enterprise union is established at the first place and subsequently how much institutional space is allowed for union development. On the other hand, as the market reform matures, it opens up Leninist states have more channels to contact with private sector actors in order to influence their behaviors. With the labor law reform, more and more enterprises embrace unionization out of their concern on legitimacy or resource. In an incremental pace, these firms come to understand unionization as a legal obligation and show less resistance to it. As a result, the state-sponsored unionization is able to spread union ideology to a larger part of the private sector, where “union” is no longer a foreign concept to employees and employers. However, managerial consent on unionization is still half-hearted. Most enterprises try to maximize the utility of unionization

while at the same time minimizing the cost of it. As shown in Chapter 5, many enterprise owners are happy to have enterprise unions to channel free resources into their firms, but try their best to avoid paying union dues.

As for the agent-level variable, I conceptualize the variance in union leadership, but I do not seek to explain how and why this variance occurs at the first place. Here, my major assumption is that structural environments do not predetermine actors' behaviors at micro-levels. In most market economies, union leaders are tamed or suppressed, behave like middlemen, or are adamant in advocating labor interests. For examples, in mature democracies such as India, union leaders in the formal sector are tamed by the management and the pro-business state, whereas union activists in the informal sector defend worker interests at their own expenses such as self-sacrifice for their union's cause and in police repression (Nair, 2016). In any country with a market economy, this classic variance can be observed. Thus, I take this variance in agency power for granted. Nevertheless, future research may need to explore whether certain structural conditions such as regime type, state policy and social network produce one variance more frequent than the others.

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APPENDICES 1a: IRB-Consent Form

PARTICIPANT INFORMATION SHEET & CONSENT FORM

1. **Project title**
Enterprise Unionism in Post-reform China

2. **Principal Investigator and co-investigator(s), if any, with the contact number and organization:**
Wang Jie, PhD candidate
Department of Political Science
Mailing Address: 11 Arts Link, AS1, #04-10, NUS, Singapore 117573
Phone: +65 96654927
Email:

Co-investigator/supervisor: Associate Professor Chen An
Email:

3. **What is the purpose of this research?**
You are invited to participate in a research study. This information sheet provides you with information about the research. The Principal Investigator (the research doctor or person in charge of this research) or his/her representative will also describe this research to you and answer all of your questions. Read the information below and ask questions about anything you don't understand before deciding whether or not to take part. The purpose of this research is to systematically investigate enterprise unions in China. The researcher is particularly interested in causal factors affecting union effectiveness.

4. **Who can participate in the research? What is the expected duration of my participation? What is the duration of this research?**

The duration of the research is six months. Informants shall be above 20 years old. Each informant's participation is no more than 45 minutes, but may extend to 1 hour only upon the informant's approval.

5. **What is the approximate number of participants involved?**
112

6. **What will be done if I take part in this research?**
Only participants will asked a series of questions based on their experience as union members. Interview will be recorded upon the informant's consent. If the informant does not consent to the interview being taped, field notes will be kept as instead. The fields for the subject's name and personal details will be kept on a separate sheet that can be detached from the data sheet and kept in a separate file by the PI, at an appropriate time. The PI may re-contact the subjects in case of clarifications or further queries only upon the subject's permission.

7. **How will my privacy and the confidentiality of my research records be protected?**

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Field notes will be kept when the informant does not consent to being taped. The informant's name and personal details will be kept on a separate sheet that can be detached from the data sheet and kept in a separate file by the PI, at an appropriate time. Only PI has participant's names and contact information, and will not be released to any other person. Personal identifier will never be used in publication or presentation. Personal identifiers will be deleted upon completion of the research study. All data collected will be kept in accordance to the University's Research Data Management Policy. Research data used in publication will be kept for a minimum of 10 years before being discarded.

- 8. What are the possible discomforts and risks for participants?**
There may not be any discomforts or risk for participants. Participants, either corporate or individual, are free not to participate the research and not to answer a specific question if they wish not.
However, participants may feel uncomfortable talking about the union's internal function or hesitant to comment about the enterprise's relation with the employer's organization. Subjects are free to not answer any question if they do not wish to.
- 9. What is the compensation for any injury?**
There will not be any injury and compensation to be expected.
- 10. Will there be reimbursement for participation?**
There is no reimbursement for participation. A symbolic gift will be given to corporate informants after participation.
- 11. What are the possible benefits to me and to others?**
There is no direct benefit to you by participating in this research. The knowledge gained may benefit the public in the future.
- 12. Can I refuse to participate in this research?**
Yes, you can. Your decision to participate in this research is voluntary and completely up to you. You can also withdraw from the research at any time without giving any reasons, by informing the principal investigator and all your *data* collected will be discarded.
- 13. Whom should I call if I have any questions or problems?**
Please contact the Principal Investigator, WANG Jie at telephone +65 96654927 and email wangjie@nus.edu.sg (Attn: Prof Chen An, at email at) for all research-related matters and in the event of research-related injuries.

