

## Employment relations “with Chinese characteristics”: The role of trade unions in China

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**Abstract.** *Reviewing recent labour developments and trade union policy shifts in historical perspective, this article explores the role of trade unions in China’s efforts to promote a “harmonious society”. The much-criticized “top-down” approach associated with the All-China Federation of Trade Unions, however, has led to growing pressure “from below”, as evidenced by the recent increase in the number of strikes. With an emergent new role for trade unions, the authors argue, an employment relations system “with Chinese characteristics” is now institutionally embedded in the People’s Republic.*

Like the other institutions of the People’s Republic of China, its trade unions face a major challenge in the shape of an ever-internationalizing economy and all this entails, including growing labour unrest as workers seek better wages and conditions. Although the trade unions’ traditional structure and function are products of China’s Communist history, they are having to embrace both strategic and organizational change in order to respond effectively to today’s economic, social and political context (see Child, 1994, 2005 and 2009).

Drawing on a wide range of sources,<sup>1</sup> this overview analyses the changing role of the Chinese trade union movement vis-à-vis the earlier system of

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<sup>1</sup> Some of our findings are based on interviews and the results of a National Survey conducted in March 2009 by the China Institute of Industrial Relations (CIIR), a regular institution of higher education affiliated to the ACFTU. Our interviews with local trade union authorities and “grass-roots” union leaders were conducted in May 2009 in multiple locations, including Fujian, Hunan, Hubei and Hainan Provinces and in Beijing city via CIIR local colleges, through the auspices of Tongqing Feng, who formerly headed the CIIR.

“industrial relations” (*laodong or laozi guanxi*), which we see as morphing into a system of “employment relations” (*guyong guanxi*), albeit one “with Chinese characteristics” (*you Zhongguo tese*). The theoretical rationale of the article is to find out whether the “convergence” argument (discussed in Warner, 2003) still stands up in the light of the system’s responses to recent changes in the economic, political and social environment (see also Warner, 2008a, 2008b, 2009, 2010, 2011a and 2011b). As the People’s Republic moves further towards becoming a market economy, the argument goes, its institutional responses in this field should “converge” with other labour management systems – in the direction of greater decentralization. In short, the central empirical proposition addressed in this overview is that the greater the rate of change in the economic, political and social environments, the greater the pressure on the employment relations system to move towards decentralization. But China is arguably *different* – with its own deep-rooted national culture and its long history of centralized State power, with Party hegemony still prevailing today.

As China entered the twenty-first century – with economic superpower status, WTO membership in 2001 and the Olympic Games-host role in 2008 – it had to confront a set of apparent contradictions between these contemporary themes and its long-established institutions (see Huang, 2008). One of these comprises what has variously been referred to as its employment/industrial/labour relations structures, which are based on an entrenched state-dominated union establishment, the All-China Federation of Trade Unions (ACFTU), founded as far back as the early 1920s (Ng and Warner, 1998).

In order to put the issues into perspective, the next section provides a brief background on the evolution of the Chinese trade union movement. The following section then looks at more recent developments and current concerns, including the emerging role of unions in foreign-owned enterprises, the development of union membership among migrant workers, the trend toward direct election of union leaders, and the unions’ participation in – and promotion of – the development of new labour regulations. The article concludes with a discussion highlighting some key implications for the future.

## Background

With the establishment of the Communist Party of China in 1921, the Secretariat of the China Labour Association, as it was then called, was set up to launch a nationwide labour movement. The first National Labour Congress was held in 1922, laying the ground for the establishment of a national trade union body. On 1 May 1925, a second National Labour Congress took place in Guangzhou, in Guangdong Province in south-east China, which announced the foundation of the ACFTU. From that date, the “Party-led Chinese working class” could claim a coherent national union entity (see Ng and Warner, 1998). This body was to become the main prop of the “Party–Worker nexus” after the “Liberation” in 1949, anchored as it soon was in the 1950 Trade Union Law.

The ACFTU was subsequently to become part and parcel of the “iron rice bowl” system (*tie fan wan*), the “life-time employment” status that workers were to enjoy from the 1950s to the 1980s, based on a state-owned enterprise (SOE) model largely derived from Soviet practice (see Kaple, 1994). This template came with many variations, but it became clearly recognizable as a stereotype. For better or worse, however, its days were numbered. Although some have survived in a reformed mode, many larger SOEs have become joint-stock firms with majority state holdings, even aiming to become home-grown multinationals (see Huang, 2008).

