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**Chinese Unions: Nugatory or Transforming?  
An *Alice*<sup>1</sup> Analysis**

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<sup>1</sup> Quotes are from Lewis Carroll (1865) *Alice's Adventures in Wonderland*, (AAW) and (1872) *Through the Looking Glass and What Alice Found There*, (TLG). All page references are to the centenary edition edited by Hugh Haughton (1998).

## Abstract

China has, apparently, more trade union members than the rest of the world put together. But the unions do not function in the same way as western trade unions. In particular Chinese unions are subservient to the Party-state. The theme of the paper is the gap between rhetoric and reality. Issues analysed include union structure, membership, representation, new laws (e.g. promoting collective contracts), new tripartite institutions and the interaction between unions and the Party-state. We suggest that Chinese unions inhabit an *Alice in Wonderland* dream world. In reality although Chinese unions do have many members (though probably not as many as the official 137 million figure) they are virtually impotent when it comes to representing workers. Because the Party-state recognises that such frailty may lead to instability it has passed new laws promoting collective contracts and established new tripartite institutions to mediate and arbitrate disputes. While such laws are welcome they are largely hollow: collective contracts are very different from collective bargaining and the incidence of cases dealt with by the tripartite institutions is tiny.

Much supporting evidence is presented drawing on detailed case studies undertaken in Hainan Province (the first and largest special economic zone) in 2004 and 2005. Here, for example, we were told “the union is only for show . . . irrelevant” and that collective contracts are not negotiated and have no content. The idea of a collective dispute was greeted with incredulity by all parties in each of our enterprises. And the powerful performance-related pay systems were simply imposed by management. One such is a reverse tournament such that every year the worst performing worker(s) is (are) automatically dismissed.

The need for more effective representation is appreciated by some All China Federation of Trade Unions (ACFTU) officials. Recent suggested reforms include autonomous negotiations thus breaking the monopoly of the ACFTU, the right to strike, recognition that labour and capital may have different interests and a much larger Labour Inspectorate. But such seemingly reasonable reforms do seem a long way off, so unions in China will continue to echo the White Queen:

*“The rule is, jam tomorrow and jam yesterday – but never jam today”* and, alas, tomorrow never comes.

Keywords: China, trade unions, Hainan Province, collective contracts, collective disputes, membership

JEL Classification: J5

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## INTRODUCTION

*“Curiouser and curiouser” said Alice (TLG 1998 p.16)*

China has, apparently, more trade union members than the rest of the world put together. But the unions do not function in the same way as western trade unions. In particular Chinese unions are subservient to, and a component of, the Party-state. The theme of this paper is the gap between rhetoric and reality. Issues analysed include union structure, membership, representation and new laws (e.g. promoting collective contracts), new tripartite institutions, and the interaction between unions and the Party-state. Regarding each of these issues, and others, we suggest that Chinese unions inhabit an *Alice in Wonderland* dream world. Alternatively, we try to tell the true story: Chinese unions have many members (though probably not as many as official documents suggest) but are virtually impotent when it comes to representing workers. Because the Party-state recognises that such frailty may lead to instability (for example strikes were called riots [*saoluan*] by all the officials we spoke to) it has passed new labour laws promoting collective contracts and established new tripartite institutions to mediate and arbitrate in individual (but seldom collective) disputes. While these new laws and institutions are welcome they are largely hollow. Collective contracts are very different from collective bargaining and the incidence of cases dealt with by the tripartite institutions is tiny.

Although this paper argues that China does not have properly functioning unions – rather the reverse – two caveats are necessary. First, we are seized of the fact that the whole notion of a “labour market”, [*laodongli schichang*] the market in which unions must function, is only a decade or so old. The first time the phrase “labour market” was used in official documents was 1993 (Qiao et al. 2004), reflecting the previous Marxist aversion to exchanging labour for money. This was fundamentally altered in the 1994 Labour Law which introduced labour contracts. Nevertheless our argument is that even though the labour market is now firmly established – 97% of workers are on the labour contract system – there is no evidence whatsoever of parallel development in functioning trade unions. The inability of workers to develop proper representation for their common interests, coupled with the rapid spread and deepening of the market mechanisms, implies that unions – despite their huge membership – are likely to remain largely nugatory in Chinese labour relations. But, second, neither China, nor the All China Federation of Trade Unions, are monolithic so there are (normally short-lived) exceptions to the rule that unions are nugatory. Some such exceptional examples will be noted as the paper proceeds.

Section I describes unions’ structure, membership, voice and finances. In section II we consider what unions do – to both industrial relations and to workplace efficiency and equity. Detailed case study evidence from Hainan Province, the largest and oldest special economic zone, is set out in section III. The future prospects of Chinese unions is the subject of section IV which examines the interaction between

unions and other parties and various challenges including declining legitimacy. Conclusions are presented in section V.

# **I UNION ORGANISATION, MEMBERSHIP, VOICE AND FINANCE**

## **1. Organisational structure**

*“When I use a word”, Humpty Dumpty said in a rather scornful tone, “it means just what I choose it to mean”.*

(TLG 1998 p.186).

The formal structure of national Chinese unions was established in the early 1920s with the All-China Federation of Trade Unions (ACFTU) setting up in Canton (now Guangzhou) in 1925. But it was after the liberation in 1949 that unions’ functions were consolidated and the structure formalised. Though unions have been through ups and downs during the past fifty years, their original organisational structure remains largely intact (Ng and Warner 1998; Warner and Zhu 2000). Unions’ organisational structure has three interrelated elements: democratic centralism, top down control and a dual local and industrial structure.

The constitution (revised in 2003) of the ACFTU and its constituent unions stipulates unions’ organisational principle as “democratic centralism”. And at ACFTU headquarters we were told that the relationship between the Party-state, unions and workers is one of “representative democracy” or “participative democracy”. “Democratic” reflects the ostensible democracy enjoyed by the mass of workers. “Centralism” implies an authoritarian style of administration. This principle requires “individuals being obliged to the organization, the minority obliged to the majority, and subordinates obliged to superiors” (Ng and Warner 1998). Therefore the logic emphasises a top-down control while allowing some “freedom” of opinions and actions at lower levels. Unions’ organisational structure follows this logic. According to the Trade Union Law 2001 and the Trade Union Constitution 2003 all workers enjoy the freedom to join a union, but this union must be approved by and under the leadership of ACFTU, the only permitted official union organisation. In recent years a few experiments have occurred in grass root unions to elect a union chairperson directly by the members of the workplace (Taylor et al. 2003). However, these experiments have not been widely replicated and such appointments must be “approved by local Party organs” in order to weed out “troublemakers” (Taylor et al. 2003). Union leaders of higher local (county, city and province) levels belong to the government administration and are appointed by the Chinese Communist Party (CCP). It is readily apparent that the “democratic” element of democratic centralism is in the Humpty Dumpty tradition. This will only be remedied when workers are allowed to choose and vote for their own officials and leaders.

Chinese unions form a hierarchy with the ACFTU at the top, and with two strands representing industrial and geographic boundaries (see Appendix, exhibit 1).

The basic organisational unit is the workplace-based grass root union in each administrative unit (enterprise, undertaking or state organ). There can be only one grass root union in each workplace. Above the grass root unions are two local levels – county/city and province. Grass root unions come under the leadership of both the city level federation of unions and the appropriate industrial union. The city federation is under the direct leadership of the higher-level provincial federation. And the industrial union at this city level has two bosses – the higher national industrial union and the provincial federation. At the top of the union structure is ACFTU. There are now 31 federations of trade unions based on provinces, autonomous regions and metropolitan areas and ten national industrial unions. All lower level unions are responsible to their immediate upper-level unions and report their work to them. (*“About ACFTU” from <http://www.acftu.org.cn/about.htm>*).

Within the unions, interaction between union officials and members is close to non-existent. In almost all cases union officials are not elected by members but chosen by appropriate Party organ. Union officials are responsible to the Party and government administration and empowered by the state. Their career and promotion does not intersect with union members whom, according to trade union law, they should represent and protect (Taylor et al. 2003). This dichotomy between union officials and members weakens any power base which might be derived from the members and simultaneously demotivates union officials from working for their constituency. Union members – who have almost no rights in choosing and changing union officials – naturally have little trust in union officials.

Chinese unions essentially operate on behalf of the state and management rather than workers. Both the organisational principle and the structure of unions enhance unity in thought and action within unions, all under the leadership of ACFTU whose officials are chosen by and responsible to the Party-state. The Trade Union Law 1992 and its 2001 revision assigned the ACFTU the role of a two-way transmission belt between the mass of workers and the Party: “by top-down transmission, mobilization of workers for labour production on behalf of the state; and by bottom-up transmission protection of workers’ rights and interests” (Chan 2000). In reality Chan concludes: “the Chinese state was so powerful that the top-down transmission of Party directives regularly suppressed any bottom-up transmission relating to workers’ interests. The union merely functioned as an arm of the Party-state”. Workers are left with little possibility of channelling their grievances upward: such a lack of upward voice suggests, as we shall see, future potential social unrest.

Chinese unions have close relations with the Party-state. This closeness dates back to the revolutionary history in the early 1900s, when unions were set up to form an alliance with the CCP to fight against military warlords, foreign invaders and the National Party. Chinese workers’ class interests were considered a source of power for the CCP but have always been subordinate to the Party’s needs. When the power base of the CCP moved to the countryside, unions became a sideshow. It was the promotion of industrialization soon after liberation in 1949 that restored and

reinforced the importance of the ACFTU and its affiliated unions. Then, during the Cultural Revolution of 1966-1976 unions were dissolved: it was held that the Party-state represented the interests of all, including workers, so there was no need for the existence of an organisation emphasising separate interests. Once the new round of economic reforms started in 1978, unions regained their legitimacy, “sponsored” by the Party-state, as before.

Unions’ evolution demonstrates that they have never been a separate institution just for their members, but the junior partner of the CCP. Though the ACFTU’s ostensible constitutional obligation, reinforced by Trade Union Law 2001, is to represent workers’ interest, it also imposes a strong political role of safeguarding the interests of the country. One of the four cardinal principles which ACFTU must abide by is to uphold the CCP’s leadership (Trade Union Law 2001). This requires that ACFTU keeps its own policies and activities congruent with the Central Committee of the CCP. Unions’ political subordination to CCP permeates all their actions and priorities so some authorities describe Chinese unions as a “party organ” (Taylor et al. 2003). The banning of the right of strike in the 1982 Chinese Constitution eliminates a key source of union power. Indeed, unions now depend on the powerful state for legislative empowerment in order to survive. Hence Child (1994) points out that Chinese unions “continue to be subordinated to the authority of the Party” and function as top-down one-way “transmission belt” between workers and the Party-state.

However, the move towards a market economy has encouraged the Party-state not to ignore unions’ other organisational responsibility – representing their constituency of workers. Any social unrest from laid-off workers may destabilise the Party’s control, so the Party-state needs a channel for workers to effectively voice their worries and grievances. And with the Party withdrawing from the direct control of public-owned enterprises and the fast growth of the non-public sector, the Party needs unions if there should be a desire to counter the power of management in China’s monopsonic labour market. Under the rhetoric of the 2001 Trade Union Law unions are now charged with protecting workers from exploitation by management: unfortunately the reality is that such protection is seldom present.

At national and provincial level the ACFTU have been working hard to get legislative changes on behalf of workers, with some success. Recent favourable clauses in the Labour Law 1994 and the Trade Union Law 2001 include shorter maximum working hours and overtime hours per week, greater supervision of working conditions and the signing of collective contracts. But at micro-enterprise level when union officials challenge management to try to protect workers’ rights, they are often dismissed or have their pay cut (e.g. *Workers’ Daily*, 6 February 2004; <http://www.sina.com.cn>, 18 April 2004). Several factors constrain unions’ representative role. First, the Party worries that too strong a union could form a power adversary. Second, to promote economic performance and attract investors, local government urges unions and workers to cooperate with, rather than confront,

management. Third, employers are prepared to violate the law in order to remain non-union. Fourth, some local union officials, who are linked more to the Party, are reluctant to act on workers' behalf. Fifth, enterprise level research shows (Zhu and Warner 2003; Cooke 2002; Ng and Warner 1998; Leung 1988) that unions are aligned with management rather than workers. Indeed, their positions are often interchangeable with the union chairperson being part of management.

Such constraints on unions' representative role sometimes lead workers to risk breaking the law to fight for their rights by, for example, organizing wildcat strikes or even setting up independent unions. The Party-state has a dilemma concerning its control and empowerment of unions: without empowerment such illegal action is likely to become more frequent; but empowerment also risks some union members and officials challenging party orthodoxy – on retrenchment of employment in the SOEs and the harmony of interests between capital and labour, for example.

## **2. Membership and density**

In virtually every country in the world union membership echoes the Red Queen:

*“It takes all the running you can do to keep in the same place”*

(TLG 1998 p.143).

but in China in the early part of the new millennium there was a 50 million boost in the number of members in just three years. Such a hike suggests that the ACFTU takes a similar approach to the Queen of Hearts:

*“Sentence first – verdict afterwards”,*

(AAW 1998 p.107).

Employment and unionisation in China is set out in table 1. Total employment was 752 million in 2004 split roughly one third urban (265 million) and two thirds rural (487 million). Employment has risen monotonically since 1970 – apparently little influenced by cyclical variation. Staff and workers – the core of state employment – are mostly urban-based and are the most likely to belong to a union; the number of staff and workers has fallen rapidly in the last decade, reflecting the changes in the patterns of ownership of Chinese industry. Fuller details, and descriptions, of employment in China are given in the appendix, exhibit 2.

Union membership and the number of grass roots unions are detailed in columns 6 and 7. In China, “all manual and brain workers in enterprises, institutions and government departments within the territory of China who rely on wages or salaries as their main source of income, irrespective of their nationality, race, sex, occupation, religious belief or educational background, have the right to organize or



join trade unions according to law” (Article 3, Chapter I, Trade Union Law, 2001 Revision). The definition of union members is very broad or “generous” (Ng and Warner 2000) in order for the ACFTU to claim substantial membership. The grass root union is workplace based. It refers to a union in a workplace, an enterprise, an institution or a government department with a membership of 25 or more, or a union of joint workplaces with each having fewer than 25 members (Article 10 of Chapter II, Trade Union Law, 2001 Revision).

