THE EVOLUTION OF CHINA'S INDUSTRIAL SYSTEM, THE JAPANESE-GERMAN MODEL, AND CHINA'S WORKERS' CONGRESS

Anita Chan

Structural Changes and the Emergence of a Core System

In a matter of twenty-five years China's industrial landscape has undergone a revolutionary transformation. After the nationalization of industries in China in the mid-1950s, there were basically only two industrial sectors—the privileged state sector, which included all of the larger key industry, and a collective sector comprised of smaller enterprises, with somewhat inferior conditions for workers. Though these continue to exist, the two and a half decades since the economic reforms began in the 1980s have also witnessed the phenomenal rise of a market-driven non-state sector, composed of a private sector and foreign-funded enterprises.

As the economic reforms have continued to deepen, the state and collective sectors have had to compete with the new industrial sectors and have had to adjust increasingly to market forces. In the state-owned sector, which still occupies a large share of China's industrial production, several hundred of the very largest enterprises remain under direct central state ownership, control and direction, but great numbers of other enterprises have been restructured, marketized and converted into listed shareholding corporations, though often with a large share of state ownership (Liu, 2005; Oi, 2005; Garnaut et al., 2006; Zhang 2006). Some others are being privatized through management buyouts or management-employee buyouts or as joint ventures with foreign investors. Even larger numbers of factories in the collective sector, especially among the rural township and village enterprises, are being sold off to private individuals.

Today, after a decade of ownership change and restructuring, and after laying off great numbers of workers particularly in the second half of the nineties the publicly owned and formerly publicly owned sector is beginning to stabilize. Under the governments' industrial policy in a majority of the enterprises, there are still strong lingering relationships with the state, but overall, this core economic sector operates under market imperatives.

I have labeled this entire sector "core" in part because it dominates many key economic sectors and includes most of China's largest industrial plants. It is also core in the sense that this is the industrial sector that embodies some of the values, institutions, and personnel inherited from Maoist socialism. Even though
China's core sector is in the midst of rapid transition and restructuring. I would like to unpack some of the current characteristics of this core sector, in particular the Chinese form of works councils, and based on this will pose some possibilities about where this system may be heading.

If we set aside political euphemisms and semantic gymnastics, as expressed in the official Chinese proclamation of "socialism with Chinese characteristics," it is clear that the Chinese "core" industrial system increasingly resembles capitalism with Chinese characteristics. But inasmuch as the world's capitalist systems are not cut from the same mould, which variant of capitalism will China's more closely come to resemble?

Variants of Capitalism: Neo-liberal vs. Organization-Oriented

It is pertinent to focus on a distinction that several comparative scholars have made regarding the two major capitalist industrial models—market-oriented neoliberal capitalism, as exemplified by the United States and Britain, and a non-neoliberal, organization-oriented capitalism, as exemplified by Japan and Germany (Streeck and Yamamura 2001; Yamamura and Streeck, 2003; Dore 1973, 1987; Hall and Soskice, 2001; also see Thelen, 2004). It has been argued that corporate governance, management styles, remuneration systems, the trade unions' relations with management, and what has been called the "corporate culture" of firms all differ between these two systems. In the Anglo-American model the enterprise looks more toward the enterprise's share-market price, and accordingly tries to boost short-term profits, with a stress on accountability to shareholders, while preferring to treat the workforce in terms of a free labor market. It has been argued that, in contradistinction, in the Japanese-German model the enterprise is more insulated from the stock market's influence due to reliance on bank-based financing, allowing the firm to focus on more long-range goals. While having to turn a profit, it also tries to provide employees with greater job security and a career pattern based on seniority. This results in a more stable workforce, which is supposed to be reciprocated by employees' commitment to the enterprise. One indirect consequence is that the Japanese-German model supports a more consensual system of labor-management relations, compared to a more adversarial labor-relations system in the Anglo-American neo-liberal model.

