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China's Trade Unions in Corporatist Transition

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One issue in studies of trade unions is a union's relationship with the state, ideologically and strategically. At one end of the spectrum is a system where the trade union has a weak relationship with the government. At the other, a union can be under absolute state domination. This latter was the case in Leninist one-party states, where the trade union was an integral organ of the party-state. Even within the Communist systems there were variations, and China had occupied the extreme end of the spectrum in terms of the trade union's incorporation into, and subjugation by, the party-state and management during the Maoist period (1949-1976). This control was accompanied by a tight lid on workers' capacities to resist the state's wishes. As will be observed, this tradition of government control has left an imprint on present-day union capacities and workers' abilities to mobilize.

But before delving into this, let us endeavor to place the situation of the Chinese union federation into a conceptual context.

State Corporatism and the Role of Unions in Communist States

Daniel Chirot, using Romania as a case study,¹ has argued that Communist one-party systems are one variant of corporatist states. The Communist state created vertical functional institutions and placed them under central control, with the express purpose of preempting any horizontal coalescing of class interests.² Workers in a Communist party-state were not allowed to establish horizontal linkages freely. Their functional interests were to be channeled through the official trade union. In this schema, the differential interests within each corporate group were not recognized; enterprise managers and workers were assumed to have similar interests. This assumption was premised on the overriding socialist mission to which all interests were to adhere, subsumed under the ideological chieftainship of the national Party leadership.

In the generic Leninist 'transmission belt' imagery, in its ideal state of operation the union provided a two-way conduit between the Party center and the workers. The union was assigned two functions: by top-down transmission, mobilization of workers for labor production on behalf of the nation's collective good; and by bottom-up transmission, protection of workers' rights and interests. This dual characteristic, which Pravda and Ruble call the 'classic dualism' of Communist-state trade unions, was inherently contradictory.³ The party-state's pretence that the arrangement was workable stemmed from a pseudo-logic that wished away any inherent conflict between the top and bottom hierarchies of the industrial enterprise. The reality is that under Eastern Europe's 'real socialism' an internal hierarchical conflict always lurked beneath the surface, but because the state was so powerful the top-down transmission of Party directives regularly

¹ Daniel Chirot, "The Corporatist Model and Socialism", *Theory and Society*, No. 9 (1980), pp. 363-81. Other scholars have also argued that by the time of Brezhnev, the Soviet system could more appropriately be described as 'corporatist'. See Valerie Bruce and John M. Echols III, "Soviet Politics in the Brezhnev Era: 'Pluralism' or 'Corporatism'", in Donald Kelly (ed.), *Soviet Politics in the Brezhnev Era* (Praeger Press, New York, 1980), pp. 1-26.

² Daniel Chirot, *op. cit.*, pp. 367-69.

³ Alex Pravda and Blair A. Ruble, "Communist Trade Unions: Varieties of Dualism", in Alex Pravda and Blair A. Ruble (eds.), *Trade Unions in Communist States* (Boston: Allen & Unwin, 1986), pp. 1-21.

suppressed the bottom-up transmissions relating to workers' interests. The result was a potentially explosive situation that recurrently threatened to burst forth. This dynamic of Communist corporatism, with cyclical episodes of workers' explosions and suppression, abetted occasionally by portions of the trade union, was a pattern that was familiar to the East European socialist states, particularly Poland.

This type of scenario was true, too, of China. Despite the political controls—and indeed in reaction to them—there have been several periods in which parts of the leadership of the All-China Federation of Trade Unions (ACFTU), the only official trade union in China, tried to act on their own without consulting the party-state.

The first occasion occurred immediately after Liberation, when the Communist trade unions, still genuinely representing workers' interests *vis-à-vis* the still-existing capitalists and the emerging Communist Party managers, lost out in a struggle to secure a degree of independence from the Party.⁴ The trade unions' defeat resulted in the fall of the union chair, Li Lisan, who long before had been Mao's predecessor as head of the Communist Party, and the incident went down in popular memory as simply a power struggle among the Party's top leaders. The second confrontation erupted in 1956 during the Hundred Flowers period. It ended with the imprisonment of workers and union activists⁵ and the fall of the new chairman of the ACIFU, who was championing the notion of a more independent union federation. The agitation from the workers in this short period of Hundred Flowers liberalization was completely overshadowed in public memory by the rebelliousness of the intellectuals. The third round of confrontation, this time accompanied by violence on a massive scale, occurred during the Cultural Revolution upheaval of 1966-68. The autonomous workers' organizations that arose in 1967 as vehicles for articulating class interests reached a level of sophistication and