The Peoples Republic of China (PRC) was founded in 1949 and for ten years membership remained below 20 million. During the Cultural Revolution 1966 to 1976 unions were dissolved, but once revived membership grew rapidly and hit 100m by 1990. From 1995-1999 the number of staff and workers and union members haemorrhaged with the shedding of workers in state-owned and collective-owned units which comprise the bedrock of union membership. But, according to official statistics, in the new millennium unions are, apparently, thriving. The number of grass roots unions more than trebled between 1999-2002 but has since fallen back to around 1 million. Union membership rose by over half between 1999-2002 and now stands at 137 million. Presently there are 470,000 full-time union cadres – in local federations and enterprises – and other part-time cadres and activists. Thus there is one full-time official for every 280 union members, a ratio well below that laid down in Chinese labour law (case 7).

There are a number of reasons why unions appear to suddenly be flourishing despite the continuing crumbling away of jobs in state-owned and collectively-owned units. First, a law introduced in 1998 and revised in 2001 requires new workplaces to establish a union branch. In 1998 ACFTU circulated *Opinions on Strengthening Unions' Work in Restructured Small and Medium Sized SOEs* clearly demanding them to set up and perfect union organisations. This was to offset the erosion of union members which resulted from downsizing and restructuring among the larger SOEs. In 2001 the ACFTU circulated a further official document *Opinions on Strengthening Organising Work in Newly Set-up Enterprises* to encourage organisation of workers in new workplaces. Subsequently these documents were put in the 2001 revision of trade union laws. Second, the ACFTU has begun to admit migrant workers into membership. Third, recently unions put much greater effort into organising private and foreign-funded workplaces. The Thirteenth Congress of national trade unions in 1998 stressed that “where there are staff and workers trade unions must be set up” (ACFTU 2003) and agreed for the first time that “organising staff and workers into a union” is central to their work. Then the 2000 ACFTU presidium held a symposium on organising newly established enterprises and agreed that this was the most urgent task for the ACFTU. It set a target of establishing 1 million new branches and an extra 36 million members by the end of 2002. These ambitious targets have, ostensibly, been met. But there is grave doubt about the veracity of these figures: “the consensus is that these numbers are grossly inflated” (ACILS 2004; Clarke 2005). Leung (2002) suggested, for example, that from 2000-02 grass roots branches were

counted by workplace instead of enterprise, such that enterprises with a number of plants suddenly multiply the number of union branches. However, this practice stopped in 2003 such that the number of grass roots unions fell back. Further, the number of branches and members were simply overstated by some local officials in order to hit their targets. For example, in some places a local federation of unions was set up to include all local enterprises and although all the employees were then counted as members their enrolment is on paper rather than in fact. We were told by an ACFTU official (case 7) that “although I believe the (membership) figures because they are official, there is a lot of water in the figures” [*jinguan wo xiangxin zhexie guanfang shuzi, dan qizhong you xuduo shufen*].

Union density depends on which measure of employment is used as the denominator. There are three possibilities from the available statistical series: total employment, urban employment or staff and workers. As the majority of rural workers are in farming they will not be in a union so total employment is not a sensible denominator. Similarly, membership spreads beyond staff and workers to other urban employees like short-term contract workers or part-time staff. So total urban employment seems the most reasonable series. The evidence in table 1 suggests that around half such employees are presently unionised. Density rose steadily in the 1980s and peaked at 70% in 1989. In the next decade it fell back - to 39% by 1999. This was because the huge growth in urban jobs outside state-owned and collective-owned enterprises was not matched by a corresponding boost in membership. Most new urban employees were non-union: many did not have urban residential status and/or were not permanent employees but were on temporary contracts e.g. migrant peasant workers. But, if the figures are to be believed, density rose rapidly in the last few years to stand at 52% in 2004. This reflects unions’ organising efforts in the previously non-union private enterprises and foreign-funded firms and among migrant peasant workers.

In 2004, 48% of urban employment was not unionised. Such non-union groups include: the self employed; private business owners; a significant fraction of the peasants who have migrated to urban areas and who are often temporary or part-time workers or sub-contractors; non-union employees in unionised workplaces including new and/or young workers and contract workers; military personnel; and religious professionals.

Female employees account for 38% of employment in urban units (this is a narrower definition than total urban employment: it includes only workers with contracts and excludes e.g. temporary workers in urban workplaces; the measure is very similar to the total number of ‘staff and workers’) and a virtually identical proportion (37.8%) of union membership (see table 2). Thus union density rates for men and women are the same. It is worth remarking that the downsizing of employment in state-owned and collective-owned units hit female jobs relatively more than male ones and this fed through to a lower density figure for females than previously.

Membership and density information by industrial sector is given in table 3, using three alternative measures of employment. The evidence on union membership is from an internal ACFTU document and is only available for 1999. Around one third of union members work in manufacturing and a further third in transport and communications, wholesale and retail trades, education and government agencies. Density rates (using employment in urban units as the denominator) are highest in manufacturing, the gas, water and electricity utilities, and transport and communication. The very high density in these sectors is found in other countries (e.g. UK) and reflects common features such as the ease of organisation in large workplaces.

Union membership and density vary sharply according to the form of ownership (see table 4). State owned enterprises account for two fifths of members, and state institutions and government agencies add a further quarter of all members. The bulk of the remainder are employed by collectively-owned enterprises, limited liability corporations and township enterprises. It is difficult to calculate accurate density figures by ownership because we only have total employment or employment of staff and workers. But the evidence in table 4 suggests density is highest where the state is involved, namely state-owned enterprises and state institutions and government agencies. Township enterprises in rural areas employ 128 million people but have just 5 million union members so their density rate is low.

Union membership is concentrated in the East and Central regions of China (table 5) reflecting their total employment share, larger workplaces and the importance of state owned enterprises in these regions. Each region has a range of density by province reflecting the aim of achieving an even spread of industries across the various regions. The three coastal provinces of Jiansu, Jianxi and Guandong have relatively low union density because they have many small, private businesses and many relatives of overseas Chinese who sponsor such businesses. These private businesses, and foreign owned firms who locate here, also absorb many migrating peasant workers (from inside or outside the province) who are normally not union members.

### **3. Representative and direct voice**

In principle there are a variety of mechanisms providing both representative and direct voice to workers. Representative voice occurs via an institutional intermediary such as a trade union, whereas direct voice permits the employee to influence management without any mediated institution. Representative voice through a trade union includes collective consultation, collective contracts (i.e. collective agreements), Labour Dispute Mediation / Arbitration Committees, and the tripartite system of relations embracing the Ministers of Labour, ACFTU and the National Enterprises Association. Representative voice also happens via a Workers Congress – analogous to EU works

councils – in some enterprises. Direct voice includes worker representation on the Board of Directors or Supervision Committees and, more recently, through various components of HRM including teams, performance appraisals and profit sharing. In what follows we discuss the coverage of such arrangements. Their effectiveness is altogether another matter – discussed here, in our case study and in later sections.

Evidence on workers' voice – both representative and direct – in Chinese workplaces is contained in table 6. Unions represent their members when collective consultations are held with management, for example about workplace safety or welfare arrangements, or when collective contracts are signed. In year 2004 there were some 1.020 million grass root trade unions but only 0.327 million collective consultation systems and only 0.331 million enterprises signed collective contracts. In most workplaces where there is a collective contract there is an arrangement for collective consultation. Thus the mere existence of a grass roots union is insufficient to provide representative voice because some three fifths of enterprises with such unions have no collective voice arrangements. This can also be seen from another angle: there are just 60 million workers covered by collective agreements, only around half the total of union members and a quarter of urban employees. Further, many commentators (e.g. Qiao et al. 2004) question the content of such collective agreements.

Around a fifth of units with grass roots trade unions (1.02 million) have an internal workplace-based Labour Dispute Mediation Committee (0.20 million) and there are 0.43 million worker representatives on such LDMCs. These committees mediated in 0.192 million disputes of which only a tiny number (0.068 million) were about collective issues. The vast majority concerned individual issues such as dismissals and promotions. Mediation was successful in one quarter of the cases. Where there is no LDMC in the workplace any dispute is negotiated directly between the worker and management or, more likely, the worker is given a take-it or leave-it option. There is a much small number of Labour Dispute Arbitration Committees which provide binding arbitration by neutral persons from outside the workplace, many of whom are trade union cadres with arbitration qualifications. The LDACs normally involve persons from local government administration.

This description of the formal institutional arrangements does not capture the flavour of actual voice provided by trade unions. Unions are certainly consulted on issues that concern workers such that “the proposals of management or the trade union were referred to lower levels for discussion, and their [members’] comments and recommendations were reported back to the enterprise trade union for its consideration . . . However, the process of “consultation” with the members is more of an exercise in propaganda and persuasion than of the active participation of the membership” (Clarke et al. 2004). When a dispute arises between an individual or many employees and management, the union represents the workers, but their role in such disputes is mediation not negotiation (Clarke 2005). Chen (2003) further clarifies unions' dispute-resolving role into three categories—representing, mediating

and pre-empting, resulting from their double identity as “both a state apparatus and the labour organisation”. Chen’s analysis shows the state’s attitudes and actions affect unions’ representation role. When conflicts occur on an obvious infringement of individual workers rights by management, unions are willing to be on the individual worker’s side. The state is willing to represent and protect the weak as long as it does not arouse group dissatisfaction and social disturbance. When management clearly infringe collective workers’ rights, unions are much more cautious in taking action. To avoid group dissatisfaction and to ensure that this does not escalate into group violence, they instead mediate with management to retrieve the collective rights of the group. However, when the dissatisfied group of workers turn their disputes with management into organising their own fight either by violence or by organising themselves outside the union (which is against the law) unions stand on the government’s side — to pre-empt, control, then deal with the issue.

Collective consultation was also promoted by some unions in the mid 1990s as a Trojan horse – a step on the road towards more substantive collective contracts – as well as beneficial in its own right with its emphasis on conflict-avoidance. Under such arrangements, unions are not considered as an equal bargaining partner and management has the final say, but such consultation provides the union with a presence in the workplace.

Unions sign collective contracts with management on behalf of workers. It was the unions who initiated the practice of drawing up collective contracts via the 1992 Trade Unions Law, further reinforced by Labour Law 1994. The aim is to safeguard workers’ rights (Taylor et al. 2003). As unions were authorised by the law to represent workers, collective contracts encouraged management to take unions seriously and “discuss” with them work-related issues. The signing of collective contracts received intense coverage in Chinese newspapers and was hailed as “a breakthrough in China’s industrial relations”. But due to lack of government support, the implementation was initially very limited. At the enterprise level, proper consultation and negotiation can only take place in those SOEs and joint ventures which are financially viable and in big foreign owned enterprises who care about their reputation and are willing to abide by Chinese laws (Taylor et al. 2003; Chan 2000).

While this all seems quite impressive, it must be recognised that the content of collective contracts is normally very basic: . . . “the discussion on the draft collective contract with management appears to be more a process of consultation than negotiation, with the trade union deferring to management on any contentious issues . . . [the contract often just] reproduces the existing legal obligations of management” (Clarke et al. 2004). Many issues about workers’ benefits – which would tend to raise labour costs – are deliberately omitted from these contracts so as not to constrain management. In a nutshell, collective contracts are not about negotiation but rather “as self regulatory collective institutional mechanism to secure ‘harmonious’ labour relations” (Clarke et al. 2004, see also Warner and Ng 1999).

To revitalise scenescent SOEs, large-scale downsizing occurred after the fifteenth CC-CCP meeting in 1997. SOEs were encouraged to further deepen their reforms by merger and acquisition, leasing and contracting out. During this reform process workers' voice was sidelined. This neglect, coupled with official and management corruption, led to unprecedented social unrest among laid off workers. This, in turn, encouraged the state to search beyond the tame collective contract system for social dialogue involving unions, the state labour department and the enterprise associations – a tripartite system at the national level. As Clarke and Lee (2002) state: “while the Party-state has continued to use the ACFTU as an instrument for the mobilisation and control of the urban population, it has become increasingly aware that, if the ACFTU is to be effective as such an instrument, it has to articulate the aspirations and grievances of its members”. Experience demonstrated and persuaded the ACFTU that the subordination of unions to management during the collective contract signing process implied they were unable to alter industrial relations on their own. Rather they need government support for any effective measure which has the aim of representing and protecting workers. They found such support in the tripartite system previously promoted (as luck would have it) by the ILO.

The tripartite system started at national level in 2001 among the Ministry of Labour, ACFTU and the National Enterprises Association. The ACFTU saw it as “an instrument of ‘participation from the top’, and most importantly as a means of influencing legislation and government policies” (Clarke and Lee 2002). The ACFTU intends to use the tripartite system to resume and extend the campaign for collective contracts to non-state sectors. The aim is to coordinate among the three parties to solve labour-related issues. But several weaknesses constrain the implementation of the tripartite system if it is to achieve the goals of the ACFTU. First, while the Labour Ministry is identified as the representative of government in the system, many of the most pressing issues go beyond their administrative domain including permission to downsize. Second, the representatives of enterprise rather than employers blur the different interests of employers, employees and the enterprises. Furthermore, unions are subordinated to the Party, hence government. This subordination and lack of a strike weapon may lead to “tripartite accord” rather than a “social dialogue” arrangement (Clarke and Lee 2002). Nevertheless Clarke and Lee put a gloss on the new arrangements: “the new tripartite system marked the recognition of the need to develop the effective representation of the interests of employers and employees” and suggest that this could lead to the transition to effective institutions representing the three parties.