These scholars generally believe that the contrasting Japanese-German and Anglo-American capitalist systems differ due to the lock-in and path dependency effects of their prior developmental histories. Germany and Japan evolved out of political systems going back to the 19th century that were not liberal democracies. The states played a strong hand in economic development. Historically, Japan had consciously learned from the Germans.

[1] Some critics have argued that there is a misconception about a Japanese model (e.g., Woronoff, 1990), in that it does not apply to much of Japanese industry, especially among smaller firms, but the discourse about a 'Japanese model' among the large core-sector Japanese firms is still widely used as an analytical tool, while conscious of the fact that the model is more of an ideal-type construct.
At each critical juncture in their histories, both systems adapted to new political-economic conditions, but always building on their existing institutional arrangements, accommodating the demands of labor in exchange for cooperation. War mobilizations particularly required a corporatist system. After World War II both countries came under American occupation, but they were still able to emerge with their industrial systems largely intact. For instance, the origin of today’s Germanic institution of co-determination between management and the works council at the workplace can be traced to 1891 when workers committees (Arbeiterausschusse) with limited consultation rights were legally institutionalized (Jackson, 2001:150). In Japan, what is known as the Japanese labor-management consultation system (roshi kuyogi-sei) was introduced in the 1920s, survived, and continues to serve a representation function for the workforce with varying degrees of activism on either a formal or informal basis (Park, 1984: 153-167). Today, it is a much weaker version of the German works council. In any event the idea of consultation prevails in both of these two national forms of organization-oriented capitalism.

The two systems that crystallized into these modern industrial models have distinct differences but also share common features. Both have corporatist structures at different levels, but in Germany the national industrial unions are much better developed and collective bargaining occurs at the national level. Technological training and the welfare system are also coordinated and administered at the national level (Thelen, 2005), while in Japan, training and collective bargaining takes place at the enterprise level, and the enterprise takes care of workers’ welfare. Both systems are similar, though, in maintaining a more consensual industrial relations arrangement and culture than the Anglo-American model. Both have adopted forms of corporate governance that incorporate consultations with employees, and reportedly maintain a management ideology of being responsible for employees’ welfare, not just responsible to shareholders. They uphold consensual relationships as the norm. The German works council is legally endowed with co-determination powers with management over a number of workplace issues, but not a right to wage bargaining, which is under the trade unions’ purview. In Japan the catch-up mentality of Japanese developmentalism called for a strong state working in cooperation with capital and labor, by way of an enterprise-oriented system with its attendant enterprise trade union, enterprise welfare-ism and an enterprise envisioned in terms of a family or as a community.

How about the core Chinese industrial system today? In what ways can it be said to fall similarly under the umbrella of organization-oriented capitalism? What elements does the Chinese system share with the German and the Japanese models? To understand this, we must look back at the industrial system under Mao.

The Maoist Chinese Work Unit (Danwei) System and the Japanese Organization-oriented Model

Much as in the German and Japanese system, the emergence of the Maoist system was the result of a path-dependent development based on industrial arrangements that arose during the Republican era under the
Guomindang government. In the 1920s and 1930s a newly established legal framework for industrial relations, along with state-corporatist tendencies, heavy-handed state intervention, and paternalistic practices to curb a high labor turnover rate among skilled workers helped lay down the preconditions for the socialist danwei system (Frazier, 2002; Bian, 2005). This was similar to Japan, where the modern industrial corporations of the Meiji era in the late 19th century provided housing and other perquisites to employees whose skills were in short supply, in order to induce them to remain with the firm over the long term.