⁴ Paul F. Harper, "The Party and Unions in Communist China", *The China Quarterly*, No. 37 (January/March 1969), pp. 84-119. Also see Jeanne L. Wilson, "The People's Republic of China", in Alex Pravda and Blair A. Ruble (eds.), *Trade Unions in Communist States* (Boston: Allen and Unwin, 1986), p. 221.

⁵ Rebellious workers were imprisoned and sent to labor camps as 'bad elements', since a Party decree had declared that only errant 'intellectuals' could be labelled 'rightists'.

independence tantamount to ‘quasi-political parties’⁶ Yet in the popular image among Chinese, the role of the workers during the Cultural Revolution was completely overshadowed by the violent clashes between student Red Guard groups.

When the upheaval was suppressed in 1968, the Maoist leadership, at once aware and irritated with the potential of the workers and unions to contest for space, abandoned the Leninist version of state corporatism, to the point that the ACFTU was dissolved during the last decade of Mao’s rule.

In this history of sporadic worker and ACFTU activism, sceptics would surely question whether workers and the official Communist trade unions ever actually shared similar goals. Very often, to be sure, the trade unions and their cadres have acted against workers’ interests—deliberately ineffectual and functioning merely as an arm of enterprise administration. However, this does not alter the fact that in both China and Eastern Europe⁷ the political structure of a one-party Communist state is not totally monistic: a bureaucratic organization within the state, just as in a pluralistic structure, seeks sometimes to assume its own separate identity. It can act in accordance with the particular bureaucracy’s own interests and/or its officials’ individual interests, and/or the interests of its assigned constituency.

If we recognize this model of a party-state with a multiplicity of bureaucratic interests, then it is easy to understand the logic behind the four conflictual episodes involving Chinese workers and, at times, trade union officials. Each of the three upheavals occurred at times when the power of the party-state, for one reason or another, was weak, withdrawn, or internally divided. The first occasion was before the Party had fully consolidated its power; the second (1956) when the Party itself, under Mao’s prodding, implemented political liberalization from above. Neither of these periods was marked by large-scale street actions (though there was considerable enterprise-level agitation in the second). In both periods, it was the ACFTU which took up the

⁶ Xi Guang, “Zhongguo wenhua dageming dui shehuizhuyi zhidu de tupuo” [The Chinese Cultural Revolution Raises the Socialist Structure to a Higher Plane], *Zhishijienzi* [The Intellectuals], No. 4 (1986), p. 14.

⁷ Charles F. Sabel and David Stark, “Planning, Politics, and Shop-Floor Power: Hidden Forms of Bargaining in Soviet-Imposed State-Socialist Societies,” *Politics & Society*, No. 4 (1982), pp. 444-46.

gauntlet. The ACFTU, though weak, played a leading role in trying to wrest a modicum of autonomy for itself, and also to protect workers' interests from infringement by the party-state. But once crushed by the Communist Party in 1957, it was not able to re-emerge fully as a bureaucratic interest until more than twenty years later. Especially after the Cultural Revolution erupted in 1966, the ACFTU was consigned to complete oblivion. Before that, in the 1950s and the first half of the 1960s, and again under Deng in the 1980s and 1990s, the ACFTU, just like other official trade unions in the Communist party-states, served as one of the institutions of functional corporatist representation.

For the Communist states as a whole, the implicit ideology of this type of state corporatism recognized conflictual societal interests, in that the very purpose of establishing a corporatist structure was to keep these interests under control. The logic of the argument is that whenever central party-state control loosens up, the corporatist institutions will strive to expand their own interests. So too, and worse yet from the vantage point of the Party leadership, class-based interests that had been suppressed would likewise take advantage of a more liberal atmosphere to resurface. In this respect, the brief history outlined above of the Chinese workers and the ACFTU constitutes no more than a classic manifestation of this constant tug-of-war among the three forces—the party-state, the ACFTU, and the workers—within a state corporatist structure.