The Trade Union Law of 1992 and the Labour Law of 1994, which took effect in 1995, were major steps on the way to a more market-driven system incorporating the labour movement into the process of reform (see Ng and Warner, 1998; Brown, 2010). This legislation institutionalized an emerging “labour market” by legalizing individual contracts (*geren hetong*) and collective agreements (*jiti hetong*) – a move in the direction of collective bargaining (Warner and Ng, 1999; Zhu and Campbell, 2002; Hishida et al., 2010).

In spite of these developments, the ACFTU has remained the linchpin of the Chinese system, deftly accommodating Deng Xiaoping’s economic reforms of the 1980s and 1990s and the resulting diversification of firm ownership; at the last count, it officially had the biggest trade union membership in the world, with well over 230 million members across 1.8 million union branches. The new laws relating to labour and management have been described in terms of a move towards a recognizable employment relations system, but the ACFTU has remained an integral part of it (see Taylor, Chang and Li, 2003; Warner, 2009; Brown, 2010).<sup>2</sup>

Over the decades, the ACFTU has been seen to act as a Leninist “transmission-belt” mechanism linking the central Party/State with the ranks below (see Schurmann, 1966; Ng and Warner, 1998; Cooke, 2005), and it would be unrealistic to expect this “top-down” *modus operandi* to be dispensed with overnight. However, the Party’s recent policy shifts on the creation of a “harmonious society” (*hexie shehui*) based on the “basic principle of humanity and scientific development” may perhaps herald an opportunity for change (see Zheng and Tok, 2007; ACFTU, 2007). There is, as yet, no unambiguous template for “harmony”. How “harmonious” society should be is not specified, and whether harmony can be measured is moot. Though the notion is relatively broadly defined, however, it has appeared more and more frequently in the past few years, with the promise of “hard results” on the industrial front. Managers, in both domestic- and foreign-owned firms, now have to appear to take more serious account of their employees’ interests.

With this policy shift towards “grass-roots” interests, the ACFTU has been under pressure to develop concrete initiatives to realize the new political and

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<sup>2</sup> For more detail on the history of trade unions in China and their workplace practices in the pre-reform period, see Ng and Warner (1998), Ding, Goodall and Warner (2002), Warner (2008a and 2008b) and Zhu and Warner (2000).

social goals set by the Party. An example of the underlying thinking is embodied in the 2007 Employment Contract Law, which has been in force since 2008.<sup>3</sup> This legislation was put forward as a corrective to the imbalances in Chinese economic life and widely promoted as part of the “harmonious society” policy (Warner, 2008b). Indeed, the Employment Contract Law reflects the Party’s increasing awareness of emergent social tensions arising from the new power imbalances in the workplace and the less egalitarian income- and wealth-distribution now found in China. For the sake of social harmony, the Party has thus attempted to appease the “losers”, at least partially, without penalizing the “winners” (see Whyte, 2010).

At any rate, only time will tell whether the contradictions of globalized contemporary China can find a truly “harmonious” resolution (see Warner, 2009). Meanwhile, one long-standing contradiction has been that between the democratic rhetoric of the Chinese labour movement and its oligarchic reality – the “democratic centrism” paradox. For many years, the top-down approach of the ACFTU dominated the union movement, giving rise to growing criticism both within union ranks and among commentators to the effect that the top leadership of ACFTU is “out of touch”, behaving like “bureaucrats” in the face of pressure building up “from below” (see *China Labour Bulletin*, 2009).

As a result, the ACFTU has increasingly promoted “grass-roots” union activities across China,<sup>4</sup> with many initiatives seeking to forge new workplace relations along the lines noted above. Examples will be given in later sections of this article, as both positive and negative examples certainly abound.

## Key recent developments in Chinese trade unionism

Since the 1990s, trade unions in China have experienced three key phases of transformation, namely: a period of gradual decline from 1993 to 1999, a period of rapid growth from 1999 to 2002, and a period of growth and consolidation since 2003 (see table 1). The current organizational profile of the ACFTU is depicted in figure 1.

From the early 1990s, China started to take decisive measures to deepen its post-1978 economic reforms, with the gradual introduction of privatization, corporatization and restructuring of the public sector, the increasing use of contract management systems, and growing numbers of troubled state-owned enterprises (SOEs) pushed into bankruptcy. As a result of closures and ownership restructuring, the number of SOEs and collective-owned enterprises (COEs) declined dramatically, while the number of employees in the public sector also shrank. As the public sector had the largest number of union branches and the largest membership, this was to have far-reaching consequences: many

<sup>3</sup> See *People’s Daily*, 9 August 2007, p. 1.

<sup>4</sup> Throughout this article, the term “grass-roots unions” should be understood to refer to unions established in enterprises, institutions and government departments (see figure 1).