Since 1986 some workplaces (0.369 million in 2004) also have a system of staff and Workers Congress. These are somewhat analogous to European Works Councils and were established to involve workers in the grass roots management of the workplace and to enhance workplace democracy. These institutions can be viewed as an attempt to redress “the inadequacy of the official trade union structure to

act as grass root workers' representative and spokesman" (Leung 1988) and to strengthen workers "democratic participation in management, supposedly expressing the unity of interests of employer and employee in the development of the enterprise" (Clarke 2005) and to "decentralise the organisation of workers' power" (Ng and Warner 1998). But, again, these bodies are mostly a facade. Their presence has crumbled away in state owned enterprises and they never really got a foothold in private or foreign owned companies. In Haikou City we were told (case 5) that outside SOEs and ex-SOEs no workers congress had been established and the Haikou City Union Federation could not force an enterprise to establish one. Even where a congress exists on paper it may not do much. A recent case study of a brewery noted that the Workers' Congress had not met for more than two years. Further, the Workers' Congress are, in practice, subservient to local trade unions which convene their meetings, provide the secretariat and manage their business when the congress is in recess. This subservience was recognised in the 2001 Trade Union law which granted unions the right to organise workers to participate in management via the congress and to monitor the work of the congress (Ng and Warner 1998).

Direct voice occurs via the Enterprise Law (Chan 2000) or because the enterprise has implemented modern human resource management. Under the Enterprise Law a worker representative can be directly involved in discussions on production-related issues like work organisation, technical improvements and rationalisation. Other direct voice schemes use an annual survey where employees comment on workplace life and the 'one share one voice scheme' where workers in private enterprises who own one share can make their voice heard at shareholders meetings. But, as in the west, their voice gets drowned out by those with bigger holdings, including managerial staff (Cooke 2002). The world-wide ubiquity of suggestion schemes is evidenced by the remarkably specific statistic of the number of rational suggestions made by Chinese workers (6,610,729).

Recently many foreign companies have set up joint ventures (JVs) and wholly foreign-owned enterprises (FOEs). Together with financial and advanced technology investment, they have also brought management practices from their home countries into China, among which are human resource management (HRM). Most research on HRM practices in China is based on case studies which analyze HRM practices enterprises with different ownership (Zhu and Warner 2003; Chiu 2003; Cooke 2002; Benson et al. 2000; Björkman and Lu. 2000). Unfortunately we cannot generalise from case studies to the population of enterprises and it is very likely that case studies suggest all too rosy a picture of the extent and depth of direct voice.

Team work is encouraged among employees due to traditional Chinese collectivism. This practice is due more to peer or group pressure than to increasing autonomy, for performance is normally appraised on a group basis and decides the lump sum bonus for the team. The bonus allocation within groups is more or less egalitarian to nurture harmonious relations. Therefore individual rewards are related to the performance of the group, which motivates employees to cooperate and share

tacit knowledge with each other. Warner and Braun (2002) noted that team work was assessed in employees' performance appraisal to encourage group cooperation among workers. Further, market competition intensified the need for enhanced product or service quality. Quality control has become "a core and indispensable element of flexibility". All employees depend on each other in immediate information sharing to solve quality problems (Zhu and Warner 2003; Benson et al. 2000).

Performance appraisal procedures not only include direct management interviews with their subordinates, but are also linked with coaching and formal training and development. In some companies both management and employees are asked to fill in a formal assessment form. In others informal talks are held between the two parties to get direct feedback. Such appraisals are typically held once a year (Björkman and Lu 2000). In all enterprises, with or without unions, the government encourages activities such as "transparent workplace affairs" and "factory director's open day" as a channel of direct communication between management and workers. In their case studies Zhu and Warner (2003) also find considerable use of employee involvement schemes, like suggestion boxes, after work meetings and information sharing practices, and financial participation via profit sharing and employee share ownership schemes.

#### **4. How unions are financed**

Sources of union revenue are set out in table 7. The bulk of union income comes via the 2% payroll levy, collected by union officials or local government authorities (e.g. Haikou City Labour and Employment Bureau) and distributed to workplace, local/provincial and industrial layers, and ACFTU in Beijing as set out in the table. There is no problem collecting the 2% levy from employers in the non-trading state sector (e.g. civil service, local government, schools). And, in the past, SOEs paid over this 2% levy as a matter of course. But now, many enterprises – ex-SOEs, foreign-invested firms and (especially) smaller enterprises – either delay payment or simply refuse to pay. This results – quite literally – in the hapless City union official banging on the door of the enterprise to collect the 2% levy. Alas, such moral suasion is typically unsuccessful.

A potential second source of union revenue is a levy of 0.5% of the wage of the individual worker, paid to the union at the workplace. We were told that, in fact, this levy is seldom deducted. ACFTU officials stated that they are reluctant to make a fuss about such non-deductions because, if the levy was rigorously enforced, workers would start questioning what services and representation the union is providing in return for the 0.5% deduction: "they might expect the trade union to work more effectively on their behalf". Given the textbook tax incidence issues it is interesting that such worries are admitted over an individual 0.5% levy but not over the firm-level 2% levy.



Unions also generate income from quasi-entrepreneurial activities – owning cinemas and other property, cultural palaces, and travel agents. For example in Haikou City most activities on one street, *Jiefang Lu*, are owned or organised by the local ACFTU branch. Finally, local government sometimes contributes to the welfare role of trade unions – “workers in need” for example – so that local union branches can fulfil their traditional social role.

## II WHAT UNIONS DO NOW

### 1. Evolution

In the old Soviet Union trade unions had two functions at enterprise level – “to serve the enterprise administration through enforcing workplace discipline, campaigning for improved productivity and administering social services provided by the enterprise, and acting as the ‘transmission belt’ for the party. The unions were not designed to represent workers’ collective interests and workers did not exert any pressure on them to do so” (Ashwin 2003). Prior to the product market reforms in the 1980s unions had a similar function in China. But since the reform process started unions have also – as we saw above - been charged with representing workers. Now the ACFTU is supposed to be both an instrument of the state intended to promote the collective good of society and a labour organisation representing workers’ rights and interests (Chen 2003). There is an obvious tension between these dual roles which are probably irreconcilable. And now that the state is withdrawing from its paternalistic role in looking after workers (which Chen states caused the grass roots union to be “irrelevant”) this tension is aggravated because the state “is sacrificing workers’ interests for the sake of restructuring the economic system”. Manifestations of the sharpened tension between the dual roles include: smashing the iron rice bowl for SOE / collective workers; in the reformed system managers have power over labour such that workers cannot enforce the rights that they have; exploitative practices by foreign-invested enterprises concerning e.g. safety and overtime.

Essentially employees would like more representation, but the ACFTU is incapable of fully providing it. Consider two examples (Taylor et al. 2003). First, members can elect a local leader only if s/he is approved by the hierarchy, and members have no say in the appointment of higher officials. Thus the trade union is an administrative agency of the party rather than a bargaining representative. Second, by Article 4 of the Trade Union Law 2001 the ACFTU must ensure that its policies and activities are consistent with the CC-CCP at national, regional and local level. Thus the ACFTU is never allowed to oppose Party discipline or its ideological line. Essentially, as the market economy has developed trade unions have become an ‘anti-shock valve’ expected to function for both workers and management in the firm and workers and the Party in society.

The 1992 Trade Union Law (amended in 2001) and the 1994 Labour Law recognise that, as the state abandons its paternal labour relations role, the vacuum needs to be filled by trade unions. The ostensible aim of the 2001 law was to transform unions from their transmission belt role to that of representatives of workers. While this is formally set out in these laws, in practice unions remain castrated. They cannot represent workers if such representation conflicts with state policy, and unions cannot initiate or support any collective action. As in the old Soviet Union, the regime provides no legal framework for any kind of collective action or independent organisation. “What unions are expected to do is to placate discontented workers and prevent or defuse any confrontational labour action” (Chan 2000), while simultaneously preventing any emergence of independent trade unions because the state would not relish the prospect of a Polish Solidarity union springing up.

## **2. Present functions of ACFTU and its grass roots branches**

Formally, the ACFTU now has three functions: to pre-empt independent organisations; to represent workers as individuals and sometimes, ostensibly, collectively; and to mediate between the workers and the firm in order to nip in the bud any possible collective action. These will be considered in turn.

The ACFTU is a monopoly organisation such that, by law, no union is allowed to exist outside the ACFTU structure. This contrasts with the new Russia where there has been “a lifting of restrictions on the formation of independent organisations and institutions” (Ashwin 2003). As Chan states: “The ACFTU is just an extended state power designed to place industrial workers under control and pre-empt any alternative labour organisations”. As such the ACFTU monopoly violates article 87 of the ILO Labour Convention which guarantees workers rights to freely form and join organisations of their own choosing. There are many cases of fleeting attempts to form substitute organisations (see e.g. Howell 1997, 2003) including the 1989 Beijing Workers Autonomous Federation, the migrant workers of Guangdong 1995 and 2002 and the Beijing taxi drivers 1998. Such (albeit short-lived) green shoots explains why the ACFTU pressed for, and got (under the 2001 revision of Trade Union Law 1992), an extension of union recognition. Where requested by the workers a union must now be established. The intention was to spread union presence across many more enterprises, especially in foreign-owned and private enterprises. As shown in section I, if the numbers are to be believed, this revision to the law was remarkably successful such that the ACFTU hierarchy now argue that the security of the Party-state is no longer threatened by alternative labour organisations. The Party-state desires such an outcome because it both fears enterprise-level or national “solidarity” and because it wishes to control labour in order to boost returns to capital to further strengthen the

economic development of China. Nevertheless, the possible emergence of independent unionism remains one of the three key future challenges for the ACFTU (section IV). Its success in forestalling such alternatives will largely turn on whether or not it is able to fulfil its representation and mediating functions.

Although Chinese labour law now provides a right to membership and recognition in practice – particularly in foreign-invested firms – real representation is virtually non-existent. Employees recognise this: successive surveys of workers yield an incredibly low fraction who would turn to their union for help with an employment problem or who think the union is doing a good job in their workplace (see e.g. Chen and Lu 2000 and Yao and Guo 2004). It is plausible that:

*“I really must get a thinner pencil. I can’t manage this one a bit; it writes all manner of things I don’t intend”, The King*

(TLG 1998 p.131)

and that the inadequate implementation of the laws on representation will, in due course, threaten the stability of employee relations and therefore the Party-state.

The Party-state has therefore recently introduced – a clever ploy? – a new law to encourage collective contracts and new tripartite mediation and arbitration institutions. Again the legal and institutional façade is different to the reality:

*“That’s the reason the horse has anklets round its feet”. “But what are they for?” Alice asked in a tone of great curiosity. “To guard against the bites of sharks” the Knight replied.*

(TLG 1998 p.208)

Just as a horse is unlikely to be bitten by a shark, management is – as we showed in section I - little troubled by collective contracts whose implementation is voluntary and which, anyway, lack the substance of a contract which is the outcome of proper collective bargaining. As Clarke et al. (2004) put it: “the negotiation of the collective contract is still a very formalistic procedure, with the collective contract only formulating the terms and conditions of employment in the most general terms and providing workers with few or no benefits not already prescribed by laws and regulations”. And the tripartite mediation committees only deal with some 50,000 cases a year or perhaps 1-in-2000 employees whereas the corresponding UK figure is 1-in-250 employees (see ACFTU 2002). Again there seems little to concern management with the establishment of these new institutions. Indeed ACFTU officials describe the tripartite system as “preliminary” and “feeble” in its protection of workers rights and interests (Qiao et al. 2004).

This might be thought of as a rather elegant manoeuvre by the Party-state. Unions have, at best, a modest representation role – certainly outside SOEs – so the state established new laws and new institutions to fill the vacuum. Both the Ministry

of Labour and the ACFTU wish to be the primary body responsible for the regulation of labour relations. This recent emphasis on mediation and arbitration institutions reflects the ascendancy of the Ministry of Labour, responsible for these bodies, over the ACFTU. In fact neither the new laws, nor the new institutions do much to enhance representation yet they successfully displace union activity. Paradoxically the new laws and institutions stem from what unions claim as a success (case 7), namely their involvement in tripartite (state, employers, unions) institutions at national level.

The 2001 law provides more ‘rights’ for trade unions. These include (articles 19-34):

- right to participate in democratic management on behalf of workers
- right to collectively consult and to sign collective contracts with employers
- right to protect workers right of employment, remuneration, and occupational health and safety

New institutions include enterprise mediation committees and arbitration committees at city or provincial level. These deal almost entirely with disputes between an individual employee and management. It should be emphasised that the system of tripartism in these institutions is odd to western eyes. In enterprise mediation committees the trade union mediates between the employer and the worker (with the state in the background but normally, implicitly or explicitly siding with the employer). In outside-enterprise arbitration committees the normal three parties are represented – unions, Labour Bureau, employers – but the union official will not necessarily side with the workers because s/he may be a manager him/herself.

Unions’ representation role has developed more for individual workers (particularly in the mediation committees) than for collective action. Thus in SOEs the union remains a department of management, facilitating redeployment rather than preventing layoffs. For example, in Haikou when 80% of SOE workers were made redundant in the mid-1990s (in e.g. rubber, printing, dyeing and tyres) unions were – as required by national and local regulations – consulted and had some modest success in ratcheting-up the (one-off) redundancy lump sum payment. But unions role is “to protect the interest of the whole society” [*weihu quanmin liyi*] (case 4) such that they essentially play a validating role – to confirm management decisions. Further, the recent slowdown in downsizing in SOEs [*gaizhi*] is attributable to concerns about unemployment and the burden on the social security system rather than a consequence of union pressure.

