
THE INTERNAL POLITICS OF AN URBAN CHINESE WORK COMMUNITY: A CASE STUDY OF EMPLOYEE INFLUENCE ON DECISION-MAKING AT A STATE-OWNED FACTORY*

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As the economic reforms have unfolded, China's economy has become a patchwork of very different patterns. In industry, for example, some state-owned enterprises have fired large numbers of employees as a corporate strategy, either because the firm is going broke or because it wants to replace them with cheaper short-contract workers.¹ Some other state enterprises, such as in the textile and footwear industries,² have driven their long-term workforce to labor under worse conditions for depressed wages. Yet there are also profit-making state enterprises that have acted in a paternalistic fashion, that have been solicitous of the concerns of employees, and that have sought to improve their livelihoods. The managements of such firms, as will be seen, have been responding to work-

* The research was funded by a Discovery Grant from the Australian Research Council. The research is also related to a broader project supported by the Ford Foundation on elements of democratic governance in the Chinese enterprise, on which Anita Chan is collaborating. We would like to thank the two anonymous referees and Andrew Kipnis for their suggestions, as well as Luigi Tomba for serving as journal editor for this paper.

¹ Anita Chan, *China's Workers Under Assault: The Exploitation of Labor in a Globalizing Economy* (Armonk: M. E. Sharpe, 2001), pp. 137-48. On the threat of unemployment faced by many state-enterprise workers also see, e.g., the three excellent papers by Jean-Louis Rocca, Dorothy J. Solinger and Ching Kwan Lee in Françoise Mengin and Jean-Louis Rocca (eds), *Politics in China: Moving Frontiers* (New York: Palgrave MacMillan, 2002) and other writings by these three authors. A good example is Dorothy J. Solinger's "Chinese Urban Jobs and the WTO", *The China Journal*, No. 49 (January 2003), pp. 61-87.

² Zhao Minghua and Theo Nichols, "Management Control of Labour in State-Owned Enterprises: Cases from the Textile Industry", *The China Journal*, No. 36 (July 1996), pp. 1-23; Anita Chan and Zhu Xiaoyang, "Disciplinary Labor Regimes in Chinese Factories", *Critical Asian Studies*, Vol. 35, No. 4 (December 2003), pp. 559-584; Chen Meei-Shia and Anita Chan, "China's 'Market Economics in Command': Footwear Workers' Health in Jeopardy", *International Journal of Health Services*, Vol. 29, No. 4 (1999), pp. 793-811.

community norms and expectations that effectively pressure them to act in such a fashion.

We are currently engaged in conducting research for a book-length social history of a state enterprise of this latter type.³ It is a large liquor distillery located in one of China's largest inland cities. It is not a local "model" factory, and there was no effort by Chinese authorities to steer us to it.⁴ During 2002–2004 we undertook full-time research there for a number of months and were able to conduct unsupervised in-depth interviews with dozens of its employees and retirees.

It is not known exactly what percentage of state-sector firms are similar to this distillery in their relations with employees, as there are no known relevant surveys and very few studies of individual state-owned factories.⁵ But our interviewees insist that many of the state-owned enterprises in their city's food-processing sector have workplace environments similar to the distillery's. It is quite possible that such enterprises represent a significant part of Chinese industrial society—a type of firm that has not previously been examined by foreign observers.

In this paper we will focus on a scenario that got played out at the distillery when it was announced in the mid-1990s that a substantial number of new apartments were to be built for subsidized sale to selected employees. It will be seen how the pressures emanating from the workforce obliged management to put into play a form of grass-roots democracy to resolve this issue of paramount importance to the work community, and how, in this setting, "moral economy" arguments carried the day. We will also examine two further episodes at the distillery involving housing—in 1999 and in 2003–04—and we will witness how the rapidly changing political and economic landscape in China has influenced employee and management behavior.

The Moral Economy

The term "moral economy", as employed in the writings of E. P. Thompson, James C. Scott and others, encapsulates several important features of the work-community ethos that prevails in such a Chinese enterprise. Thompson used the

³ Through multiple interviews, we are examining life at the enterprise starting in the mid-1930s, through its nationalization in the 1950s, the Great Leap Forward and its aftermath, the political divisions of the Cultural Revolution, and onward into the period of post-Mao industrial reforms up to the present day.

⁴ We were granted access to the enterprise through a Chinese academic who sits on its board of directors.

⁵ Among these very few studies are Zhao Minghua and Theo Nichols, "Management Control of Labour in State-Owned Enterprises"; Zhang Jing, *Liyi zuzhihua danwei* (A Work Unit of Organized Interests) (Beijing: Zhongguo Shehui Kexue Chubanshe, 2001); and Kate Hannan, *Industrial Change in China: Economic Restructuring and Conflicting Interests* (New York: Routledge, 1998). Also see You Ji, *China's Enterprise Reform: Changing State/Society Relations after Mao* (London: Routledge, 1998), based in part on interviewing about a number of factories.

term in a famous paper analyzing food riots in 18th century urban England, in which he noted that the riots cannot be explained simply as an effort by hungry people to grab food; rather, their actions were in protest against the violation of a ‘moral economy’ in which they held a right to subsistence:

... the men and women in the crowd were informed by the belief that they were defending traditional rights or customs; and in general, that they were supported by the consensus of the community ... as to what were legitimate and what were illegitimate practices. ... An outrage to these moral assumptions, quite as much as actual deprivation, was the usual occasion for direct action. ... [These ‘moral-economy’ notions] found some support in the paternalist tradition of the authorities; notions which the people re-echoed so loudly in their turn that the authorities were, in some measure, the prisoners of the people.⁶

Although Thompson was focusing on riots as a means to make these people’s voices heard about violations to a moral economy, he also noted that such rioting is not “the only or the most obvious form of collective action—there may be alternatives such as mass petitioning of the authorities”.⁷

James Scott extended the moral economy concept to pre-capitalist Southeast Asian villages, which were tightly bound social communities unlike the urban environments in which Thompson’s food riots occurred. In Scott’s portrait the moral-economy perceptions held by poor farmers in such villages (“their notion of economic justice...—their view of which claims on their product were tolerable and which intolerable”)⁸ often proved effective without any need for explicit, organized protests. Through the pressure of opinion in the community, the richer farmers and landlords felt constrained to meet that notion of economic justice by acting in a redistributive fashion through charitable acts, or through lowering land rents at times of drought, or through sponsorship of community celebrations.

Scott’s analysis of the moral economy of the pre-capitalist village places an emphasis on the “subsistence ethic” of the poor farmers. Their demands upon the local wealthy were modest: their horizons were limited. They were satisfied if there was just enough paternalistic redistribution within the community, or through the state, to ensure what they considered their just due: a guarantee of a subsistence livelihood. They were satisficers, not maximizers. “The test for the peasant is more likely to be ‘What is left?’ than ‘How much is taken?’”⁹

Both Thompson and Scott presumed that the rise of capitalism and of the commercialization of relationships spelled an end to the environment in which a ‘moral economy’ could prevail, and a main focus of their writings was on the

⁶ E. P. Thompson, “The Moral Economy of the English Crowd in the Eighteenth Century”, *Past and Present*, No. 50, pp. 78-9.

⁷ E. P. Thompson, *Customs in Common* (London: Merlin Press, 1991), p. 263.