Table 1. The development of trade unions in China in recent years (Unit: 10,000)

Year	Union branches	Union members
1993	62.67	
1994	58.29	
1995	59.31	10,400
1996	58.59	10,212
1997	51.03	9,131
1998	50.35	8,913
1999	50.86	8,690
2000	85.86	10,362
2001	153.80	12,152
2002	171.30	13,398
2003	90.55	12,340
2004	102.00	13,695
2005	117.40	15,029
2006	132.40	16,994
2007	150.80	19,329
2008	172.50	21,200
2009	180.00	23,000

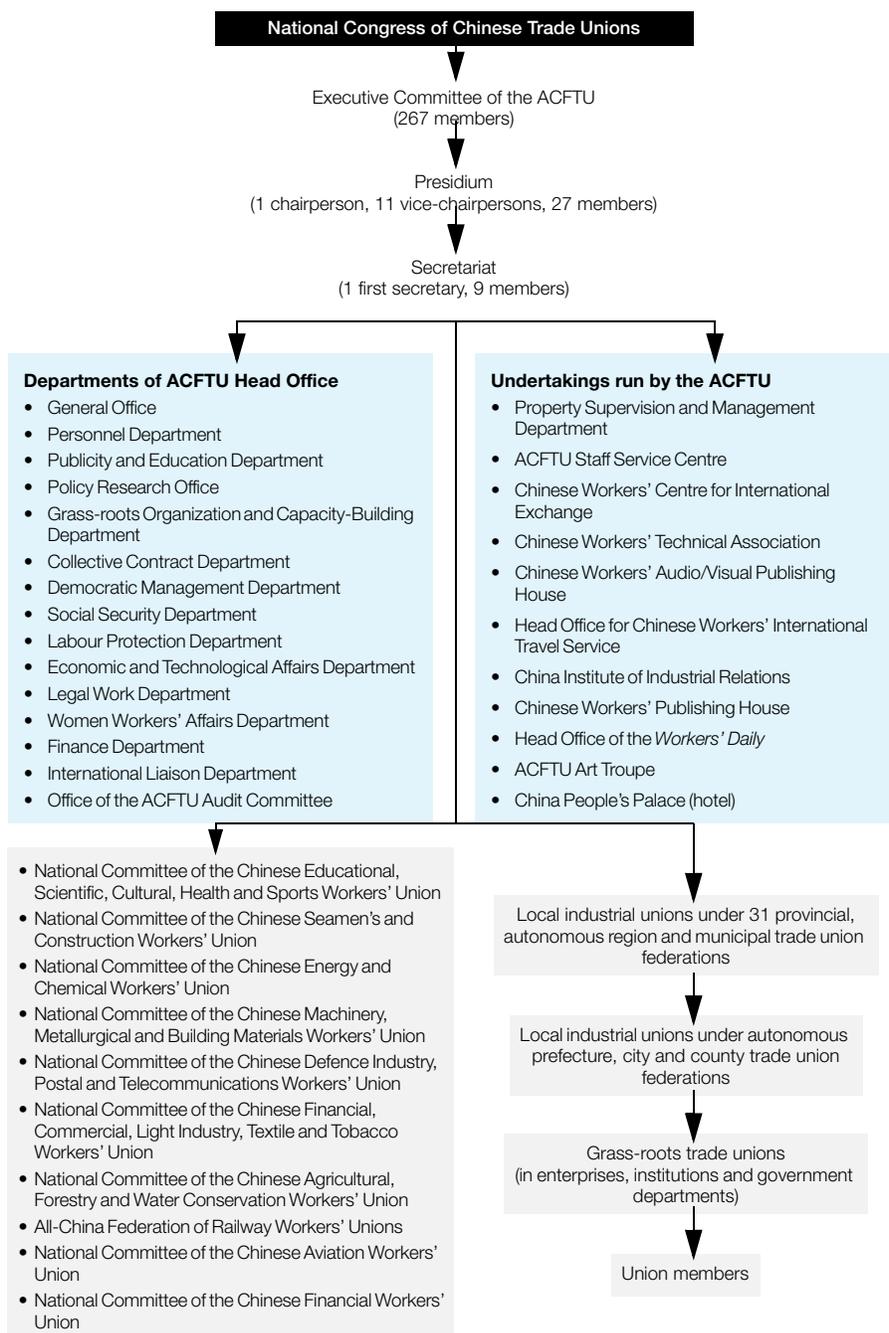
Source: China Labour Statistical Yearbook 2010; China Trade Unions Statistical Yearbook 2008.

traditional strongholds of the trade unions disappeared, and by 1998, the number of union branches and union membership had reached very low levels (see table 1).

