

Labour as an Agent of Change: The Case of China

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Does China's development pathway represent a 'new developmentalist' alternative to neoliberal policies? Or does the fact that over 250 million Chinese people have been lifted out of poverty at the same time as the country has integrated into the global capitalist system render the country a poster child for neoliberalism itself? By focusing on the central question of labour relations, this chapter argues that in fact neither interpretation can help us understand China's transition from a centrally planned command economy to a decentralised market economy. Instead, the emerging new labour movement opens up the space to think about alternatives beyond the inequalities of neoliberalism and the top-down structural impositions and constraints on labour generally associated with new developmentalism. Furthermore, thinking about Chinese development from a labour movement perspective reminds us of a core aspect of Marx's thinking – the relationship between class struggle and change.

The structure of the chapter is straightforward. First, I take an historical approach to examining the principal features of China's transition from a labour perspective. Then I look at the response of workers. Finally, I take up the question of the alternatives that are emerging in the demands of a working class that, as we shall see, has undergone both an unmaking and a remaking. The chapter broadly addresses the question of building a labour movement which, by virtue of the sheer size of the working class in China, has the potential to generate alternatives to global capitalism.

China in Transition

Although there was significant continuity between pre and post liberation China, most of the literature dates the birth of 'new' China to the Communist Party of China's (CPC) victory over the Guomindang. The Guomindang was initially founded by the anti-imperialist nationalist Sun Yat-sen and later led by the fanatical anti-communist Chiang Kai-shek; the CPC's victory over his party concluded more than two decades of intermittent civil war. The People's

Republic of China was formally established in October 1949 when Mao Zedong famously announced that the ‘people of China have stood up’, ending centuries of imperialist incursions by the West and Japan and dispatching the Guomindang to Taiwan.

For most of the decade that followed, China emulated the Soviet model, as thousands of technicians and millions of roubles arrived from the USSR as part of an aid programme designed in part to offset the US policy of containment of the new republic. However, tensions between Mao and Stalin developed throughout the 1950s, culminating in the withdrawal of Soviet technicians – with the blueprints of various large-scale development projects – as the two ‘socialist’ states teetered on the brink of war. China was left in a state of semi-isolation which continued right up to the eve of the reform era in 1978. From an international perspective, China was contained by the post-war policies of the United States and its concomitant determination to control, or least influence, the outcome of decolonisation around the world. China nonetheless contributed towards processes of post-colonial state building with aid and support for infrastructure projects, notably in Africa.

Prior to 1978, Chinese labour relations centred on the construction of the urban *danwei* (or work unit) into which state-owned and collectively owned enterprises were organised. The *danwei* was understood not as a set of means of production but as a unit of labour, comprising all employees from the general director down to the cleaner, who were all equally employees of the state and organised into the same trade union (Pringle and Clarke, 2011: 6). Industrial workers enjoyed higher standards of living than peasants in China, who were mostly excluded from the *danwei* by a system of household registration (*hukou zhidu*) which divided the population into urban and rural categories. The household registration system formed part of an overall development strategy that prioritised heavy industry over rural development, and required a degree of administrative state coercion to prevent migration to the towns.

Any inherent stability that this state-led, redistributive and repressive model of development might contain was continually rocked by political campaigns, as politics polarised during the late 1950s. Following the successful implementation of China’s First Five-Year Plan (1953–57), which nationalised the entire economy, Mao and his supporters in the CPC embarked on a series of campaigns which included wildly ambitious production targets (the Great Leap Forward, 1958–59) and an all-out attack on the party-state bureaucracy – the Cultural Revolution (1966–69), which only just stopped short of civil war. Indeed, the consequent fear of a return to the chaos and economic stagnation of the Cultural Revolution years at least partly informed the CPC’s decision to introduce a major agricultural reform known as the Household Responsibility System (HRS) in 1978 (Pringle, 2013). The HRS heralded the return to household-based farming and the dismantling of collective people’s communes that had been set up during the collectivisation of agriculture in the late 1950s. Even more dramatically, it paved the way for a new industrial strategy that was to break, via privatisation, the

'iron rice bowl' of permanent employment and relative welfare security that the urban working class had secured under the *danwei* system. The journey back to capitalist labour relations, which pitched the interests of labour against those of private capital while the state withdrew from the micromanagement of industry, had begun. What did this mean for labour? More importantly, what were the demands raised by labour?