⁸ James C. Scott, *The Moral Economy of the Peasant* (New Haven: Yale University Press, 1976), p. 3.

⁹ *Ibid*, p. 7.

desperate protests that arose during that particular historical period of change. But several scholars have fruitfully employed the ‘moral economy’ framework to analyze late 20th century situations.¹⁰ (Thompson himself has used the concept to describe the British miners’ strike of 1984.)¹¹ Most of these contemporary studies focus, like their predecessors, on incidents of mass protest, but there is no necessary reason why studies that use a ‘moral economy’ framework need to be restricted to such incidents. In some cases, a leadership may share the community’s premises about a ‘moral economy’ and may accede to community pressures willingly. The core of the ‘moral economy’ premise rests, after all, not on antagonistic confrontation *per se*, but on a community’s insistence that those in power abide by the preservation, in Scott’s words, of “the structure of a shared moral universe, a common notion of what is just”.¹²

The crux of the ‘moral economy’ premise applies to the Chinese enterprise we are currently studying. As will be observed, it possesses an enterprise ethos in which a “shared moral universe” and, in Scott’s phrasing, a “notion of economic justice” advocated by subordinates has obliged the top management to bend redistributive policies more in their favor. We will explore this for a period in which enterprises like the distillery, with government encouragement, were shifting in the direction of the Japanese industrial model, which lent itself to such an environment. As will be discussed later in the paper, this Japanese model of enterprise organization puts a priority on very long-enduring relations and loyalties between the corporation and employees and, among other things, rewards an employee’s longevity at the company.

The Enterprise

The large distillery that is the subject of our case study has a history that pre-dates Liberation. The traditional production method for this sorghum-based liquor, still used today, involves very hard, dirty labor: digging huge fermentation pits in the ground, cooking up large quantities of the grain in huge cauldrons, and turning over the fermenting mash in the pits by shovel. In the Marxist worldview, this type of work does not have the prestige of modern heavy industry, and thus during the period of Mao’s rule the salaries and perquisites were noticeably poorer at the distillery than in high-status industries such as steel production. This was true, too, of employee housing. During the Maoist period the enterprise had built two blocks of apartments, but the construction was cheap and shoddy, the

¹⁰ See, for example, Paul Bagguley, “The Moral Economy of Anti-Poll Tax Protest” [on Thatcher’s England], in Colin Barker and Paul Kennedy (eds), *To Make Another World: Studies in Protest and Collective Action* (Aldershot: Avebury, 1996), pp. 7-24; also Marsha Pripstein Posusney, “Irrational Workers: The Moral Economy of Labor Protest in Egypt”, *World Politics*, Vol. 46 (October 1993), pp. 83-120; also John Walton, *Western Times and Water Wars: State, Culture and Rebellion in California* (Berkeley: University of California Press, 1992).

¹¹ E. P. Thompson, *Customs in Common*, p. 340, fn. 1.

¹² James C. Scott, *The Moral Economy of the Peasant*, p. 167.

apartments very cramped, and there were not enough to go around. Many of the employees were obliged to live in even more dilapidated non-enterprise housing scattered across the city. In some cases, three generations of a family were packed into one or two small, dank rooms, without any kitchen space or nearby tap water.

But however poor the employees' material conditions were during the Maoist period, like other state enterprises the company had provided lifetime employment, had given priority to hiring its employees' children who needed jobs, and in other respects had sought to look after its own. Yet the enterprise leadership did not have the leeway to decide on salaries and living conditions, which were largely determined by state policy and funding. Under the command economy, the concerns of the management had to focus more on meeting the desires of the Party-state and of the food-processing-industry bureau that stood directly above the enterprise rather than on the needs and pressures of the work community.

A large number of interviews with older workers about the 1960s and 1970s reveals a distinct lack of nostalgia. These were years of poverty and deprivation, and workers were supposed to make sacrifices in their material conditions for the good of the revolution. An 87-year-old retired worker, speaking the most bluntly of all the interviewees, recalls:

Before, we labored like cows. Giving you a pair of straw sandals to wear was considered protecting you on the job. Before, you were supposed to be willing to work till you dropped (*lei si*). You couldn't say anything about that, it was useless to speak up about it. And we had no money. Everyone said the country doesn't have the money to spare, so our wages didn't go up year after year.

But the official rhetoric in the Maoist era preached that workers were the masters of the country and that a debt of gratitude was implicitly owed to them, especially the older ones. This notion was remembered and taken to heart by workers at the distillery during the reform era, and they made strategic use of it.

After Mao's death, the distillery and other state-owned enterprises retained many of the attributes of a Mao-era *danwei*, but without Maoist-style political campaigns or strong political controls over the workforce, and without such strong pressures on management to serve the interests of the state. Reforms to industry in the 1980s allowed enterprises to retain much of their profits and gave far greater discretion to management on how to spend the funds. The distillery benefited greatly from this. Up through the 1980s, good liquor was in short supply, especially since officials throughout China were increasingly lavish when banqueting at public expense, and the distillery was permitted to sell its production at high market prices. In such circumstances there was a feeling among the blue-collar employees, including the workshop heads and foremen, that a debt was owed to them—that since the workers had put in many years of loyal service, in poverty, the distillery leadership was in turn duty-bound to be paternalistic and to share the enterprise's new-found profits with them.

The distillery employees were not unique in holding these views, and in response, a great many state-owned enterprises in the mid-1980s began to bestow

on their workers cash bonuses, extra in-kind compensation, and new housing.¹³ Andrew Walder interviewed managers and officials about this phenomenon during 1984–86, and explained:

The factory director is more than a manager of an economic enterprise. He is also the leader of a socio-political community. ... [H]e is acutely concerned with “public opinion”. The citizens under his jurisdiction evaluate him according to the success of his tenure by *their* standards—how their incomes fare, how much housing is built, how well the factory’s services are run, perceived fairness in administering fines and other punishments. ... The director is acutely concerned that he be viewed as a good provider and fair manager—and that there exists a feeling of *renqing* [human feelings] with his subordinates collectively—because their cooperation is premised on precisely this.¹⁴

Most China specialists today are under the impression that state enterprises turned sharply away from such managerial behavior during the following decade. But as of the early 2000s, the liquor enterprise’s leadership was still acting in line with the ethos that Walder described for the 1980s. For instance, at all of the national holidays the distillery bestows gifts and extra money on its employees, as well as a substantial gift of some 800 yuan in cash to each of them at the end of the year. The company’s generosity in the early 2000s also extended to extra medical assistance (the enterprise even paid 100,000 yuan to cover kidney transplants for two employees), burial expenses (on average, 10,000 yuan, depending on an employee’s length of service) and free insurance. There is also a wide range of other perquisites large and small, such as a 24 yuan heating subsidy in cash every year for each household (a carry-over from Mao’s day). There is even a 60 yuan a year tampon subsidy for all the women: “male employees felt it unfair that the women should get this special subsidy, so in response to this feeling we also disburse a subsidy of 30 yuan to all the men”.

The enterprise management’s sense of its responsibility also extends to showing paternalistic benevolence toward retirees. At Chinese New Year in 2003, 210 out of the 240 retirees turned up at a restaurant to be honored at a special annual celebration on their behalf, at which the leaders thanked them for the years of hard work they had given to the enterprise. Each was handed a red envelope containing 300 yuan, along with apologies that the amount was 100 yuan less than the previous year, which had been more profitable for the company. In another show of appreciation, up through 2002 all of the retirees and their spouses were given free overnight sightseeing tours every year to famous scenic landmarks.