Unions retain their welfare role. And latterly they sign collective contracts, but there is little or no collective bargaining or negotiation involved. Indeed “most collective agreements consist of nothing more than a promise by management to pay the legal minimum wage and obey other conditions set by labor laws along with a union’s commitment to help boost productivity” (ACILS, 2004). In most privately owned new establishments unions are weak or non-existent. Collective contracts in such enterprises are the outcome of a ritual, formal process controlled by the

employer. At the Labour Federation (case 4) we were told that Provincial regulations require collective contracts but that such contracts have “no actual functions” [*meiyou shiji zuoyong*]. Instead they are simply “themes” (or – case 7 – “principles”) [*yuanzhi*] following minimum standards laid down by Labour Law. Further it was specifically stated the “unions have no role” [*gonghui qi budao renhe zuoyong*] in negotiating such contracts. Rather the collective contract provides a fig leaf of “consultation and equality hence there is no need for strikes” [*meiyou bagong de bivaoyong*]. Anyway the union Federation (case 5) stated that most enterprises do not even bother with such contracts. The Federation has some 500 grass roots branches in Haikou City (one quarter the number in the corresponding employers association) but fewer than 40% have collective contracts. Although it is the role of the Federation to spread such contracts, union chairs in enterprises do not wish to upset management by pushing too hard, particularly in newer enterprises where almost none have been signed. Indeed, it is likely that the union official was exaggerating his small success because the Employers Confederation (case 6) told us that not one of their 2000 members had a collective contract!

Unions are more visible when dealing with individual disputes. Under the so-called tripartite system, disputes are initially processed at enterprise-level mediation committees. If an impasse remains the worker(s) can take their grievance to the higher-level (county, city or provincial) Labour Arbitration Committee. These arbitration committees have representatives from the state, employers and unions. In 2004, for example, there were 55,000 arbitrated disputes, of which only 6700 were collective. Individual cases successfully resolved involved safety, retirement (e.g. because of disability) and non-payment of wages. Collective disputes are normally over the non-signing or ending of collective contracts, but mostly concern procedural matters where the employer does not abide by standard regulations. Sometimes substantive issues are also brought to these committees – like late payment of wages or non-payment of social security contributions – but unions only take up collective disputes where “management is patently in the wrong” and which are “absolutely winnable” (like withholding pay or pension contributions) and avoid “complicated ones” (Chen 2003). This institutional façade is quite impressive, but the incidence of such cases is modest despite workplace unions being unable to do much for workers at enterprise level.

The representation role of trade unions turns on their institutional status within the state apparatus, not the ability to orchestrate collective action. At workplace level unions remain mostly ineffective and subordinate to management. It is plausible that the present laws and institutions – mostly a hollow shell – may need to be replaced or supplemented with new laws from a “thinner pencil” or the consequent lack of representation may spill over into real instability.

The right to strike was revoked in 1982 because strikes were held to be detrimental to “stability” and “production”. Nevertheless spontaneous labour-related demonstrations do occur, often involving many workers. The CCP refused a request

from the ACFTU to legalise some strikes because: “legalisation of strikes could only induce more strikes”. Instead the duty of the union is “together with enterprise administrations, to resolve through consultation, reasonable and resolvable demands from workers, and incidents, and restore production as soon as possible” (ACILS 2004). Thus unions’ priority is to defuse protest rather than to represent demonstrating workers: “persuading workers to withdraw from the streets should be the unions’ ultimate goal in a protest incident” (Chen 2003).

### 3. Efficiency and equity

In Europe and the US there has been a depth of careful empirical work concerning the impact of trade unions on efficiency – the performance of the firm – and equity (see e.g. Addison and Schnabel 2003). In China, trade unions cannot exert pressure on the firm to raise pay above its competitive level. Similarly they have few instruments to either lower productivity, e.g. restrictive practices, or raise it, e.g. by encouraging greater investment in physical and human capital. There is one possible exception. Trade unions have an official role in encouraging skill training and innovation, via problem-solving teams for example (see Cooke 2005). But neither the literature nor our case study evidence suggest this is a central union activity. Thus Chinese unions are mainly nugatory at influencing labour costs and therefore firm performance.

But there may be some association between a union presence and fairness at work indicated by, for example, inequality in pay, coverage of various insurance benefits, labour regulations and policies towards women and older workers.

The extent of pay inequality depends on pay levels **across** enterprises and workplaces and **within** them. Since the smashing of the iron rice pot (Leung 1988) pay inequality has increased (though it is below that in the US and UK, see Metcalf et al. 2000). First, pay setting is now decentralised to establishment or workplace level and enterprises have different approaches to market-based and performance-related pay. Second, within the enterprise the traditional low wage/high welfare system has been replaced by a huge variety of payment systems including: piece rates [*jijian gongzi zhi*], bonus system [*jiangjin zhi*], the ‘structural wage system’ [*jiégou gongzi zhi*], the ‘floating wage system’ [*fudong gongzi zhi*], and ‘post plus skills wage system’ [*gangji gongzi zhi*] see e.g. Warner and Zhu (2000).

The presence of a trade union in the workplace has little influence on the extent of wage inequality. While it is true that wage inequality is normally lower in SOEs than in foreign-invested firms and that the incidence of union branches is also higher in SOEs than elsewhere in the economy, it would be wrong to conclude that (unlike in the UK for example) it is the trade unions that **cause** the wage inequality to be lower (see also Cooke 2005; Khor and Pencavel 2005). The extent of wage inequality depends almost entirely on choices by management. But unions may play some modest role at the margin. For example Leung (1988) described how when the

new more market-based pay arrangements were introduced, unions in some workplaces were able to build in some safeguards - particularly to protect the old to ensure that they did not suffer a drop in living standards.

While unions have little affect on pay levels, they do influence benefits. Consider table 8, drawn from a representative sample of over 3000 private sector enterprises in 2002. The fraction of workers in unionised enterprises covered by medical, old-age and unemployment insurance is half as much again as the fraction in non-union enterprises. Given the overall low levels of such insurance in China, this greater likelihood of cover in unionised enterprises represents a tangible benefit, albeit available only to a small minority.

Under the 1994 Labour Law trade unions are charged with monitoring the implementation of workplace health and safety regulations (see Benson et al. 2000). These include rules concerning safety, various regulations ostensibly governing hours of work, ensuring the minimum wage is paid and overtime hours are properly compensated. It is possible that accident rates are lower and breaches of other regulations fewer where there is an ACFTU branch compared with similar non-union workplaces (unfortunately no such data exists). But the appalling safety record and manifold violation of wage and hour regulations in unionised workplaces again suggest nugatory unions.

Instead, unions' major workplace role concerns workers' welfare. Before the market reforms "trade unions were responsible for the administration of a large part of the welfare policy of the Party-state" (Clarke 2005). For example trade unions administered any sick pay which "involved visiting the sick and weeding out malingerers". Unions were also centrally involved in the allocation of housing, nursery places and vouchers for subsidised vacations; the organisation of summer camps for children, cultural and sport events; and provision of financial assistance to work colleagues who had fallen on hard times. Presently trade unions retain some of these functions: they are no longer involved in housing allocations but – as two of our case study firms said in a dismissive way – they visit the sick and organise the sports day and the new year feast. For the future unions could usefully provide a voice for and represent rural migrant workers who are clearly at risk of exploitation (see Cooke 2006) but unions' workplace-based organisation inhibits any proper representation of agency workers or live-in maids.

### **III CASE STUDIES**

#### **1. Hainan special economic zone and the case study organisations**

Haikou City is the capital of Hainan Province, China's biggest special economic zone (SEZ). It is the political, economic and cultural centre of the province. It covers 2300 square kilometres, with a population of over 1.6 million and has a tropical climate.

Haikou's development strategy is to build the city into a base for high-tech industries, a tropical seaside tourist resort, and a regional commerce and trade centre sustaining its agricultural base. In 2003 its gross domestic product (GDP) was 25 billion RMB. The annual per capita income is over 14,000 RMB (around £1000). In the 1990s Haikou SOE employment, then some 35,000, was cut drastically. Presently there are 50,000 workplaces (of all sizes) of whom 2000 are in the employment confederation and 500 in the union federation. Official employment is 250,000, but in fact it is much higher, boosted by migrants, family workers etc.

The companies/workplaces included in the case study were chosen carefully, balancing intensity of investigation – suggesting fewer cases – with attention to alternative forms of workplace governance – requiring more cases. Given Hainan's tropical agricultural heritage and (by Chinese standards) long-standing status as China's largest SEZ, we deliberately chose to focus attention on food products and on three (non-SOE) different types of governance. It must be recognised that Hainan is somewhat atypical: it always had less heavy manufacturing and lower SOE employment than many other Provinces. But this is what makes it interesting.

Details of the three case study organisations are summarised in table 9. The three case organisations were visited in August 2004 and April 2005. Free access to each workplace was granted and discussions were held with management, unions and workers. Each visit lasted 1-2 days including getting our hands dirty (literally) on the shop floor. Fuller information about the organisations is given in the Appendix (Exhibit 3) which also provides details of our contacts with official Chinese authorities such as the local/national ACFTU, Ministry of Labour and Social Security and Chinese Employers Organisation.

The Haikou Agriculture, Industry and Trade [*Luohinshan*] Co. Ltd is an ex-SOE which became a company listed on the Chinese stock exchange in 1992. Its major activity is pig farming but it is also involved in growing fruit and vegetables, egg production, instant coffee, toothpaste manufacture and operating two private schools in Haikou. It is only located on Hainan Island, with over 2000 workers and sales of nearly 400m RMB (\$50m) a year. Originally an SOE, it became a listed shareholder-owned company in 1992. The original pig farm component of the listed company still owns 5% of its shares and these will be sold to the employees in 2005/06. The Hainan Haiwoo Tinsplate Co. Ltd is a joint venture among China, Korea and Japan. The original 2000 investment shares have altered such that in 2005 the ownership is China (0.4), Japan (0.4), Korea (0.2). The workplace has some 250 workers with an annual output of 100,000 tons of tinsplate. The Holding Company has workplaces all over Asia. The Coconut Palm Company is the largest producer of coconut juice in the world, with 6000 workers. It is vertically integrated because it manufactures much of its own tinsplate and packaging material. It was originally an SOE with 18 workplaces, solely on Hainan Island. After severe economic problems in the 1980s it switched, for the 2 largest workplaces accounting for 80% of output, to



be an employee share-owned company in the 1990s. The remaining, smaller, 16 workplaces will also become employee-owned shortly.

## **2. Unions, voice and dispute resolution**

All three workplaces have a trade union and pay the requisite 2% payroll levy over to the relevant union authorities, but provision of voice and dispute resolution is not a major feature of union activity. In the Pig Farm conglomerate the role of the workers' congress is emphasised. The congress meets twice a year, separately in each workplace then at company level. In 2004 matters discussed included the 2003 annual report, targets for future output and housing. It is essentially top-down consultation because on matters like the layout of production or overtime arrangements the trade union chair emphasised that management decides unilaterally. The trade union chair is in fact a very senior manager and acts in the traditional transmission belt role. In the Tinplate company voice arrangements are entirely via frequent direct meetings – both ad hoc and formal – between management and workers [*zhi jie*]. The union chair is the top sales manager. We were told that the union “is only for show . . . irrelevant . . . just organises sport and entertainment . . . and will soon fade away” [*shi baishe . . . wuguan . . . zhi zuzhi wenti huodong . . . bujiu jiang xiaoshi*]. In the employee-owned Coconut Palm Company it is the shareholders committee that filters management decisions, which are then validated by the workers congress – a hangover from the company's SOE days. The union “just plays a welfare role”.

The ACFTU grass roots branches in our three case study organisations are equally impotent in dispute resolution. The idea of a collective dispute was greeted by all parties with incredulity in each company. Individual disputes are settled informally at Pig Farm where “management will ask those who want to do the work”. At Tinplate company individual disputes – including dismissals – are initially dealt with informally and subsequently could be heard by the formal in-firm mediation committee or Haikou (town level) arbitration committee. Such cases are very rare and the company won each case because it “carefully followed national and local government regulations”. At the Coconut Palm company there were, it was said, no disputes because “all matters of pay and worktime etc are in accordance with Chinese labour law, therefore there is no need for conflict”. Further, because union officials are appointed by the state, they “work well with management” and are “unlikely to have disputes”.

### 3. Collective contracts and payment systems

In the west, a major role (previously *the* major role) for unions is to negotiate collective contracts and to be involved in the detail of payment systems. By contrast the unions in our three cases played, at best, a peripheral role in such matters.

Chinese labour law now encourages unions to sign and perhaps bargain collectively to negotiate collective contracts. Two of our case companies (Pig Farm and Coconut Palm) stated that they do have such collective contracts, but not as a result of negotiation with the trade union grass roots branch. Rather, the contracts set out the minimum standards in matters like minimum wages, working time and safety as required by national and local law. Such collective contracts were referred to derisively by management at Coconut Palm as simply setting out “themes” but having no real content. Tinsplate simply dismissed the notion of collective contracts.

Instead, all three companies emphasised the importance of individual contracts. Pig Farm uses the model individual contract issued by the Haikou Labour Bureau but with its own amendments. This contract is re-signed every five years. In Tinsplate company the individual contract is for one year. We were told that this short duration is a deliberate stick to elicit effort, given the efficiency wages paid: “we could provide 3 or 2 year contracts but the 1-year contract yields more discipline”.

The reason that individual contracts are paramount is not hard to find. All three of our case companies have powerful versions of performance-related pay. Our evidence mirrors the remarkable changes which have occurred in under a decade away from traditional *danwei* – with its egalitarian, non-performance related pay system – towards company, team and individual performance pay with a low base component (see e.g. Warner and Zhu 2000). Again, in our three companies, these systems were devised and implemented by management with no real input from unions or workers.

Pig Farm sets team-level production (weight) targets with severe penalties for missing the target and generous rewards for exceeding it. There is also a risk-sharing revenue-based element in the pay system, but with a wage floor in case pig prices fall rapidly. It was emphasised by the union chair that the workers “only get paid if they perform”.

Tinsplate Company has a company-wide performance-based system such that, on average, production workers’ pay is composed of a base amount of 40% and an output-related amount of 60%. For administration workers the fractions are 50/50, but the performance element is related to sales, causing wages to fall when the price of imported tin rises and sales fall as in 2004/05. The general manager who we interviewed stated that his notional pay should be 4600 RMB per month, but because of falling sales it is only 3000 RMB. More importantly, there is an “inverse tournament”. Each worker is given a rigorous annual performance appraisal and the worker (or perhaps a few workers) with the lowest rating is **automatically** dismissed: “last performer, first out” [*mowei taotai zhi*].

