

Politics, Governance, and Security Series

No. 23, April 2012

Diverging Trajectories: Economic Rebalancing and Labor Policies in China

Boy Lüthje

Diverging Trajectories: Economic Rebalancing and Labor Policies in China

Boy Lüthje

East-West Center Working Papers is an unreviewed and unedited prepublication series reporting on research in progress. The views expressed are those of the author and not necessarily those of the Center. East-West Center Working Papers are circulated for comment and to inform interested colleagues about work in progress at the Center.

Working Papers are available online for free at EastWestCenter.org/ewcworkingpapers. To order print copies (\$3.00 each plus shipping and handling), contact the Center's Publication Sales Office.

The East-West Center promotes better relations and understanding among the people and nations of the United States, Asia, and the Pacific through cooperative study, research, and dialogue. Established by the US Congress in 1960, the Center serves as a resource for information and analysis on critical issues of common concern, bringing people together to exchange views, build expertise, and develop policy options.

The Center's 21-acre Honolulu campus, adjacent to the University of Hawai'i at Mānoa, is located midway between Asia and the US mainland and features research, residential, and international conference facilities. The Center's Washington, DC, office focuses on preparing the United States for an era of growing Asia Pacific prominence.

The Center is an independent, public, nonprofit organization with funding from the US government, and additional support provided by private agencies, individuals, foundations, corporations, and governments in the region.

EastWestCenter.org/publications

Publication Sales Office | East-West Center
1601 East-West Road | Honolulu, Hawai'i 96848-1601
Tel: 808.944.7145 | Fax: 808.944.7376
EWCBooks@EastWestCenter.org

Boy Lüthje is a senior fellow at the Institute of Social Research at the University of Frankfurt in Germany and a Visiting Scholar at the East-West Center. He also teaches at the School of Government, Sun Yat-Sen University, Guangzhou, China, where he is affiliated with the Joint Center for Comparative Labor Research.

The author specializes in the political economy of global production and the sociology of work in advanced manufacturing industries. His research in recent years has focused on China, where he conducted extensive field studies on the organization of production and work in the information technology industry and on labor relations in key exporting industries such as auto, garment, and electronics manufacturing. This paper contributes to the joint research project of the East-West Center and the Frankfurt Institute of Social Research on the "Re-Balancing of China's Economy," conducted by Christopher A. McNally, Tobias ten Brink, and the author. Previous research on the IT industry has been conducted in collaboration with EWC Senior Fellow Dr. Dieter Ernst.

Previous versions of this paper have been presented at the annual conferences of the Association for Asian Studies (AAS) in Honolulu, March 31, 2011, and the Society for the Advancement of Socio Economics (SASE) in Madrid, June 28, 2011.



Diverging Trajectories – Economic Rebalancing and Labor Policies in China

Boy Lüthje

Senior Fellow, Frankfurt Institute of Social Research, Germany
Visiting Scholar East-West Center, Honolulu, Hawaii
luethje@soz.uni-frankfurt.de

The transformation of work and labor policies is one of the most underresearched aspects of China's political economy in recent decades. Western perceptions of Chinese workplaces are mostly informed by images of privatization and downsizing of traditional state-socialist enterprises, or by the infamous sweatshops serving the production networks of global brandname companies under miserable conditions. However, recent research reveals that labor politics in China have become highly diversified, in spite of the apparently centralized character of the political regime. At the same time, labor conflicts are on the rise across industries and regions.

The reform of labor markets and labor policies is emerging as a key issue in the re-balancing of China's economy in the wake of the global financial and economic crisis 2008-09.¹ Sustainable economic growth centered on the domestic market and based on rising incomes for large sectors of the working population inevitably requires more stable regulation of wages and employment at the shop-floor and at sectoral and regional levels, especially in key manufacturing industries. The existing system of labor relations in China hardly contains any contractual safeguards for workers' wages, working hours and benefits, and Chinese trade unions still lack the institutional independence to act as agents of collective representation and bargaining. Hence, the emerging challenges seem of some historical magnitude, comparable perhaps to the construction of the post-war social contracts in industrialized societies following the U.S. New Deal and the economic and social Pax Americana of the 1950s and 1960s.

Against this background, this paper attempts a new approach to analyze labor relations at the level of companies, industries and regions in China.² The analysis refers to Western and Chinese labor sociology and industrial relations theory, applying the concept of "regimes of production" to the context of China's emerging capitalism. The focus is on China's modern core manufacturing industries, i.e., steel,

¹ For a recent appraisal see Eurasia Group's report "China's Great Rebalancing Act", New York/Washington, D.C./London 2011.

² Previous versions of this paper had been presented at the annual convention of the Association of Asian Studies, March 30-April 1, 2011, in Honolulu, Hawaii, and at the mini-conference "China and Contemporary Capitalism" at the annual conference of the Society for the Advancement of Socio-Economics (SASE), June 23-25, 2011, in Madrid. The author extends his thanks to Chris McNally of the East-West Center and Tobias ten Brink of the Max-Planck-Institute for Social Studies in Cologne, Germany, for their efforts in convening these events and for their continuing cooperation under our joint project "Re-Balancing China's Economy"

chemical, auto, electronics, and textile and garments. The research explores regimes of production in major corporations and new forms of labor-management cooperation, the growing inequality and fragmentation of labor policies within the modern sectors of the Chinese economy, consequences for further reform regarding labor standards, collective bargaining, and workers' participation.

The paper introduces current Chinese and international debates on the changing character of labor relations in China (section 1) and relates to the changing patterns of economic and social control in the relevant industries (section 2). Conceptual and analytical perspectives on regimes of production in modern Chinese manufacturing industries will be explained in depth in sections 3 and 4. Section 5 will explore the relationship between the emerging forms of management control and the lack of institutionalized labor relations based on collective bargaining and democratic participation of the workforce.

In conclusion, the weakness of shop-floor institutions regulating capitalist labor relations in developed industrial environments is identified as a major obstacle for a transformation of China's model of economic growth towards higher wage incomes and expanded domestic consumption for broad layers of the working population. At the same time, the limits of labor policies focusing on reforms of the legal foundations of the individual labor contract rather than collective representation and democratic control become visible. Before this background, a corporatist transformation of labor relations as envisaged by many policy makers in China seems to be far away.³ However, the increasing number of individual and collective labor conflicts, particularly, the wave of strikes in the automobile manufacturing sector in South China in May and June 2010, are calling for fundamental reforms in China's labor system.

³ Our analysis is based on more than 30 detailed case studies of major companies in the respective industries and selected suppliers, resulting from a research project carried out by the Frankfurt Institute of Social Research in cooperation with leading academic institutions in the field in China, with support from Hans-Böckler Foundation. In this paper, the results of these case studies will only be presented in generalized form. For a full version of the report, please contact the author.

1. Changing labor relations – conceptual approaches and perspectives

Debates on reform of labor policies are a persistent topic among social, economic and legal experts in China, although not highly publicized and mostly disregarded by Western media. These debates focus on the question of how to create tripartite (i.e. three-party) mechanisms between management, trade unions and government to ensure “harmonious labor relations” in an advancing industrial economy. Many aspects of these debates seem surprisingly familiar to Westerners, since Chinese scholars often resort to concepts of “tripartism”, “corporatism” or “social partnership” as developed after the birth of modern industrial relations systems during the New Deal period in the U.S. and after Germany’s seminal works council legislation in the early 1920s. Western-based academics have also used such concepts to analyze the current changes in Chinese labor relations – sometimes coupled with the hope that labor systems rooted in European or Japanese “coordinated market economies”⁴ may promise a better future to Chinese workers than the market liberal U.S. model.⁵

However, such an analysis has to deal with two basic difficulties. First, Chinese trade unions (as well as employers’ organizations) mostly lack the popular legitimation and independence from government and capital - the basic conditions for representation of workers interests within tripartite systems of bargaining and policymaking. Second, and perhaps more importantly, the restructuring of labor relations in China is increasingly taking place under those Western and Japanese models of production and labor management-cooperation that have undermined the prevailing forms of collective representation, industry-wide bargaining and job security, i.e., the foundations of what was known as the post-War social contract in industrialized countries. In spite of the truly unique characteristics of China’s transformation, there seems to be at least some convergence concerning the bread-and-butter problems of trade unionism and labor organizing in the context of globalized patterns of capitalist organization and control.