¹³ At the start of the reforms to industry in 1982, 54 per cent of all of China’s urban housing stock was work-unit owned. Work units built so much new accommodation for employees during the 1982–85 period, in the first flush of enterprise autonomy, that by 1985 75 per cent of all urban housing was work-unit owned. Fulong Wu, “Changes in the Structure of Public Housing Provision in Urban China”, *Urban Studies*, Vol. 33, No. 9 (1966), p. 1603.

¹⁴ Andrew Walder, “Factory and Manager in an Era of Reform”, *The China Quarterly*, No. 118 (June 1989), pp. 249, 251.

The enterprise is not an anomaly among state enterprises in providing such benefits. With the Chinese economy expanding healthily year after year, we should not assume that all state enterprises are in financial difficulties. Interviewees relate that many of the state-owned enterprises in their city's food-processing industry have continued to show profits and have sought to look after the interests of their workforce in a similarly paternalistic fashion.

The provision of housing has stood near the top of the wish list of employees, and starting in the 1980s expectations arose that the enterprise would make this a high priority. Several years of retained profits enabled a couple of dozen apartments to be built in 1987–88; and there was a strong feeling of resentment against the distillery's director, who had just recently been assigned to the enterprise, when he decided that most of the new apartments would go to higher-ups in the company. There was a sense of relief when, after making some poor investments that lost money, he was removed by the city food-processing-industry bureau in the late 1980s, and a new enterprise director who understood their values was appointed from within the bureau.

The New “Welfare Housing” Purchase Scheme

In the mid-1980s the national government was experimenting with a “housing reform” that pushed for enterprises to sell off apartments to employees. Until then, enterprises had rented out accommodation to their employees almost for free. But since the rent did not even cover maintenance costs, apartment buildings were very poorly kept up. Reformers in the government felt that owner-occupiers would take greater concern with the upkeep, and programs to grant employees partial or full ownership rights to the apartments they lived in, at a price well below the true value of an apartment, can be traced back to the mid-1980s.¹⁵

In 1988, going a step further, the State Council approved a policy allowing government organs and profitable enterprises to construct new blocks of apartments for sale to their employees at subsidized rates.¹⁶ The funding for the subsidized sales was to be drawn largely from an enterprise's welfare fund (*fuli jijin*),¹⁷ and thus this was referred to as “welfare housing” (*fuli fang*).

¹⁵ The most comprehensive discussion of the recent history of the government's housing programs is Ya Ping Wang and Alan Murie, *Housing Policy and Practice in China* (Basingstoke: MacMillan Press, 1999). Also see, for example, Yanjie Bian, John R. Logan, Hanlong Lu, Yunkang Pan and Ying Guan, “Work Units and Housing Reform in Two Chinese Cities”, in Xiaobo Lu and Elizabeth Perry (eds), *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk: M. E. Sharpe, 1997), especially pp. 240-46.

¹⁶ The State Council document, issued on 25 February 1988, can be read on the web at <http://www.law110.com/law/guowuyuan/2083.htm>. See section 5 of the document.

¹⁷ It was explained to us by one of the distillery officials that a state enterprise's after-tax profits in the mid-1990s were divided into three portions: 40 per cent was to be used for reinvestment; 30 per cent was left to the enterprise's own discretion, and 30 per cent was to go into an enterprise welfare fund (*fuli jijin*). The bulk of the needed money to build the subsidized housing was to be taken from the welfare fund.

Construction of such accommodation began to become common among money-making enterprises by about 1994–95.

The authorities took steps to make this program of apartment sales more egalitarian by subsidizing only the amount of floor space that was considered to be essential living space. The government of the large inland city in which the liquor enterprise is located stipulated that for the first 60 square meters of apartment floor space, there would be a so-called discount price (*youhui jia*) set at 300 yuan per square meter, that between 60 and 80 square meters a so-called production-cost price (*chengben jia*) of 600 yuan per square meter would be charged, and above 80 square meters, considered “high class”, a market price (*shichang jia*) would be imposed, at 1,000 yuan per square meter.¹⁸

But within these parameters, enterprises held a fairly broad discretion as to how they implemented the housing-sales policy. In particular, a vital issue centered on who would actually be given priority to obtain a brand-new subsidized apartment. After all, an enterprise could afford to build new housing for only a portion of its staff. And among these fortunate employees, who would be given the opportunity to purchase the best, largest apartments? Seeking to avoid favoritism, the national regulations stipulated that a point system based on transparent criteria should be devised at each enterprise. The national regulations also laid down that the principle of work-year seniority should be honored, by stipulating that a person should be granted a point for each year that he or she had worked at an urban job. But beyond this, an enterprise could choose to grant extra points for high educational credentials, for instance, or for occupational rank or for holding a leadership post.

In 1994, soon after the new housing policy began to be implemented in the city, the distillery announced that it would construct and sell off to employees 335 new apartments in a landscaped housing estate. As of that year, the enterprise had close to a thousand employees, and so fully a third would be able to obtain an apartment. When the proposed construction was announced, there was an atmosphere of high anticipation among the staff, as well as anxiety as to what priorities the enterprise would set.

The preparatory work for drawing up selection criteria for the enterprise leadership to examine was delegated to a group of 16, composed of the head and deputy head of the firm’s administrative office, the head of the enterprise trade union, and 13 representatives from the various sections of the company. Some of the latter were the heads of their units but some others were ordinary employees who were selected in their section by consensus. Members of the preparatory group went out across the city to investigate how other enterprises had formulated their policies. They discovered that the situation varied enormously. At some firms, the top leaders were to be credited with only one extra point and

¹⁸ The city government’s Housing Commission also passed more detailed relations stipulating, for instance, that at the city center the discount price for new housing under 60 square meters would cost an employee 20 yuan more per square meter than for an apartment located between the city’s 1st and 2nd ring roads, and the price outside the 2nd ring road would be lower by a further 5 yuan.

engineers only half a point, which paled in significance alongside the points credited to employees for every year they had worked. At some other factories, though, factory leaders were being credited with 20, 30 or even 40 extra points. One of the members of the investigative group recalls in a disapproving tone, “That’s how those factory heads were able to secure excellent housing for themselves; they’d just add, add, add”.

Even while the investigations were underway, a few of the distillery’s managers were talking over ideas that would have favored precisely this outcome. The enterprise director had appointed himself and the eight deputy directors to serve as a nine-member “housing allocation leadership group”, and it was privately being proposed among some of them that a substantial number of extra points should be given for technological skills and management rank, even if they were newcomers to the enterprise. It was also proposed that one of the apartment buildings should contain particularly large apartments with three bedrooms, to be reserved for senior management and the most senior technical staff. All of the apartments for other employees would contain only two bedrooms.

Rumors about these proposals rapidly spread, and set off alarm bells. Nothing was more important to the employees than a chance, which might never come again, to obtain a subsidized apartment, one that they would be able to pass on to their children and grandchildren. They had never possessed anything of value, and everything hinged on this opportunity.