At Coconut Palm the performance pay system uses salary, bonus, dividends and fines. The salary is based on a monthly individual performance appraisal. The bonus is related to company-wide sales. Quality control is achieved by teams (perhaps of only 2 workers) monitoring the output quality of the immediately previous team on the assembly line. A defective can would, for example, result in a fine of more than one days pay. Managers and union officials emphasised that when this system was introduced in the 1990s many workers left because they could not cope with the risk sharing and extra effort required - a nice example of the familiar sorting and effort effects of the introduction of performance pay (Lazear 1998).

The traditional wage system was introduced in 1956 and consisted of “low salary, high social welfare and high rate of employment” (Qiao et al. 2004). This system was in place until the mid 1980s. The evidence in these case studies shows how rapidly it has been inverted such that the norm is now performance related pay, low social welfare and insecure employment.

#### **4. Miscellaneous issues**

The literature (e.g. Taylor et al. 2003) suggests that there are three further issues which trouble workers and their representatives: delayed wage payments, redundancies and safety. Our three case companies were well run so – unlike elsewhere in China – there was no problem of delayed wage payments.

Layoffs or redundancy (i.e. collective not individual separations) are now accepted as “normal” in the market economy. Pig Farm recently closed down its complete cattle operation because it was bankrupt and this closure was approved by the Provincial government and discussed with the Workers Congress whose representatives were shown the books. An attempt was made to relocate as many workers as possible to other parts of the conglomerate. Some modest compensation for those not transferred was agreed with worker representatives. Early in its operation Tinplate Company had to make 30 workers redundant because of a drop in sales. These separations were speedily agreed by the Haikou Labour Bureau. Coconut Palm has 6000 workers, 4000 on standard contracts and 2000 temporary workers who mostly cut the coconuts from the trees and extract the flesh. These 2000 provide a buffer labour force to protect the 4000 from redundancy.

Safety rules and monitoring were not seen as part of the union function in any of the three cases. For example, at Pig Farm, government regulations are detailed and rigorously enforced, and throughout the conglomerate the importance of educating workers – often through slogans and vivid posters – about safety was emphasised. Tinplate management set safety rules and enforced them via worker involvement.

These three case studies provide concrete evidence of the impotence of worker representatives in general, and trade unions in particular, in the Chinese market economy. Voice comes either through the ritualistic representative workers congress,

or directly via meetings between management and workers, but not via the grass roots trade union. Individual disputes are settled informally or via the in-firm mediation committee – often chaired by the most senior union official – or out of firm arbitration committee. But the union seldom represents the worker at such hearings. Collective contracts have no real content or go unsigned. Individual contracts abide by local and national regulations but are essentially a device to elicit effort and the union is not involved in negotiating such contracts on behalf of individuals or groups. Powerful performance-related pay systems operate in each organisation, again emphasising the individual and the group and marginalising any union involvement in negotiating or implementing such systems. And even on matters of safety and redundancy – key protective functions – unions are remote.

#### **IV FUTURE OF ACFTU AND ITS GRASS ROOTS BRANCHES**

In recent years the ACFTU and its grass root branches have begun to adapt to the market economy. For example the ACFTU has established new departments dealing with legal matters, labour relations issues that arise in foreign-invested enterprises, and the tripartite system of mediation and arbitration committees. It has also been centrally involved in the drafting of government labour laws and regulations including the 1994 law requiring the establishment of trade unions in all enterprises, and the 2001 law covering the right to organise. Thus it has changed its internal structure, its operational style and the legislative and regulatory framework in which it operates. But – as Howell (2003) notes – its fundamental dilemma remains: is it a representative and participative organisation or, instead, an “integral cog of the party machine”? The nature of this dilemma can be illustrated by setting out the way the ACFTU interacts with other parties and by discussing the three major challenges faced by ACFTU if it is to secure its future.

The ACFTU interacts with the Party-state, employers, individual employees and its constituent grass roots branches. Most such interactions develop pragmatically – “crossing the river by feeling the stones” [*mozhe shitou guohe*]. The major challenges are as follows (Howell 2003). First, it has to cope with the altered composition of enterprises and workers. Second, it has to decide where its priorities lie: is it primarily an agent of the Party-state or is its job to represent workers? Third, as a monopoly organisation can it maintain its legitimacy or will there continue to be spontaneous worker protests and attempts to form new, alternative, labour organisations? These three challenges are compounded by China’s entry into the World Trade Organisation.

## **1. Interactions between ACFTU and other parties**

The future of the union movement in China is bound up with the way in which it interacts with other employee relations players: the Party-state, employers, individual employees and the way the ACFTU treats its constituent grass roots.

The Party-state is dominant. Given that the basic union unit is the workplace or enterprise, a cohesive union movement is not possible. With economic decentralisation unions are sidelined in SOEs and ex-SOEs and often irrelevant or missing in joint ventures or multi-nationals. This weakens the union command structure. Even though the ACFTU has been granted an organising monopoly by the state, plus the ability to sign collective contracts, it still cannot safeguard freedom of association, the right to collective bargaining or collective industrial action. In consequence China is in breach of various ILO conventions. The ACFTU is wholly incorporated. Therefore the question for the future (Howell 2003) is whether or not it can, instead, inch towards becoming a state-sponsored corporatist institution.

In SOEs and ex-SOEs unions are normally run by management with just worthy – but modest – tasks like monitoring working conditions, organising the feast at the time of the Spring Festival and visiting the sick. Even though unions now have a right of recognition in joint ventures and multinationals this often means little in practice – as we show below in the Wal-Mart case. The question here is whether, particularly where foreign capital is at stake, the Party-state will ever permit representation of workers to take precedence over management prerogatives. On present evidence this looks unlikely. Rather, any trade union presence in foreign owned companies or joint ventures is more likely to be desired because, in the absence of a Party organisation, the Party-state can keep an eye on foreign management through the trade union

In order to thrive unions must deliver for workers. Where unions are recognised there is little evidence that unions have achieved more generous severance terms when SOEs retrench. And in foreign-invested firms instances of unpaid overtime, late pay and child labour remain rife. Both the Party-state and the union movement are now placing more emphasis on helping individual employees via tripartite consultation. But the framework of new impressive institutions is not all it is cracked up to be. First, when the state is represented the Ministry of Employment and Social Security normally takes the lead role, but this Ministry is often not the key player in employment matters which may turn more on finance and international relations. Second, representatives of the enterprise are not split between members of the Chinese Employers Confederation (CEC) and ACFTU. Instead of such a pluralist approach it is simply asserted that there is a unity of interest between workers and management. Third, tripartite local issues under the mediation and arbitration bodies almost all deal with individual disputes and seldom extending/signing new contracts. Finally, tripartite consultation over national issues – the new labour laws – yield fancy sounding outcomes – collective contracts for example – but are essentially candy

floss. And transformation of trade unions also requires more support for those workers presently unorganised: the bulk of non-state workers, temporary contract workers, migrant workers and the unemployed. Sadly most workers do not think that the union is the body to enhance their work-life or to protect them. They are right to be sceptical: unless unions start to deliver for workers, on both an individual and collective basis – they remain nugatory.

Further, it is also clear that so-called democratic centralism whereby individual unions are incorporated into the ACFTU structure via its top-down system is not much of a model for the future. The grass roots trade unions are simply administrative bodies handling welfare and ideology and have almost no representative role. This deficiency is compounded by the financial insecurity detailed in section I.

Presently the union movement is subservient to the Party-state, seemingly a sideshow for most employers and unable to deliver requisite pay and due process benefits for workers. In addition the top-down union structure and financial insecurity of the movement do not suggest that the challenges for the future – discussed next – are likely to be overcome.

## **2. Challenges**

### **a. Composition of enterprises and workers**

In the pre-reform period there was a strict hierarchy (Howell 2003). At the top were workers in state owned enterprises who enjoyed the iron rice bowl of lifetime employment, welfare benefits, subsidised housing and high political status. Next came workers in collectively owned enterprises and finally those in street or neighbourhood committee enterprises. But in the post reform period enterprises and workers are more heterogeneous. As we saw in the case studies governance types now include foreign-owned, joint ventures between Chinese and foreign investors, privatised companies, state owned companies, smaller enterprises (especially in the coastal provinces) owned by overseas Chinese but run locally. In addition the traditional urban labour force has been augmented by many millions of migrants from rural areas.

Previously the ACFTU mainly represented urban workers in state owned enterprises – where they were what Taylor et al. (2003) called ‘assistants’ or ‘subsidiary departments’ of management. But this is a shrinking pool of workers so this ‘assistant’ role is insufficient. It is apparent that the owners and management of many newer enterprises – particularly those that are foreign owned or joint ventures – are less keen on recognising the ACFTU. Organising in foreign-invested or smaller enterprises is a labour intensive, difficult (i.e. costly) task. The ACFTU is facing similar problems to UK (and other Western) unions who find gaining recognition in new enterprises hard to achieve. In August 2004, the standing committee of the

National People's Congress undertook a nationwide inspection of the implementation of the trade union laws. It found that under 10% of the 500,000 foreign-funded enterprises registered in China have established trade union organisations.

Consider the case of Wal-Mart, the world's largest supermarket chain, which has 20,000 Chinese employees at 40 stores in 18 large cities across China. While the law states that no organisation or individual has the right to obstruct or prohibit the establishment of a trade union in the workplace, Wal-Mart insisted up to late 2004 that "we are not against the establishment of a trade union but we have not got any such requests from our staff". Unsurprisingly employees interpret things differently. Li Haisheng, a porter, is quoted: "we are afraid of putting forward such a claim. The employment market is harsh, and no one wants to sacrifice his job for establishing a trade union here". Trade union officials, for example in Shenzhen and Jiangsu, attempted to convene meetings with Wal-Mart but were brushed aside with the excuse that managers are absent. In late 2004, under heavy pressure from the National People's Congress and ACFTU, Wal-Mart agreed to the establishment of ACFTU branch unions in its retail store. It will be interesting to see how effective such grass roots branches are.

Uniden Electronics, Kodak, Dell and Samsung are similarly hostile to a union presence in their organisations. Kodak, for example, will not provide any place for union activities and managers are forbidden from engaging in any such activities. And even when the union is recognised and properly representing its workers, activity which threatens managerial fiat is likely to result in the sack, as at Sanhuan Sagam High-tech Co., a Sino-Japanese joint venture in Beijing which recently dismissed its trade union leader Tang Xiaodong. (see e.g. *Washington Post* 26 April 2005): it seems non-nugatory unionism in a workplace is destined to be shortlived.

Taken at face value it is surprising that 90% of foreign-funded enterprises have no union. China's Trade Union Law stipulates two ways for the establishment of trade unions: one is a request from employees on a voluntary basis, and the other is via a request from the trade union at a higher level. Trade unions in the upper level of the national union hierarchy are authorised to send union officials to enterprises and help them establish trade unions. Enterprises have no right to interfere in or obstruct the process. Indeed, in theory, foreign-funded firms may be sued if they persist in their refusal to allow the establishment of trade unions.

In practice things are different. Guo Jun, Director of the ACFTU Legislative Affairs Bureau recently stated: "Some enterprises refuse to set up trade unions, saying that they receive no such request from their employees. They also toss aside the requests from trade unions at higher levels, and resist publicising relevant policies on trade unions to their employees, which is obviously a violation of the Trade Union law". The reason nothing is done about this is straightforward: "Some local governments worry that the requirements on the establishment of trade unions may adversely affect the enthusiasm of foreign investors . . . [they] stress too much on GDP growth, neglecting the protection of employees' legal rights and interests, which

obviously violates the law. For example, Guangdong has the policy of deferment in the establishment of trade unions for foreign-funded enterprises”.

Unions face an almost impossible task in organising rural workers, temporary workers, those displaced by SOEs, employees in small scale enterprises and migrants. One large group of such migrants are maids and those working in care homes. In an attempt to regulate and protect these workers a (state) licence is now required to practice these occupations. As in the UK, certification and licensing are playing a role in occupations where unions cannot get a foothold. The ACFTU is putting more emphasis on organising employees in rural areas (case 7), for example by promoting more stringent workplace inspections, but whether or not this will translate into extra members is a nice question. ACFTU concerns essentially followed those of the Party-state which has also given agriculture and the rural economy higher priority in national economic development. The national ACFTU has also tried to influence policies concerning displaced workers. Their suggestions include strengthening the social security system, expanding re-employment centres and strengthening legal procedures regulating redundancies.

#### **b. Priorities**

Does the ACFTU and its branches exist for the Party-state or for the workers? The ACFTU is not the ‘voluntaristic’ trade union which we are familiar with in the west. It is one of three mass organisations (the other two represent youth and women) and its staff are appointed and (partly) paid by the Party. As Howell puts it: “They function as a ‘transmission belt’ relaying party directives and policy downwards and transmitting grass roots opinion upwards”. But now that owners and managers control enterprises, rather than the state, this transmission belt role is much less important and the tension between contradictory interests – workers and party – has become more noticeable and intense. Consider two recent examples (Howell 2003). First, as we saw in the case studies, when SOEs or newer firms downsize the trade union is frequently unable to achieve satisfactory redundancy packages or defend workers against non-payment of pensions. Second, when treating with foreign investors the union is often unable to deal with complaints about excessive overtime and unpaid or delayed wages, partly because the local authority puts economic development above workers’ rights and sides with capital. This leads directly onto declining legitimacy (considered next). It is plausible that one reason that the constituent grass roots branches of ACFTU have downplayed their representation (or servicing) role is that, in addition to their subservient role in the Party-state, the ACFTU branches have insufficient finance and qualified people to, for example, monitor safety legislation and to pursue warranted worker grievances.



### c. Declining legitimacy

*“Everybody has won, and all must have prizes”, Dodo*

(TLG, 1998 p.26).