⁴ Wolfgang Streeck and Kozo Yamamura (eds): *The Origins of Nonliberal Capitalism*. Ithaca, London: Cornell University Press, 2001.

⁵ Anita Chan: “The Evolution of China’s Industrial Relations System – the Japanese-German Model and China’s Workers’ Congress”, *Labour Relations Journal*, 1/2008, pp. 52-65.

As coverage of labor issues in Chinese mainstream media is dominated by neo-liberal standard rhetoric adopted from Western business schools,⁶ the more serious industrial relations research in China raises fundamental questions on how labor standards can be legally guaranteed and politically controlled under the existing, but rapidly transforming institutional framework. These debates depart from the analysis that China's transformation to a market economy has been mostly completed, but the regulation of labor relations remains highly incomplete and fragmented.⁷

Complex questions are raised over the social character of market-oriented management and the new entrepreneurship, whether they represent a new layer of experts and technocrats necessary to run companies in a market economy, or a class antagonistic to the interests of working people. Notwithstanding divergent concepts and definitions, there is agreement that business and corporate interests have become well represented in political decision-making on labor policies, whereas working people are mostly kept out. This growing imbalance of power is seen as the basic weakness of legislative and government policies to develop coherent labor policies and to introduce tripartite consultations between management, employee representations and government on minimum wages, wage guidelines, social insurance regulations, and other topics crucial to "harmonious labor relations".⁸

One key question is the role of trade unions. For instance, Chang Kai and Qiao Jian argue that trade unions are lacking basic capabilities to defend labor standards, since unions are mired in their traditional role as part of state-company management, mainly administering welfare programs, leisure activities and wedding parties. Before this background, trade unions are mostly absent from the rapidly rising labor conflicts in the country, expressed by the sky-rocketing number of labor lawsuits by workers (both individually and as groups) and of unofficial "mass incidents," of which a significant proportion is made up of workers' protests and strikes.

⁶ E.g. Wang Yijiang: "Shichang jizhi ke youxiao baohu laodongzhe quanyi" (Market mechanism can effectively protect the rights and benefits of workers), *Caijing Magazine*, Vol. 05, 2006

⁷ Bill Taylor, Chang Kai & Li Qi, *Industrial Relations in China*, Cheltenham: Edward Elgar, 2003.

⁸ Chang Kai, Qiao Jian, *Zhongguo laodong guanxi baogao – dangdai Zhongguo laodong guanxi de tedian he quxiang* (China Labor Relations Report – Characteristics and Tendencies of Labor Relations in Contemporary China), Beijing: Zhongguo Laodong Shehui Baozhang Chubanshe (China Social Security Press), 2009, pp. 1-61

Translating this perspective into the language of international industrial relations research, we may characterize China's current industrial relations practices as "tripartism with four parties".⁹ Tripartite regulation of wage relations is severely limited by the lack of collective labor standards, negotiations and the fragmented character of trade union representation. "Fragmented representation" arises from the limited scope of union representation of employee's interests at the workplace due to the lack of collective negotiations on key issues such as wages, working hours and working conditions and the lack of trade unions' legitimation among workers. Also, the large non-union sectors especially among private and Overseas Chinese enterprises as well as the almost complete lack of collective bargaining at industry or regional levels contribute to this situation. Finally, Chinese employers are not forming their own organizations to represent their interests vis-à-vis workers and trade unions, particularly in collective bargaining. Chinese, Overseas Chinese and foreign capitalists prefer to transmit their demands into the political process directly through their *guanxi* with the state and the Communist Party at various levels.

The concept of "tripartism with four parties" refers to critical theories of corporatist labor systems in the West (such as Germany's or Sweden's), which have analyzed open or implicit three-party deal making between management, unions, and government as part of modern systems of capitalist regulation. The underlying institutional arrangements are not seen as a fixed system between organizations, but as a historic set of power relations. Consensual arrangements are under the permanent need to reproduce their ideological and material base by mobilizing rank and file workers for limited movements, which, however, should not exceed the framework of what is "politically acceptable".¹⁰

The situation in China is different, of course, since under the existing framework workers' mobilization tends to be immediately directed against the state, local governments in particular. Moreover, these protests are often spontaneous and resort to militant means, as can be seen from mainstream Chinese media reports today. Obviously, China lacks the cushions and safeguards that a well developed and institutionalized civil society would put between social movements and the state, i.e., the basic ingredients of what Gramsci would have called a "hegemonic state".¹¹

⁹ Chang Kai, Boy Lüthje, Luo Siqi, „Die Transformation der Arbeitsbeziehungen in China und ihre Besonderheiten“, *Working Paper Institut für Sozialforschung Frankfurt/M*, 2008

¹⁰ Josef Esser, *Gewerkschaften in der Krise*, Frankfurt/: Suhrkamp, 1982

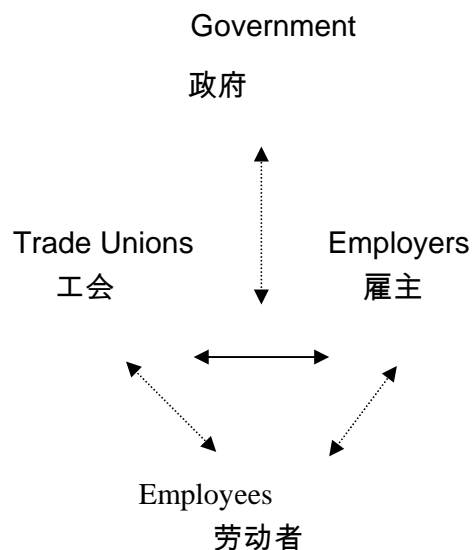
¹¹ Jessop, Bob: *State theory: putting the capitalist state in its place*. Cambridge e.a.: Polity Press, 1990.

In the absence of such social institutions to mediate labor conflicts, factories are a highly sensitive terrain, where the social contradictions between workers and management become manifest and have to be regulated.

Against this background, our analysis cannot assume a political framework of historically established, stable institutions and actors in industrial relations. Rather, we have to focus on the transformation of such institutions, the emergence of new institutional arrangements and “best practice” models of labor relations as well as the fragmented character of political regulation, especially between central and local government agencies. For such a dynamic perspective on changing social power relations, we refer to the concept of “politics” and “regimes” of production, which has been applied in various forms to recent studies of Chinese labor relations as well as to the analysis of work and labor policies in global production networks.¹²

Table 1

“Tripartism with four parties” - “三方四主体”



¹² For extended theoretical discussions see Ching-Kwan Lee, *Against the Law – Labor Protests in China’s Rustbelt and Sunbelt*, Berkeley e.a.: University of California Press, 2007. Stefanie Hürtgen/Boy Lühje/Wilhelm Schumm/Martina Sproll, *Von Silicon Valley nach Shenzhen*. Hamburg:VSA, 2009

2. Diverging patterns of economic restructuring and control

In the face of China's massive industrialization and the rapid development of modern and complex production environments over a broad spectrum of industries, we have to widen our perspective beyond the concept of "old" and "new", state-owned and private industries, and the related changes in the working class. We need to explore the growing differences in company labor relations, resulting from diverging patterns of socio-economic restructuring, new Western and East Asian models of production, the related fragmentation of value-chains, and the re-shaping of regimes of production in major corporations under new forms of labor-management cooperation and their amalgamation with traditional Chinese practices of workplace representation.