A small group of middle-ranking cadres who had entered the distillery in the early 1970s drew up a petition protesting against the rumored proposals, and asking that the main criterion for eligibility be longevity at the enterprise. Large numbers of ordinary workers signed it, alongside most of the production workshop heads and foremen and older white-collar staff. An old Party member and decorated army veteran recalls his own feelings at the time: “Why should only you leaders live in high-class housing? [He loudly knocks on the table to emphasize his point]. How about us workers? Why shouldn’t we live in high-class housing also? It should all depend on how long you’ve contributed to our enterprise.”

When the enterprise director—who was simultaneously the Party secretary—received the petition, he convened a meeting of the middle-level company officials, most of whom had been with the company for many years, had risen from the ranks, and had signed the petition. He rebuked them sharply for doing so. It was, he said, against government and Party traditions to petition in this way; it smacked, he hinted, of the Cultural Revolution. But he also proceeded, emotionally, to concede the justice of their position. A workshop head who had signed the petition and attended the meeting remembers: “He said, ‘old workers are the pillars’, including people like us.” The enterprise community’s ‘moral economy’ sentiments, manifested in the heavily subscribed-to petition, had won out. In the following days, the enterprise director let it be known that the issue was of such importance that, rather than have the enterprise leaders simply decide from above how the apartments would be allocated, the decision would be given

over to the enterprise's Staff and Workers Representative Council (*zhi gong daibiao dahui*).

The Staff and Workers Representative Council

These councils derive historically from the workers' councils of the Soviet Union and Eastern Europe. The best known of the workers' councils were in Yugoslavia, where, unlike the rest of the Communist Party-led countries, they held major decision-making powers. In China, by contrast, after the Anti-Rightist campaign of 1957 they became mere window dressing and eventually atrophied. After Mao's death they were revived, and a State Council proclamation in 1980 announced that they should be established in all enterprises, to provide some offsetting leverage *vis-à-vis* the new discretionary powers that were being proposed for managers.¹⁹ A council held the power—at least on paper—to examine the enterprise's major strategic policies, to reject the appointment of a new manager or dismiss a sitting one, and to have a say on wages, on industrial safety issues, on employee welfare programs and on housing.²⁰

During the course of the 1990s, fewer of China's state-owned enterprises continued to convene regular council sessions, as the power of managers expanded and as more state enterprises plunged into the red, slashed employee benefits and downsized their workforces. But the councils continued to exist, even if inactively, at 92 per cent of the state enterprises surveyed in 1997,²¹ and in some parts of China they remained active. In 1998 in Liaoning Province, more than 2,300 managers of state-owned enterprises were dismissed or demoted after failing to obtain the necessary 60 per cent of the votes from their enterprise's council.²² At some enterprises where management is corrupt, councils in recent years have taken matters into their own hands, calling themselves into session in

¹⁹ This was in the State Council-issued "Report on the Pioneering Program on the Expansion of Enterprise Autonomy and Plans for the Future", 1980. A former trade-union researcher has called the 1980s the "golden age" of the staff and workers representative councils. Jiang Kelin, "Gonghui yu dang-guojia de chongtu: bashi niandai yilai de Zhongguo gonghui gaige" (The Conflicts between the Trade Union and the Party-state: The Reform of the Chinese Trade Union in the Eighties), *Xianggang shehui kexue xuebao* (Hong Kong Journal of Social Sciences), No. 8 (Autumn, 1996), p. 128.

²⁰ These rights were codified in Article 52 of the Enterprise Law of 1988.

²¹ Zhu Xiaoyang and Anita Chan, "Zhili shidai zhigong liyi jizhong biaoda de zhiduhua qudao" (The Institutionalization of Workers' Articulated Interests), *Kaifang shidai* (Open Times, Guangzhou), No. 2 (February 2003), pp. 120-132. The figure of 92 per cent was derived by Zhu and Chan from the raw data of a large nationwide survey sponsored by the All-China Federation of Trade Unions in 1997.

²² The incident was reported by Agence France Press citing an article in *China Daily*, which appeared in the electronic magazine *China News Digest*, 1 June 1998. In the same year, in the city of Tianjin 660 state-enterprise managers were sacked and another 1,550 enterprise officials were demoted or transferred after receiving less than 50 per cent support in a council vote of confidence. *Gongren ribao* (Workers Daily), 10 April 1998.

attempts to forestall the sale of enterprise assets, to block the enterprise's privatization, or even to dismiss the managers.²³

At a large number of other state enterprises that have, like the distillery, maintained good management–employee relations, the councils have continued to meet once or twice each year up to the present day, and they are reported to have some influence *vis-à-vis* employee welfare policies and housing.²⁴ On many other policy issues, council representatives have felt that they are out of their depth. At the distillery, for example, a council was convened about once a year, but these meetings normally did not have any effect on the management's plans. As an interviewee explains,

At ordinary times, for things not considered particularly important to people, council members just let the leadership get on with it. The council sessions let people hear a bit about policies and express their opinions, even though the opinions were not very useful, since the lower levels normally need to listen to the upper levels. Ordinary workers don't know the entire situation, after all; they only know their own patch. This makes most council meetings formalistic. But when there is a serious matter at stake, in a case like the distribution of the new apartments in 1994, which appealed to the direct interests of the staff and workers, then the representatives want to express their opinions.

The man who in 1994 headed the enterprise trade union remembers: "The state didn't decree that the distribution of the apartment purchases should go through the enterprise councils, but as a democratic process, it should. To have it passed by the council made it easier to implement the program."

The Council's Debates

There had not been new elections of council members for some time at the distillery, and so each workshop, depending on its size, was told to elect several representatives to sit at the council session that would decide upon the apartment sales. Like so many "elections" in China, the representatives were essentially pre-selected, in this case by the workshop heads. Several told us that they had selected nominees who were mature, respected by their mates, and relatively articulate. A number of workshop heads nominated themselves for this particular session of the council, since they were vitally concerned about the apartment distributions. The representatives needed to be approved at a meeting of the whole workshop, and most of the nominees were quickly and smoothly approved. But in some cases a nominee was set aside during discussions and another workshop member was chosen by consensus.

²³ *Nanfang gongbao* (Southern Workers News), 16 August 2000; *Gongren ribao*, 9 February 1998, and 28 March, 1996; *Yangcheng wanbao* (Yangcheng Evening News), 14 May 1998, and *Nanfang zhoumo* (Southern Weekend), 11 June 1999.

²⁴ This is a finding of the survey analysis by Zhu Xiaoyang and Anita Chan in "Zhili shidai zhigong liyi".

The council, consisting of more than a hundred employee representatives,²⁵ met at the city's air force guesthouse. Written proposals were presented to the council by the group of 16 that had conducted the investigations of other enterprises' housing sales. A participant recalls: "There was a lot of debate on each proposal, which was then voted on with a show of hands. On several matters where they didn't agree, the majority didn't raise their hands and rejected the proposal. At times the atmosphere was intense."

The council was convened for three sets of meetings over a period of a couple of months, with several weeks between each round. At the start of each break, the council's deliberations were discussed at a workshop meeting, and for the next few weeks the discussions continued informally among workmates. According to interviewees, a sense developed of where public opinion lay, influencing proceedings at the next round of council sessions.