The Chinese socialist danwei that was put in place in the 1950s and 1960s was not only a workplace but an all-encompassing work and living community, which disbursed low wages but provided for the employees’ families’ everyday needs: accommodations, schools, medical insurance, welfare, pensions, jobs for employees’ children, etc. The enterprise trade union did not have any actual trade-union function, but rather served as the welfare arm of management. Many aspects of this system resembled the Japanese system: the workplace serving as a community, the consensual relationship between management and workers, wages based on a work-year seniority system, life-time employment security, etc. In some respects the Maoist industrial system had some of the features of a war economy, similar to Japan during World War II: planned, authoritarian, nationalistic, collectivist, individuals asked to sacrifice for a common cause, driven by speed-up production mass mobilization campaigns that swept the nation one after another (Richman, 1969: 223-364; Walder, 1986: 113-122). Of course, there were also large differences, in that China was a command, planned, socialist economy without a labor market and Japan was capitalist. In China, there was absolutely no collective bargaining, and the central state determined the wage levels.

China’s socialist command economy, like its counterparts in Asia, the Soviet Union and Eastern Europe, ultimately became dysfunctional and detrimental to industrial development. It was finally recognized that these economies had to be reformed. China avidly wanted to learn from a model. At this juncture in the 1980s, when Japan was touted worldwide as Number One in economic prowess, there was a debate among Chinese intellectuals and within government circles over whether the Japanese or the Anglo-American model was more suitable to China. Twice as many articles on the Japanese model than on the American model were published in the decade of the 1980s in the Chinese journal Industrial Enterprise Management (Chan, 1995). There was extensive discussion about creating an “enterprise culture” at the workplace, an expression borrowed from Japanese, where it referred to a corporation’s efforts to create a harmonious collectivist work environment and a sense of corporate loyalty.

**Chinese Market Socialism: Contestation between Neoliberal and Organization-Oriented Capitalism**

A decade later, global neoliberal capitalism and its hegemonic discourse have exerted great pressure on nations that had flourished under organization-oriented capitalism. Both the German and Japanese economies have been under stress. In this climate, the neoliberal
market-oriented model has gained advocates among Chinese intellectuals and policy makers. By the close of the 1980s, more and more Chinese economists and government officials were American trained, and they took the American model for granted as a model to be emulated. Industrial restructuring, privatization, and the creation of shareholders have been pushed forward energetically, alongside a dismantling of the danwei system, dissociating the housing community from the workplace, privatization of housing, a widening wage gap at the workplace, a shift away from lifetime employment through the inauguration of contracts, denigration of seniority-based wages, and a transference in the responsibility for medical and unemployment benefits and pensions from the workplace to the state. All of these measures have been pushing the Chinese system towards the Anglo-American free-market model, albeit with selected organization-oriented features (Tam, 1999, p. 24.)

This has occurred alongside massive layoffs of millions of workers from the state and collective enterprises, and the emergence of a new class of labourers who are migrants from poor rural regions. These phenomena have attracted considerable international attention, mainly because they are massive in scale, have an impact on the international labour market and are potentially threatening to China’s social stability. The changes have generated a large body of literature both in Chinese and in English, focusing on laid-off state and collective sector workers, who have become an urban underclass, and on the plight of migrant workers who are made to labour for long hours at abysmal pay (Solinger, 1999, 2003; Chan, 2001; Pun, 2005). Both groups are portrayed as victims of the economic transition, hired and fired and exploited at will, abandoned by a weak official trade union. These are valid perceptions.

But China is huge and its economic transformation complex, and there also exist very large numbers of workplaces in the core industrial sectors that have survived the economic transition in good shape. Over the past decade, I and several Chinese colleagues have made research visits to some forty state enterprises and former state and collective enterprises in China—including five months that I spent during 2003-04 conducting intensive interviewing at one particular state enterprise. These research visits lead me to believe that a sizeable portion of China’s state enterprises, along with some of the shareholding, joint venture, and privatized firms that have been spun off from the state system, are evolving in a direction somewhat similar to what has prevailed in Japan and Germany. Many of the Chinese enterprises that are profitable today continue to provide stability of employment. They continue to provide employees with a broad range of enterprise welfare benefits including subsidies to purchase private housing. They continue to train workers internally, as in Japan and Germany. Above all, they continue to sustain an ‘enterprise culture’ in which the enterprise is conceived of as a work community with paternalistic managerial obligations to the workforce (Unger & Chan, 2004).