At the macro-economic level, three key elements determine the dynamics of restructuring.

First, the politics of gradual marketization and privatization practiced in China since the beginning of reform and opening in the late 1970s has produced a full-scale reversal of the industrial structure of the country and the forms of ownership and control over capital accumulation. In the wake of accelerated privatization and restructuring since the mid-1990s, private ownership or various kinds of profit-oriented state- or semi-state ownership of enterprises became the dominant form of control. At the same time, the focus of industrial production shifted from the production of basic industrial and consumer goods for the domestic market to the rapidly growing exporting industries, textiles and garment, shoes, light consumer goods, such as toys and home decorations, and electronics in particular. The five sectors under investigation in our study, automobile, chemical, steel, electronics and textile and garment manufacturing emerged as the modern core industries of China's economy. As the adjacent table shows, the majority of workers in each of those sectors is employed in non-state owned enterprises.

Second, the economic transformation is taking place under conditions of continuing underemployment of large sectors of the working population. The main source for this situation is the agricultural sector, which supplies the ever growing workforce of rural migrant workers, numbered at 200 millions or more, depending on various statistical

definitions and methods. In addition, massive unemployment caused by the restructuring of traditional industries and state enterprises since the late 1990s has added to the oversupply of industrial workers during the first decade of the 21st century. Since the beginning of accelerated economic restructuring, the Chinese economy has to generate 8-10 million new jobs in urban labor markets every year, in order to absorb this massive oversupply of labor.¹³

Third, accelerated economic growth has accompanied a continuous decline in private consumption, while economic growth is heavily focused on capital investment. The share of private consumption as part of the gross domestic product (GDP) dropped from 51.1% in 1988 to 38.9% in 2005, while the proportion of capital formation rose from 36.8% to 44.1%. Although disposable incomes for large sectors of the urban population have increased considerably during the recent decade, the proportion of wages as a percentage of GDP dropped significantly, resulting in massively rising inequalities, which are now among the highest in the world. Thus, the current regime of growth can be characterized as one of permanent underconsumption for the majority of the working population.¹⁴

Table 2
China's core manufacturing industries (in millions)

	2007 Employment	Non-SOE
Auto	2.57	1.61
Chemical	3.09	2.33
Steel	1.88	1.12
Electronics/IT	4.26	3.85
Textile/Garment	4.83	4.22

Source: National Bureau of Statistics of China

¹³ Lütjhe, Boy (2006): Ökonomische Modernisierung und industrielle Beziehungen im neuen chinesischen Kapitalismus. *Das Argument* 48(5/6), 61-75. 2006.

¹⁴ Hart-Landsberg, Martin/Burkett, Paul (2007): China, Capital Accumulation and Labor. *Monthly Review*, 2007(5). Hung, Ho-fung (2008): "Rise of China and the global overaccumulation crisis," *Review of International Political Economy* (15:2): 149-179.

Table 3**Structure of demand, percent of GDP at current prices**

1988	1990	1995	2001	2002	2003	2004	2005
Private consumption							
51.1	49.1	46.1	47.2	46.5	44.9	46.6	38.9
Government consumption							
11.6	12.1	11.4	13.4	13.2	12.6	16.9	14.2
Gross domestic capital formation							
36.8	34.7	40.8	38.5	40.2	43.9	50.5	44.1
Net exports of goods and services							
-1.0	2.7	1.7	2.3	2.7	2.3	3.0	4.6

Source: Hart-Landsberg/Burkett 2007

Data: People's Republic of China, Key Indicators of Developing Asian and Pacific Countries, Asian Development Bank, updated July 21, 2006, <http://www.adb.org>.

The key manufacturing industries of the Chinese economy display highly different patterns of ownership, competition and organization as well as highly different forms of integration into the world market. On the one side, the steel and to a lesser extent the petrochemical industries are still dominated by SOEs. However, under strictly market-oriented management. The major steel and petrochemical corporations, such as Baosteel, Hebei Steel, Wuhan Iron and Steel or Sinopec and Petrochina are among the largest companies of their kind in the world with aspirations for global leadership. In the chemical industry, a rapidly expanding private sector exists and joint ventures and foreign companies are playing a bigger role, such as Germany's chemical giants BASF and Bayer with some of the largest petrochemical complexes in China.

The auto industry occupies the middle ground between state-dominated and privately dominated industries. It is led by joint ventures of multinationals with the three large Chinese auto holding corporations, FAW, Shanghai Automotive, and Dongfeng. Smaller private and local government-owned automakers or auto holding

companies also are important competitors. Whereas the foreign companies control technologies and branding, the Chinese partners exert a strong influence over management practices; especially the older joint ventures such as VW Shanghai have adopted management styles of state-owned-enterprises.

By contrast, the electronics and the textile and garment industries, China's two largest single manufacturing industries by employment, are mostly privately owned. Industry structures are dominated by subcontractors or subsidiaries of foreign multinationals. In electronics, the huge vertically integrated contract manufacturers, such as Foxconn or Flextronics, are the industry's largest employers. However, the sector is highly segmented. Capital and technology intensive segments such as chip production co-exist with computer and network equipment makers concentrating on design and development, contract manufacturers and a huge sector of low-tech and low-wage component makers.¹⁵ Textile and garment production, the "classical" subcontracting industry, is mostly made up of small to medium-sized enterprises; the concentration of manufacturing expected after the end of the international Multi Fibre Agreement has remained rather limited so far.

The diversity of ownership and control is accompanied by a similar diversity of production models. In steel and petrochemicals, large-scale plants with a high degree of vertical integration, modern technology and relatively stable production flows dominate among the leading companies, favoring long-term employment of mostly urban workers. The auto industry has widely adapted Japanese and Western models of lean manufacturing; the once stable core workforces especially in the older joint ventures are increasingly confronted with outsourcing, flexibilization of work, and competition from migrant workers in the supplier companies and temporary labor agencies. In the electronics and garment industries, the contrast to traditional industrial environments is most visible. Here, comprehensive outsourcing and shifting of manufacturing from industrialized countries to China have produced subcontracted mass production at unprecedented scale.¹⁶ In electronics, high-end manufacturing technologies and organization in large-scale factories and industrial parks (some of them with several tens or hundreds of thousands of workers), have become the norm,

¹⁵ Boy Lühje, *Arbeitsbeziehungen in der chinesischen IT-Industrie – neue Perspektiven in der Diskussion um internationale Arbeitsstandards*, Studie im Auftrag der Hans-Böckler-Stiftung, Frankfurt/M, http://www.boeckler.de/show_project_fofoe.html?projectfile=S-2007-14-1.xml

¹⁶ Boy Lühje, Stefanie Hürtgen, Peter Pawlikci, Martina Sproll, *From Silicon Valley to Shenzhen – Global Production and Work in the IT-Industry*. Boulder, Co.: Rowman and Littlefield, forthcoming 2011.

whereas the garment industry is dominated by the traditional low-tech, low-wage sweatshop, for which many Chinese exporting industries have become infamous.

The diverging economic conditions translate into differing scenarios of restructuring during the recent decades, shaping the composition of the workforces and their experiences. Steel has seen the most dramatic transformation from the traditional plan to a market environment, but also the most massive resistance of workers against layoffs and the smashing of the “iron rice bowl,” exemplified by the mass demonstrations in the Northeast in 2002. During the boom period 2002-07, the industry saw enormous growth with increasing dominance of the large corporations with highly modern factories, accompanied by the rapid emergence of smaller steel producers backed by local governments. In the petrochemical and auto industries, the impact of privatization has been less dramatic, but massive changes have occurred due to the introduction of state-of-the art manufacturing technologies, models of lean manufacturing, and outsourcing – propelled by growing sub-sectors of mostly privately owned suppliers and service firms.