During the past half-decade, as the enterprise became prosperous and expanded, a number of people had obtained jobs there through personal connections with enterprise officials. These new personnel were disparagingly referred to by others in the enterprise as "*guanxi hu*" ("households with connections"). In the lead-up to the council's first session, the newcomers argued that the government regulation stating that employees' prior employment at other urban work units should be fully counted prevented the council from coming to any other decision. But this was hotly disputed. The deputy head of the enterprise's administrative office recalls that, in order to determine whether the enterprise's Staff and Workers Representative Council could ignore the regulation, "We went to ask the municipal housing office, and were told that this is a factory's own internal problem. It is not against the law. So the quarrelling over this issue was fierce the first time the council met." In the end the newcomers' objections were brushed aside and the council voted to provide employees with only one point for every two years that they had worked elsewhere.

But the council members were careful to grant special treatment to the enterprise leadership, some of whom were also newcomers. It was decided that an exception would be made for those who had not transferred to the enterprise of their own accord but rather had been assigned there from above by the municipal food-industry bureau. This privileged only 7 or 8 personnel, including the enterprise director and several of the deputy directors, who were given a full point for every year of their careers.

Several other national regulations were ignored. The deputy chair of the trade union remembers: "The regulations from above stated that years of university education should be counted as work years on a one-to-one basis, but at the council meetings we decided not to count these years at all."

²⁵ This number was in line with a government regulation stipulating that approximately 10–15 per cent of employees should be council representatives. The distillery had set its own ratio at 12 per cent.

There was a debate over whether the young people who had been sent to live in the countryside in the 1960s and 1970s should get a point for every year they were there. Some were against this, on the grounds that they had not contributed to the enterprise. But emotional arguments were also presented on their behalf, about how they had answered Chairman Mao's call, had suffered hard lives in the countryside, and deserved special treatment. What really counted, though, was that a considerable percentage of the employees had been sent to the countryside as teenagers, and so the council easily passed the motion granting them a full point for each year they had spent there.

The issue of military service was resolved even more easily. A regulation from above directing that years in the army were to count in full was never questioned. About 20 per cent of the employees at the enterprise are army veterans due to a government policy, still in place today, to give priority to demobilized military personnel in job allocations to state enterprises. Even more important, a disproportionate number of the middle-level cadres at the enterprise are from the army, since veterans who had been junior officers are considered reliable and experienced in leading others.

A micro-politics was at work—a democratic constituency politics, in which the weight in numbers and influence of each interested constituency was evaluated as the council meetings and the discussions throughout the enterprise progressed. This damaged the chances of the enterprise's retirees, since they were not entitled to sit in the council or to participate in any of the workshop or office meetings. A number of them drew up a petition arguing that they were being squeezed out, but it had little effect. An interviewee recalls: "At our workshop meeting the retirees were discussed, but people reasoned that most of them already have housing to live in. And besides, quite frankly, if you started including retirees, where do you draw the line? There are too many of them." The council decided they were ineligible.

The council agreed that the top managers should receive 4 bonus points, middle-level cadres 2 points, and ordinary employees who had been at the enterprise for more than ten years one bonus point. So an old worker who had been at the enterprise for, say, forty years received 41 points, swamping the points of a top manager who had only worked for 20 or 30 years. To assure transparency, all of the points awarded to each employee were listed on public notice boards, which were pored over by crowds of employees. One remembers: "The factory leaders didn't have so many years of work and so they ended up down on the list"; he can recall to this day precisely how each of them placed. The director of the enterprise was listed 21st. The factory manager was No. 30. Other enterprise leaders placed lower. The best and biggest apartments went not to them, but to the older workers and staff.

In the midst of the council's sessions, the enterprise leadership decided that much of the new housing should be more spacious than had originally been proposed or budgeted for—3-bedroom apartments of 100 or more square meters. A question arose, however, as to how, at the government's proposed level of subsidies, the veteran employees would be able to afford these large apartments. The Staff and Workers Representative Council provided a solution. It decided

that employees who had over 30 work years to their name (and they alone) should get a substantial price reduction for the portion of their apartment over 60 square meters. For each year they had worked, they would receive a 2 per cent reduction, and thus those in their late 50s, with some 40 years of work under their belts, would obtain an 80 per cent discount. This reduction violated government regulations. But as the deputy head of the enterprise's administrative office, who had been assigned to assist the council, admitted to us, "We tried our best to relax the policy guidelines so that our people could pay less. This is a Chinese characteristic, right?"

One reason for the generosity of the council, it seems, was that many of the council representatives were of an age where they themselves would qualify for the price reduction. But interviews suggest that there was also another important reason. It was part and parcel of a shared "moral economy" perspective that justified giving the older blue-collar employees their fair due. As one interviewee expressed it, "The older you are the more you had contributed to the enterprise. Before, they just worked and worked, with no bonuses, and their wages were low, so all they did was to contribute. And that's why this 2 per cent special discount was passed by the council."

Investigating Needs

For decades, the allocation of housing by Chinese enterprises had been based on two types of criteria: the first was the employee's rank and work-year seniority, and the second the employee's need for better housing. As the council's work drew to a close, investigative teams were selected to go to evaluate each employee's housing situation in order to ascertain whether they had a sufficient need for accommodation to qualify for a new apartment. Two dozen members were chosen to comprise the teams: a third of them council members, another third chosen by the workshop heads, and a final third elected by the employees in the various workshops and offices. They were divided into small teams of three investigators, who went from household to household to collect information on how many family members were squeezed into how much space, to examine the quality of the accommodation (did it have running water? a kitchen? toilet facilities?), and to determine how many in each family were eligible to be counted. For instance, a family might have a son who worked at a different enterprise but still lived at home, and he might claim to the investigative team that his employer was a loss-making enterprise that could not be expected in future to provide him with any accommodation. Should the son be counted as a dependent of a distillery employee? A member of the investigative team would be sent off to secure evidence from that other enterprise.

The investigative teams' findings were listed publicly on notice boards. The opinions of the families were solicited (about 1 or 2 per cent raised complaints), and on the basis of reinvestigations, revisions were made to the findings, which were listed publicly a second time. And then a third time. By then, no complaints were received about possible errors. Overall, the housing of employees was so cramped and of such poor quality that, in the end, very few families were disqualified based on a lack of need for new accommodation.

The employees were asked to select and pay for their apartment before construction began. The old workers who stood highest on the list chose first, using the blueprints. China had not yet established a system of bank mortgages, and so cash for the purchase needed to be quickly secured from personal savings and through loans from friends and relatives. A few (but only a few) could not raise the needed money for the large apartment they were entitled to, or in some cases did not want such a large one. They quietly cut deals to exchange accommodation with families who wanted larger apartments than they had been assigned, and cash quietly passed hands between them, to account for the difference in value.

We have been inside a considerable number of the apartments, and they tend to be very large and well-ventilated by urban Chinese standards. Most residents have plowed a fair amount of money into their homes, with nicely tiled living-room floors and decent furniture. There is an obvious pride of ownership. They fully own the apartments and are free to sell them on the open market at full value to anyone in the city; but over the past decade relatively few of them have left the community. When the weather is good on weekends and public holidays, the widest lane in the housing estate is crowded with tables of mahjong players, as neighbors congregate.

A “Final Meal” of Subsidized Housing

In 1999, five years after the council had convened to decide on the allocation of apartments, the distillery decided to construct another housing development of 300 apartments in a different part of the city. The enterprise wanted to take advantage of a booming real estate market by tearing down a block of old residential buildings near the city center that housed older employees and retirees, and relocate them to the new site. They would take up a third of the three hundred new apartments, and the initial plan was to sell all of the rest of the apartments commercially on the city’s open housing market.