The ACFTU is a monopoly organisation whose legitimacy is on the wane because it acts as if everyone has won and refuses to countenance possible conflicts of interest between capital and labour. To regain some legitimacy unions will have to develop in two directions. First, new skills are needed including those required to implement the new collective bargaining law which promotes bargaining and negotiation. Second, the different interests of capital and labour must be recognised, for example in the retrenchment of SOEs and malpractice by foreign owned firms. This legitimacy issue arises in part because the top-down structure of the ACFTU fits uneasily with the market economy. Although unions have partially adapted, for example the emphasis on collective contracts at enterprise level, such modernisation has been insufficient to suppress conflict and the formation of alternative representative institutions.

Our contact at the Haikou Trade Union Federation (case 5) captured the legitimacy problem nicely. He said that “the text book answer” [*jiaokeshu da'an*] is that the Party-state represents the whole people. But if there is a conflict between the whole society and sectional interests (e.g. over the need to foster foreign direct investment) the union almost always supports the interests of the wider society. He said this was the “first priority” [*zhong zhong zhi zhong*] of the union and required by law. Similarly at ACFTU headquarters in Beijing (case 7) it was stated that “local government has only one target - economic growth . . . other interests are sacrificed for the sake of economic growth. Labour legislation and its implementation and the role of unions have all been constrained to serve the target of economic development”. Further, the “stability of the state” is the paramount government policy and it is the unions role “to promote such stability” . . . and “the government stand on the boss’s side”. The Haikou official noted that tension in the workplace between capital and labour had become more severe in the new market economy. As the enterprise union official is paid by, and often part of, management s/he is in “a difficult situation” [*chujing jiannan*]. The role of the union chair is “to achieve consensus, manage the workers and reflect views both ways” in an iterative process. In all circumstances “direct resistance is not practical” [*Zhijie duikang shi bu xianshi de*] because “stability” [*wending*] is what matters and society “cannot afford riots [strikes]” [*jingbuqi dongdang*]. This lack of legitimacy in the representation function was explained straightforwardly as a “system” [*tizhi*] problem – the union is subservient to the Party-state.

Consequently, if a worker has a problem over say delayed wage payments or compensation for redundancy, the worker’s first port of call is almost always the Labour Bureau (i.e. a state agency) because “the worker knows the trade union cannot solve this problem” [*gongren mingbai gonghui jiejie bu le wenti*]. Such

representation is, he said (case 5), not an important part of the Federation's work. Instead the union focuses on workers in need and encouraging parties to sign collective contracts (recall that these have little substance) although such contracts only ever covered a maximum of two fifths of members.

A further source of declining legitimacy is the fact that most chairs of enterprise unions are employees of the company. They risk losing their job – “fried squids” (case 5) [*chao youyu*] – if they rupture their normal cosy relationship with management by pursuing workers' concerns. In 2001 the ACFTU considered addressing this problem by moving away from the enterprise as the key organising unit towards a system of craft and industrial unions with full-time organising cadres (case 7). The ACFTU official stated explicitly: “to raise the power of unions [the structure needs to change] to one of craft and industrial unions”. In the event this policy did not find favour with either the Party-state or congress delegates, many of whom expressed worries about “stability” in the workplace. There is a nice parallel with the UK here. The central union body (ACFTU or TUC) suggests some innovative changes in union structure – e.g. industrial or craft unions in China or membership swaps to move more towards an industrial structure in UK – but the constituent union barons feel their noses would be put out of joint by such changes and therefore vote them down. Further, the Chinese authorities may have been worried that a union structure which would no longer be enterprise-based risked spreading discontent across many workplaces rather than confining it to one enterprise.

Policies matter as well as structures. ACFTU officials (case 7) told us that they wish to give violations of labour standards a much higher priority in the future, and that such a switch of emphasis would do much to protect exploited workers, especially those making internationally traded goods. Frankly pigs might fly before such exploitation is seriously addressed.

In recent years there have been many more spontaneous worker protests including wildcat strikes, sit-ins in foreign owned factories in the special economic zones, blockades of roads and railways and street protests by laid-off SOE workers. In addition, because sufficient workers feel the ACFTU is neglecting its representation role new, alternative, forms of labour organisation emerge. Protests and substitute institutions are normally ruthlessly suppressed. For example a court in southern China sent 5 workers to prison for “destroying property” in October 2004. The 5 were among 40 arrested after thousands of workers went on strike at a Taiwanese-owned shoe factory in protest over wages and working conditions (*Guardian* 29/10/04). And a strike by 10,000 workers in an attempt to set up an independent union at Uniden Electronics in Shenzhen (a Sino-Japanese joint venture) in April 2005 collapsed when the putative leaders were jailed and riot police ensured a return to normal working (*Washington Post* 26 April 2005). The state is keen to avoid spontaneous action – what Hobsbawm (1976) called “collective bargaining by riot” – a reflection of inappropriate institutions, fearing that it could herald the emergence of

a Polish Solidarity-type independent trade union. All this suggests that the traditional corporatist ACFTU role of conflict suppression is insufficient – it is no longer possible to pretend that the interests of capital and labour are always congruent.

This corroding of the legitimacy of the ACFTU is compounded by its financial insecurity. The ACFTU gets most of its revenue from the 2% payroll levy. In the past this levy was transferred automatically from SOEs and collective enterprises to the ACFTU. But these state enterprises are now being replaced by private capital and it is proving much more difficult to enforce payment of the levy from private and foreign-owned firms.

## **V CONCLUSION: WHAT FUTURE FOR UNIONS IN THE ALICE IN WONDERLAND DREAM WORLD?**

*Alice: “How nice it would be if only we could get through into Looking-glass House! I’m sure it’s got, oh! such beautiful things in it! Let’s pretend there’s a way of getting through into it somehow . . .”*

(TLG 1998 p.127)

In her stunning family history *Wild Swans*, Jung Chan (1991) notes that during the famine (1959-61) “telling fantasies to oneself as well as others, and believing them, was practised to an incredible degree . . . ‘self-deception while deceiving others’ [*zi – qi – qi – ren*] gripped the nation”. If we turn the clock forward almost half a century a similar dream world holds concerning trade unions. For most officials involved in union activity, life is guided by the proverb *zhi lu wei ma* [point at a deer and call it a horse] – which means saying one thing and doing another is a way of life because the party believes that to do anything else would risk destabilising the system: democratic centralism, the right to belong and so many members, collective contracts (but not collective bargaining), tripartite mediation and arbitration committees and no conflict between capital and labour. Let’s pretend indeed! As the former Beijing bureau chief for the *Los Angeles Times* put it: “There is virtually no issue in China more significant and less well covered, than the rights of its workers”.

The plain fact is that Chinese unions are mostly nugatory. Thriving unions need, initially at least, some common interest among workers to flower. This has not developed, and is unlikely to evolve in China for a number of reasons. First, the basic union unit is the workplace or enterprise which makes it difficult to develop the rallying cry of western unions for much of the late nineteenth and twentieth century – “the rate for the job” or “common rule” (Webbs 1897). Second, the Party-state does not recognise any conflict between capital and labour. Third, even if class consciousness is enhanced by, for example, the dreadful and worsening safety record (in 2002 workplace accidents caused 140,000 deaths and 250,000 workers lost body parts and suffered other injuries, Compa 2004, ACILS 2004), growing wage and

income inequality, exploitation (in the true economists' definition) of workers – particularly by foreign-invested firms, any manifestations of common interests are likely to be suppressed by the Party-state. Fourth, even the ACFTU top officials consider the members to be entirely separate from “the union”. Wang Zhaoguo, Chairman of the ACFTU in his *Report* (2003) to the National Congress states that Chinese unions must “forge closer links with workers” and “consistently keep close ties with the masses of workers as the lifeline of trade union work”. Such statements confirm that members' interests are presently a low priority. As Alice said

*“I'm afraid I can't put it more clearly” Alice replied, very politely, “for I can't understand it myself. . . very confusing.”*

(TLG 1998 p.41)

Further, the spread of the market mechanism to product and labour markets means, whatever the law says, that many firms do not wish to treat with unions. Under the market system unions can thrive either if they can impose costs on the employer or if they can demonstrably provide benefits by boosting the efficiency of the enterprise. Unions are incapable of imposing costs and all the evidence suggests that managers in the growing non-SOE segment of the economy believe that the efficiency of the enterprise depends on their actions, utterly independent of any unions role. Thus collective contracts and tripartite institutions are treated with a shrug of the shoulders – implemented because it is the law, but not embraced. And all the while employees have a low priority. In their representative survey of over 3000 private sector enterprises the Research Group on Private Enterprises (2004) asked: “If you want to be a good employer in the private sector, which kind of good things would you like to do?” There were six items and the employer could answer “Yes” to as many as s/he liked. Only 29% said “yes” to “treating workers well”.

Unions will remain nugatory while they rest content as a transmission belt such that they convey government policies to workers and enforce labour discipline to promote those policies, as opposed to representing workers in dealing with employers and the government. Wedderburn (1995), the distinguished labour lawyer recently wrote: “it is a truism of labour relations everywhere that workers interests cannot be protected, let alone advanced, without legitimising and promoting collective action by them in autonomous organisations”. This statement is only partially true. In China in the last 20 years real wages have trebled (OECD 2005). But collective action by trade unions is utterly irrelevant to this huge advance in workers' well-being which simply mirrors the very rapid growth of productivity. On the other hand, representation, voice, greater safety and a tempering of exploitation surely do require both collective action and autonomous organisation. If the Chinese government wants the trade unions to provide an effective safety valve, then it has to allow the unions a degree of independence and permit, if not encourage, them to play a representative role. But the

2003 ACFTU Congress marked a major setback for progressive trade union developments, with the installation of a more conservative leadership.

Another factor inhibiting unions' representative role is the tension between the ACFTU and the Ministry of Labour, each of which wants to claim primacy in the regulation of labour relations. Over the last few years the Ministry of Labour has increasingly asserted its authority, at the expense of the ACFTU. In particular the government is relying more on conciliation and arbitration procedures, which are the domain of the Ministry of Labour, rather than collective representation as the means of maintaining order and stability in labour relations.

The need for more effective collective representation is recognised by far-seeing, thoughtful (albeit cautious) ACFTU officials. Recently Qiao et al. (2004) end their document for the World Bank with what is, in effect, a manifesto for reform, including:

- the need to help workers develop their collective interests, because presently unions are “the weakest ring” in the labour market
- autonomous negotiations [i.e., though not stated, outside the ACFTU] and the right to strike
- to recognise that “the current situation is strong capital versus weak labour” which can, for the time being, only be addressed by developing properly functioning tripartite institutions
- a much stronger labour inspectorate, to cover social security payments, labour contracts, collective agreements [but not safety!]

But such reasonable reforms do seem a long way off, so unions in China will almost certainly echo the White Queen:

*“The rule is, jam tomorrow and jam yesterday – but never jam today”*,

(TLG 1998 p.177)

and, alas, tomorrow never comes.

**Table 1**  
**Employment and Union Membership and Density 1952 to 2004**

Year	Employment (millions)				Unions		Density (%)		
	Total	Urban	Rural	Staff & workers	No. of union members (millions)	No. of grass root unions	6/2	6/3	6/5
1	2=3+4	3	4	5	6	7	8	9	10
1952	207.29	24.86	182.43	16.03	10.03		4.8	40.3	62.6
1962	259.10	45.37	212.73	43.21	17.67		6.8	38.9	40.9
1970	344.32	64.12	281.20	62.16					
1980	423.61	105.25	318.36	104.44	61.17		14.4	58.1	58.6
1981	437.25	110.53	326.72	109.40	68.44		15.7	61.9	62.6
1982	452.95	114.28	338.67	112.81	73.32		16.2	64.2	65.0
1983	464.36	117.46	346.90	115.15	76.93		16.6	65.5	66.8
1984	481.97	122.29	359.68	118.90	80.29		16.7	65.7	67.5
1985	498.73	128.08	370.65	123.58	85.26		17.1	66.6	69.0
1986	512.82	132.92	379.90	128.09	89.09		17.4	67.0	69.6
1987	527.83	137.83	390.00	132.14	93.37		17.7	67.7	70.7
1988	543.34	142.67	400.67	136.08	96.29		17.7	67.5	70.8
1989	553.29	143.90	409.39	137.42	99.09	589,212	17.9	68.9	72.1
1990	647.49	170.41	477.08	140.59	101.36	606,045	15.7	59.5	72.1
1991	654.91	174.65	480.26	145.08	103.89		15.9	59.5	71.6
1992	661.52	178.61	482.91	147.92	103.23	616,852	15.6	57.8	69.8
1993	668.08	182.62	485.46	148.49	101.76	626,666	15.2	55.7	68.5
1994	674.55	186.53	488.02	148.49	102.03	582,780	15.1	54.7	68.7
1995	680.65	190.40	490.25	149.08	104.00	593,113	15.3	54.6	69.8
1996	689.50	199.22	490.28	148.45	102.19	586,672	14.8	51.3	68.8
1997	698.20	207.81	490.39	146.68	91.31	510,276	13.1	43.9	62.4
1998	706.37	216.16	490.21	123.37	89.13	503,532	12.6	41.2	72.2
1999	713.94	224.12	489.82	117.73	86.90	508,592	12.2	38.8	73.8
2000	720.85	231.51	489.34	112.59	103.13	858,592	14.3	44.5	91.6
2001	730.25	239.40	490.85	107.92					
2002	737.40	247.80	489.60	105.58	133.98	1,712,528	18.2	54.1	127
2003	744.32	256.39	487.93	104.92	123.40	905,516	16.6	48.1	118
2004	752.00	264.76	487.24	105.76	136.94	1,020,045	18.2	51.7	129

Notes:

1. Staff and workers refers to those who work and get paid at state-owned, collective-owned, joint-stock, foreign and Hong Kong (HK), Macao and Taiwan owned firms, other economic units and their attached institutions. It excludes re-employed retired and resigned people, local hired teachers, investors of private enterprises, foreigners and people from HK, Macao and Taiwan who are working at the state-owned units. It includes those who have left their jobs and are not engaged in work, but who still keep work relationship with the unit and have not found relatively stable work (p. 60 and p. 119 of Chinese Trade Unions Statistics Yearbook 2001). Most of staff and workers are in urban employment.