At the same time, even though some of the economists in Chinese think tanks write glowingly in favour of the Anglo-American industrial model, the government has declined to accept the model lock, stock and barrel. As just one example, in 1996 the government
decided to begin experimenting with the "main bank" (zhuban yinhang) system borrowed from Japanese corporate governance. A state enterprise or state-dominated shareholding corporation was to be linked to a bank that was to be responsible for its financing and that would simultaneously monitor its performance (Tam, 2000). This parallels the ongoing relationships between banks and German and Japanese firms instead of relying on the stock market.

The Evolution of Workplace Consultation

Let us examine in particular one aspect of the comparison. It is an institution at Chinese state-owned enterprises called Staff and Workers Representative Congress (SWRC, Zhigong dalbiao dahui), which are somewhat similar in form to works councils in Germany and Japan. The SWRC and its legally-sanctioned representation on the supervisory board of publicly owned firms entail a Chinese-style institutional mechanism that goes against the thrust of the Anglo-American shareholder-oriented model, preserving the organization-oriented legacy.

The Chinese congress derives 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 developed major decision-making powers.

In China, in contrast, after the Anti-Rightist campaign of 1957 they became mere window dressing and eventually atrophied. After Mao’s death they were revived under Deng Xiaoping, 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. [2] A congress holds the power—at least on paper—to examine the enterprise’s major strategic policies, especially those related to the fate of the enterprise, such as ownership restructuring, merging with other firms or declaration of bankruptcy. [3] It is also supposed to have the power 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.

During the course of the 1990s, fewer of China’s state-owned enterprises continued to convene regular congress 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 congress continued to exist, even if inactively, at 92 per cent of the state enterprises surveyed in 1997, [4] and in some parts of China they have 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


[4] The figure of 92% was derived by Zhu and Chan (2005) from the raw data of a large nationwide survey sponsored by the All-China Federation of Trade Unions in 1997.
necessary 60 per cent of the votes from their enterprise’s congress. [5] At some enterprises where management is corrupt, congresses in recent years have taken matters into their own hands, calling themselves into session in attempts to forestall the sale of enterprise assets, to block the enterprise’s privatization, or even to dismiss the managers. [6]

A much publicized case in the Chinese news media was a paper mill in the city of Zhengzhou, where workers used the SWRC to gain control of the mill from corrupt management, after the workers discovered that the managers were asset-stripping and enriching themselves in the process. The struggle lasted a few years, and in the end the workers got back their factory, despite an ambivalent, wavering attitude taken by the local government. A local government official has admitted that once this case set a precedent, some twenty other such cases erupted in Zhengzhou over the past several years (Zhu, 2005; Tong, 2005; Chen 2006). [7]

In another case, the management of an iron-alloy state enterprise in Liaoyang tried to declare bankruptcy at the end of the 1990s, but it had to be approved by the SWRC. Several active representatives took the opportunity to put up a fight and tried to convince the other representatives not to vote for the motion. Management obtained the help of the local government to cajole, intimidate, and coerce SWRC members, and then the police were sent in to prevent them from casting their votes. Management got its way, but the activists vigorously sought higher compensation, accusing management of corruption. [8]

In other cases, management acts in quite a different fashion, and the SWRC has a successful impact. In a printing factory where I conducted research, the SWRC provided a consultation mechanism between workers and management, with annual conventions. At a science research institute, the staff, unhappy that research funds were being siphoned off by some colleagues to set up their own private practices, suddenly “discovered” the power of the SWRC. Representatives were democratically elected and a congress was convened to halt the malpractice, and the SWRC has subsequently been convened.

[5] The incident was reported by Agence France Press citing an article in China Daily, which appeared in the electronic magazine China News Digest, June 1, 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), April 10, 1998. [6] These rights were codified in Article 52 of the Enterprise Law of 1988.