The announcement of the relocation was made suddenly and without prior consultation. From the enterprise management’s perspective, relocation was a simple matter and did not need another council meeting. When one of the factory’s deputy managers came to the old apartment block to make the announcement and to tell the residents that they had to have 20,000 yuan ready in one week’s time to buy a new apartment, the meeting burst into an uproar: “Where can we find 20,000 yuan in a week?” “Shouldn’t we be considered as ‘relocation households’ and not have to pay anything?” “A lot of us are retirees, how can we afford it?” The meeting broke up with no results.

The next day, the deputy manager apologetically agreed to extend to a month the deadline to come up with the money. Resistance subsided. The purchase price, everyone knew, was a good deal, and the new apartments would be even larger and nicer than those built five years earlier. In the end the relocation went smoothly. The formula was simple: you moved onto the same floor you had occupied in the old building. At the same time, the enterprise also took care of some twenty retirees who had been living in poor scattered housing, giving them top-floor apartments in the new buildings.

In 1998, a year before this new housing project was announced, the central government had declared that the so-called “welfare housing” scheme was no longer in effect. Henceforth, when enterprises built apartments for their staff these were required to be sold at the full market price.²⁶ But this went against the ethos of the distillery. The administrator who was in charge of enterprise housing recalls:

The enterprise director was concerned with the welfare of the employees, so he called me in and said to me, “Can you go to the city government and see how to do something about this housing policy so that our other employees who still don’t have adequate housing can enjoy a final meal of the ‘welfare housing’ scheme?” There were loopholes that could be found in the government’s policies. So using my ingenuity—as to how, I’d better not tell you—I was able to get an official document permitting us to go ahead. The moment I got back to the factory, I went to see the director and he told me to set up a housing allocation small group immediately.

This time management was not willing to go through the previous democratic processes. No council would need to be convened, as most of the employees whose opinions counted in the work community had little interest in the matter. They already had nice apartments.

It was decided that to again have an administrative team of 16 people would be too cumbersome and might lead to “leaks” about the team’s decisions, causing it to be overwhelmed by complaints and petitions. So instead, a 5-member team was appointed, composed of the trade union chair, a company official from the wages department who would take charge of calculating work-year seniority, and three other administrators. They were all Party members, in the belief that Party members would be less self-interested and more likely to act impartially. The small group met at a “secret” place to avoid being pestered by applicants, went through the applications and drew up a priority list based on the point system used in the previous allocation of housing, with some slight adjustments.

Before releasing the list publicly, they first presented it to the director, who saw a problem. Since the list emphasized the criterion of work-year seniority, it contained the names of only 8 out of some 70 employees with tertiary educations. As of the latter half of the 1990s the distillery had recruited a large number of young specialists with university degrees. He said, “For the future development of the factory, let’s divide these 110 apartments into two halves, one reserved for university graduates and the other half for the other employees”.

To determine who among the university graduates would receive priority, the housing team created a new set of bonus points. For example, those with a four-year university degree received one bonus point; those who held a responsible position received two further points; and engineers two extra points.

When the list was finally posted, the allocation team was bombarded with complaints. One of the five team members recalls that there were considerably

²⁶ The new regulations were unable, nationwide, to stop the practice of work-unit-subsidized apartment sales. See Luigi Tomba, “Creating an Urban Middle Class: Social Engineering in Beijing”, *The China Journal*, No. 51 (January 2004), p. 16.

more than during the earlier allocations of 1994. As one example, people started disputing the meaning of a “university” graduate’s degree: “No, that was only a night school university degree”; “No, that was only a university degree by correspondence”.

In the end, the allocations were announced in a large hall. The two sets of applicants—those who had tertiary educations and those who did not—sat opposite each other. The allocation team sat in the middle and called out the name of a successful applicant alternately from each group, starting with those with the highest points. In the end, a hundred of the applicants did not obtain an apartment, and these included some of the university graduates.

To allay the disappointment of those who had lost out, the team set the purchase price for the successful applicants’ apartments at a level between the “welfare housing” price and the market price. The extra money was to be put into a housing fund to build partially subsidized housing later for some of the unsuccessful applicants. This aroused angry complaints from the successful home buyers, and the team was hard put to calm them down. Second, the enterprise placed a condition on the university graduates that did not apply to any other employees. They had to pay a sum of 30,000 yuan as a deposit to be held for a set number of years. If they quit their job before then, they would have to sell the apartment back to the factory at the price at which they had purchased it, or else they would forfeit their 30,000 yuan. The obvious purpose was to induce them to remain at the enterprise.

The next step was to calculate exactly how much each homebuyer had to pay. One of the five team members recalls,

The five of us vanished for five days. We stayed at a secret place to work out the amounts. I cut off all communications with the outside world and only had a pager. But even then some people got to know where we were and came to pester us. After we’d finished our work, the payment for each buyer was posted for everyone to scrutinize. Those who thought there was a miscalculation could come to us and we would revise the figures.

Those who could not pay in cash within a month’s time would have to forfeit their opportunity: “When it came to money, everyone was equal”. Practically every one of the applicants somehow collected the needed money.

Towards and Away from the Japanese Model

It is notable that in this second round of housing allocations the enterprise director felt a need to acknowledge the new forces of economic competition by prioritizing the well-educated employees, to show that he valued their skills and to keep down their turn-over rate. But it is equally notable that he also continued to honor the enterprise ethos by splitting the sales of the “welfare” apartments evenly between the better-educated staff and the other applicants, in acknowledgement of work-community desires that housing distributions should be made in an equitable fashion.

There was a special twist to the meaning here of “equitable”. This was not strictly a needs-based equity. Acting in accordance with genuine needs in 1994

and in 1999 would not have granted large 3-bedroom apartments to older workers whose children had already left home. Instead, a needs-based equity would have prioritized the new young workers with young children who need the extra space. The sense of “equity” that prevailed at the distillery, rather, derived from a particular moral-economy perspective that had evolved during China’s recent history: that a debt of gratitude was owed, as “just” and “fair” reciprocity, to those who had faithfully, in poverty, served the enterprise longest—especially those who had engaged in hard physical labor, the kind of labor that was hailed as “proletarian” and superior in the Maoist ethos. The enterprise director and the bulk of the workforce acknowledged the validity of that claim.

This shared ethos of the enterprise remained largely unchanged during the period of 2002 and early 2003 when we did much of our interview fieldwork. The enterprise management remained paternalistic. Even though the apartments have all been sold into the employees’ private hands, the enterprise continued to pay for the maintenance of the public areas of the housing compounds, for the guards at the main gates, and for the running costs of a small building that houses the social activities of the compound’s Families Committee (Jiawehui). (This is a group of largely retired employees organized by the enterprise trade union who, like elderly Lei Fengs, have dedicated themselves to helping out their community in small ways.) The only residents in 2002–03 who paid the enterprise a monthly maintenance charge to cover their share of the costs were the small number of people from outside the enterprise who had purchased their apartments on the open market.

