Globalization, China's Free (Read Bonded) Labour Market, and the Chinese Trade Unions

ANITA CHAN

Once largely cut off in the days of Mao from the world's capitalist economy, in the two decades since the 1970s China has out-competed all of its Asian neighbours in attracting foreign direct investment (FDI), becoming the world's second largest recipient of FDI after the United States. Formerly largely self-reliant, China has become a huge exporter of labour-intensive consumer goods. Many reasons account for the scale and speed at which China has obtained investment capital and penetrated international export markets. One that is frequently cited is that Chinese labour is cheap compared to most of its East and South-East Asian neighbours. From an almost complete absence of a labour market two decades ago -- when factory jobs were strictly allocated by the authorities -- China now has a relatively flexible labour market. It also has a geographically mobile labour force, an estimated 'floating population' of at least 70 million rural people on the move all over the country in search of urban jobs (Beja, 1996). This abundant supply of cheap labour will help ensure that China remains internationally competitive for some years to come.

Manufacturers from elsewhere in Asia who have established factories in Southern China repeatedly assert that if labour costs and work conditions cannot be kept strictly in line, they will move their facilities to Vietnam or Indonesia (Chan, 1998a). Their joint venture partners in China normally are local government bodies, who find it in their own interests to try to sustain a profitable environment for the firms. They have become willing participants in an effort to keep a lid on the wages and conditions of labour of the migrant workers who have flooded into Southern China from poorer inland provinces in search of work. This part of the new labour market has been placed at the service of the forces of globalization. The local
authority's capacity to provide this has been enhanced by decentralization of the political system, level by level— to the province, city, county, township, village and down to the workplace (Zweig, 1995).

Despite this decentralization, the central government has attempted to keep pace with China's rapid economic transformation by issuing Party flats and by enacting a large number of laws over the past decade. However, these high-level efforts have often been given a local twist or ignored. As far as labour-management relations are concerned, as will be seen in the following pages, a deregulated situation has often led to abusive management practices, deteriorating labour standards and violations of labour laws. These malpractices first appeared in the foreign-funded sector, predominantly in the firms established by investors from Hong Kong, Taiwan and Korea. These are concentrated in the coastal provinces, and in a ripple effect, their management techniques have spread to the inland regions and into the state sector.

Various scholars have described how China's economic reforms have affected Chinese enterprises and, in turn, workers (O'Leary, 1992; Ng and Ip, 1994; Warner, 1996; Zhu and Campbell, 1996; Leung, 1997). This contribution will focus on how globalization and a deregulated economic situation affect China's 'free' labour market and conditions of work. It will also examine the Chinese unions' attempts to adjust to the new developments in this 'free' labour market.

'Free' is deliberately put in inverted commas because the thrust of my argument is that the Chinese labour market introduced by the economic reforms is 'free' only in a superficial way. To be sure, most workers are no longer constrained by the Maoist system of allocating people to jobs under a planned command economy. Yet, large numbers of people today are constrained instead in the sense that they have become bonded labour. As shall be observed, two separate types of bonded labour have emerged in China: one in the non-state sector (especially in many of the labour-intensive foreign-funded joint ventures) and another in the state-owned industries.

THE 'FREE' LABOUR MARKET AND BONDED LABOUR

Bonded Labour in the Non-State Sector

Very large numbers of peasant migrants from China's poorer
interior provinces fill most of the production-line positions in the factories that have sprouted in the coastal regions. For example, in the industrially booming delta region of Guangdong in Southern China, about 90 per cent of production line workers are migrants. In the less developed regions where locals are still willing to work at very low wages they work alongside such migrants on production lines. But China’s household registration (hukou) system ensures that the large numbers of migrant workers do not enjoy the same status as the local residents (Mallee, 1995: 1–29). For social control purposes, the central government during the Maoist period curtailed geographic mobility through this system, in particular controlling rural–urban migration. Even today, the household registration system acts as a ‘sluice gate’ regulating the rural–urban flow. It allows more workers into the economic zones and economically booming areas when they are needed and drives them out when infrastructure becomes strained or when economic recessions strike. Their residential status is similar to that of foreign ‘guest workers’ subject to tight ‘immigration’ controls. To leave their villages peasants are required to apply for a permit from their local government. To stay in any other district they have to apply to the local police station for a temporary residential permit. When they are offered employment they need to secure a contract with an employer, and their application to work then has to be approved by the local labour bureau, which issues a work permit. Periodically, the police carry out raids to round up those who do not possess the temporary residential and work permits (Zhao, 1996: 42–6). Those caught are harassed, humiliated and mistreated, thrown into detention centres and then deported from the cities.