[7] While all three authors studied the same incident, their emphases were on the workers’ use of “cultural discourse” rather than on the institutional mechanisms available to regain enterprise ownership.

[8] Liao Yuan, “Liaoyang tiehejinchang de gaizhi fucheng he gongren de weiquan douzheng (The ownership restructure of Liaoyang iron-making factory and the workers’ struggle against corruption and legal protection)” in zhurenongtuan (Masters [of the Enterprise]) Forum<http://hsoi23.powerweb.com/~gongnong/bbs/list.php?f=3>, September 3, 2004. This is a long and detailed report, obviously written by someone who was either a participant or an outside observer who had done extensive interviewing on the story during a period of several years.
regularly. In 2000, in a visit to a large steel plant in Tianjin, I found that SWRC representatives were handing out forms for evaluating mid-level management cadres, in compliance with a policy of "factory affairs transparency" (changwu gongkai). At a prosperous city-owned liquor factory where I conducted research for almost half a year, a normally placid SWRC was called into session regularly during a period in the mid-1990s when enough new apartments to accommodate a third of all the employees were scheduled to be sold at a discount to chosen employees. After large meetings at all of the distillery's workshops, the SWRC decided that the best flats, at the lowest price, were to be sold to employees who had worked there the longest, almost all of whom were blue-collar workers (Unger and Chan, 2004).

My colleague Zhu Xiaoyang has examined a collective enterprise in the city of Kunming, where the SWRC discussed major policy issues such as relocation of the factory site, the installation of large-scale equipment and facilities, or enormous financial transactions. If the proposals were passed, they would be implemented, and if not passed the factory manager "would not dare go forward with it". In two concrete instances the enterprise SWRC vetoed the factory manager's proposal to purchase some large-scale equipment and manufacture new products. [*]

Another Chinese colleague, Feng Tongqing, has investigated a family-owned private corporation set up in 1992 in Zhejiang province, which has been making high profits. It voluntarily established all the institutions that are found in state enterprises. In 1994 it set up a trade union branch, in 1995 an SWRC, and in 1998 a Party committee. These institutions were not mandatory under Chinese law at a private enterprise, but the company owners were aware of their usefulness in stabilizing labor relations. (Feng, 2005b). Another study has found that two private enterprises in Wenzhou introduced the same set of state enterprise workplace institutions after management pulled back from an unworkable authoritarian labor regime that had back-fred. Through a union branch and SWRC, management managed to calm down the agitated workforce and more consensual management-labor relations were attained (Calvin Chen, 2006).

Especially at current and former state enterprises, the pivotal player in respect to the SWRC has been the workplace trade union chairperson, as the union is the standing executive organ for the SWRC and is responsible for the day-to-day execution of decisions made by the SWRC in between half-yearly or annual congresses. The union is also vested with the responsibility to help in organizing the election of SWRC representatives and in soliciting grassroots opinion before the congress convenes. In theory the workplace union committee is accountable to the SWRC. In reality, though, the trade union committee is the organ that takes charge of organizing the SWRC. Whether the SWRC system functions properly (for instance, in discussing and giving feedback to company announcements and policies, ensuring special issue committees meet and carry out their responsibilities, electing staff and worker representatives, collecting and

[9] Thanks to Zhu Xiaoyang for sharing this information.
encouraging workers to hand in their "rational suggestions," preparing motions before the SWRC convenes, etc.) relies almost much on the union's conscientiousness, initiative and capability.

The workplace union theoretically has two superiors, the SWRC and the upper-level trade union. In practice, the trade union committee regards the SWRC as within its charge, as seen in the many discussions within the trade union circle about how the trade union should ensure that the SWRC functions properly. In this organizational structure the SWRC is the Chinese trade unions' power base. But in many factories, the enterprise union is actually controlled by the enterprise management. Under such an arrangement, workers themselves often characterize the SWRC as a display of "formalism." Based on interviews I conducted between 2000 and 2004, the majority of the workers saw their SWRCs as irrelevant because almost all the representatives were compliant toward upper management levels. But as seen above, there are also a range of cases in which the SWRC acts independently.