There is a problem, though, with this model of Communist state corporatism, in that at first blush it seems static, with a dynamic that moves cyclically in circles. Empirically, however, the dynamic actually moved in spirals. External factors and internal social developments effected changes in relations among the three main actors: the party-state, the official trade unions, and the workers. As Pravda and Ruble, writing in 1986, noted about all Communist countries, “a number of changes in the environment in which trade unions operate have placed increasing strains on Classic Dualism: changes in the composition of the workforce leading to more demanding memberships, shifts in the economic context shaping labor relations, and a deteriorating economic climate”.⁸

⁸ Pravda and Ruble, *op. cit.*, p. 15.

An expanded and better educated urban workforce exerted pressures from below that increasingly forced the East European trade unions to fulfil their dualistic functions. The East European party-states, in order to salvage internal stability, gradually had to compromise by granting the unions and other corporatist representatives increased powers. In so doing, the party-state paradoxically undermined its own dominance over the corporatist edifice, which led again to an expansion in the power of the various corporatist interests, inducing the trade unions and the workers to behave at times in a syndicalist manner.⁹ At the enterprise level, trade unions were obliged to become more participatory; at the national level, they played a more genuinely corporatist role.¹⁰ However, at all levels the room to manoeuvre of both the workers and the official unions in Eastern Europe remained limited, and the conflictual situations were never fully resolved. The many ‘trade union reforms’ promulgated in these socialist states never went beyond the institutional framework of ‘dualistic functions’. When the final implosion in the Soviet bloc came in 1989-90, the official trade unions played an insignificant role—despite desperate efforts, for instance, by the official Polish trade union¹¹ and its Soviet counterpart¹² to shed their ‘transmission belt’ functions and become genuine adversarial unions during the final countdown.

Economic Reforms, Workers, and the ACFTU

In the Soviet Union and Eastern Europe the official trade unions, by fits and starts since the 1950s, had been more apt than in China to defend workers’ rights within the dual functioning model. This became possible with de-Stalinization and the implementation of half-hearted economic reforms, measures which were vehemently denounced by Mao as ‘revisionism’. But when Deng came to power, Chinese ‘revisionism’ quickly surpassed Soviet-style ‘revisionism’ in

⁹ Judy Batt, *East Central Europe from Reform to Transformation* (London: Royal Institute of International Affairs, 1991), pp. 3-16.

¹⁰ Pravda and Ruble, *op. cit.*, p. 20.

¹¹ David Ost, *Solidarity and the Politics of Anti-politics: Opposition and Reform in Poland Since 1968* (Philadelphia: Temple University Press, 1990), pp. 185 and 211.

¹² Roundtable, “Trade Unions in Post-Communist Society; The USSR Learns from Eastern Europe’s Experience”, *Report on the USSR*, Vol. 3, No. 41 (1991), p. 22.

the economic sphere, if not in the political. In no other socialist country, not even in Yugoslavia or Hungary, had marketization and devolution of economic decision-making powers to the enterprise managerial level gone as far as in China in the Eighties.

During the early 1980s, the ACFTU was allowed to re-organize itself. The party-state even granted the ACFTU a certain measure of authority to protect workers' rights from being violated by the party-state itself. One reason was that during 1980-81, not long after Deng Xiaoping and his team took power, a wave of strikes and agitation for the formation of autonomous trade unions swept China.¹³ Whether by coincidence, by convergence, or by contagion, this unrest emerged around the same time as the Solidarity movement in Poland, the first successful workers' revolution in a workers' state, and one which aroused great consternation in the socialist world. Thereafter, China's Party leaders sought to forestall any possible re-enactment of such a movement on Chinese soil.¹⁴ One of the leadership's strategies was to reinvigorate the ACFTU in the 1980s and to give it somewhat greater latitude, as a state corporatist organization, to act as a representative of its constituency, so as to lobby on the workforce's behalf from inside the state and to act as a means to mediate worker's interests within enterprises.