Many of the employees of domestic private enterprises and foreign-owned enterprises were not union members because most of these enterprises were not unionized. Chang and Wu (2000) estimate that the non-unionized workforce exceeded 200 million in 1998–99. The late 1990s were indeed the most difficult period both for the Government and for the trade unions. The Asian financial crisis of 1997–98 caused a serious economic downturn, with an increasing number of private enterprises closing down due to lack of export markets, and the subsequent restructuring of public-sector firms, which reduced the number of SOEs and COEs. The economic downturn also increased the incidence of labour disputes over delayed or unpaid wages, weak labour-contract protection for workers, lack of compensation for injury, and other concerns. Consequently, many “grass-roots workers’ protection groups” (*weiquan yundong*) emerged, ostensibly independent from the ACFTU; the legitimacy of the official unions was, at least *prima facie*, being challenged.

After the troubled period 1998–99, the Government started to realize that the ACFTU must take initiatives at the grass-roots level in order to attract more members and counter the competition from relatively independent workers’ protection groups. In June 2000, the apex body of the ACFTU established a new policy aimed at developing new enterprise-based unions as “an urgent task”. The

Figure 1. Organizational profile of the ACFTU



Note: Local industrial unions at all levels accept the leadership of industrial unions at higher levels.

Source: ACFTU (2007).

Table 2. Unionization by type of enterprise ownership, 2007

Type of ownership	Number of unions (10,000)	Percentage of total	Change (%)
State-owned enterprises	9.4	11	-1.9
Collective-owned enterprises	7.3	9	-1.2
Domestic private enterprises	57.1	70	2.3
Foreign-owned enterprises	8.0	10	0.8

Source: ACFTU Research Office (visited 22 May 2008).

then Chairman, Wei Jianxing, argued that "[w]ithout the establishment of enterprise unions, there is no way to talk about trade unions' role as the protector of workers' rights and the connector between the Party/State and masses" (ACFTU, 2007). The ACFTU henceforth treated this matter as a "political campaign" (see Zhang, 2003).

Following this policy shift, the number of grass-roots unions and union membership increased. By the end of 2002, the newly established enterprise unions numbered one million, with a reported increase in membership of over 36 million; total union membership had reached some 130 million. However, this quick expansion led to other serious problems: in the rush to build up numbers rather than enhance the "quality" of unions, unions were being established in name only rather than substance, and trade unions were being set up by the owners/employers of private businesses. In response, the ACFTU launched another campaign, "to clean up the mess": after one year of adjustment, between 2002 and 2003, the number of grass-roots unions was reduced by 50 per cent, and membership by more than 10 million (see G. Feng, 2006).

In the years that followed, the ACFTU again shifted its strategy by emphasizing the "solid and stable" development of trade union branches and membership, which was the central theme of the 14th ACFTU Congress in 2003. Since then, the key activities of the ACFTU have focused on a more *credible* representation and protection of union members through its grass-roots organizations (see Hishida et al., 2010). In 2005, all levels were instructed to concentrate on the development of enterprise unions among domestic private enterprises and foreign-owned enterprises and to boost the organization of migrant workers within the official trade union system (T. Feng, 2006). By 2007, the private sector had the largest proportion of union branches, with domestic and foreign-owned enterprises accounting for 70 and 10 per cent of the total respectively, while SOEs and COEs were left with minority shares at only 11 and 9 per cent, respectively, on a trend decline that looked set to continue (see table 2).

### *The emerging role of unions in foreign-owned enterprises*

Under article 10 of the 1992 Trade Union Law, as amended in 2001, enterprises with more than 25 employees are required to establish an enterprise union committee, while those with fewer than 25 employees may either establish their own union committee or set up a joint union committee with one or more similar

enterprises.<sup>5</sup> By 2004, however, many of the leading multinationals operating in China still did not have any kind of union at all, so the ACFTU announced that it would publish a “blacklist” of those that had not complied with the law and threatened to take legal action against them if they did not establish an enterprise union within a specified period. This decision was reported in the domestic and international media, and many foreign-owned enterprises started to consider ways of coping with the pressure. A typical example is the case of Wal-Mart, a United States-based retailer, with sites all across China.

The difficulty of setting up unions at Wal-Mart outlets was well known, not only in China, but also in other countries, including the United States (see Davies, 2007). As part of a national campaign to ease labour–capital tensions in foreign-owned enterprises (particularly wholly owned foreign enterprises), the central Government attributed such reluctance to what it called “unstable factors” (*buwending yinsu*) and soon gave the ACFTU a “green light” to tackle the problem of non-unionized foreign-owned enterprises.