Restructuring in electronics and garments has occurred almost completely under the auspices of global production networks, with little heritage from the planned economy, strong market control by multinational brandname firms, and extreme dependence on the ups and downs of the world market. In electronics, the Chinese government supports the growth of domestic high tech markets and technologies, whereas the garment industry does not receive much attention from higher levels of the state. However, due to the strong local concentration of the industry in often semi-rural garment districts along the East Coast, some local governments recently have taken the initiative to increase skills and capabilities of the garment companies, sometimes including employment conditions and workforce skills.

All of these industries, perhaps with the exception of the petrochemical sector, are suffering from structural overcapacities, similar to the world-wide situation. The integration into global cycles of capitalist development became particularly visible during the global downturn in 2008-09, with some important Chinese characteristics, however. Most massively hit were exporting industries such as electronics, garments and other light industries producing cheap goods for the shelves of Western retail chains. Here, lay-offs of millions of migrant workers occurred, in some cases with

massive protests from the workers. Industries primarily producing for the domestic market, such as auto or chemicals, were less affected and could also benefit from the Chinese government's massive spending programs. These industries could mostly avoid major lay-offs and tried to keep their core workforces on the payroll, often with drastic reductions of working hours and pay. In the steel industry, this strategy faced major difficulties, since many steel companies, especially smaller, local ones, collapsed under the impact of shrinking demand from key customer industries, construction and shipbuilding in particular. Restructuring is now focusing on large-scale take-overs of smaller steel producers through the globally oriented SOEs; however, the recent wave of protests in this industry indicates the social sensitivity of such a strategy.

3. Regimes of production in core industries

As the transformation of production in China increasingly reflects the segmentations of work and the working class in the capitalist world economy, the once centralized regime of labor policies is rapidly becoming multi-faced, too. Only few scholars in China and abroad have seriously tackled this issue.

Western-based labor sociology has recently produced a number of studies of the Chinese workplace as a contested terrain between management and workers, where struggles and compromises create certain regimes of production.¹⁷ Most notably, Lee Ching Kwan's studies of labor regimes at factory and local community levels have found profound differences between labor regimes and the patterns of workers resistance in traditional heavy industry areas in the North, where mostly urban workers in former state-owned enterprises were losing their once life-long jobs, and in the new export production bases in South China, where migrant workers are forming a new mass workforce under highly instable conditions.¹⁸

Before this background, diverging regimes of production are analyzed in China's "rustbelt" and "sunbelt". In the older industrial areas, workers' reproduction is heavily dependent on wages, benefits, housing, and social services provided by their

¹⁷ Michael Burawoy, *Politics of Production. Factory Regimes Under Capitalism and Socialism*. Verso: London, 1985

¹⁸ Lee, 2007, op. cit.

urban work units – the heritage of the “social contract” of the Mao-period, to which workers are also resorting as a source of legitimation for protest and resistance. In the world market factories of the South, workers reproduction is completely based on their meager wages from factory work, with no other social safety network than the rural economy and family-based land rights in their home villages. In this environment, workers protest does not refer to the social values of earlier periods of socialism, but to the newly created laws and legal regulations on workers’ rights, directed at creating a certain “rule of law” (yifazhiguo) at the workplace. These different institutional settings also result in different forms of workers protest: “protests of desperation” in the case of veteran state workers leveraging political bargaining strategies by attacking local officials; “protests of discrimination” in the case of migrant workers with no bargaining resources from traditional political environments but a clear sense of their second-class citizen status as rural migrants.

However, against the background of the rapid differentiation of conditions of production in Chinese core industries traced above, the analysis of diverging regimes of production needs to be broadened, in order to capture the different conditions in the respective industries and local environments. Also, the regimes of production have to be discussed in the context of different forms of workplace politics inside factories, embedded in models of production, management systems, work organization, factory rules, wage systems, recruitment policies, performance control, bargaining relations and the contractual foundations of employees’ rights and entitlements at the workplace. Such a perspective, of course, must include an analysis of the institutional presence (or non-presence) of trade unions and their basic practices.

Based on our ongoing empirical research, five generic types of production regimes among major manufacturing companies in the five key industries of the Chinese exporting economy can be identified:

- The most common regime of production resulting from the transformation of former state into state-owned enterprises (SOE) under capitalist market and management imperatives can be called “**state-bureaucratic**”, it is typically found in basic industries such as steel or petrochemicals. This labor regime is characterized by relatively stable conditions of production (after often massive restructuring during privatization),

core workforces of medium or high skills, and distinctively “Chinese” pay systems with relatively low base wages and a high proportion of workplace and personal allowances, often making up 50% or more of the regular personal income of a worker. Labor relations are characterized by a rather strict obedience to labor laws and government regulations, a stable, politically accepted position of the trade union coupled with Western concepts of “co-management”. However, contract-based regulation of wages, working hours, and other employment conditions is rather weak. Usually, collective contracts and their side agreements do not contain precise language on wage rates and job classifications, or they are not made public.

- The “classical” regime of production in multinational corporations and Sino-Foreign Joint Ventures (**“corporate bureaucratic”**) is comparable to the situation in SOEs, regarding the relative stability of the conditions of production and the workforce, but it is distinctively shaped by management and work systems of multinational corporations. Such regimes of production can typically be found among major joint ventures in industries such as auto or petrochemicals. These companies often pay the highest wages and salaries in the respective regions, their workforces consist almost exclusively of urban workers. Wage and incentive systems are similar to traditional Western multinationals, characterized by relatively high base wages (70-80% of the regular personal income), regulated working-hours and long-term career patterns related to extensive workforce skilling and education. Trade unions usually have a relatively secure position and are coopted into factory management, however, contract based regulation of wages and working conditions remains weak. Labor relations are stable, there is a growing number of individual labor conflicts, especially law suits by skilled employees with high aspirations regarding pay, working environment and career development.

- Production regimes in multinational corporations shaped by newer Western, especially American “philosophies” of high performance management (**“corporate high performance”**) are in many aspects similar to the more traditional multinationals, especially with regard to the type of workforce, but there is a much stronger performance orientation in workforce selection, work organization and career patterns as well as high employment

flexibility. Fixed base wages and salaries contribute to not more than one half of regular incomes, the proportion of bonuses and performance pay is high. Trade unions usually are weak or do not exist at all, but there is an increasing number of labor conflicts resulting from discontent among highly skilled workers, including collective forms of resistance such as work stoppages and public protests via media and the internet. Such regimes of production typically exist in U.S. or Western European electronics multinationals, but also in foreign invested chemical companies and some of the newer Chinese multinationals in the high-tech industry such as Huawei or Korean and Taiwanese first tier corporations such as Samsung or TSMC.

- An extreme type of “high performance” management emerged among the large and modern mass producers of advanced electronics and other industrial products, where modern manufacturing technologies and organization are combined with large-scale exploitation of low-paid rural migrant workers. Work organization in regimes of “**flexibilized mass production**” is dominated by massive segmentation and flexibilization of employment (“Neo-Taylorism”¹⁹), often connected with the housing of workers in factory dormitories. Extremely long working hours, often in violation of existing legal standards, are the rule, driven by very low base wages, usually around local legal minimum wages. Wage differences between line workers and technicians, managers and engineers are very high. Trade unions usually have no presence in such factories, with the exception of management dominated employee representations set up in response to recent changes in labor laws. Such regimes of production can typically be found in U.S. or Taiwanese contract manufacturers and component providers in the electronics industry or some Chinese first-tier manufacturers of consumer goods.