Overall, the new post-Mao economic policies affected the workers in very specific ways: dramatic improvement in standards of living in the first half of the 1980s, leading to rising expectations, but beginning in the second half of the 1980s an erosion of incomes due to double-digit inflation, along with an erosion of fringe benefits and of job security. The thwarted rising expectations served as one of the causes of popular disaffection, leading to workers' participation in the Tiananmen protests of 1989.¹⁵ Two other factors that brought

¹³ Jeanne L. Wilson, "The Polish Lesson: China and Poland 1980-1990", *Studies in Comparative Communism*, No. 3/4 (Autumn/winter 1990), pp. 259-80.

¹⁴ Jeanne Wilson, *ibid.*, has detailed chronologically the effect the Solidarity movement had on Chinese rulers in the decade of the 1980s.

¹⁵ For example, see Andrew G. Walder, "Workers, Managers, and the State: The Reform Era and the Political Crisis of 1989", *The China Quarterly*, No. 127 (September 1992), pp. 467-92; Jeanne L. Wilson, "Labor Policy in China: Reform and Retrogression", *Problems of Communism*, Vol. 39, No. 5 (1990), pp. 44-65; Anita Chan, "The Challenge to the Social Fabric", in David Goodman and Gerald Segal' (eds.), *China at Forty: Mid-Life Crisis?* (Clarendon Press, Oxford,

workers into the streets were 1) the rapid income polarization among the different social sectors and within enterprises, and 2) degenerating labor-management relations in enterprises that resulted from rationalization of the production process and intensification of the pace of work.

In the popular Tiananmen protest movement of 1989, workers did not take the lead, but a large number joined in as the masses of urban participants swelled, and they often marched under banners proclaiming the factories they came from. Part of the leadership of the ACFTU also joined in, lending moral and monetary support to the protesting students on Tiananmen Square, and some union officials participated in the demonstrations. But the ACFTU was also confronted for the first time by the appearance of an independent trade union on the Square.¹⁶ When the government crushed the Tiananmen protest movement in June 1989, it ushered in several years of tightened political control in which the workers who had most actively participated tended to suffer more than the students, even though the latter had occupied the main stage in the movement. During this period, the ACFTU retreated back into its normal timid state-corporatist mold.

1989), pp. 66-85. A paper by Yang Xiaodong is particularly interesting in its periodization of the people's declining enthusiasm toward the economic reforms from 1987 to 1989 in keeping with the declining standard of living. This article is of some significance because Yang, who was once a staff member of the 'privately-run' Chinese Social Survey System (which was affiliated with the influential China Economic Reform Research Institute), has based his analyses on surveys carried out by his office. According to Yang, in 1987 about 20 per cent of the urban population experienced an absolute decline in their standard of living (mostly affecting the lower-income groups), and the figure had jumped to 40 per cent by the middle of 1988. See "Xiwang de puomei—Zhonggong shinian zhenke de shehui, jingji bianhua yu minzhong yulun bianhua" [Dashed Expectations: The Ten Years of Profound Social and Economic Changes in Communist China and Changes in Popular Opinion], *Mingbao Yuekan* [Mingbao Monthly] (October 1991), pp. 24-28.

¹⁶ Jiang Kelin, "Gonghui yu dang-guojia de chongtu: bashi niandai yilai de Zhongguo gonghui gaige" (The Conflicts between Trade Unions and the Party-State: The Reform of the Chinese Trade Unions in the Eighties), *Hong Kong Journal of Social Sciences*, Vol. 8, No. 3), pp. 135-6; Andrew Walder and Gong Xiaoxia, "Workers in the Tiananmen Protests: The Politics of the Beijing Workers' Autonomous Federation", *The Australian Journal of Chinese Affairs*, No. 29 (January 1993), pp. 1-29.

During the 1990s, the ACFTU as a bureaucracy was often weighed down by inertia, and grassroots trade-union cadres often encountered a hostile management if and when they assumed an adversarial role. In state sector enterprises, the ACFTU has an assured presence and some status *vis à vis* enterprise management, and the workplace unions could have played a role helping workers. However, in a global climate of neo-liberalism that was taking root in China, with wholesale economic restructuring of China's industrial system and down-sizing of the state sector, the ACFTU was in a weak position. In this situation, the ACFTU continued to take some initiatives from above—but generally not, until recently, in factories. It was content to survive as a corporatist body.