According to interviews carried out by one of the co-authors of this article (T. Feng, 2007), Fujian Province was designated as the “target area” for enforcing the Trade Union Law. In 2006, after a campaign of promotion and suasion by local governments and trade unions, most of the Taiwanese investment enterprises in the province had set up unions, but not many of the Western companies had done so. The Wal-Mart store in Quanzhou became a target. The starting point was the willingness of its employees to establish a trade union with the encouragement of local trade union branches. But even after the intervention of the local government and trade unions, the local store management was still reluctant to allow the union to be established on the grounds that it had no authorization from Wal-Mart headquarters. The matter was then referred to the top level of the ACFTU (*ibid.*).

Following negotiations between the ACFTU and the China headquarters of Wal-Mart, an agreement was reached based on the principles of respect for the law, cooperation, maintenance of industrial harmony and so on. Eventually, the first union branch was thus established at Wal-Mart’s Quanzhou store in July 2006, breaking the company’s tradition of non-unionization (J. Feng, 2009). Since then, all Wal-Mart stores in China have established union branches (see Brown, 2010, p. 45). This was a major *symbolic* victory for the ACFTU.

The Wal-Mart case – particularly the “green light” from higher authority – reflects the traditional political workings of the top-down approach to sensitive problem-solving in China. However, the support of local union branches and the initial grass-roots activities that procured the workers’ willingness to organize also suggest a bottom-up mechanism which seems to be a step in the right direction for the union movement in China.

More recently, the ACFTU launched a (still ongoing) campaign aimed at unionizing foreign-owned enterprises – especially among the *Fortune 500* com-

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<sup>5</sup> An English translation of the amended Trade Union Law is available at: <http://www.acftu.org.cn/template/10002/file.jsp?cid=56&aid=30> [accessed 27 May 2011].

panies – with the stated goal of 100 per cent unionization by the end of 2011 (J. Feng, 2009; *China Labour Bulletin*, 2009; Brown, 2010). In January 2009, the *Beijing Review* reported ACFTU data claiming that 483 of the *Fortune 500* firms in business in China were signed up. But less than half of them had actually established trade unions, compared with more than 73 per cent of all of the foreign-owned enterprises in China (J. Feng, 2009). One excuse given by multinationals in China for failing to set up trade unions is that they already have employee welfare groups, such as staff welfare unions and staff clubs. The ACFTU, however, has pointed out that such organizations are not substitutes for trade unions because they are not true workers’ organizations and thus cannot protect the rights of employees (ibid.).

In an effort to attain its possibly over-ambitious “ideal” of 100 per cent unionization, the ACFTU’s new tactic has consisted in communicating with the foreign headquarters of multinationals regarding the establishment of unions at their Chinese subsidiaries. In order to persuade them to set up enterprise unions, it has emphasized the differences between Chinese unions and unions elsewhere, claiming that Chinese unions adopt “cooperative” and “supportive” attitudes towards management and have, in fact, substantially increased business efficiency and resolved many disputes between workers and management (ibid.).

### *Union membership among migrant workers*

In 2004, the 14th ACFTU Congress set the union movement another important task, namely, the development of membership among migrant workers (*min-gong*), who were seen as the “new members of the proletarian class” (T. Feng, 2006). According to the ACFTU (2007), registered migrant workers employed in urban areas numbered nearly 100 million; the number would possibly have been double that if the unregistered had been included – and it was growing by more than 5 million each year. These migrants mostly work in small and medium-sized firms engaged in labour-intensive manufacturing, construction and service industries. Although they have made a great contribution to China’s national development and export-driven growth, they face many kinds of discrimination, including lack of education for their children, non-payment or delayed payment of their wages, and inadequate compensation for occupational injuries.<sup>6</sup> Such discrimination led to “anti-social” protest behaviour on the part of many migrant workers who felt they were being treated unfairly and openly expressed their substantial grievances (ibid.).

Since one of the major tasks of the Party/State is to maintain “social harmony”, the ACFTU was called upon to develop new initiatives in support of this marginalized workforce and help avoid further social conflict. In 2004, new

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<sup>6</sup> See Zhikai Wang: “Social security for China’s migrant workers”, in this issue of the *International Labour Review*.

initiatives were duly taken – at the “grass-roots” level – to extend union coverage to migrant workers and provide them with legal and institutional support. Two examples will be given to illustrate these developments.