Most of those who are allowed to stay live in crowded dormitories provided by the factories, or in shanties. They are not entitled to any of the benefits enjoyed by local residents, such as social welfare, nor may they bring their spouses or children with them. Once their labour is no longer required they are supposed to go back to their place of origin. Socially, they are discriminated against by local residents (Chan et al., 1992: 299–308). In the face of all of these impediments, their work experience is precarious and exploitative (see, for example, Gao, 1994; Solinger, 1998).

The household registration system provides fertile conditions for the creation of a system of forced and bonded labour. For a
start, workers are required to buy their temporary work permit in one lump sum. In places where the cost of the permit is too high for the migrants to afford, the factory often pays for it on behalf of the worker as an advance, thereby immediately trapping the worker in a bonded relationship. In a buyers’ labour market, the factories dictate the terms of employment. They often charge a ‘deposit’ (yajin) that normally varies from a week’s to a fortnight’s wages, further bonding the workers (Wang, 1998: 474). Workers forfeit the deposit if they are fired or if they quit without management permission before the contract expires. So even if the working conditions at some particular plant are poor and physically abusive, migrant workers who cannot afford to lose this money feel a need to continue to work there until their contract expires.

The above findings are based not only upon official documentation from China, but also five years of documentary research and fieldwork visits to factories in a large variety of industries. To supplement interviewing, in 1996 a detailed questionnaire survey was carried out in one industry – footwear. Questionnaires were filled out by a total of 1,531 workers and staff in 54 footwear factories in five cities spread across China. Because the foreign-funded part of the footwear industry is heavily dominated by Asian investors, predominantly Taiwanese, Hong Kong and Korean firms, all 30 of the foreign-invested factories in the survey involve Asian partners. Of these, 13 are largely owned and managed by Taiwanese, seven by Hong Kong Chinese, and one by a Vietnamese of Chinese ethnic origin. This reflects the overall pattern of foreign direct investment in labour-intensive industries in China. Indeed, 50 per cent of all of the FDI in China derives from Hong Kong and Taiwan (Zhongguo laodong tongji nianjian 1997: 353). The percentage of Taiwanese enterprises is higher in this sample because Taiwanese firms are the biggest suppliers of footwear in the world. The foreign-invested footwear joint ventures were divided into two categories: those that are actually managed by mainland Chinese managers and those that are directly managed on-site by ‘foreigners’; that is, by overseas Chinese from Taiwan and Hong Kong. (There are no Korean factories in the sample because these factories denied access to the survey.)

Based on the survey, 58.6 per cent of the migrants among the production line workers were obliged to pay deposits, as opposed to 20.4 per cent of the non-migrant workers. As seen, too, in Figure
1, a far higher percentage of the production-line workers in the foreign joint-venture firms and private Chinese firms than in the state and collective sectors, needed to pay such bonds.

**Figure 1**

**Percentage of Production-Line Workers Who Paid Deposits, by Ownership/Management Type**

<table>
<thead>
<tr>
<th>Ownership/Management Type</th>
<th>Percentage</th>
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<tr>
<td>SOE+COE</td>
<td>6.3%</td>
</tr>
<tr>
<td>TVE</td>
<td>18.3%</td>
</tr>
<tr>
<td>POE</td>
<td>41.6%</td>
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<tr>
<td>JV/PRC</td>
<td>33.6%</td>
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<tr>
<td>JV/Foreign</td>
<td>44.6%</td>
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<tr>
<td>ALL</td>
<td>32.0%</td>
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Key: SOE + COE: State-owned enterprises and collective-owned urban enterprises; TVE: Collective township and village enterprises; POE: Privately-owned enterprises; JV/PRC: Joint ventures, with managers from the People’s Republic of China; JV/Foreign: Joint ventures, with foreign managers

Interviews and documentation reveal that very often the joint-venture factories pay workers irregularly, or systematically withhold a portion of each pay period as a further means to bond labour (Asia Monitor Resource Centre, 1995a: 14). In some cases, when management is short of operating funds, workers do not get paid for some months. Under such circumstances, workers still have to continue to work in the hope that they will get back the money owed to them. In some cases, too, the factory management collects the workers’ residential permits and identity papers for ‘safekeeping’, a practice that is illegal. Without the permit, workers cannot go onto the streets without becoming vulnerable to a police identity check, still less quit to go back to their home village or to find another job. Once workers are bonded by any of the methods described above, the factories can be assured of a low turnover in their workforce, even when workers are physically abused (Chan, 1998c).