In short, the enterprise was continuing to shoulder financial responsibilities for employees that went well beyond the shopfloor. This was the case even though the new millennium was witnessing a bad period for the company. Profits had begun to decline as the distillery lost market share to competitors and to a preference for grape wines among younger drinkers. The enterprise’s most expensive prestige brands continue to sell well—at up to 1,000 yuan a bottle for the very finest²⁷—and thus the enterprise runs a modest profit. But production of the cheaper brands has had to be cut back, and as a consequence the distillery was now employing a larger workforce than it needed. Yet no one had been fired as of 2002–03,²⁸ in an enterprise commitment to try to maintain lifetime employment, and the levels of the blue-collar employees’ salaries were all maintained. The enterprise began adjusting to the downturn through a strategy of investing in new product lines, such as plans to produce plum wines for export to Japan, rather than downsizing. As a result, as of 2001–03 the workers who produce the cheaper brands of liquor were told to share a lighter workload by coming to work for only four hours a day, or alternatively, to save them the effort of commuting, by coming to work only every second day—at full pay.

²⁷ To satisfy readers’ possible curiosity, this is a strong liquor rather similar to Maotai, but with a richer, smoother taste.

²⁸ A statistical analysis of a survey of state enterprises, conducted by Jean Oi, shows that a majority of the enterprises that restructure are averse to firing workers. In this reluctance, the liquor enterprise did not stand alone. (Our thanks to Jean Oi for this information.)

Over the past two decades, the enterprise had been taking on characteristics of the Japanese industrial model, which in the decades after World War II became a hallmark of Japan's core firms. The Japanese system offers lifetime employment and rewards for work-year seniority, and a paternalistic management accepts responsibilities for employees' welfare extending beyond the workplace.²⁹ In return for these commitments by the enterprise, Japanese workers are expected to show a strong identification with and loyalty toward the enterprise. The Japanese referred to the company "family" to describe this sense of identity, loyalty and paternalism.³⁰

The liquor enterprise had inherited from the *danwei* system of Mao's day some of the characteristics of this Japanese system. But a *danwei* under Mao had never been able to fully instill a sense of the enterprise as community or family. This was due to the fact, first, that the socialist economy was centrally planned, with centrally planned employment and remuneration systems; and second, that enterprises were periodically riven by political campaigns, which placed a priority on obedience to the Party-state's objectives rather than the enterprise's, and turned employees against each other. Progressively, over the two decades from the early 1980s through the early 2000s, the liquor enterprise has moved away from its subordination to the Party-state and its interests, and thus was able

²⁹ Even though our paper has only examined the relatively narrow issue of employee housing, the resemblance between the distillery's practices and some of the attributes of the Japanese enterprise model, as opposed to the core attributes of an Anglo-American enterprise, can readily be seen in the chart below, drawn up in 2004 by the Japan specialist Ronald Dore:

<i>Japanese</i>	<i>Anglo-Saxon</i>
Organization-oriented	Market-oriented
Communitarian	Individualistic
The firm as entity	The firm as instrument
Quasi-community firm	Company-law-conforming firm
The firm as an aggregation of people	The firm as a nexus of contracts
Jinponshugiteki (human-capital-ist)	Shihonshugiteki (money-capital-ist)
Enduring relational transactions	Limited contractual transactions
Employee-sovereignty	Shareholder-sovereignty
Appealing to membership motivation	Appealing to market motivation
Rewards based on employee's organization status and career stage	Rewards based on value of current work

From Ronald Dore, "Innovation for Whom?", unpublished paper, written April 2004. Our thanks to Prof. Dore for granting permission to publish the paper's chart. For a somewhat different, less sanguine view of the Japanese model see Andrew Gordon, *The Wages of Affluence: Labor and Management in Postwar Japan* (Cambridge: Harvard University Press, 1998).

³⁰ Rodney Clark, "The Company as Family: Historical Background", in Daniel Okimoto and Thomas Rohlen (eds), *Inside the Japanese System* (Stanford: Stanford University Press, 1988), pp. 103-5.

to adopt the type of enterprise-centered ethos exemplified by the ideal-type Japanese corporation of the 1950s–1990s.³¹

From the early 1980s onward, Chinese authors and policy-makers debated the relative value of the contrasting Japanese and Anglo-American corporate models. Up through the early 1990s, they had a lot of interest in the Japanese system. At the time, Japan's industrial surge was still being referred to around the world as an "economic miracle", and shifting China's state-owned enterprises in the direction of the Japanese model seemed a means to achieve efficient production while avoiding what were considered to be undesirable aspects of market capitalist organization.

In the latter half of the 1980s, the distillery was directed to send one of its personnel to receive training organized by the city government in how to implement an explicitly Japanese-style system of Total Quality Control (TQC) at the distillery. He recalls,

In 1987, all of China was studying Japan's TQC. There were two schools of thought about management. One school saw people as good, and Japan's TQC essentially emerged from this perspective, which was to stimulate people's feelings of self-respect and of pride in their achievements. The other school of thought saw human nature as intrinsically bad, and that was exemplified by Taylorism, in which you needed to use every kind of system of regulations to manage workers, with disciplinary penalties. At that time China turned toward Japan's type of thinking and so turned toward the use of TQC.

But the central government's preferences began shifting progressively away from such thinking and toward the Anglo-American model from the early to mid-1990s onward. The Japanese model was coming under serious challenge in Japan itself during the 1990s, at a time when the economy began faltering. Most large Japanese firms have resisted significantly changing the model, and have kept their permanent workforces largely intact,³² but a relatively small number of major Japanese companies have begun to lay off employees and have shown an interest in American-style business practices. In China, where economists schooled in America have helped set the tone in government think-tanks, a strong advocacy group emerged in favor of abandoning the elements of Chinese enterprises that are in accord with the Japanese model and shifting instead wholeheartedly in the direction of American-style firms. Such thinking permeated the policy recommendations and directives that the distillery received from above in the early 2000s.

In late 2002, the enterprise announced that in keeping with national trends, it would terminate work-year seniority pay. Veteran employees would receive

³¹ For a discussion of a similar shift toward the Japanese model among more high-tech Chinese state enterprises in the 1990s, see Anita Chan, "Chinese Danwei Reforms: Convergence with the Japanese Model?", in Xiaobo Lu and Elizabeth J. Perry (eds), *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk: M. E. Sharpe, 1997), pp. 91-113.

³² Ronald Dore, *Stock Market Capitalism: Welfare Capitalism—Japan and Germany versus the Anglo-Saxons* (Oxford: Oxford University Press, 2000), pp. 104-110.

lump-sum cash settlements (*mai duan gongling*), and henceforth their pay and entitlements would be determined by the level of post they occupied, much as in an American firm. In 2003, in a further step, the company announced early retirements on generous terms for a sizeable percentage of its older permanent staff, rather than retaining them while developing new product lines. And more dramatically, in 2003 the distillery announced an MBO (management buy-out of the company's assets) and prompt privatization. (Such buy-outs are increasingly common, to the point that the headline in the city's newspaper in January 2003 proclaiming the distillery's imminent privatization simply used those three English letters "MBO", as if most newspaper readers would instantly recognize the American acronym for a management buy-out.)

The enterprise's continued financial support for its employees' apartment compounds was not immune to the shifts underway in Chinese industry. In the autumn of 2002, before the staff had received even a hint of privatization, the enterprise official in charge of the housing estates was sent halfway across China to take classes run by the national government on how to disengage the enterprise from its involvement with enterprise-sold housing. The enterprise had been instructed from above to cut the *danwei*-style umbilical cord; henceforth all of the maintenance costs of the housing compounds would be borne by the now-private owners of the apartments. Before departing to take the classes the housing official observed to us, with some regret, that "the legacy of our 'welfare housing' history won't last much longer".