2. The most reasonable density measure is column 9 (see text). But it overstates true density among urban workers because a small fraction of rural employees—those in township and village enterprises for example—are unionised and are included in the membership column 6.

Sources:

1. Columns 2, 3 and 4 from Table 1-5 of China Labour Statistical Yearbook 2005.

2. Column 5 from Table 1-13 of China Labour Statistical Yearbook 2005 and 2-6 of Chinese Trade Unions Statistics Yearbook 2005.

3. Column 6, data of union membership from 1980 to 2000 is adapted from the website of the Industrial Relations Department of Cornell University and Table 3-12 of Chinese Trade Unions Statistics Yearbook 2005. The 1952 & 1962 union membership data are from Table 22-3 of China Labour Statistical Yearbook 2005.

4. Column 7 is from Table 3-9 of Chinese Trade Unions Statistics Yearbook 2005.

**Table 2**  
**Union Membership by Gender, 2000**

	Employment in Urban Units (Em, Ef, Et)		Union Members (Um, Uf, Ut)		Density (%)
	Numbers (m.)	Shares (%)	Number (m.)	Shares (%)	Um/Em or Uf/Ef
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Male	72.012	62.0	63.997	62.2	88.9
Female	44.113	38.0	39.137	37.8	88.7
Total	116.125	100	103.134	100	88.8

Sources:

1. Column 1, male, female and total employment in urban units (Em, Ef, Et), from Tables 1-9 and 1-10 of China Labour Statistical Yearbook 2003.
2. Column 3, male, female and total union members (Um, Uf, Ut), from Table 3.2 of Chinese Trade Unions Statistics Yearbook 2001.

**Table 3**  
**Union Membership and Density by Sector, 1999**

Sector	Total employment (millions)	Employment in urban units (millions)	Staff and workers (millions)	Union members (millions)	Density (%)		
					5/2	5/3	5/4
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>
Farming, Forestry Animal Husbandry and Fishery	334.93	5.37	5.19	3.97	1.18	73.9	76.5
Mining and Quarrying	6.67	6.55	6.50	5.14	77.1	78.5	79.1
Manufacturing	81.09	35.54	34.96	30.16	37.2	84.9	86.3
Production and Supply of Electricity, Gas and Water	2.85	2.85	2.83	2.53	88.8	88.8	89.4
Construction	34.12	8.15	7.78	4.13	12.1	57.7	53.1
Geological Prospecting and Water Conservancy	1.11	1.11	1.10	0.89	80.2	80.2	80.9
Transport, Storage, Post and Telecommunications	20.22	7.04	6.82	6.73	33.3	95.6	98.7
Wholesale and Retail Trade & Catering Services	47.51	11.42	11.10	7.87	16.6	68.9	70.9
Finance and Insurance	3.28	3.28	3.00	1.30	39.6	39.6	43.3
Real Estate Trade	0.96	0.97	0.90	0.50	52.1	51.5	55.6
Social Services	9.23	4.76	4.53	2.37	25.7	49.8	52.3
Health Care, Sports and Social Welfare	4.82	4.82	4.73	2.96	61.4	61.4	62.6
Education, Culture and Arts, Radio, Film and Television	15.68	15.68	14.80	10.34	65.9	65.9	69.9
Scientific Research and Polytechnic Services	1.74	1.74	1.65	0.83	47.7	47.7	50.3
Government Agencies, Party Agencies and Social Organisations	11.02	11.02	10.88	5.90	53.5	53.5	54.2
Others	49.69	1.01	0.96	1.29	2.6	127	134
Total	713.94	121.30	117.73	86.90	12.2	71.6	73.8

Sources:

1. Columns 2, 3, and 4 from Table 1-6, 1-9 and 1-14 of China Labour Statistical Yearbook 2003 respectively.
2. Column 5 from unpublished ACFTU document of Union Membership by Sectors, 1995-1999.



**Table 4**  
**Union Membership and Density by Workplace Ownership, 2000**

Types of Ownership		Total employment (millions)	Staff and workers (millions)	No. of grass root unions	Union members (millions)	Density (%)	
						5/2	5/3
1		2	3	4	5	6	7
Domestic Funded Enterprises	State-Owned Enterprises (SOEs)	(SOUs) 81.02	44.35	139,804	41.37	51.1	93.3
	Collective-Owned Enterprises (COEs)	(COUs) 14.99	8.25	70,941	7.33	48.9	88.8
	Share Holding Enterprises (SHEs)	1.55	3.10	22,034	2.71	174.8	87.4
	Joint-owned Enterprises	0.42	0.31	1,791	0.27	64.3	85.9
	Limited Liability Corporations	6.87	6.36	20,659	5.86	85.3	92.1
	Share Holding Corporations (SHCs)	4.57	5.55	13,630	5.07	110.9	91.4
	Private Enterprises	24.07	5.77	152,435	4.37	18.1	75.7
	Other Units	50.70	0.43	6,989	0.37	0.07	86.0
Hongkong, Macao and Taiwan Funded Enterprises		3.10	2.94	19,759	2.03	65.5	69.0
Foreign Funded Enterprises (FTEs)		3.32	3.06	20,335	2.41	72.6	78.8
Town & Township Enterprises (TTEs)		128.20	6.31	92,967	5.23	4.1	82.9
Institutions			19.27	196,056	18.19		94.4
Government Agencies			6.97	118,623	6.60		94.7
Others		392.69	1.04	13,284	0.96	0.2	92.5
Total		711.50	113.71	889,307	103.13	14.4	90.7

Note:

Since State-owned Units (SOUs) include State-owned Enterprises (SOEs), Government Agencies and part of Institutions, the number of employees in SOUs is larger than that in SOEs. The same situation is to Collective-owned Units (COUs) and Collective-owned Enterprises (COEs).

Sources:

1. Column 2 are adapted from Table 2.3 of Chinese Trade Unions Statistics Yearbook 2001. (1) 81.02m in column 2 include employees in SOEs, government and party agencies and part of institutions. Likewise 14.99m include employees in COEs, collective institutions in urban area. (2) Employees of Private Enterprise are calculated by the number of private enterprises in urban areas (12.68m) plus that in rural areas (11.39m). (3) The categories of Self-employed individuals in both urban and rural areas are put under Other Units in Domestic Funded Enterprises; therefore 50.70m is got by adding the two together: 21.36m for urban and 29.34m for rural. (4) The last category of "Others" (392.69m) includes the residues of urban employment (62.86m) and peasants (329.83m).  
2. Columns 3, 4 and 5 are from Table 3.5, 3.8 and 3.11 of Chinese Trade Unions Statistics Yearbook 2001 respectively.

**Table 5**  
**Trade Unions: Density and Distribution by Region, 2000**

Region	Province/Metropolitan/ autonomous region	Union numbers (m.)	Share of all members (%)	Union density (%)
1	2	3	4	5
North China	Beijing	2.281	2.2	47.1
	Tianjin	2.327	2.3	64.3
	Hebei	5.524	5.3	61.4
	Shanxi	3.564	3.4	63.1
	Inner Mongolia	2.680	2.6	65.8
	<b>Sub-total</b>	<b>16.375</b>	<b>15.8</b>	<b>60.25</b>
Northeast China	Liaoning	7.516	7.3	69.1
	Jilin	2.719	2.6	51.5
	Heilongjiang	4.556	4.4	55.4
	<b>Sub-total</b>	<b>14.791</b>	<b>14.3</b>	<b>60.67</b>
East China	Shanghai	3.739	3.6	60.1
	Jiansu	6.267	6.0	41.3
	Zhejiang	4.494	4.3	45.8
	Anhui	3.193	3.1	46.7
	Fujian	2.666	2.6	47.8
	Jiangxi	2.373	2.3	44.6
	Shangdong	7.665	7.4	52.2
	<b>Sub-total</b>	<b>30.396</b>	<b>29.3</b>	<b>47.77</b>
Central China	Henan	6.077	5.9	50.6
	Hubei	4.756	4.6	49.5
	Hunan	4.585	4.4	50.3
	Guangdong	6.159	6.0	37.7
	Guangxi	2.192	2.1	52.3
	Hainan	0.674	0.7	52.9
	<b>Sub-total</b>	<b>24.443</b>	<b>23.6</b>	<b>46.53</b>
Southeast China	Chongqing	1.753	1.7	44.9
	Sichuan	4.455	4.3	49.9
	Guizhou	1.580	1.5	55.2
	Yunnan	2.155	2.1	53.9
	Tibet	0.136	0.1	79.5
	<b>Sut-total</b>	<b>10.078</b>	<b>9.7</b>	<b>50.74</b>
West China	Shaanxi	2.789	2.7	52.7
	Gansu	1.547	1.5	54.1
	Qinghai	0.464	0.4	57.4
	Ningxia	0.524	0.5	54.4
	Xinjiang	2.008	1.9	61.4
	<b>Sub-total</b>	<b>7.332</b>	<b>7.1</b>	<b>55.57</b>
Government Agencies		0.159	0.2	--
Agencies Directly Under CCCPC		0.041	0.0	--
<b>Total</b>		<b>103.615</b>	<b>100</b>	<b>51.5</b>

Sources:

1. Column 3 from Table 2.5 of Chinese Trade Unions Statistics Yearbook 2001.
2. Columns 4 and 5 from Table 3.10 of Chinese Trade Unions Statistics Yearbook 2001.

**Table 6  
Representative and/or Direct Voice, 2004**

Voice mechanism		Indicators	Numbers	
Representative	Unions	Grass root Trade Unions	1,020,045	
		Enterprises with Equal Consultation System	327,763	
		Enterprises Signing Collective Contracts	Enterprises Signing Collective Contracts Independently	235,306
			Enterprises not Signing Collective Contracts Independently but Covered by Regional Industrial Collective Contracts	96,927
		Staff and Workers in Enterprises Covered by Collective Contracts	59,933,097	
		Grass root Units with Labour Dispute Mediation Committee (LDMC)	195,403	
		Trade Union and Staff and Workers Representatives in LDMC	426,460	
		Cases Accepted by LDMC 192,119	Collective Labour Dispute	6,752
			Successfully Mediated Labour Dispute	54,537
		Trade Union Representatives in Labour Dispute Arbitration Committee (LDAC)	15,585	
	Trade Union Cadres with Labour Dispute Arbitrator Qualification	14,447		
	Labour Dispute Cases Handled by Trade Union Labour Dispute Arbitrators	14,731		
	Workers' congress	Enterprises with Staff and Workers' Congress System	368,731	
		Enterprises Reporting Business Entertainment Expenses to Staff and Workers' Congress	214,865	
		Enterprises Conducting Democratic Assessment on Leaders and Cadres	253,130	
Enterprises with Transparent Business Affairs System		316,258		
Direct	One scheme of direct voice	Enterprises with Staff and Workers Representatives in Board of Directors	41,430	
		Staff and Workers Representatives in Board of Directors	95,730	
		Enterprises with Staff and Workers Representatives in Supervision Committees	40,105	
		Staff and Workers Representatives in Supervision Committees	79,517	
		Number of rational suggestions made by staff	6,610,729	

Sources:

1. Data on unions are from Tables 3.13, 3.15 and 3.31 of Chinese Trade Unions Statistics Yearbook 2005.
2. Data on Workers' Congress are from Table 3.14 of Chinese Trade Unions Statistics Yearbook 2005.
3. Data on One Scheme of Direct Voice are from Table 3.16 of Chinese Trade Unions Statistics Yearbook 2005.

**Table 7**  
**Sources of Trade Union Revenue**

Source	Element
1. Wage bill	<p>2% of wage bill paid either to (i) local government authorities for state employees in non-tradeable occupations or (ii) the City or Provincial branch of ACFTU for the tradeable sector</p> <p>This is split as follows:</p> <p>.05 transferred to ACFTU in Beijing</p> <p>.38 transferred to the local, Provincial and industrial union</p> <p>.57 returned to workplace e.g. to pay salary of union officials, for welfare role such as feast at Spring Festival, workers in need, and sports activity</p>
2. Membership subscriptions	<p>0.5% of worker's wage paid to union at workplace</p> <p>(normally this is not deducted)</p>
3. Revenue from enterprises owned by the local/provincial ACFTU body	<p>e.g. cinemas, culture palaces and travel agencies</p>
4. Local government	<p>sometimes contribute to specific activities</p> <p>e.g. workers in need</p>

Notes and sources: To the best of our knowledge these details have never previously been set out. We are indebted to officials (see Exhibit 3 in Appendix) of Haikou Trade Union Federation and ACFTU in Beijing for their help and patience in our detective work.

**Table 8**  
**Medical, old-age and unemployment insurance coverage**  
**in private enterprises 2002**

	Union enterprises	Non-union enterprises	All enterprises
Medical insurance			
fee per worker per year (yuan)	468	515	480
coverage (%)	18	12	16
Old-age insurance			
fee per worker per year (yuan)	1064	1109	1075
coverage (%)	25	16	22
Unemployment insurance			
fee per worker per year (yuan)	304	675	393
coverage (%)	10	6	8

Source: Research group on private enterprises in China (2004) *Report on Private Enterprises in China*, 14 March. The data are from a representative sample of 3258 private enterprises. The research group on private enterprises is a joint research group of the All China Industry and Business Association and the Research Institute on China Private Enterprises. See [www.ebg.org.cn](http://www.ebg.org.cn).