The system stacks all of the odds against the workers. Taking advantage of this, a common practice is to pay them illegally low
wages. In the early 1990s, the government established a minimum wage system that required local governments to compute a local minimum wage standard based on the cost of living for the area under their jurisdiction (China News Analysis, 1995: 1–4). Yet, many Asian-invested enterprises and Chinese domestic private enterprises pay workers below the local monthly minimum legal wage, or pay them just up to the minimum monthly wage by including in the figures a large amount of overtime work (Laodong daobao, 19 August 1995). Table 1 shows that workers at the foreign joint-venture footwear firms normally work 11 hours a day, whereas workers in the state and collective-run footwear factories keep to the legal eight-hour workday. Working two or three hours of overtime on a normal workday, with only one or two days off every month, is commonplace at the Asian foreign-funded firms. In 1996, in the shoe manufacturing city of Putian in Fujian province, local trade union officials were proud that they finally had been able to get the foreign-funded factories (mainly Taiwanese) to agree to grant workers at least two days off a month.10 This local trade union effort in fact breaches China’s Labour Law, which stipulates not more than 36 hours of overtime a month and at least one day off a week.

**Table 1**

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<tr>
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<th>SOV+COE</th>
<th>TVE</th>
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<th>JV/PRC</th>
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<tr>
<td>Maximum</td>
<td>12</td>
<td>8</td>
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<td>Minimum</td>
<td>7</td>
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<td>Mean</td>
<td>8</td>
<td>8</td>
<td>10</td>
<td>9</td>
<td>11</td>
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To top it all, the wage system is usually constructed around a structure of rigid penalties, deductions and fines. Factories devise their own sets of arbitrary rules and regulations in open breach of national Labour Law. Workers caught in violation of such rules will be fined. Fines are meted out for being late, or for not turning up because of illness, or for negligence at work. The penalties can also be for behaviour not related to production: fines for talking and laughing at work, for littering, for forgetting to turn off lights in factory dormitory rooms, for untidy dormitories, and so on. (Zhuhai laodong bao, 19 May 1995).11 That is to say, some of the labour that
a worker has performed during the month can be left unpaid, because of a multitude of deductions. This system of monetary penalties induces great anxiety and uncertainty among workers.

As a further mechanism for controlling workers, the use of private security guards in factory and dormitory compounds is very common. Companies that supply private security guards are often connected to the local police and employ off-duty officers. Guards normally carry electric batons and handcuffs, which are freely available on China’s domestic arms market. The internal security system set up behind factory walls is extremely effective in intimidating and controlling workers, especially since it can be augmented by off-duty police through a simple switch of uniforms. Even the official government public relations magazine for foreigners, *Beijing Review*, admits to an excessive use of police force: “The problem is that the public security police, for their own reasons, the moment there is an incident, send policemen in to intervene in labour disputes, thus aggravating industrial relations.”

In this atmosphere of intimidation, some factories can get away with meting out physical punishment. In several years of sifting through Chinese documentation no report was found of any serious abuses of workers in the factories operated by direct investors from Japan or Western countries. Overall, the Chinese documentation gives an impression that, in contrast, the Taiwanese and Korean management styles are often harsh. Hitting workers for being slow or for making defective products is relatively commonplace at some of these factories (Hsing, 1998:104). To cite just one case among many, several Chinese newspaper reporters posing as migrants went to work in a Taiwanese-managed footwear factory in Guangzhou. The Taiwanese manager routinely, on a daily basis, meted out physical punishment to the ‘bonded’ workers and production-line team leaders (*Yangcheng wnbao*, 30 August 1997; for an English translation see Chan, 2000).

In my survey, 24 per cent of the production-line footwear workers report that physical punishment exists in their factories, and of these, the percentage is highest for foreign joint ventures: 27 per cent of the joint ventures run by foreign managers and 26 per cent of those run by mainland Chinese managers (Figure 2). The survey also shows unexpected results – that physical punishment also exists in state and collectively owned factories. There were very few such reports from the early days of the reforms. Even in
the state sector, the low-skill footwear industry has begun to employ migrant workers, and this new evidence appears to reflect a transfer of the harsh labour regime of the foreign Asian managers to the mainland state and collective sectors.

**FIGURE 2**
EXISTENCE OF PHYSICAL PUNISHMENT AS REPORTED BY WORKERS, BY OWNERSHIP/MANAGEMENT TYPE

**FIGURE 3**
RESTRICTIONS ON TOILET-GOING BY OWNERSHIP/MANAGEMENT TYPE

In this atmosphere of intimidation, some joint ventures can even get away with imposing strict rules to control workers' bodily functions by drastically restricting the frequency and length of time
allowed for going to the toilet (in an extreme case, workers at one factory who go to the toilet more than twice in a day are fined ¥60, more than two days' wages). As seen in Figure 3, a full 92 per cent of the production-line workers in the foreign joint ventures under foreign management report that there are restrictions against relieving themselves, compared with no such restrictions at all for workers at the state and collective factories.