- The classical low-wage production in technologically poorly equipped factories with low levels of organization (“**low wage classic**”) represents the bottom end of the regimes of production in major manufacturing sectors and enterprises. It mirrors traditional divisions of labor between industrialized and developing countries and its modern manifestations in the production systems of global retailers such as Wal-Mart, which have shaped

¹⁹ Hürtgen e.a. 2009, op. cit.

large segments of Chinese export manufacturing. Workers are mostly rural migrants, often housed in factory dormitories. In contrast to technologically sophisticated flexible mass production, control and methods of exploitation are simple, direct and based on authoritarian paternalism. Base wages hover around legal minimum wages, extensive overtime is the rule and a condition of economic survival for most workers. Piece work systems are widely applied, inducing speed-up and often undermining legal minimum wages. Trade unions are mostly absent from such workplaces, while individual and collective labor conflicts are relatively frequent. Such regimes of production are widespread in the larger and smaller factories in light industries such as garment, shoes, toys and other consumer goods as well as among suppliers of electronics or automotive parts.

Table 4
Typology of regimes of production

Type	Production model	Work/HR	Labor Relations
State-bureaucratic	Integrated Med to high tech Brandname	Stable after restructurg Urban workers High wages, Low base, allowances Increasing segmen-tation of workforces (temp labor!)	Stable TU, party, gov relats Collective contract Weak collective bargaining Few labor conflicts
Corporate bureaucratic	Integrated High tech Strong brand Market control	Stable employment Urban workers, skilled High wages, benefits High base pay Career incentives	TU, cooperative Mostly collective contract Weak collective bargaining Labor conflict few collective, often individual
Corporate high performance	Integrated High tech Strong brand High flexibility	Flexible employmt Urban workers High wages, benefits Low base, high variable and OT	Weak or no TU Employee involvement Often no collective contract No collective bargaining Occasional labor confl
Flexible mass production	Integrated Med to high tech No brandname High flexibility	Flexible employment Rural workers Neo Taylorism Low wages, benef Very long working hrs	Mostly non-union No collectvie contracts Occasional labor conflicts, sometimes militant Violations of legal stdrds
Low wage classic	Low integration Low tech No or weak brand High flexibility	Flexible employment Rural workers Low wages, benefit Personalized control Very long working hours	Mostly non-union No collective contracts Frequent violations of legal standards

In our analysis of company-based regimes of production, this concept is applied to a set of case studies representing the predominant types of enterprises in the respective industrial sectors. The selection is focused on large companies with leading market positions in the respective industries and mostly modern production environments. The cases include different forms of ownership, such as state-owned enterprises (SOE), Foreign Invested Enterprises (FIE), Overseas Chinese (OC) companies, Chinese private companies, and companies of semi-private and hybrid

ownership. Collectively owned enterprises (COE) and township and village enterprises (TVE) are not included in this sample, since these forms of ownership can only be found among small and medium-sized companies. Our research was extended to the suppliers of the “flagship firms” in our sample, in order to explore the social and economic divisions between core companies and their suppliers in the context of production outsourcing. Cases were selected according to the specific shape of the supply chains of the respective industries and their highly different configurations. For a full sample of cases, refer to the adjacent table. For reasons of confidentiality, the names of the companies and the respective locations are kept anonymous.

For the empirical evaluation of production regimes, a set of 25 criteria was created, referring to basic aspects of the model of production, of the organization of work and working conditions, and of labor relations. The evaluation of these criteria is based on qualitative data from interviews, company visits and relevant external sources. The evaluation criteria will also be ranked in simple form on a three-level scale (low, medium, high) related to prevailing industry standards in China, in order to facilitate comparison between cases. Most of the ranking is based on our subjective judgment of qualitative information and observations made during company visits. Some of the criteria involve quantitative data, based on the information we could obtain from companies, such as employment figures, wages and wage ladders. Our ranking of wage flexibility is based on the proportion of the flexible element of wages and salaries (overtime, bonuses, and allowances), related to the average regular monthly income of employees. A proportion of 40-50% of flexible income is rated as high, 25-40% as medium, and of 25% and below as “low.”

Table 5
Case studies overview

Auto	4 Joint Ventures: 2 Sino-Jap, 2 Sino-EU. 5 suppliers
Steel	2 SOEs, 1 JV Sino-EU
Electronics	5 brand name FIEs (3 EU 1 US 1J), 2 Chinese MNCs 2 contract manufacturers - 5 factories (1 TW, 1 US) 3 supplier SMEs
Chemical	1 JV Sino-EU, 2 FIEs MNC EU, 1 SOE, 2 Chin priv. Pre-studies small suppliers/service firms
Garment	6 Chinese private, 1 SOE, 1 HK

Table 6**Evaluation scheme regimes of production**

Name of Company, production facility, location

Item	High Strong	Medium	Low/ Weak	Comments
<i>Organizaton of Production</i>				
Market control				
Vertical integration (company)				
Vertical integration (factory)				
Product technology (rel to industry standards)				
Manufacturing technology				
Stability of production flow				
<i>Work and working conditions</i>				
Specialized and skilled labor				
Segmentation of work				
Proportion migrant workers				
Proportion women				
Porportion of temporary workers				
Workforce stability				
Income stability (related to incentive pay and overtime)				
Piecework type of incentives				
Employee involvement (workplace)				
<i>Labor Relations</i>				
Trade union presence and stability				
Collective contract (yes, no, since when?)				
Contractual regulation of wages				
Contractual regulation of working hours				
OSH standards				
Benefits (social insurance and extras)				
Wage hierarchy				
Flexible pay (performance, OT, allowances)				
Individual labor conflicts				
Collective labor conflicts				

4. Scattered landscapes: regimes of production in core manufacturing industries

Our case studies in many ways confirm the basic proposal of this research project of a growing variety of regimes of production in the core sectors of the Chinese exporting economy. Our findings also contradict the assumption underlying most mainstream literature on China's plan-market transformation that the proliferation of market relations would have a unifying effect on labor relations and their conditions in the modern sectors of the Chinese economy. Rather, complex configurations of production regimes throughout the various industries with highly different conditions of work, remuneration and social regulation are developing. In this context, the regimes of production are unevenly distributed throughout various industrial sectors.

In the auto industry the corporate bureaucratic regime of production (also dubbed "multinational/joint venture classic") is the standard model. Due to the dominance of large-scale joint ventures in this sector, there are only few variations. The emerging independent Chinese automakers seem to follow this pattern as well, since they are closely imitating the management and quality control strategies of foreign multinationals. However, some newer factories set up in recent times in rural areas (such as GM Wuling, General Motors' highly successful joint venture in light van production located in Guizhou province) may be closer to a "corporate high performance" regime of production. Also, this pattern as well as regimes of flexible mass production of "classic" low wage production may have stronger roles in the car supply sector, creating many options to transfer work into less costly social environments along the supply chain.

In contrast to the auto industry, the electronics industry is much more diverse, mainly due to the massive segmentation of this sector along production models and between brandname and non-brandname companies, but also as a result of different strategies of HR management emerging from the global restructuring of the industry. Among major brandname companies and also chipmakers "corporate bureaucratic," "corporate high performance" and "low-wage classic" regimes of production can all be found. "Corporate high performance" can probably be seen as the dominant pattern, emerging from the dominance of such regimes and the ongoing transformation of the IT-industry in the global arena. However, "state-bureaucratic" regimes of production

are mostly absent from the electronics industry, since “classical” state-owned enterprises do not play any role in this sector. The manufacturing segments of the electronics industry are heavily dominated by regimes of “flexible mass production,” epitomized by the large-scale factories and industrial parks of the major global EMS- and ODM-companies. Some of the contract manufacturers not investigated in our study seem to be closer to the model of classical low-wage production, the same is true for the huge sector of electronics component suppliers, including many large ones with strong technology base.²⁰

The other industries investigated in our project also have their distinct configurations of regimes of production. In the steel industry, which is controlled by Chinese state-owned Enterprises and has only little presence of foreign invested enterprises, the state-bureaucratic regime of production dominates. However, there seem to be important variations between the very large flagship companies such as Baosteel, Wuhan Iron and Steel or Hebei Steel, on the one hand, and smaller SOEs owned by local governments, on the other. Among the latter ones, production regimes seem unstable due to the lasting impact of previous privatization, the massive impact of the recent crisis and the restructuring in the wake of the Chinese central government’s restructuring plans. These instabilities have been highlighted by two recent cases of violent workers’ mass protest against possible plant closures in locally owned steel-companies, which had achieved national attention in China. In the two cases of locally owned steel companies we could investigate, the state-bureaucratic form of labor relations were combined with massive flexibilization of employment and work, particularly through the use of temporary workers.