The first is the so-called Xinyang Model, based on an initiative developed in Xinyang, Henan Province (T. Feng, 2006). Xinyang is one of the key regions supplying migrant workers, with about 2 million of them moving out each year. Their remittances account for about one third of the region’s total income, yet many cases of unfair treatment have been reported among them and this became a major social issue in the region.

In an attempt to protect their own migrant workers who had moved on to earn a living, the local government and trade unions used the local union branch as a central organization and started to recruit native migrant workers to become union members before going off to other parts of the country. The local union branch would then contact other union branches in major designated industrial locations, such as Shanghai and in Zhejiang Province, and transfer these migrant workers’ membership to the new locations. Both locally based unions could thus provide support and protection to these migrant workers. In addition, the Xinyang government and the local union branch worked together to set up 96 Migrant Workers’ Protection Service Centres in various industrial regions across China to help these workers sign labour contracts and secure payment of overdue wages and to provide them with legal assistance in labour disputes and injury cases. They also helped to develop schools for migrant workers as well as their children.

The second example is known as the Yiwu Model, developed from local trade union initiatives in Yiwu, in Zhejiang Province (Lou, 2007). In order to protect themselves against discrimination and unfair treatment, migrant workers from this region had started to organize on the basis of self-defence associations of workers from the same village or region (*tongxiang hui*). However, these organizations were sometimes alleged to resort to violent methods to solve disputes by “taking the law into their own hands” (*ibid.*). This was seen as potentially disruptive of “social harmony” in the Yiwu region, and the local authority became concerned about the threat to law and order from certain groups getting “out of control”. The local government and trade union branches therefore worked together to re-organize these workers’ “self-defence” groups into “safe” local union branches. With formal union representation, these migrant workers were thus protected by the local union branches in the areas with established Migrant Workers’ Protection Service Centres (*ibid.*).

By 2010, however, it was clear that the ACFTU was unable to represent the grievances of migrant workers in foreign-owned enterprises, particularly those in Guangdong Province and in the Shenzhen Special Economic Zone. For instance, there were reports of high rates of suicide among (mostly young) production-line workers at the factories of the world’s largest electronics manufacturing multinationals, such as Foxconn, a Shenzhen-based subcontractor for leading Western and Japanese brand-name companies like Apple, Dell and Sony. In response, Taiwan-owned Foxconn conceded increases in the basic wages of its employees

in China by 30 per cent in June and a total of 122 per cent by October (*China Labour Bulletin*, 2010a). Disputes also flared up at Honda and Toyota plants across China, led by "unofficial" activists said to be coordinating their efforts via mobile-phones, the Internet and other e-media. During the May 2010 strike at Honda's Foshan plant in Guangdong Province, the union sent in 100 of its high-level members to calm down the tension, but they eventually came to blows with the strikers who resented their intrusion (*The Economist*, 2010).

The ACFTU has a herculean task ahead if it wants to fulfil its assigned role of representing workers or, if it falls short of this mission, to at least be able to maintain social stability. To do away with the "fake unions", the local trade union offices should be put under the jurisdiction of the upper-level union instead of local governments. The ACFTU should allow workers to elect their representatives to their workplace union committees, too, as has happened in a very modest number of firms. Only then can the union branches demonstrably represent workers' interests rather [than the interests of] the employers or governments (Chan, 2010, p. 9).

Chan also noted that the Honda strike had broken new boundaries: "This is a remarkable development. Most strikes in China tend to be about not being paid or being mistreated. This was different. The workers were demanding very high salaries. And they want to elect union leaders democratically" (quoted from Barboza, 2010, p. 1).

Reflecting the Government's eagerness to pre-empt the rise of a Polish Solidarity-like opposition, the Prime Minister, Wen Jibao, recently called for working conditions to be improved as soon as possible (Watts, 2010). The Guangdong Party chief called for unions in privately owned firms to be "improved"; but setting them free from Party control still "remains taboo", it would seem (*The Economist*, 2010).

### *Towards direct election of union leaders?*

One of the weaknesses of Chinese trade unionism is that unions at the enterprise level are less than independent from management because many "grass-roots union leaders" have traditionally been nominated by higher-level union authorities or enterprise leaders (see, for example, Solinger, 2009; Cai, 2010; Chan, 2010). Following such nominations, the process of formal "voting" by union members thus became a mere "window-dressing" exercise (see Howell, 2008).