Of all labour rights violations, the worst involve occupational health and safety (China Labour Bulletin, 1995; Shuman, 1996: 50–4; Exchange, 1997). The footwear industry, for example, commonly uses toxic glues in poorly ventilated workplaces (Chen and Chan, forthcoming). In the 20-plus footwear factories personally visited, none provided the workers who handle toxic adhesives with effective protective gloves and masks.

The Emergence of 'Bonded' Labour in the State Sector

To supporters of China's economic reforms, the freeing of the labour market since the Maoist era is a cause for celebration. The absence of a labour market in China under the centralized, rigid Maoist planned economy had been an obstacle to the efficient use of human resources and adversely affected economic development. Nationwide, all state-factory employees were paid on an eight-scale seniority-based wage system, thus stifling work incentives. The industrial labour force also was not free in the sense that urban jobs were allocated under the Ministry of Labour, mostly on the basis of political credentials and perceived loyalty to the Chinese Communist Party rather than for professional or technical merit. Work units did not have much say in recruiting the most appropriately qualified employees, and individuals had almost no choice as to where they worked. Once assigned to a work unit, one basically had lifetime employment. Job mobility was extremely low. From the perspective of the work unit and the individual there was no free choice.

The Dengist reforms enormously affected the conditions of urban workers. The macroeconomic and enterprise reform programmes involved entering the global economy; raising productivity in the state sector by reforming management practices; forcing state-owned enterprises to be responsible for their own profits and losses; reducing excess labour in the state-owned enterprises; gradually instituting a contract system in place of
lifetime employment; reductions in state workers’ benefits; a widening of the wage gap; and separation of a factory’s Party organ from administration by vesting the enterprise manager with greater power. On the shop floor, work discipline has been tightened, and welfare socialism can no longer be taken for granted by the workers. At the same time, termination of the lifetime employment system has ushered in a labour market in which state-sector industrial wages increasingly are set by free-market mechanisms. Workplaces can freely recruit employees, and people can seek jobs by themselves. However, this shift has been occurring at a time of narrowing opportunities for state-sector workers. In order to compete with the non-state sector, the state sector progressively has been laying off its bloated workforce to maintain economic viability (Zhongguo laodong bao, 3 July 1996; Gongren ribao, 11 August 1997).

However, the Chinese government could only implement this downsizing cautiously for fear of social instability. During the 1989 Tiananmen protest movement, the workers’ message to the government was clear: they should not be sacrificed to the economic reforms (Walder and Gong, 1993). Nevertheless, in the 1990s the government renewed its attempt to rid state enterprises of excess workers. The government was determined to press for growing numbers of bankruptcies, especially since the proportion of money-losing state enterprises continued to climb from about 30 per cent in the 1980s to 41 per cent by 1995 and 75 per cent in 1996 (Japan Economic Newswire, 27 October 1994; Zhongguo tongji, No. 1, 1996; Nanfang gongbao, 29 April 1997). By 1995 the number of officially registered unemployed reached five million, and workers who had been instructed to stay at home on partial or no pay had reached another 20 million. This latter figure amounted to about 18 per cent of the 109 million state-sector employees (out of a total of 148 million urban employees) (Gongren ribao, 30 November 1995). In addition, the pensions of 30 million urban retirees have not kept up with inflation, and some have not been receiving any of their pensions at all (Gongren ribao, 7 March 1996). According to a 1996 report in the Workers’ Daily, the number of staff and employees in financial difficulties reached more than 15 million, or ten per cent of the total urban workforce. Of these, about nine million employees and their dependents lived below the Chinese poverty line: ‘The number of people affected is
large and their situation is deteriorating’ (Gongren ribao, 13 March 1996). The dissatisfaction of state-enterprise workers and retirees worries the political leadership as potential sources of social instability.

Still, without sufficient funds in the state coffers to prop up loss-making state enterprises, the Party declared at the 15th Party Congress in October 1997 that the reforms would be ‘deepened’, which is to say ownership restructuring, privatization and bankruptcies in the state sector will throw even larger numbers of workers onto the streets. For example, in the first half of 1998, 400,000 textile workers were laid off (China Daily, 22 July 1998).