In the chemical industry all kinds of production regimes can be found. China’s major petrochemical corporations have state-bureaucratic regimes of production. Leading Foreign-Sino Joint Ventures and Foreign Invested Enterprises (FEI) fit the “corporate bureaucratic” category, with some similarities to the auto industry cases presented above. Top multinational companies combine their vertically integrated models of production with high-wage employment policies, designed to attract skilled workers (also at operator levels) and ensure steady workplace (also for reasons of safety), stable career patterns and relatively low proportions of flexible pay for production workers. Labor relations in these companies are based on stable trade unions, also in compliance with the traditions of the Western companies in their home

²⁰ Cf. Hürtgen/Lüthje/Schumm/Sproll 2009

country. “Corporate high performance” regimes of production are practiced by smaller foreign multinationals in specialized industry segments. Such companies also have highly skilled workforces; however, wages are lower and flexibility in pay and career patterns are higher, trade unions are mostly weak, and the formal framework of labor relations is designed to meet legal minimum standards. Chinese private enterprises in less specialized segments of the chemical industry, especially those catering to the domestic market (typically agro-chemicals, pharmaceuticals, or lower-end dyes), employ mostly the “classic” low-wage regimes of production, while some of the more skilled companies are trying to upgrade their labor practices. However, in one case investigated in greater depth, the upgrading of the technology base of the company did not seem to result in the upgrading of labor practices, producing a similar bifurcation between the production model and labor relations as in the case of the low-wage classic regimes in the electronics industry presented above.

Finally, in the textile and garment industry the “low-wage classic” regime of production prevails. The low-wage character of garment manufacturing is intrinsically linked to the small shop-environment in which most of the relevant processes are performed. The production models of these companies are characterized not only by their dependency from orders of brandname retail companies and related international and national trading houses, but also by tightly knit divisions of labor between small manufacturers in garment production districts, where work is constantly being shifted between manufacturers of various specializations. The network-based character of production can be seen as a specific way to integrate large amounts of manual labor under conditions of highly segmented work without the investment requirements and social costs of large factory environments. Such production models provide enormous flexibility, adaptive to the extremely cyclical development of global consumer markets. At the same time, the availability of such production networks limits the need to concentrate and centralize garment production in bigger factories or companies – a major obstacle to industrial upgrading in this field. Under these conditions, only few companies are undertaking the risk to upgrade production and human resource practices. In the cases we studied, the companies were moving toward a “flexible mass production” regime of production.

It should be noticed, however, that the differentiations between regimes of production become increasingly relevant within industries. This has to be stated particularly with regard to the rapid proliferation of outsourcing and modularization of

production, especially in assembly industries such as automotive, electronics and textile and garment manufacturing. In the latter two industries, most manufacturing is performed on the base of full-scale outsourcing and subcontracting, resulting in relatively homogenous conditions among manufacturers with mostly flexible mass production or low-wage classic regimes of production, on the one hand, and relatively well paid tech specialists, clerical workers and sales workers in “factoryless” brand name and trading firms, on the other. Automobile manufacturing provides the most complex picture, since the industry has seen a massive implementation of Western and Asian models of modular production during the recent decade, which completely reversed the traditionally vertically integrated structure of auto production within large SOEs and their supplier units such as FAW and Dongfeng or Joint Ventures like SAIC-Volkswagen.²¹

China’s automotive supply sector, one of the fastest growing industries in the country in recent years, displays a wide variety of regimes of production, related to the various trajectories of transformation and growth of the particular companies and sub-sectors. Production regimes in multinational first-tier suppliers from Europe, the U.S. and Japan often resemble the corporate bureaucratic or corporate high performance regimes of most joint venture car assembly factories. At the second and third tiers of supply chains, things look quite different. SOE classic regimes with increasing segmentation of the workforce (mostly among the former subsidiaries of state-owned auto groups) can be found along with low-wage classic regimes in smaller privately owned car parts suppliers. Many suppliers to Japanese car companies, sometimes co-owned by their multinational mother companies, have established regimes of flexible mass production similar to contract manufacturers in the electronics industry. The different regimes of production also establish massive divisions among urban and rural migrant workers. Whereas the workforce of core assembly companies and most first-tier suppliers is urban (with fairly stable employment and decent working conditions), suppliers to large degrees or completely are staffed with migrant workers.

²¹ For an excellent analysis of the political economy of automotive supply chain organization in China see Thun, Eric: *Changing Lanes in China: direct investment, local government, and auto sector development*. New York: Cambridge University Press. 2006.

Table 7**Distribution of regimes of production**

Steel	State bureaucratic (SOE classic)
Chemical	State bureaucratic, Corporate bureaucratic Corporate high performance
Auto	Corporate bureaucratic; suppliers varied
IT/electronics	Corporate high performance, Flexible mass production Low-wage classic
Textile/garment	Flexible mass production Low wage classic

5. Production regimes and management prerogative

The case studies reveal the growing diversity of production regimes, but also certain patterns of control and labor policies in the respective sectors of the Chinese industrial economy. The regimes represent some generic institutional patterns and social practices, which can be found in various sectors and locations under different conditions, resulting in similar sets of power relations between management, employees and government. This also points to uniformities in labor policies among major corporations, manifesting themselves in best practice models of HR management and corporate policies, disseminated among HR specialists, academic communities, consultants, law firms, etc. Such common practices indicate that capitalist companies in China's "market-socialist" economy are not simply trying to evade control of their labor practices by the state at its various levels. Rather, there are certain patterns of strategic behavior of employers towards law reform, government policies, individual grievances of workers at the shop-floor and in labor courts, collective labor conflicts and public concerns over labor standards. The staggering uniformity of the major two contract manufacturers' reactions to labor

policy reforms and pressures from NGOs and the Chinese public concerning working conditions of migrant workers in their factories provide a good illustration.

Such uniformity in strategic behavior at the level of day-to-day practices supports the analysis of Chinese labor relations scholars that employers' interests in China's contemporary political system increasingly appear in organized and coordinated forms, as has been visible in the debates over labor law reform or the recent attempts of employers to topple key provisions of the labor contract law through exemptional policies recommended by central and local and government agencies.²² Also, employers' influence on labor policies continues to be particularly strong at the local level, resulting in all sets of tacit preferential practices for certain companies or industries and in fragmented regulation of labor standards even between and within cities, as our comparative case studies of three factories of a major electronics contract manufacturer demonstrate in particular. However, the highly politicized nature of the regulation of shop-floor labor practices under the various regimes of production does by no means imply that companies would be interested in the regulation of basic labor standards such as wages, working hours, benefits, seniority rules etc. at industry, regional, or local levels. As companies of all kinds and nationalities in China seem to enjoy almost unlimited management prerogatives over basic working conditions at the shop-floor, there obviously is little need to coordinate basic labor policies vis-à-vis employee representations, trade unions, government or party through employers' organizations or bargaining associations. Coordination of basic labor standards, therefore, remains limited to certain informal consultations on pay for higher-skilled jobs at local levels and "gentlemen agreements" between HR managers on non-poaching, etc.