Resisting the "Societization" of Housing

In May 2003 the company called the members of the Families Committee to a meeting. It was announced that, starting almost immediately, the housing compounds would be "societized" (*shehuihua*), an official term meaning they were to be separated from the enterprise's purview. A maintenance charge therefore would be instituted of about 20 yuan a month. A Management Committee needed to be selected to take over the supervision of the compounds and the pay of the grounds staff. The director of the company administrative office announced that the housing officer, who had just recently taken early retirement, should be nominated to become head of the Management Committee, to perform the same duties he had previously been in charge of, and that he should be paid a partial salary that would bring his income back up to what he had previously earned. Rather than truly cutting the company's ties to the housing compounds as the government had decreed, the distillery management was manoeuvring to stay in charge, out of paternalistic habit.

The new Management Committee ran into prompt opposition from two quarters. The head of the Families Committee, an energetic retiree and old Party member, was irate: "I stood up at the meeting and I said, 'Ever since the Communist Party has come, there's always been a broad system of enterprise welfare. Now suddenly this is to change. This hasn't been explained to the masses properly. To alter the rules so suddenly, you need a process of education and propaganda. Only then, and when they elect their own Management

Committee, will they accept the change.’” Over the next several months, he mounted a quiet mini-campaign against the Management Committee.

A second source of opposition came from several homeowners who had never worked at the distillery, but rather had bought their apartments on the open market. They did not like the way the enterprise was continuing to dominate the apartment compounds even after it had been instructed by the government to stop doing so. They were particularly perturbed that the enterprise’s former housing officer had been put in charge of the Management Committee. They were car owners, and they felt he had shown a bias in favor of the enterprise’s officials whenever parking spaces were allocated at the compounds. They drew up a letter to the municipal Pricing Office (*Wujia ju*), which must approve and register all organizations that collect fees, and pointed out that the Management Committee had never been registered. The Pricing Office investigated and levied a fine. The head of the Management Committee had been getting increasingly frustrated at the sniping and accusations, and he considered this the last straw. He and the committee’s two other members handed in their resignations. The Management Committee had lasted only a quarter year.

To take its place, an election was held in the autumn of 2003 for a Homeowners Committee (*Yezhu weiyuanhui*).³³ At each of the two new housing compounds, the enterprise trade union took charge of organizing an open meeting to nominate candidates. At the older of these housing estates, only about five to six dozen residents showed up, and not enough names were put forward. Few residents wanted to devote the time or shoulder the responsibility, so a union staff member had to go door to door to persuade enough people to run to give voters a choice of candidates. On the date of the election, the ballot boxes were carried to every home to ensure residents voted.

A retired woman received the highest number of votes, but she declined to be the chair, and so a man who had received the second highest number became the chair and she the deputy chair. The head of the Families Committee notes, “The two of them think this is a good arrangement. As a retiree, she has the time to collect opinions from the homeowners, while the chair still works at the distillery, and so he can present the opinions to the company”. Despite the government’s intentions to “societize” housing estates, they and many other residents still cling to a view that the company should take the lead in organizing and overseeing their services. It was the distillery administration, not the two Homeowners’ Committees, that selected which privately-owned property maintenance company should be hired to clean and guard the two housing estates. It was also the distillery’s trade union and administrative office that drew up the constitution of the two estates’ Committees. But the heads of the Homeowners Committees have no complaints about the distillery’s continued intervention. In fact, the sentiment

³³ This was to be similar in form to the Homeowners Associations that have independently sprung up in private housing estates. See Benjamin L. Read, “Democratizing the Neighbourhood? New Private Housing and Home-Owner Self-Organization in Urban China”, *The China Journal*, No. 49 (January 2003), pp. 31-59. Also see Luigi Tomba, “Creating an Urban Middle Class”, pp. 24-5.

among most of the residents who are distillery employees or retirees is that the enterprise should be *more* directly involved with the housing compounds. The head of one of the Homeowners Committees recalls that when an enterprise official first announced to the residents of his housing compound that a property maintenance company had been selected, “people got into a fight with him, cursing him. Though using a maintenance company would only cost them 5 yuan more each month (US\$0.63), people didn’t like the changes that were occurring”. They argued with the enterprise official that they preferred to retain a distillery-appointed Management Committee.

In May 2004, when we most recently conducted interviews, some residents told us that the estates are now cleaner and better maintained than before; but many other residents feel “abandoned” (*paoqi*) by their enterprise in this minor matter, fearing it will open the floodgates to other more important forms of abandonment. It became clear to us in conversations that they strongly wish to remain dependent upon the enterprise’s paternalism. And in this, the horizons of their wishes and demands are quite limited. The concerns of the employees—including the workshop heads and middle-level officials whom we have interviewed—do not focus on the privatization of their enterprise, in which the great bulk of the shares are going to relatively few executives at a hugely discounted price. This is a matter well above their normal concerns or understanding. They did not demand a bigger share of the stocks for themselves in the complicated buy-out, even though this might conceivably make them rich. What instead concerns them is whether the benevolent, paternalistic moral-economy ethos will continue as before. They are not maximizers. Their mentality is akin to the “subsistence ethic” of Scott’s moral economy. To re-quote Scott, “The test for the peasant is more likely to be ‘What is left?’ than ‘How much is taken?’”³⁴

The company is presently in the throes of rapid change, and the enterprise ethos of paternalism may well be brought to an abrupt end by its now-private management. The employees, despite their quiet fears, declare their “trust” in the good heart of the enterprise director. But if he does not live up to their trust, or after he retires, they may well find that less is “left” for them than they believe is their due, and they may have far less capacity to influence policy than they enjoyed in 1994. In short, it seems unlikely that the moral-economy consensus that has guided corporate behavior in this and kindred enterprises can be sustained much longer in the face of central government policies of “societization” and corporate sell-offs.

Whatever path the enterprise ends up taking, the set of beliefs and attitudes with which its employees have been imbued are still in place and are not likely to disappear quickly. We observed these persisting beliefs regarding equity and the paternalistic responsibility of leaders through the prism of housing: we witnessed this in the employees’ mass petition and the workings of the Staff and Workers

³⁴ *The Moral Economy of the Peasant*, p. 7. A very good discussion of the “subsistence ethic” among laid-off Chinese workers is Feng Chen, “Subsistence Crises, Managerial Corruption and Labour Protests in China”, *The China Journal*, No. 44 (July 2000), pp. 41-63.

Representative Council in the mid 1990s, in the housing allocations of 1999, and in the attitudes that interviewees express today. We believe that these attitudes are probably shared by employees at kindred enterprises and thus can be considered a part of the social fabric of urban China today. What has occurred over the past few decades at enterprises like this has provided employees with communitarian feelings and a capacity for grass-roots democratic activity. But we have also seen that, at the same time, the mentality of these employees entails a desire to be enclosed in a paternalistic moral-economy relationship with superiors. This is a mindset that, at least until today, has in one sense empowered the employees, in that they have been able to influence managerial behavior through appeals to a shared enterprise ethos. But as we have just seen, the employees' mindset also constricts their capacity to see beyond the narrow scope of demands for continued paternalism. Since Chinese government policy is rapidly undermining such a corporate environment, their moral-economy hopes seem doomed.