In these circumstances, the inexhaustible buyers’ market of cheap migrant labour is exacerbating the difficulties faced by the core labour force in China’s state-owned factories. For several decades, workers have enjoyed a steady monthly income and fringe benefits such as subsidized flats and health care, and that makes them more expensive to employ than the young unmarried workers flooding in from the poorest rural regions of China. Even with the household registration system, decentralization of decision-making powers to enterprise management has led to unregulated labour practices. Faced with stiff competition from the non-state sector, state and collective factories have been bypassing regulations or taking advantage of loopholes to replace part of their permanent workforce with these migrant workers (Solinger, 1995, 1998; Zhongguo laodong bao, 3 July 1996), who not only are paid less, but enjoy far fewer, or no, benefits.

Local governments, which own the factories and gain from this constant supply of cheap migrant labour, often ignore such irregularities.

In line with this, the workplace labour regime in some of the publicly owned factories has undergone a drastic change, sometimes becoming as harsh as is found in many of the Asian foreign-funded enterprises in China. A study of several large state-owned cotton mills in 1993 and 1994 in an inland province revealed ‘a work system that includes quota increases and speed-ups; longer working hours; ... new draconian controls over labour attendance; and the use of monetary sanctions and penalties to control labour’ (Zhao and Nichols, 1996: 1). This entailed a large amount of overtime work and physical exhaustion, and a penalty system that severely docked workers’ pay. The wage system was calculated on a workpoints system down to three decimal points –
85.631 points being worth 39.98 yuan (ibid.: 16). It is 'scientific management' in its most refined form. Pressured by the competition of the free-market economy, these practices are spreading within state-owned industries.

A second consequence has become evident. With urban unemployment rising, both laid-off workers and recent school graduates in the cities are faced with a new form of 'bonded' labour when seeking work. It is becoming increasingly common for urban recruits to pay a bond or 'deposit' (this, too, in Chinese is called yajin) in order to secure a public-sector job. This type of payment is different from those required of the migrant workers, in that the purpose is not so much to tie the worker to the employer. Rather, for these urban job seekers there is now a price to be paid for a job: put another way, a job seeker has to buy his or her way into the state and collective sector labour market. The jobs in financially healthy enterprises are still desirable because they are perceived, correctly or not, to provide at least some job security and benefits. Jobs in the state-owned commercial, service and financial sectors are particularly pricey (Gongren ribao, 2 December 1995; Shaanxi gongren bao, 1 November 1997). Of course, paying for a job also inhibits labour mobility.

This phenomenon began emerging in China in the early 1990s and is becoming more and more common. Take, as one example, a county in Sichuan Province whose 276 state and publicly owned collective enterprises recruited 12,343 people between 1993 and mid-1995. Of these, 80 per cent had to 'enter the factory with capital' (dai zi ru chang), an expression coined for the new phenomenon. These entry fees amounted to an average of 5,777 yuan per recruit (Sichuan gongren bao, 30 August 1995; see also Zhongguo laodong bao, 24 August 1995 and 29 July 1997). In 1995, the average per capita annual income in Sichuan Province for state employees was 4,897 yuan and for collective employees 3,251 yuan (Zhongguo laodong tongji nianjian 1996), so the bond was a truly hefty sum, well over a year's salary. Job seekers, many of whom are laid-off workers in imminent financial straits, either have to use their life-savings or borrow heavily from relatives and friends to get employment (Gongren ribao, 9 September 1995).

Other cases involve enterprises in financial trouble that are in the process of changing their ownership structure into shareholding companies. Lacking capital, they demand that their workers sink
capital into the factory by buying shares or by providing loans to the factory. For example, in a survey of 640 shareholding enterprises carried out by the Chinese Social Research Office in four provinces in April 1998, it was found that 63 per cent of these enterprises had forced workers to buy shares if they wanted to keep their jobs. These tended to be enterprises that were not making much profit or running at a loss (Liaoning gongren bao, 30 July 1998). Often, the managers try to obfuscate, or later redefine, the nature of the monies demanded, which variously come under the guise of ‘bonds’, ‘deposits’, ‘buying shares’, ‘risk security funds’, ‘capital injection’, and so on. Some of these supposedly are ‘returnable’, sometimes with interest, but some are not. Sometimes those who cannot afford to pay up lose their jobs, which gives rise to a new form of industrial conflict. On top of this variety of payments, it has become customary to charge new recruits a ‘training fee’, which is not refundable. The kind of ‘training’ that is provided sometimes is no more than several military drills to instil discipline before recruits are assigned to jobs.