During the 1990s the Chinese state increasingly pushed state enterprise managers to assume ever greater responsibility for the enterprises' gains and losses in exchange for managerial autonomy. In response, many managers resorted to the use of authoritarian management techniques: tightening labor discipline, imposing heavy penalties, raising production norms, and restructuring the award system. The 1990s also witnessed other dramatic changes—with industrial restructuring and the transformation of many state enterprises into shareholding enterprises, the *de facto* bankruptcy of loss-making state enterprises, the rapid growth of private domestic capital and foreign capital, etc. It marked the beginning of a decentralized system of employment of a contractual nature and a new industrial relations system.¹⁷

With the downsizing of the state sector came urban unemployment and a further erosion of entitlements. On paper, state and collective enterprises were supposed to continue to take care of their employees by contributing to newly pooled medical, social security, unemployment benefit funds, etc. But in reality only money-making enterprises could shoulder these responsibilities, leaving workers who were laid off by loss-making enterprises with little means of livelihood.¹⁸ By the early 2000s the government was beginning to erect more centralized urban

¹⁷ Ji You, *China's Enterprise Reform: Changing State/Society Relations* (London: Routledge, 1998); Luigi Tomba, *Paradoxes of Labour Reform* (London: Routledge, 2002).

¹⁸ Dorothy Solinger, "Chinese Urban Jobs and the WTO", *The China Journal*, No. 49 (January 2003).

welfare and safety-net measures, but these were fitfully implemented, and many millions fell by the wayside.

While the state and collective sectors shrank, the private sector expanded at a rapid rate. The private and foreign-funded factories that predominate in the export industries were mainly staffed by migrant workers from the countryside. The labor conditions in many of the factories in this sector are notoriously exploitative,¹⁹ and very few of these new factories contain workplace trade unions. This put great pressure on the ACFTU to retain its relevance.

China's industrial restructuring must be the largest in human history in the number of people affected. The ACFTU had no means to respond, nor had it the state's backing to do so. Mired in a state corporatist mentality, it could only play a tepid role in seeking to soften the blow for workers in the state-owned sector, which is the role the party-state wants the ACFTU to play.

Throughout most of the 1990s a mood of pessimism prevailed within the higher and middle ranks of the organization. The corporatist, bureaucratic mentality of trade unionism in China was geared toward self-survival, and with luck, a secondary concern for workers' interests. At a self-interested individual level, trade union officials of all ranks often preferred to continue to work placidly within the nomenklatura structure and to enjoy all the associated employment benefits of civil servants. Such trade union cadres often have had no conception of trade unionism other than what they had personally experienced—operating essentially as the social welfare arm of company management. In the state enterprises, the factory-level trade union chairperson, in particular, having been elevated to the same status and salary scale as a deputy factory manager in the early 1980s, often preferred to enjoy the status and privileges (minus the power) that went with the position. The original intention of this policy was to grant the enterprise trade union official additional authority, but with decentralization of decision-making power from the central government to enterprise managers, many trade union

¹⁹ Anita Chan, *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy* (Armonk, New York: M.E. Sharpe, 2001); Pun Ngai and Chris Smith, "Putting Transnational Labor Process in Its Place: the Dormitory Labour Regime in Post-socialist China," *Work, Employment and Society*, Vol. 1, No. 2 (2007), pp. 27-45.

chairs quickly became further co-opted into simply a compliant managerial role. At no time was the ACFTU seen as more useless by the workers—and at a time when both the state and the non-state sector workers needed help more than ever before.

By the second half of the 1990s the ACFTU was in crisis. As state enterprises continued either to collapse or were transformed into other ownership forms, union membership declined. Earlier, under the planned economy, since the workplace trade union was considered an administrative department of management, it had been allocated a budget like other departments. But after enterprise-level decision-making power has been decentralized to management, there is not much the ACFTU can do if management decides not to allocate the union staff a budget. Restructured state enterprises even used the excuse of 'efficiency' to rid themselves of the trade union chair or to collapse the position of the trade union chair into a shared administrative position.²⁰ Faced with a financial and membership crisis, the ACFTU had to establish branches in enterprises of the booming private sector.²¹