The earliest attempts at "direct election" of union leaders date back to 1984 in Shenzhen and Shekou where the election processes were reportedly "open" and "independent", without nominations or intervention by the authorities. Since then, this practice seems to have developed some momentum, but the trend should not be over-emphasized because objective evidence is hard to find. In 2003, one third of the 120,000 grass-roots union leaders in Guangdong Province were believed to have been directly elected by union members (Zhang, 2003). Most of the grass-roots unions established in privately owned enterprises had reportedly held "direct" elections – nearly 70 per cent of

them in some industrial regions, such as in Zhejiang Province, according to one estimate (*ibid.*). If correct, such reports could reflect the onset of a trend toward workers' "self-determination" and "self-management" of trade union activities, together with an increasing awareness of their statutory rights. But we must be cautious not to read too much into this without firmer, unbiased and more recent evidence.

### *Participation in the promotion and development of new labour legislation*

One of the ACFTU's more effective endeavours in representing and defending workers' rights has been its involvement in the drafting and framing of labour legislation. From the first Labour Law in 1994 to the 2001 amendments to the Trade Union Law and, more recently, the debates on the 2007 Employment Contract Law, the Employment Promotion Law, the Labour Dispute Settlement Law and the Social Insurance Law, the ACFTU has consistently been seen as an active participant in the law-making process (*China Labour Bulletin*, 2009; Brown, 2010).

Its most important recent contribution was made towards the drafting of the 2007 Employment Contract Law, when both the Government and the trade unions came under tremendous pressure from employers' groups, including the American Chamber of Commerce, which were threatening withdrawal of their capital if such favourable conditions for workers as were envisaged passed into legislation. Then, in the wake of the global economic crisis of 2008–09 that immediately followed the Law's entry into force in 2008, the employers' groups became increasingly "noisy" about the negative impact of this legislation and petitioned the Government for amendments. Indeed, some 20 million jobs were reportedly lost by the end of 2008 largely in export-oriented foreign-owned enterprises in the coastal regions (*The Economist*, 2009). The trade unions strongly argued that the Employment Contract Law was not the root cause of the labour market downturn, and both the Government and the trade unions have clearly ruled out the need for further changes in labour legislation. But given the tensions of the past year or so, the debate is likely to continue.

The trade unions have also been involved in "monitoring" the implementation of a range of legislation in China, where weak enforcement has always been a problem. Working together with grass-roots union organizations, industry-level and local union branches are indeed under pressure to carry out better and more detailed investigations of the implementation of labour legislation at the enterprise level in order to enable the government labour bureaux to take administrative and legal action against enterprises that disregard new laws. Given the large numbers of workers who are injured or even killed at work every day and widespread problems with the payment of wages, the law enforcement function of the trade unions – working together with other NGOs and government agencies – has become a priority in China's efforts to improve workers' welfare. But it is hard to predict the pace of improvements in enforcement because

of the shortage of labour inspectors, widespread non-compliance, local government corruption, the vast size of China's industrial workforce, and its geographical spread.

Other trade union activities in this area include legal aid to union members in labour dispute cases, training to promote awareness of new labour legislation among workers, and participation in enterprise-based dispute mediation committees. Given the increasing number of labour disputes in recent years, grass-roots unions have been under pressure to engage actively in these important activities in order to reduce conflict and tensions at the enterprise level and thereby contribute to easing wider social tensions. Enterprise-level unions clearly need to become more effective in representing the country's increasingly differentiated workforce but also in maintaining "social harmony" – which is possibly a contradiction in terms. Indeed, the incidence of labour disputes looks more likely to increase, as do the potential stresses on Chinese society and the challenges the unions will face (see Warner, 2010 and 2011a).

## Discussion

The opening up of China's economic, political and social space has been slow and pragmatic, and it remains to be seen what will ultimately come of the developments described and analysed above. Whatever the consequences, intended or unintended, the challenges for the trade union movement in general and for grass-roots unionization in particular will not be easily met, as illustrated by what happened during the recent wave of strikes in southern China. Critics of the system have observed many difficulties at the grass-roots level for some years now.<sup>7</sup> For instance, gaining more autonomy is one of the greatest challenges facing local/branch union leaders (see Hishida et al., 2010) because it involves so many different people with interests at stake, such as supervisors, human resource managers and vice-presidents of companies, all of whom have the power to influence unions' activities and decisions. This could indeed lead to further debate about the extent of freedom of association in China and has already become a "hot potato" for the Party. However, in the current political climate, there is still no suitable public arena for a full and frank discussion of such controversial issues, although the world-wide English-language channel of CCTV held a series of "live" debates on unequal wealth- and income-distribution and weak labour rights in June–July 2010. On that occasion, the very legitimacy of the ACFTU was held up for scrutiny.