In 1994 the Ministry of Labour issued two documents, one forbidding the collection of bonds by foreign-funded enterprises, and one specifying that state and collective enterprises had to abide by the same regulations laid down for the foreign-funded enterprises (Zhongguo laodong bao, 24 August 1995). Even so, as layoffs and unemployment continue to rise, the use of bonds in the public industrial sector is spreading and arouses increasing resentment. For example, in Luoyang, the capital of Henan Province, by 1995 disputes over recruitment fees constituted 15 per cent of all industrial disputes (ibid.). In Baoji City in Shaanxi Province, the average bond jumped from 5,000 yuan in 1993 to 15,000 yuan in 1997, again leading to angry complaints (Shaanxi gongren bao, 1 November 1997). Another Chinese report focused on Zhengzhou, the capital of Henan Province, and Jilin City in Jilin Province, where state enterprises, which had been losing money for years, forced employees to purchase enterprise stocks. Otherwise all those under 40 years old were to be dismissed en masse and those over 40 would be forced into early retirement (Luo, 1998). Media reports indicate that such demands are spreading, especially in inland cities, where unemployment is higher than along the coast. In Anhua in inland Hunan Province some poorly performing enterprises were forcing employees to retire if they could not each
buy 4000 yuan of shares, meanwhile asking for bonds from newly hired recruits (Inside China Mainland, 1998).

The green light that the 15th Party Congress in October 1997 signalled for the massive conversion of the country’s small and medium-size state enterprises into shareholding corporations exacerbated all of these trends: at once threatening to throw a large new wave of workers out of work, and at the same time giving extra leverage to managements’ demands that workers pay for ‘shares’ in order to retain their jobs. Complaints mounted, and so in July 1998, the powerful State Economic and Trade Commission issued a document calling ‘for an end to across-the-board sales of small state firms to avoid social unrest’ and specifically criticizing the officials in charge of the conversions for forcing employees to become shareholders (Asia Intelligence Wire China Business Network, 1998). Yet, it will not be easy to stop the deluge of conversions (Kazer, 1998; Hillis, 1998), and the asking price for jobs is likely to soar in the coming years.

THE ROLE OF THE CHINESE TRADE UNION

Under the command economy, the only Chinese trade union, the All China Federation of Trade Unions (ACFTU), like the trade unions in other socialist states, had only a minor bureaucratic role. The unions in the Communist states have been labelled ‘transmission belts’ (Pravda and Ruble, 1986), a term that conjures up an image of a government bureaucracy, an impotent institution, and a third rate one at that. Its two major functions in China were to help management spur workers to fulfil production quotas handed down from the state, and to help in allocating housing and welfare assistance to the workforce. As part of this second function, the union officials were to help workers to resolve personal and financial distress. Any concept of collective bargaining or of unions as protectors of workers’ rights barely existed.

Now that the Chinese labour market has been deregulated and management autonomy has provided managers and employers in all sectors of the economy with an increasingly free hand to deal with labour, what has become the function of the Chinese trade union? Western scholars have divided opinions on the extent to which the ACFTU today is a docile tool of the party-state. Some dismiss it, arguing it has not attempted to change its role from the
days of the command economy (Leung, 1997). Some others are less begrudging and present empirical findings showing that the ACFTU has tried to assume a new role (White et al., 1996; Howell, 1997; Warner and Ng, 1998). I am inclined to the latter position, believing that the trade union, particularly at the national level, has tried to act on behalf of workers’ interests, albeit sometimes half-heartedly, inconsistently and not particularly effectively. But whatever the Chinese trade union does or does not attempt, it is motivated above all by its bureaucratic mission to carry out the role assigned to it by the party-state to officially look after workers’ interests (this is to be carried out in conjunction with the contradictory mission of simultaneously working for the state’s interests). At levels below the province, however, union branches are marginalized and under-resourced, making it all but impossible for them to defend workers against abuses.

The foreign-funded enterprises and domestic private enterprises that have sprung up in the past two decades were not established with workplace union branches. The central government and national trade union were aware of the rising incidences of abuse and exploitation, and in the early 1990s began a programme of planting workplace unions in these enterprises (Chan 1998a; Warner and Ng, 1998). However, many of the local governments (which, we should recall, often are co-investors in joint ventures) have worked hand-in-glove with foreign investors to prevent any genuine workers’ representation at the workplace. Impressive unionization rates in foreign-funded factories in some of the new industrial zones, reaching 90 per cent or even higher only one or two years after the implementation of the new Labour Law of 1995, are in fact a sham. The chairs of the new workplace union branches are usually none other than the enterprise managers, or are ranking members of the managerial staff (Chan, 1998a).