But this has been a mission impossible. With local governments competing with each other to attract new industrial investment, there have been concerted efforts by local governments to sideline the local trade unions. My fieldwork in the 1990s in an industrializing zone, Pudong District in Shanghai, showed how difficult it was for the union to set up union branches inside the private foreign-funded enterprises. The local government had allocated only a few trade union staff to the new Pudong District Trade Union. How could a few union officials go about organizing many hundreds of new factories to fulfill a unionization quota allocated by upper-level trade unions? The only way was to do it in a top-down fashion. Never having been exposed to the idea of grassroots organizing from the bottom, the top-down bureaucratic mentality prompted them to call a meeting of factory owners and managers to persuade them to let the union set up workplace union branches. In the meetings the union

²⁰ *Gongren ribao* (Workers' Daily), March 9, 1998; March 21, 2001; Jiang Kelin, *op. cit.*

²¹ N.H. Ng and Malcolm Warner, *China's Trade Unions and Management* (New York: St. Martin's Press, 1998), pp. 95-123; Anita Chan, "Organizing Wal-Mart in China: Two Steps Forward, One Step Back", *New Labor Forum* (May 2007), pp. 87-96.

allayed the managers' and owners' fears, telling them that the new union branches would be docile. Even with such assurances it was not easy. Japanese and European managers tended to be more amenable. But the Taiwanese, Hong Kong Chinese, and Koreans, according to the Pudong union staff, were almost always resistant. They had little reason to resist, however. If allowed to set up a union branch, the local union would go to the factory to identify a couple of middle-management staff members and would ask them to serve as the union chair and deputy chair.²² This, unfortunately, is how most of the union branches have been established in the Asian-funded factories that I have visited in Guangdong and Fujian provinces recently. At worst, they are totally inactive, to the extent that workers do not even know of their existence. At best management pays the union a union activities fee, which by statute is supposed to be equivalent to two percent of the total payroll, which allows the enterprise union to run some social activities for the workers.

The union federation as a whole was in a conundrum. The higher reaches of the ACFTU realized that unless the ACFTU was allowed to reform itself as a corporatist institution so as to better be able to represent workers' interests, it would become an anachronism. As a bureaucracy it has a low status and is comparatively weak. Unable and unwilling to go to its own assigned constituency, it has had to rely on the backing of the state to boost its own power versus capital and management.

Taking advantage of this, the ACFTU has sought to influence new legislation pertaining to workers' interests. One example is the ACFTU's success in strengthening the position of the union's legal status and power as embodied in the revised Trade Union Law of 2001.²³ Though this does not promote the union's independence from the party-state, one researcher commented that "Nonetheless, the

²² Anita Chan, "Labor Relations in Foreign-funded Ventures", in Greg O'Leary (ed.), *Adjusting to Capitalism: Chinese Workers and the State* (Armonk: M. E. Sharpe, 1998), esp. pp. 134-40.

²³ In the couple of years before, during, and after the law was revised I observed the large amount of effort that trade union officials and labor lawyers in Beijing put in to get the law through. After the law was passed, the union conducted a campaign to publicize the law within the trade union structure and in the mass media. On the front page of the *Workers' Daily* the old law and the new law were placed side-by-side, with the new changes highlighted in bold.

2001 amendments to the Trade Union Law offer limited, but important, new space in which Chinese trade unions might act to improve working conditions. ... There are some indications that the Chinese state may now be countenancing a more active union movement".²⁴ Laws that are on the books often subsequently have an impact on the path-dependency of a nation's employment relations. In the years to come, workers and the ACFTU will likely come to realize the extent to which the law's provisions can serve their interests.

The Seed-germ of Societal Corporatism

One particular instrument that can be of potential importance is the Staff and Workers Representative Congress (SWRC) system in the state-enterprise sector. The SWRCs first appeared in enterprises in the 1950s, though they did not survive for long. They were revived under Deng a few years before the industrial reforms commenced in the mid-1980s, and were used during the following years by at least some workplace union branches to counteract the rising power of factory managers.²⁵ Far more often, they were never convened and have existed in name only, or have been controlled by management. Nevertheless, the ACFTU was able to insert new provisions regarding the SWRC into the Enterprise Law of 1988, endowing it with a powerful legal status.