In the absence of collective bargaining, the interaction of management and government policies and the established practices of employee representation by trade unions (where present) create sets of legal, political and also "moral" rules under which certain elements of the wage relation are being regulated, while others are omitted or subject to some kind of non-binding consultation between employers and employee representations. Together, this creates a segmented system of rules with varying degrees of formal institutionalization in Chinese workplaces, defining the

²² Chang Kai, *Laoquan baozhang yu laozi shuangying - laodong hetong fa lun* (Safeguarding labor rights and labor-capital cooperation – essays on the Labor Contract Law). Beijing: China Social Security Press. pp. 78 ff.

context of employee-management relations under the various regimes of production. As the adjacent table may help to explain, there are certain sets of “hard” and “soft” rules as well as a whole set of relations that follow “no rules” other than management prerogative.

“Hard rules” can be considered laws, government regulations, and also the basic provisions of collective contracts related to the procedures of consultation between management and employee representations. Such hard rules mainly relate to the requirement to sign labor contracts, laws and regulations on working hours, overtime, occupational safety and health, temporary labor, and minimum wages. The labor systems of companies with state bureaucratic, corporate bureaucratic and corporate high performance regimes of production usually accept such rules, companies in the flexible mass production and the low-wage classic categories have increased acceptance in reaction to labor policy reforms and growing consciousness of workers about their legal rights at the workplace.

“Soft rules” are usually embedded in collective contracts, the related agreements on wages and benefits, and government guidelines on recommended labor practices. Such rules relate, for instance, to annual wage increases stipulated in collective contracts or certain government guidelines, payment of bonuses, benefits, grievance handling and employee consultations. Some mechanisms of employee consultation established under “corporate social responsibility” schemes or foreign models of management-dominated cooperative labor relations may also be considered under this category. Soft rules are basically voluntary agreements between management and employees, setting some standards or establishing some expectations concerning wages and other basic working conditions. They are non-binding and can be unilaterally repealed. Often, the related agreements between management and employee representation are not made public to employees, such as in the case of the wage classifications in several automotive companies, analyzed in the preceding chapter.

Most elements of the wage relation at shop-floor level concerning pay, incentive policies and the organization and quality of work are not subject to any legal, contractual or otherwise institutionalized rules. This is true for the precise amount of hourly and monthly wages, wage categories and job classifications, work speed, incentives and performance control, work organization, seniority rights and the entire

field of collective labor conflicts, deemed non-existent under present Chinese labor laws. In the various regimes or production analyzed in this study, these “bread-and-butter” issues of capital-labor relations remain largely unregulated by legal norms or binding collective agreements, even in companies with highly formalized labor relations

Table 8

Hard rules, soft rules, no rules

Hard	Laws Govt regulations Collect contract procedures	Labor contract Work time, OT Basic OSH Temp Labor Minimum wage
Soft	Collective contract content Wage agreements Govt guidelines	Wage adjustment Payment of bonuses Benefits Employee consultation
No	Hourly and monthly wages and salaries Wage system/hierarchy Performance/work intensity Work organization Seniority Collective bargaining and coll labor conflicts	

Against this background, the findings of our case studies may illustrate why the foundations for tripartite labor relations in China remain weak, and why grievances of workers or collective labor conflicts continue to seek other channels than institutionalized grievance mechanisms at the shop-floor and trade-union based interest representation. The weakness of tripartism in China’s industrial relations system is not only caused by the absence of trade unions and employers’s associations as collective representations of labor and capital at the bargaining table, but by the lack of collective contractual regulations of wages and basic working conditions usually seen as the basic topics of collective bargaining. Under those

regimes of production with institutionally stable presence of trade unions, i.e., state bureaucratic and corporate bureaucratic, trade unions have a certain role in representing employees' interest based on their "political" bargaining powers rooted in the traditions of the "social contracts" of previous periods of Chinese socialism. Under the newer "high performance" and low-wage style regimes of production, unions are either absent or have no legitimation at all. All this explains why in all cases workers grievances and mobilizations tend to aim directly at the state in its function as a law-maker (labor courts) or as administration (usually local labor bureaus).

Regimes of production, therefore, can also be linked to certain kinds of labor protest and workers mobilization. In state-bureaucratic labor regimes, massive individual bargaining exists, mostly over allocation of allowances, bonuses and overtime work. Occasionally, massive social mobilizations erupt, uncontrolled by trade union, party or government agencies, as in the upheavals in the Chinese steel industry in the year 2002 or in the recent cases of the occupation of the Lingang and Tonggang steel factories by workers (including the killing of a management representative). In corporate bureaucratic and also corporate high performance regimes of production, conflicts over wages, working conditions, and performance seem to be relatively regulated through the existence of formalized company-internal wage systems, however, there exists massive individual bargaining especially on the part of higher skilled employees in urban labor markets. Sometimes those employees resort to collective mobilizations over workplace restructuring, as in the well-reported case of the integration of the Chinese mobile phone factories and design centers of Siemens into Taiwan's BenQ in 2006. In regimes of flexible mass production and "classic" low-wage production, individual bargaining at the workplace is massively constrained by authoritarian systems of workplace control which often extends to factory dormitories. The most common tool of individual bargaining is the frequent change of workplaces, resulting in continuing high turnover rates in such environments, and occasional collective walkouts with massive public action directed at local governments.

Table 9**Patterns of labor conflict**

State-bureaucratic	Individual bargaining, occasional mass mobilizations
Corporate bureaucratic	Limited individual bargaining Individual labor conflicts on pay and job assignment Occasional protest over restructuring
Corp high-performance	Limited individual bargaining Individual labor conflicts on pay and job assignment Occasional protest over restructuring
Flexible mass product	Individual bargng limited by strict workplace control High turnover Individual labor conflicts over pay and OSH
Low wage classic	Day-to-day conflicts over workplace discipline Individual and collective labor confl over pay and OSH Occasional mass mobilizations

Unfettered management control over basic working conditions produces a set of imbalances in corporate labor systems in China, resulting in continuing insecurity for employees concerning pay, employment and skill development, and a permanent tendency to compensate low basic incomes by massive extension of working hours and individual “self-exploitation”. Our case studies reveal such common problems, existing in different ways under all sorts of production regimes:

- *Low base-wages and high amounts of variable pay, including allowances, bonuses and overtime pay are creating permanent incentives for extensive overtime work.* Under flexible mass production and low wage classic regimes of production, this effect is created by the combination of base wages at legal minimum levels and overtime work often exceeding legally approved levels. In corporate high performance regimes, flexibility of pay and incentives for overtime work are created through the various schemes of “high performance” work organization and HR management. In corporate bureaucratic regimes of production, the extensive system of personal allowances and bonuses, awarded to individual workers, are the key element

of variable pay in combination with low base wages. Only in “corporate bureaucratic” regimes of production the level of base wages is in line with standards traditionally known from developed industrial countries (usually around 70-80% of regular monthly income); overtime work in most of these companies is usually limited and kept to legal standards.

- *Strong wage hierarchies* along with extensive status discrimination against migrant workers, women and temporary workers undermine principles of “equal pay for equal work”. Again, this conclusion can be applied to all kinds of production regimes with exception of the “corporate bureaucratic” and to some companies under state-bureaucratic regimes of production. The limitation of wage hierarchies similar to historic standards in industrialized countries in “classical” multinationals and joint ventures reflects the traditions of Fordist wage regulation in the respective foreign mother companies and the Soviet-style principle of “distribution according to labor”, practiced in Chinese state-companies during the 1950s and re-introduced in the early years of reform and opening after the Cultural Revolution.²³ However, the far-reaching deregulation of the wage relation during the later years of market reforms since the late 1980s have increased pay inequalities to an extent unknown in most industrialized countries until today.