Thus, impressive unionization coverage, as of early 1998 reaching three-quarters of the eligible 56,000 joint-venture firms (Xinhua News Agency, 1998), has done little to alleviate the plight of the migrant workers. The harsh labour regimes and the bonding of migrant workers in South China continue. In fact, under increasing competition from cheap labour in other Asian countries, overproduction and the overall thrust of globalization, migrant workers’ wages have not kept up with inflation. Even the legal minimum wages set by local governments do not always keep up
with inflation. For example, at a time of substantial inflation, the legal minimum wage for Dongguan City in Guangdong was 350 yuan in 1995, and was the same in 1997 (Asia Monitor Resource Centre, 1995; Hong Kong Christian Industrial Committee et al., 1997); while Zhuhai City’s minimum wage of 380 yuan similarly remained unchanged between 1995 and 1997 (Laodong daobao, 19 August 1995; Zhongguo laodong bao, 28 July 1997).

Aware that the local governments are on side and that even the enterprise unions are under their own control, when Asian investors lose money or lack operating capital they find it feasible, in turn, to squeeze the bonded migrant workers. Owing workers many months’ back pay has become a particularly serious issue (Ming Pao, 4 November 1997; Zhongguo laodong bao, 11 November 1995). Unable to lodge complaints at the workplace, migrant workers in some cases have been staging spontaneous strikes, and taking their problems beyond the factory to local labour bureaus and local governments, and occasionally to the local district trade unions. These local bureaucracies act like firefighters, seeking to put out the spontaneous conflagrations within their areas of jurisdiction.

In the state and collective sectors, the government and trade union are pushing a programme of signing workplace-level collective contracts (Warner, 1997). In these sectors, where labour is better organized and educated and more aware of their rights, preconditions exist for some form of collective bargaining, or at least some kind of consultation in future years, provided the trade unions and workers become more assertive. Yet, this can only take place in those enterprises that are financially healthy, and not in those that are already in dire financial straits, in particular those on the verge of bankruptcy. Financially troubled enterprises today constitute more than half of the state-owned and collectively owned firms. When several millions of state workers are not even getting their regular pay (Forney, 1997), collective bargaining and the signing of collective contracts in such enterprises has scant meaning. Workers can in reality only bring their grievances to the local government or central authorities.

The Chinese trade union is at a crossroads in these dire circumstances. To survive as a bureaucracy it needs to define a role for itself and to gain greater trust from its assigned constituency, the workers. During the past two decades since the economic reforms
began, it has not been a totally docile bureaucracy (Jiang, 1996). It has initiated pro-labour programmes (Chang, 1997), has argued with other bureaucracies over drafts of labour legislation, and has in other ways confronted bureaucracies whose functions by their very nature are anti-labour, such as those entrusted to develop the economy. No matter how weak and ineffecual the ACFTU has been, it is the only bureaucracy in China today that holds a pro-worker stance.

Yet, the Party is careful to ensure that the trade union comes under tighter surveillance than other bureaucracies. A second obstacle facing the union is that the ACFTU’s basic structure is enterprise unionism, which prevents cohesiveness within the union bureaucracy. Under Mao, the ‘transmission belt’ vertical command structure held the union bureaucracy together; economic decentralization weakens this command structure, allowing local party authorities who are antagonistic to the union to dominate some of the union branches. Marketization and privatization exacerbate the fragmentation. In some of the state-owned enterprises today, the trade union is being sidelined; in the newly transformed shareholding enterprises, managers are trying hard to rid themselves of workplace unions; in the Asian foreign-funded enterprises, as described above, the new workplace union branches are predominantly chaired by factory managers. At a time of increasing marketization and privatization of the Chinese economy and increasing penetration of China by the tide of globalization, represented most directly in China by these Asian subcontractors for Western multinationals, the Chinese union’s on-site influence almost everywhere is in retreat.

CONCLUSION

These pages have traced the revolutionary changes that have occurred in China’s labour market within a period of less than two decades, shifting from a rigid planned command economy to a decentralized market economy. Important parts of the Chinese economy have been globalized, and labour practices all but deregulated. As each province, each city and locality competes for capital, especially foreign capital, labour standards have declined and human rights violations, including a form of forced labour, have become commonplace in factories managed by overseas Chinese from Taiwan and Hong Kong, and by Koreans.
These Asian investors are the brokers and producers of labour-intensive products for the developed world's transnational corporations, operating in the world's most rapidly industrializing region. Their presence has exerted enormous competitive wage pressures in China, and their management techniques are spreading to China's inland provinces and to the non-foreign-funded sector. Harsh labour regimes are beginning to surface even in China's state-owned enterprises, though not yet to the extent of 'bonding' workers in the same way as is possible with migrant workers. However, another kind of 'bonding' has appeared in the state sector that undermines a free labour market. Desirable jobs, especially those that promise job security, increasingly now have to be bought. Decentralization of power to the regions and enterprises has made it nigh impossible for the central government to arrest such a trend. With Asia now in recession, and in the midst of the Chinese government's reform programme to downsize bureaucracies and to divest itself of state and collective enterprises, the conditions of state-sector workers and migrant workers are likely to deteriorate further.