The ACFTU, despite its many shortcomings, its dependency on the state, and its inability to conceptualize a trade union structure that is built from the bottom up, has had the foresight to fight to retain a legal status for the SWRC, not only in state and collective enterprises but also in enterprises that have been transformed in ownership. The SWRC's legal status was guaranteed in the Enterprise Law passed in 1988 after the ACFTU lobbied to have this inserted into the law, but the Enterprise Law was applicable only to state and collective enterprises (Jiang, 1996). Once enterprises were transformed into other types of ownership they came under the Company Law passed in 1993. In the newly revised Company Law that went into effect as of January 2006, the ACFTU succeeded in strengthening the power of the SWRC and extending its legal, though not mandatory, existence to enterprises that are not state owned or dominated by state share.

What do these laws signify vis a vis the issue of the Anglo-American vs. Japanese/German industrial models? Under the laws, the role occupied by the SWRC in China's new structure of corporate governance in the 'core' firms is a hybrid of the Japanese and German systems. To the extent that the basic organization-oriented principle of the former danwei system has not been discarded, it possesses features of the Japanese model. The presence of the SWRC at the workplace is preserved, and in the new structure, employees have representation on the enterprise's board of directors and its supervisory board. If implemented, this provides a balance to the lopsidedly pro-management, pro-shareholder, and pro-capital corporate governance structure and ideology of the Anglo-American system.

Since the Trade Union Law does not include provisions to strengthen industrial unions at a national level, the enterprise union system also will be preserved, as in Japan. This will likely perpetuate an enterprise-level consensual relationship, as the very structure

of the enterprise union is accommodating to management, a feature that reinforces the enterprise-oriented nature of corporate governance. This is distinctly different from the German model where industrial unions bargain at the national level.

The new Chinese system at the same time contains elements of the German system. The SWRC is the counterpart of the German works council, but with a number of differences. They are both parallel institutions to the trade union at the workplace. In the German system, the union and the works council are separate institutions, though membership can overlap. It is the trade union that represents workers in collective bargaining. In the Chinese system, the SWRC and the trade union are integrated, and, at least on paper, the union is supposed to implement the decisions of the SWRC.

In the newly passed controversial Contract Law passed in June 2007, the right of the SWRC to negotiate with management is guaranteed. Article 4 states that

"When an employment unit formulates, revises or decides on rules and regulations or material matters that have a direct bearing on the immediate interests of its laborers concerning labor remuneration, working hours, rest and vacations, occupational safety and health, insurance and welfare, employee training, working discipline or work quota management, and other important issues, these shall be discussed by the Staff and Representative Congress or by all the staff and workers. The Congress or all the staff and employees, as the case may be, shall put forward a proposal and comments, whereupon the matter shall be determined through negotiations with the labor union or workers' representatives conducted on a basis of equality." Similarly in the drawing up of collective contracts, the Congress has the right of approval, "After bargaining on an equal basis, enterprise employees, as one party, and the employment unit will enter into a collective contract on such matters as labor remuneration, working hours, rest, leave, work safety and hygiene, insurance, benefits, etc. The draft of the collective contract shall be presented to the employee representative congress or all the employees for discussion and approval."

In so far the Contract Law is to be applied to enterprises of all kinds of ownership, the legal standing of the SWRC in participation in workplace conditions and signing of collective contracts is reaffirmed beyond that of state enterprises.

In both the German and the new Chinese corporate-governance system, there is a two-tier board structure: the board of directors and the supervisory board. In Germany, employee representatives on the supervisory board provide employees with a share in oversight of the management and board of directors. The works council has legal rights to co-determination with management over social issues (Luthje, 2004). In China, the SWRC's involvement in workplace issues remains more at a consultative level, though in matters


61
concerned with major strategic issues, the SWRC by law has rights quite similar to shareholders. At present, this right is again largely just on paper and is not often practiced, but the legal right exists.