In some respects the SWRCs resemble Germany's works councils, though in Germany the works council operates as a separate institution parallel to the trade union at the workplace, whereas the SWRC is institutionally directly linked to the workplace trade union. The union is supposed to convene the Congress and then to oversee the decisions passed by the Congress. On paper the SWRC holds the power to elect factory managers and the power to "exercise democratic management". Other powers (on paper) include the legal right to be informed of enterprise matters, a veto power over workplace labor standards, power to decide on policies related to workers' welfare, in particular the distribution of housing, and power

²⁴ Sean Cooney, "Limitations and Possibilities", *International Union Rights*, Vol. 11, No. 4 (2004), pp. 8-9.

²⁵ Jiang Kelin, *op .cit.*

to monitor, evaluate, penalize, and reward factory officials.²⁶ By all counts, these are unusual powers to be given to workers and staff at any workplace in any industrial relations system. If a union were in a situation to exploit this power of the SWRC, it could of course act as a countervailing force to management. Regardless of what exists in Chinese law, however, in China's present circumstances the SWRCs' powers are only very rarely put into effect.

Nonetheless, there have been reports in the Chinese press of workers themselves occasionally seizing the initiative to transform into practice what has been written into law.²⁷ Such initiatives are of two main types. The first occurs at state enterprises where the trade union and the SWRC are allowed to function and have been given the room to have some say in major decisions on the enterprises' strategic plans or on housing and welfare policies, as stipulated in the laws. At one state enterprise where I have participated in in-depth research, the SWRC was convened during the mid-1990s to determine the terms on which more than 300 new enterprise-owned apartments were sold to managers and workers. The SWRC provided workers there with a strong opportunity to seize the moral high ground and to press their case. After lengthy deliberations by the SWRC and meetings in all of the enterprise's workshops, the SWRC determined that the largest apartments should go to veteran employees, who were largely blue-collar workers, with a 2 percent deduction in price for every year they had worked at the enterprise. They, rather than the managers, received priority.²⁸ Egalitarian ideals are not entirely dead in Chinese enterprises like this one, albeit it is one of a dwindling minority.

A second category consists of state and collective enterprises that are going down hill and are financially in the red. This can be due to a variety of reasons, but often is related to mismanagement, corruption, and asset-stripping, sometimes with the connivance of local

²⁶ Zhu Xiaoyang and Anita Chan, "The Staff and Workers' Representative Congress: An Institutionalized Channel for Expression of Employees' Interests", *Chinese Sociology and Anthropology*, Vol. 37, No. 4 (2005).

²⁷ Based on a nation-wide survey conducted by the ACFTU, it was revealed that enterprises where the SWRCs were evaluated by the workers to be functioning well tended to have better work conditions (Zhu & Chan, *ibid*).

²⁸ Jonathan Unger and Anita Chan, "The Internal Politics of an Urban Chinese Work Community: A Case Study of Employee Influence on Decision-Making at a State-Owned Factory", *The China Journal*, No. 52 (July 2004), pp. 1-24.

government officials.²⁹ A point arrives where workers' wages are in arrears, benefits are in jeopardy, production lines are not running normally, and workers are being laid off or pushed into early retirement, deprived of their livelihoods and feeling cheated. Occasionally such workers 'discover' the SWRC, go outside normal procedures to elect their own SWRC representatives, and vote in their own trade union chair to replace the old one appointed by management. For instance, in a well-publicized case in the city of Zhengzhou, workers at a paper factory used the SWRC to try to claim back ownership of the factory after it was privatized by management and the local government. They occupied the factory, and the struggle lasted for more than a year until they prevailed. Since this precedent, workers at about twenty other enterprises in the city employed the same method to gain back ownership rights.³⁰

In another case, in 1998 a group of taxi drivers in Beijing formed their own democratically elected SWRC and trade union to replace the ones appointed by management, at a point when the taxi company, which was city owned, tried to eliminate privately-owned taxis. The leader of the group had been "given a copy of the Labor Law and the Collective Ownership Regulation by a local trade union comrade". Only then did they become aware that the highest level of decision-making power legally rests in the hands of the SWRC: "Even the manager is to be elected by the Council. So we are the real masters". *Workers' Daily*, the official ACFTU newspaper, publicly supported their campaign.³¹

These are isolated incidents, which I am using to illustrate the point that despite the cynicism sometimes directed within China about the SWRC system, its very existence in legal statutes provides a wedge that might, someday, have an impact on industrial relations in

²⁹ X. L. Ding, "The Illicit Asset Stripping of Chinese State Firms", *The China Journal*, No. 43 (January 2000), pp. 1-28.