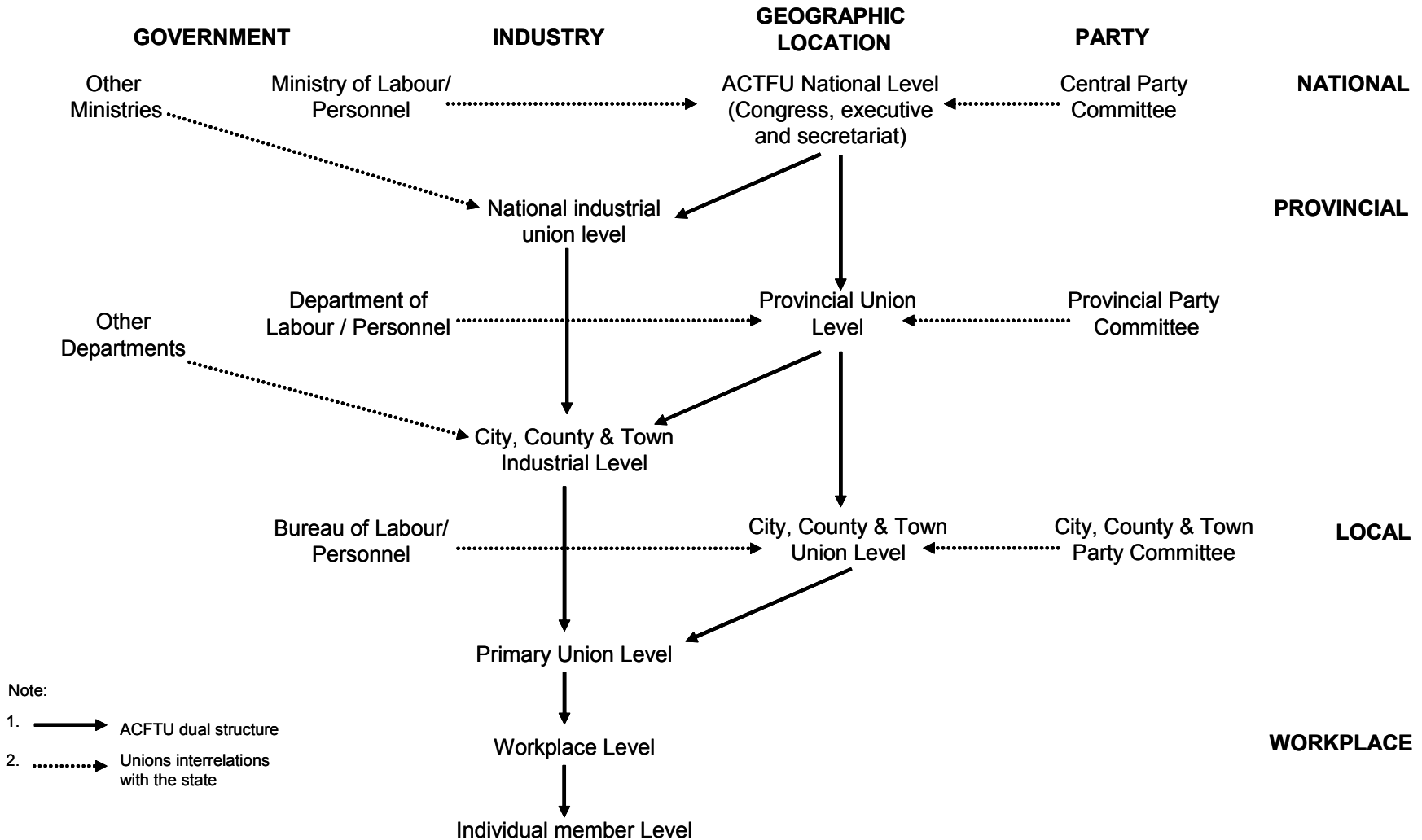
**Table 9**  
**Case Study Organisations: Governance, Voice and Payment Systems**

	<b>Haikou Agriculture, Industry and Trade (Luoninshan) Co. Ltd</b>	<b>Hainan Haiwoo Tinplate Industry Co. Ltd</b>	<b>Coconut Palm Co.</b>
<b>PRODUCT</b>	Major: Pig farming Minor: operating 2 private schools; toothpaste; vegetables, fruit, eggs; instant coffee Only located in Hainan; total 2100+ workers; 380m yuan sales pa	Tinplate 242 workers in Haikou 100,000 tons high quality tinplate pa Other workplaces all over Asia	Major: coconut juice and by-products Minor: other fruit juice 6000 workers
<b>GOVERNANCE</b>	ex-SOE, became listed share-owned company in 1992 (original pig farm still owns 5% of shares, to be sold to employees in 2005/06)	Joint venture – China (30%), Japan (30%), Korea (40%) on stream in Hainan in 2000. 2005 respective shares are China 40%, Japan 40%, Korea 20% Haiwoo tinplate has many workplaces all over Asia	Originally 18 workplaces in Hainan SOE 2 - producing 80% of output – entirely employer-owned now. Remaining 16 will become e’ee owned shortly
<b>VOICE AND DISPUTE RESOLUTION</b>	Union: yes (2% paid) but Workers Congress is key discussion forum at company and workplace level Individual disputes only; informal resolution or worker leaves Chair of union is old fashioned transmission belt. He is Deputy General Manager (approx no.5 in Co.)	Union: yes “but only for show”, “irrelevant”, “just do sports and entertainment”, “will soon fade away” (2% paid) Workers Congress: no Voice is via frequent direct meetings between management and workers Individual disputes only. If necessary go to mediation and arbitration outside the company	<ul style="list-style-type: none"> <li>• Shareholder committee filters/approves all mg decisions, votes by shares held</li> <li>• Workers congress, to “validate” mg decisions</li> <li>• Union 2% paid but “just welfare role”</li> </ul>
<b>PAY SYSTEMS AND COLLECTIVE CONTRACTS</b>	Pig farm by group: target output by weight, if > target extra pay, if < target penalised. Also revenue component with floor (to protect workers) if pig prices drop sharply Collective contract (cc) when SOE. Now national cc based on Haikou “model contract” but implemented on individual basis, renewed every 5 years	Efficiency wages because pay based on Korean rates Production workers pay: 40% base by responsibility, skill, intensity 60% “floating” by production volume Individual contracts signed annually PA, workers ranked, worse 1 (or more) automatically dismissed	Intensive PRP <ul style="list-style-type: none"> <li>• base, by occupation skill etc – monthly PA</li> <li>• bonus, performance relative to sales target</li> <li>• dividend, by shares held, co performance</li> <li>• team monitored by next team on assembly line with big potential penalties</li> </ul> When introduced in 1990s production manager said <ul style="list-style-type: none"> <li>• inferior quality quit-sorting</li> <li>• extra effort by employees and recruits</li> </ul> no collective contracts

## **APPENDIX EXHIBITS**

1. ACFTU dual structure of organisation and its interrelation with the state
2. Employment by residence and workplace ownership
3. Details of case study companies and semi-government organisations visited

## Exhibit 1 ACFTU Dual Structure of Organisation and its Interrelation with the State



Source: Adapted from Ng and Warner (1998) and ACFTU documents



## Exhibit 2 Employment by Residence and Workplace Ownership

millions

Year	Total	Urban						Rural				
		Sub-total	State-owned Units (SOUs)	Collective-owned Units (COUs)	Self-employed Individuals (SEIs)	Others	Residual	Sub-total	Peasants and others	Township and Village Enterprises (TVEs)	Private Enterprises (PEs)	Self-employed Individuals (SEIs)
1	2	3	4	5	6	7	8	9	10	11	12	13
1952	207.29	24.86	15.80	0.23			8.83					
1962	259.10	45.37	33.09	10.12	2.16			213.73	213.73			
1970	344.32	63.12	47.92	14.24	0.96			281.20	281.20			
1978	401.52	95.14	74.51	20.48	0.15			306.38	278.11	28.27		
1980	423.61	105.25	80.19	24.25	0.81			318.36	288.36	30.00		
1985	498.73	128.08	89.90	33.24	4.50	0.44		370.65	300.86	69.79		
1987	527.83	137.83	96.59	34.88	5.69	0.71		390.00	301.95	88.05		
1989	553.29	143.90	101.08	35.02	6.48	1.29		409.39	315.72	93.67		
1990	639.09	166.16	103.46	35.49	6.14	2.19	18.88	472.93	364.24	92.65	1.13	14.91
1991	655.54	169.77	108.89	36.28	6.92	2.82	14.86	478.22	364.81	96.09	1.16	16.16
1993	663.73	175.89	109.20	33.93	9.30	5.40	18.06	487.84	342.42	123.45	1.87	20.10
1995	679.47	190.93	112.61	31.47	15.60	10.51	20.74	488.54	324.67	128.62	4.71	30.54
1996	688.50	198.15	112.44	30.16	17.09	15.72	22.69	490.35	316.68	135.08	5.51	33.08
1997	699.57	202.07	110.44	28.83	19.19	18.61	25.00	493.93	322.21	130.50	6.00	35.22
1998	699.57	206.78	90.58	19.63	22.59	26.38	47.60	492.79	321.50	125.37	7.37	38.55
1999	705.86	210.14	85.72	17.12	24.14	28.78	54.38	495.72	320.72	127.04	9.69	38.27
2000	711.50	212.74	81.02	14.99	21.36	32.51	62.86	498.76	329.83	128.20	11.39	29.34
2001	731.25	239.40	76.40	12.91	21.31	101.58	490.85	321.83	130.86	11.87	26.29	
2002	737.40	247.80	71.63	11.22	22.69	96.42	489.60	317.87	132.88	14.11	24.74	
2003	744.32	256.39	68.76	10.00	23.77	99.08	487.93	312.06	135.73	17.54	22.60	
2004	752.00	264.76	67.10	8.97	25.21	100.24	487.24	-	138.66	-	-	

Notes and Sources:

1. All data from Chinese Trade Unions Statistics Yearbook 2005.

2. Urban employment consists of: • employees in State-owned Units • employees in collective-owned units • employees in share holding units • employees in joint-owned units • employees in limited liability corporations • employees in share holding corporations • employees in private enterprises • employees in Hong Kong, Macau, and Taiwan owned enterprises • employees in foreign-funded enterprises • self-employed individuals • others including teachers hired by local people, religious professionals, military staff.

In Exhibit 2 the Residual column is defined as column 3 minus (columns 4+5+6+7).

3. Rural employment consists of: • employees in township and village enterprises • employees in private enterprises • self-employed individuals • others including peasant, teachers hired by local people and religious professionals.

In Exhibit 2 the Peasants and others column is defined as column 9 minus (columns 10+11+12+13).

4. In the tables and text, we come across the following definitions typical Chinese, which we think need to be defined.

**The total employed persons** refer to total employment. It comprise "persons engaged in certain social labour work and get paid, or persons who get income from business, including all staff and workers, re-employed retired and resigned staff, private-owned business owners, individual business owners, employed persons of private and individual business, employed persons of village and township enterprises, employed persons of the countryside and other employed persons. The latter category includes teachers hired by local people, religious professionals and active military staff" (p.37 of Chinese Trade Unions Statistics Yearbook 2001).

**Staff and workers** is a typical Chinese definition to clarify manual/blue workers (workers) and non-manual/white workers (staff). It includes "those who work and get paid at state-owned, collective-owned, joint-owned, joint-stock, foreign and Hong Kong, Macau and Taiwan invested, other economic units and their attached institutions, excluding re-employed retired and resigned people, local hired teachers, foreigners and people from Hong Kong, Macau and Taiwan who are working at state-owned units" (p.60 of Chinese Trade Unions Yearbook 2001).

### **Exhibit 3**

#### **Details of Case Study Companies and Semi-government Organisations Visited**

Jianwei Li was a senior staff member of Haikou Foreign Affairs Office located in Hainan, the largest Special Economic Zone in China when this research was undertaken. With the support of Zhang Songlin, the Deputy Party Secretary of Haikou Party Committee, in August 2004 Ms Li organised extensive visits to the three commercial (case study) firms (2 days each). All such visits included detailed interviews with senior managers and union officials (often one and the same), discussion with individual workers and much observation of the shop floor in operation; and to three semi-government organisations (1 day each) in Haikou. In addition the authors visited ACFTU headquarters in Beijing (1 day). The three case study organisations were revisited in April 2005 (1 day each). In addition extensive documentary sources about the companies were studied. All interviews were conducted in Chinese with Ms Li translating. Notes of the discussions – in English and Chinese – are available on request. The organisations are as follows (see also text):

**1. Haikou Agriculture, Industry and Trade (Luoninshan) Co Ltd**

Conglomerate operating in food production and manufacturing. Bulk of output from pig farm. Ex-SOE now listed on stock exchange. Over 2100 workers, revenue nearly 400m RMB.

**Main contacts:**

Mr Kong, Deputy General Manager and Chairman of Trade Union

Mr Sun, Secretary to General Manager and Deputy Director of Company Office

**2. Hainan Haiwoo Tinplate Industry Co. Ltd**

Joint venture between China, Korea and Japan manufacturing tinplate. Came fully on-stream in 2000. 240 employees; sales income 1 billion RMB; production volume 100,000 tons high quality tinplate.

**Main contacts:**

Mr Wong, Deputy General Manager

Mr Anon, Sales Manager and Chairman of the Trade Union

**3. Coconut Palm Company**

Employee-owned coconut (and other) juice and mineral water manufacturer, ex-SOE. Some 6000 employees (4000 on standard contracts, 2000 buffer temporary workers). The biggest manufacturer of coconut juice in the world.

**Main contact:**

Mr Liang, Deputy General Manager

**4. Labour, Personnel and Social Security Bureau (Civil Service)**

Haikou City Bureau, which consists of three separate branch Bureau's viz Labour and Employment, Social Security and Personnel Bureau. Out time was mostly spent with officials in the Labour and Employment sub-Bureau, responsible for around 0.5 million workers in Haikou.

**Main contacts:**

Mr Fu, Director, Labour and Employment

Mr Ke, Director, Social Security

**5. Trade Union Federation, Haikou City branch of ACFTU (trade union)**

Coordinate and direct grass root Haikou City workplace unions – 1400 branches with approximately 0.1 million members.

**Main contact:**

Mr Huang, Section Chief, grass root unions

**6. Enterprise Confederation and Industrial and Business Confederation (employers) (cf UK Chamber of Commerce)**

Help Haikou private sector firms to interact with the Party-state. Over 2000 member firms.

**Main contact:**

Mr Zhou, Chairman Enterprise Confederation

**7. ACFTU Headquarters, Beijing: China Institute of Industrial Relations**

To provide intellectual leadership and advice to ACFTU and to train grass roots union officials.

**Main contacts:**

Mr Huang, Director, Public Administration Department

Mr Qiao, Deputy Director, Trade Union Studies Department

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