The above are only some general comparisons between the three national systems. On-going research is needed to track the development of the new corporate structure as the Chinese state continues to retreat from the workplace. But what is obvious at this juncture is that the ACFTU and other pro-labor advocates in the legislative process have succeeded in creating a legal model of Chinese corporate governance that retains China’s enterprise-oriented characteristics.

Conclusion

In the tussle between the two models of capitalism—neoliberal market-oriented versus enterprise organization-oriented—the Chinese system is tending more towards the latter in its legal framework. The structure of Chinese ideal-type corporate governance preserves a number of the features of the past, in particular the survival of the SWRC and enterprise trade unionism. They are also supposed to have representation through ‘employee board members’ (zhigong dongshi) and ‘employee supervisors’ (zhigong jianshi) on the board of directors and board of supervisors respectively. Though the reality currently is often far short of the ideal, the prospects have improved, now that the function of the supervisory board is more clearly defined and strengthened in the revised Company Law.

At the same time, we must recognize that at most Chinese enterprises the daily practices are heading more towards the market-oriented model. The public discourse on economic reforms often assumes the Anglo-Saxon model is the best for China. Just as both German and Japanese enterprises have come under pressures to adopt the Anglo-American model, so have China’s.

Exactly how the Chinese system will evolve will require continued research over the next couple of decades. Just as the Japanese system has demonstrated resilience to the penetration of the American model in companies recently acquired by foreign capital (Olcott, 2005), the Chinese enterprise-oriented system may also survive the aggressive attempts to adopt that model. For instance, in a study of Sino-German joint ventures, it was found that the Chinese danwei mentality survives. Management there has had to accommodate employees’ expectations that the workplace is an ‘enterprise family’, that general managers should go on home visits when employees fall sick, and that personal matters of even laid-off staff should be well taken care of (Schaedler, 2006).

Only extensive research over the coming years will be able to reveal the extent to which the enterprise organization-oriented model survives the restructuring processes. But the possibilities are clear, in particular in those companies that are making a reasonable profit and can afford to resist lay-offs and cut-backs to employee welfare (Feng, 2005b). Important national laws provide the legal corporate-governance basis for an organization-oriented model in industry—a model where there is a place at the table for labour. More than this, the “enterprise cultures” of factories are favourable to such an outcome.
There is a legacy within state industry that distinctly points in this direction. Path-dependent development may yet lead to the persistence of an enterprise-oriented system "with Chinese characteristics".

BIBLIOGRAPHY
Feng, Tongqing. 2005. "Zai gongsi zhizhong genghaodi baozhang zhigong quanyi—dui xiudinghou de gongsifa" yuguan zhigong quanyi tiaokuan de jiedu" (Improvements in the Protection of Workers' Rights and Interests in Corporate Governance—Interpreting Relevant Articles Related to Staff and Workers' Rights and Interests in the Revised 'Corporate Law'),
Workers Daily, January 24.


Lin Tung-Hai. 1933. The Labour Movement And Labour Legislation in China (Shanghai: China United Press).


Solinger, Dorothy J. 1999. Contesting Citizenship in Urban China: Peasant Migrants, the State, and the Logic of the Market, Berkeley: University of
California Press.


Tam, On Kit. 1999. The Development of Corporate Governance in China (Cheltenham: Edward Elgar).


Woronoff, Jon. 1990. Japan as Anything but Number One (Armonk: M.E. Sharpe).


Zhu Xiaoyang and Anita Chan. 2003. “Zhili shidai zhidong li yizhong biandu de zhiduhua qudao” (The Institutionalization of Workers' Articulated Interests), Kaiwang shidai (Open Times), No. 2 (February), pp. 120-132; translated into English in Chinese Sociology & Anthropology (Summer 2005), Vol. 37, No. 4, pp. 6-33.