³⁰ Tong Xin, "The Cultural Basis of Collective Action by Workers in a Traditional State-owned Enterprise during a Time of Transition", and Zhu Xiaoyang, "Misreading of the Law and the Imagined Homeland", both in *Chinese Sociology and Anthropology*, Vol. 38, No. 1 (2005); Chen Feng, "Privatization and its Discontents in Chinese Factories," *The China Quarterly*, No. 85 (2006), pp. 42-60.

³¹ There are a series of reports on the case. The most comprehensive one is "Beijing zui niu de dige" (The Most Difficult Taxi Driver in Beijing), *Nanfang chuang* (South Window), January 20, 2005.

China's still-large state-owned industrial sector. To the extent that representatives of the factory staff have any genuine say in a SWRC, employees are provided with a means not only to influence company policies, but also to influence what the enterprise union is supposed to implement. If workers continue to use this legal institution to realize their rights, enterprise union branches will gravitate in the direction of societal corporatism, beholden to their members.

Thus far our discussion has mainly focused on China's internal developments and domestic pressures on the ACFTU. As China became more and more integrated with the world economy, two contrary forces were at work affecting China's export sector. On the one hand, workers' wages in the export sector were low and declining in real terms, so as to compete with the labor forces of other poor countries, and on the other hand the corporate social responsibility (CSR) movement began to penetrate China in the mid-1990s. When the Western companies that purchase their products from Chinese-based factories first pressed CSR upon the supplier factories in the 1990s, the factory managers came under pressure to make the production lines safer and to comply with China's labor law in terms of wages and work hours.³² But the supplier-factory managers soon learned how to resist these impositions and to hide transgressions from the Western companies' monitors and auditors. To safeguard the work environment, some of the Western corporations turned in frustration to the idea of democratic elections for workers' committees or for trade-union branches. The rationale is that workers can be the best monitors of their own conditions. Obviously, the Western corporations' experiments in setting up democratically elected workers' committees or occupational health and safety committees posed a challenge to the ACFTU. But it was difficult for China's trade union to be directly critical when Western capitalists took these election initiatives in order to safeguard labor standards and compliance to Chinese laws. The ACFTU reacted by declaring in 2003 that in Zhejiang Province more than 300 factories had had direct

³² Pun Ngai, "Global Production, Company Codes of Conduct, and Labor Conditions in China: A Case Study of Two Factories", *The China Journal*, No. 54 (July 2005), pp. 101-113.

elections for workplace trade union officials,³³ and the ACFTU has subsequently rolled out the program in parts of Jiangsu Province and elsewhere. The implicit claim is that “direct” elections are equivalent to “democratic” elections, though it is unclear as to how democratic they are. Nevertheless, in view of the fact that village leadership elections in China have become widespread since their inception more than two decades ago and are sometimes hotly contested,³⁴ this new ACFTU policy may spell the beginning of workplace trade-union democratization. If so, this, too, means the introduction at the grassroots level of societal corporatism, whereby a corporatist association is accountable to its constituency rather than to the state.

³³ Xie Chuanlei, Fu Jianfeng, and Wang Jiajia, “Direct Trade Union Elections as a Form of New Labor-Capital Relations to Compete in the New Rules of the Game,” *Nanfang zhoumo* (Southern Weekly), July 3, 2003; Zhong Guodong, “Pushing Ahead with Direct Elections of Trade Union Chairs in Non-Publicly Owned Enterprises,” *Chinese Management News* (in Chinese), March 17, 2003; Jude Howell, “New Democratic Trends in China? Reforming the All-China Federation of Trade Unions,” *Working Paper No. 263*, Brighton: Institute of Development Studies, March, 2006.

³⁴ Liu Yawei, “Consequences of Village Committee Elections in China: Better Local Governance or More Consolidation of State Power?,” *China Perspectives*, No. 31 (September-October 2000), pp. 19-35; Gunter Schuter, “Democracy Under One-Party Rule? A Fresh Look at Direct Village and Township Elections in the PRC,” *China Perspectives*, No. 46 (March-April 2003), pp. 15-25.