- The dominance of individualized schemes of performance evaluation, arbitrary distribution of jobs and tasks and the general high flexibility of employment imply an almost complete *lack of seniority-based workplace regulations, job classifications and job-security provisions*. Seniority as a principle of work organization and performance policies only seems to play a role in “classical” multinational and joint venture regimes of production and to a certain extent in state-bureaucratic regimes. But even in those environments, seniority regulations do not exist as a contractual right, but only on the basis of unilateral company practices.

- A generally *high degree of employment flexibility and low job security*. The impact of this situation has become particularly visible in the low-wage mass production sectors of the Chinese economy, i.e. within flexible mass production and low-wage classic regimes of production, in the wake of

²³ Cf. Luigi Tomba, *Paradoxes of Labour Reform*. London: Routledge/Curzon, 2002.

the global financial and economic crisis. While jobs have been shed in large numbers, the recent talk in Chinese media about a new “labor shortage” after the crisis illustrates the extreme manifestations of this phenomenon in China today, and the extent to which rural migrant workforces and their rural communities have to bear the social costs of such labor market flexibility. Recent changes in labor laws, the Labor Contract Law in particular, certainly have limited some of the worst impacts of employment flexibility on workers, however, the basic parameters of labor market flexibility on the long term can only be reversed by substantially limiting the management prerogative over “hiring and firing” through safeguards based on collective contractual rights.

Some recent events give hope that collective action by workers will also force trade unions to take up the role as collective representative of workers in bargaining. The strike wave in the automotive supply sector in South China in May and June 2010 provided the most important example of its kind so far. The walkouts by migrant workers at supply factories of Japanese car manufacturers such as Honda and Toyota were triggered by demands for higher wages and just distribution of incomes among workers in the face of attempts by the management of some companies to undermine raises in the minimum wage by downward adjustments in pay scales for factory workers. Once again, this revealed the fundamental lack of contractual safeguards for workers wages and working conditions at the shop-floor. The labor struggles were particularly driven by workers’ demands to keep up with wages in other supply factories, resulting in some kind of unified bargaining of a highly informal nature. The settlements achieved with participation of high-level management representatives, trade union officials from core auto factories and prominent labor law experts raised wages, but did not do much to reign in management prerogatives over wages and pay-scales. However, in some remarkable cases the local and provincial trade unions picked up on workers’ demands and initiated wage bargaining in a small number of factories. While the longer term impact of these negotiations on shop-floor power relations remain to be assessed, these cases have emerged as role models for a set of government policies to facilitate democratic management and collective wage negotiations in Guangdong - certainly the most ambitious attempt so far to reform labor policies and democratize workplaces and trade unions in China.²⁴

²⁴ For detailed discussions see Lüthje, Boy: “Auto workers strikes in China: What did they Win?”. In: *Labor Notes*, 12/2010, www.labornotes.org. For an analysis from the perspective of local Chinese

Conclusion: no New Deal for China's workers

The growing variety of regimes of production in Chinese core industries points to increasing difficulties in establishing socially accepted labor standards. In a certain sense, China is facing similar problems as advanced capitalist nations, where plant closures, restructuring and new production models combined with the growing number of non-union workers and migrants with insecure legal status have produced an increasing fragmentation of labor relations between different types of companies, core factories and suppliers, union and non-union workforces, “rustbelt” and “sunbelt” regions and many other lines of division.

Obviously, the forces of the capitalist market in Chinese industry and labor relations have not produced more homogenous conditions within the working population, fostering collective responses to the growing imbalance in power and incomes between capital and labor. Rather, different regimes of production have become an important element producing and reproducing inequality among workers. Also, the rural urban-divide within the Chinese working class is increasingly folded into complex regimes of production that combine several layers of urban and non-urban workforces in different segments of production and labor markets.

Before this background, China's centralized system of labor relations, embodied in the unified structure of trade unions and national government policies, looks increasingly hollow. The segmentation of the social conditions of production is effectively undermining attempts to regulate labor relations and labor standards “from above,” embodied in the reforms of labor laws in recent years. Such reforms may remain symbolic if labor standards cannot be secured in collective agreements and negotiations with a certain degree of popular legitimacy and coordination at industry and regional levels. As known from manifold experiences in advanced industrial countries, labor laws can only provide a general framework for the regulation of labor standards. Their material content is defined by collective power relations between

trade union reformers see “Trade unions and worker struggles in Guangdong. Chen Weiguang interviewed by Boy Lüthje”. *Global Labour Column*, Number 55, April 2011, <http://column.global-labour-university.org/>

management and labor and their representative organizations within factories, companies and industries.

The lack of effective collective regulations of basic wages, working hours and working conditions based on contractual agreements can be seen as the common element among the different regimes of production across companies and industries, state and privately dominated sectors alike. The high degree of flexibility of wages and employment conditions seems to be the common element of “high end” and “low end” workplace regimes, often coupled with extensive overtime work. However, working hard for relatively low pay is not a biological predisposition of Chinese workers. Rather, the incentive for workers’ discipline and austerity are built into the systems of wages, performance evaluation and work organization and the resulting competition among workers in Chinese workplaces

The absence of socially accepted and contractually sanctioned labor standards has not only produced enormous inequality in wages, fostering often extreme competition between companies for skilled workers and the related labor shortages at all levels. It can also be seen as a major cause for the extreme income inequalities in China, symbolized in the staggering levels of relevant macro-economic indicators such as the Gini co-efficient. The flexibility of pay and employment has had particularly negative impact during the recent recession. Whereas companies and industries with large low-wage workforces of migrant workers were shedding jobs by the millions, top-tier SOEs, Joint Ventures and multinationals tried to keep workers on the pay-roll, even during production shut-downs. However, in many of these workplaces workers lost substantial parts of their income, since overtime and all kinds of production related incentive pays form an important part of their regular wage.

Although recent debates on economic strategies during the crisis in China and throughout the world have converged on the call for domestic demand stimulus in major emerging economies, the issue of wage flexibility and its negative macro-economic impact on workers’ incomes and purchasing power in the core sectors of the Chinese economy has never been addressed, neither by the pundits of the global banking and business communities, nor by the relevant government bodies and expert communities in China. Only a few Chinese labor experts are pointing to experiences in capitalist countries during the Great Depression period, Roosevelt’s

New Deal in particular, when the need to revive economic growth resulted in massive political efforts and social movements to unionize key industries and establish basic standards of pay and decent work through collective bargaining and the expansion of labor rights.²⁵

Obviously, such ideas contradict the neo-liberal thinking governing China's economic debates as well as the technocratic approach of reform "from above" underlying the official concept of the "harmonious society." As labor policies in most Western countries have retreated from the basics of the post-war social contract, a New Deal for Chinese Workers seems to be far away. The resulting fragmentation of labor relations and the "incomplete" tripartism with highly fragmented representation of workers interests is likely to dominate the Chinese characteristics of labor relations in the foreseeable future.

However, certain segments of the working class with their often surprising mobilizations will continue to raise the question of further reform, as the massive unrest among migrant workers in South China in the spring of 2010 or the recent struggles over the restructuring of major steel enterprises in China demonstrate. Western labor movements can contribute many important experiences for this learning process, provided Western trade unions will be able to defend basic labor standards and their collective regulation on their own turf.

²⁵ Qiao Jian, *Fazhan he zhuangda gonghui zuzhi de biyaoxing yu biranxing fenxi – laizi meiguo da xiaotiao shidai laogong zhengce de qishi* (Importance and Necessity of Union Growth: Lessons from U.S. labor policies during the Great Depression), in: Xin Renli (New Manpower), 4/2009, pp. 36-42.