The central state lacks the will and the administrative capacity to enforce compliance to the national labour law. Its half-hearted measures to defend workers from being taken advantage of is motivated by a fear of social instability. When this threat becomes imminent, the central party-state will have two options: to resort to violent suppression or allow the ACFTU genuine autonomy in the hope of releasing some of the pressure. Predicting which scenario is more likely is beyond the capability of this author.

NOTES

1. According to the *Asian Food Worker* (1995), a news bulletin published by the Allied Workers' Association in Asia and the Pacific, the legal minimum wage set for Shenzhen, one of the highest-cost cities in China, was lower in 1995 than in Hong Kong, Indonesia, South Korea, the Philippines and Thailand. Only Vietnam was lower, but only slightly. The legal minimum wage set for Beijing was lower than in Vietnam.

2. This estimate is based on my fieldwork in factories in that region in 1995, 1996 and 1997. For example, in Dongguan City in Guangdong Province in 1986, 22.4% of the labour force was made up of migrants; in 1996 it had risen to 87.4%. The percentage of migrants in the blue-collar workforce there was even higher. On this phenomenon, also see Li, 1996.

3. This observation is based on my fieldwork in Fuzhou City, Fujian, in 1996. See also *Zhongguo laodong bao* (3 July 1996) and Solinger (1995).

4. These rules and regulations vary slightly from place to place in accordance with local government policies. In some places, an urban registration can be bought for several thousand to more than ten thousand yuan, several times a peasant's annual income.
5. The 'International Convention on the Protection of the Rights of All Migrant Workers' refers only to cross-national labour migrants, but it could be applied equally well here, as these people are trapped in analogous circumstances. See United Nations (1995: 383-402).

6. The cost of the work permit varies from place to place, from as low as 20 yuan in some places to several hundred yuan in the Shenzhen region. See Zhao (1996: 35).

7. Although Korean factories are not represented in the survey, Korean management will be included in the general discussion that follows of exploitative management practices in Asian-invested Chinese factories. There is now ample evidence from within China that Korean managers have been among the most hard-driving and abusive on the shop floor. Reports from other developing countries similarly point a finger at Korean managers as particularly prone to malefactors in their treatment of workers (Sun, 1993; Paisley and Kiernan, 1994; Biers et al., 1996, Slaughter, 1995; Vietnam Labor Watch, 1997). The hitting of workers by line managers was also quite common in factories within South Korea in the 1960s and 1970s (Christian Conference of Asia, Urban Rural Mission, 1992).

8. My own field study in April 1997 in a township in Guangdong where most manufacturing enterprises are small, private and loosely owned revealed that the payment of wages was even more irregular than at the foreign-funded enterprises.

9. For an excellent example of how this system was able to bind workers under horrific conditions, see Workers' Daily (Gongren ribao), 17 April 1994. In the notorious Zhili Toy Factory fire of 1993, 84 workers lost their lives in a factory dormitory, trapped by barred windows and locked exits; a letter retrieved from the wreckage, written by a victim and never handed over to management, revealed that the victim had repeatedly asked permission to resign from her job but without success.

10. Based on June 1996 field interviews in Puyang.

11. Monetary penalties have also become prevalent in state enterprises in recent years. See Gongren ribao, 20 June 1995, p. 5.

12. Shocking examples of police violence inflicted on workers can be found in Zhuhai laodong bao (24 October 1994), South China Morning Post (6 December 1995), and Fujian tongzhi (No. 2, 1994: 21-3).

13. For an elaboration of how these abuses are found almost exclusively in Asian-invested firms, see Chan (1995).


15. In the footwear industry, glue accounts for less than one percent of the cost of production. In China, carcinogenic benzene-based glues, which cause leukemia, are 30 percent cheaper than the less toxic toluene-based glues. Taiwanese-funded footwear factories in China often use the former (Chan and Chan, forthcoming).

16. I came across this in my fieldwork in Beijing in 1995 and in Shanghai in 1996.

17. The newspaper devoted half a page to letters to the editor from workers complaining about being forced to pay such bonds.

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