For an independent opinion regarding the research and the rights of research participants, you may contact a staff member of the National University of Singapore Institutional Review Board (Attn: Mr Chan Tuck Wai, at telephone (+65) 6516 1234 or email at irb@nus.edu.sg).

Consent Form

Project title:
Enterprise Unionism in Post-reform China

Principal Investigator with the contact number and organization:
Wang Jie, PhD candidate
Department of Political Science
Mailing Address: 11 Arts Link, AS1, #04-10, NUS, Singapore 117573
Phone: +65 96654927
Email:

Co-investigator/supervisor: Associate Professor Chen An
Email:

I hereby acknowledge that:

1. My signature is my acknowledgement that I have agreed to take part in the above research.
2. I have received a pamphlet (or a copy of this information sheet) that explains the use of my data in this research. I understand its contents and agree to donate my data for the use of this research.
3. I can withdraw from the research at any point of time by informing the Principal Investigator and all my data will be discarded.
4. I will not have any financial benefits that result from the commercial development of this research.
5. I consent / do not consent* to have the coded data made available for future research.
6. I *agree / do not agree** to the photo-taking/ audio-recording /video-recording of my participation in the research.
7. I *agree/do not agree** for the following personal identifiers to be disclosed in any publication or presentation relating to this research, if any.
 Surname First name Organisation Name Position/Designation
 Disagree (I wish to remain anonymous and only agree to be known as _____).

**please delete as appropriate*

** This research has been explained to me in _____ (state language), which I understand, by _____ (name of translator) on _____ (date).

Name and Signature (Participant)

Date

Name and Signature (Consent Taker)

Date

** Name and Signature (Translator)

Date

*** (Please include this section if the subject is unable to understand English and read any of the translated consent documents available.)*

APPENDICES 1b: List of Interviews

Number	Enterprise /union code	Date	Informant	Location	Remark
1	TAI-1	Dec 2014	Human resource personnel	Bao'an, Shenzhen	
2	PEU-1	Jun 2015	Union chair	Nanshan, Shenzhen	
3	FTU-1	Apr 2015	Union cadre	Futian, Shenzhen	Community level
4	CEU-1	Feb 2015	Union cadre	Singapore	Retired
5	JAP-1A	Apr 2015	Union chair	Nanshan, Shenzhen	
6	JAP-1B	Apr 2015	Human resource manager	Nanshan, Shenzhen	
7	JAP-2	Jul 2015	Union committee member	Nanshan, Shenzhen	
8	PEU-2	Jun 2015	Union chair	Luohu, Shenzhen	
9	SIN-1A	Mar 2015	Union vice-chair	Bao'an, Shenzhen	
10	SIN-1B	Apr 2015	Union chair	Bao'an, Shenzhen	
11	LGU-1	Dec 2014	Union cadre	Longgang, Shenzhen	Community level
12	ASU-1A	May 2015	Worker	Longgang, Shenzhen	
13	ASU-1B	Jun 2015	Union vice-chair	Longgang, Shenzhen	
14	AME-1A	Jun 2015	Union chair	Nanshan, Shenzhen	
15	AME-1A	Jul 2015	Union chair	Nanshan, Shenzhen	Follow-up interview
16	AME-1B	Jul 2015	Company staff	Nanshan, Shenzhen	
17	NSU-1A	May 2016	Union cadre	Nanshan, Shenzhen	Sub-district level
18	LNGO-1A	Mar 2015	Staff	Bao'an, Shenzhen	
19	LNGO-1B	Mar 2015	Migrant worker	Bao'an Shenzhen	
20	LNGO-2A	Mar 2015	Staff	Longgang, Shenzhen	
21	PHU-1A	Mar 2015	Union chair	Shekou, Shenzhen	
22	PHU-1B	Dec 2015	Union chair	Shekou, Shenzhen	Follow-up interview
23	TAI-2A	Mar 2015	Union chair	Futian, Shenzhen	
24	TAI-2B	Jul 2015	Union chair	Futian, Shenzhen	Follow-up interview
25	PEU-3	Jul 2015	Union chair	Nanshan, Shenzhen	
26	PHU-2	Apr 2015	Union chair	Futian, Shenzhen	
27	PHU-3	Jul 2015	Union chair	Shekou, Shenzhen	
28	HKU-1	Apr 2015	Union staff	Yantian, Shenzhen	
29	PEU-4	Jul 2015	Union committee member	Nanshan, Shenzhen	
30	FRE-1A	Mar 2015	Union chair	Shekou, Shenzhen	

31	FRE-1B	Apr 2015	Union chair	Shekou, Shenzhen	Follow-up interview
32	KEA-1	Jul 2015	Union committee member	Nanshan, Shenzhen	
33	JCC-1	May 2015	Secretary	Nanshan, Shenzhen	Commercial chamber
34	LSF-1	Aug 2016	Labor inspector	Futian, Shenzhen	