The Guangdong government's recent efforts to adopt "Regulations on the Democratic Management of Enterprises" in 2010 shed some light on the difficulty of developing better collective consultation structures (cf. Warner and Ng, 1999). Two chapters of these draft Regulations were particularly significant, namely, the fifth, on "collective wage consultations", and the sixth, on "dispute

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<sup>7</sup> See, for example, Chaojie Liu: "Failures of enterprise-level unionization in China: Implications for coalmine safety and beyond", in this issue of the *International Labour Review*.

coordination and management". Article 40 of the Regulations provided an opportunity for workers to initiate collective wage consultations: on application by at least one fifth of the enterprise workforce, the union was required to organize the democratic election of worker representatives to engage in negotiations, and to inform the enterprise of the demand for collective consultations on wages. Article 41 further stipulated that in enterprises without a union, when one fifth of the workers asked for collective consultations on wages, the local trade union may be called upon to supervise and guide the democratic election of worker representatives. If passed, these reforms would have provided workers with a formalized channel for protecting their interests, enabling them to use collective bargaining to voice their demands without having to take more radical action such as strike. In addition, workers would have gained back the right to initiate collective bargaining and represent themselves (see *China Labour Bulletin*, 2010b).

However, this legislative initiative was blocked by major employers in Guangdong Province, particularly investors from Hong Kong. Under pressure from the business associations of the Hong Kong Special Administrative Region and the domestic business lobby, the clause which would have allowed for the democratic election of workers' bargaining representatives has now been deleted and responsibility for negotiations given over to the trade union (*China Labour Bulletin*, 2010c).

The new reality is that the expectations of workers in China's globalizing society and economy have grown significantly as their horizons have widened. Phrases like "harmonious society" and "social harmony" are now used by those in authority as mobilizing slogans to help ease the tensions between the status quo and the ongoing global changes that China is experiencing. But they may not be enough to placate discontent – as the Foxconn events have shown. Younger workers in China are said to have different values from those of the older generation. They are allegedly less deferential and more individualistic in their ambitions than their elders, but the evidence is ambiguous and many traditional norms may still prevail (see Warner, 2011b).

### Concluding remarks

Trade unions in China have recently seen major changes in the direction of "opening up" to an employment relations system, but one "with Chinese characteristics", neither fully "Western" (as in the United States or the United Kingdom) nor fully "Eastern" (as in Japan), which calls into question any simplistic projection of "convergence" (see Warner, 2003, on this debate). Recent years have indeed brought significant developments on several fronts, especially since the entry into force of the Employment Contract Law in 2008. And trade union recruitment campaigns have been mounted in an attempt to improve the representation of workers in foreign-owned enterprises and migrant workers. But the results have been mixed and ongoing fieldwork on the ACFTU has stressed "union revitalization" as an urgent necessity (Fan, 2009).

The system needs to provide a more robust reflection both of the plurality of ownership forms now extant in contemporary China – as opposed to the former SOE-based system of the “iron rice bowl” – and of the current expectations of workers in the globalizing society and economy in which they now live and work. We initially conjectured that the greater the rate of change in the economic, political and social environments in China, the greater the pressure on the employment relations system to move towards decentralization. However, the main thrust of this proposition has been only partially sustained by the evidence presented in this article – and with only a limited degree of “convergence” (see Warner, 2003, 2009 and 2011b). There is still an ongoing bargaining process between several key players, including the Party/State and the employers, on the one hand, and the workers and trade unions, on the other.<sup>8</sup>

With increasing economic prosperity and growing awareness of workers’ rights, China’s new working class is demanding a bigger share of the economic cake. The Party/State seems to be responding with a policy shift towards redistribution of national wealth by increasing the level of minimum wages and adjusting individual income tax rates. While such changes may have some positive effects, by increasing living standards and consumption levels and thereby enhancing the prospects for “social harmony”, they may not go far enough to meet expectations.

As far as the trade union movement is concerned, the ACFTU has clearly become less homogenous in its strategic and structural characteristics and in its functions over time, with some limited progress towards opening up to “grass-roots” initiatives and widening its membership representation. But it is too early to say whether we have arrived at a “tipping point”: the political clout still remains with the higher Party echelons. Yet, as was made clear by the recent wave of strikes in Shenzhen, in Guangdong Province more widely and elsewhere, the ACFTU has not been able to assert itself as a legitimate outlet for the new kinds of grievances that are surfacing today, particularly among young workers.

It would in any case be naïve to believe that fundamental change in the employment relations system will come about overnight. Reformers may indeed face a further “Long March”; and we can only conclude that progress in the People’s Republic is never linear. In China, as ever, contradictions and ambiguities will always abound.

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<sup>8</sup> See, for example, Zhining Ma: “Industrial relations in China: A review based on a six-party model”, in this issue of the *International Labour Review*.

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