'Crossing the River by Feeling for the Stones': The Triumph of Gradualism

Profoundly conscious of the potential power of China's now much larger working class, the CPC approached industrial reform with caution, as epitomised by Deng Xiaoping's phrase cited above. Fixed-time contracts gradually replaced permanent employment for new hires after 1986, and state-owned enterprise (SOE) managers were given powers over hiring, firing and profit retention. The 1989 Democracy Movement, which culminated in a bloody crackdown on students and workers who had formed autonomous organisations, slowed the pace of SOE reform as the state, fearful of reigniting further national-scale protests, pulled back from implementing widespread redundancies. However, increasing competition from township and village enterprises that had emerged out of the disbanded rural communes and an expanding private sector fuelled by foreign direct investment (FDI) increased the economic pressure on the large loss-making state sector. As China moved to the centre of the global capitalist economy during the 1990s, the case for restructuring gradually took on the mantle of political timing rather than political choice, as the influence of competitive capitalist accumulation came to dominate the CPC's economic policy.

The Fifteenth Party Congress in 1997 was a key event in the transition to an economy dominated by capitalist labour relations integrated into global production networks via China's engagement with globalisation. Having recovered from the trauma of the massacre in Tiananmen Square, the CPC formally announced the policy of 'holding on to the large and letting go of the small and medium-sized enterprises'. Despite the continuing emphasis on caution, this announcement was interpreted as a green light for the privatisation of many SOEs and consequent laying-off of up to 50 million urban workers (though the numbers vary). Laid-off SOE workers were exhorted to 'liberate thinking' (*jiefang sixiang*) and 'jump into the sea' (*xia hai*) of self-employment – effectively the informal economy. The state attempted to cushion the impact of mass lay-offs via a policy of phased redundancy (*xiagang*), stipulating that SOEs should provide retraining to laid-off workers and keep them on the books for three years with a monthly livelihood stipend. Phasing redundancy in this way did not head off resistance, but the sequencing, 'spin' – the 'p' of privatisation was carefully avoided in official discourse – and the multiple categories of redundancy all helped to divide workers and moderate the resistance discussed in the next section.

As employment in the state sector shrank, the private sector grew, with increased diversity of ownership and the expansion of special economic zones.

Export-oriented private companies did not carry the welfare responsibilities and employment guarantees associated with SOE employment. Moreover, their adoption of flexible employment practices which frequently violated legally backed labour standards on wages, working hours, health and safety and reproductive rights, facilitated integration into global markets via ever-decreasing lead times for orders from international brands outsourcing production to China. Suppliers became one node in global production chains which transferred risk down the chain and eventually on to the young shoulders of the millions of people moving into off-farm employment for the first time. Restrictions on residence remain in place as a form of social control rather than a demographic policy instrument, but they have been considerably relaxed to ensure the release of what Marx called a reserve army of labour (that is, new swathes of unemployed workers) from the countryside who serve to discipline the 'new' workforce and keep wages down.

The consequence was that Chinese workers employed in these new spaces of accumulation were subject to harsh and sometimes violent labour regimes (Chan, 2001) dictated by the forces of neoliberal globalisation. Suppliers to global brands indulged in hyper-exploitation to meet lead times, and local governments frequently ignored China's first national Labour Law (1995) in an effort to maintain investor-friendly environments. However, the state did not leave the ensuing class conflict to the mercies of unregulated market forces, as many neoliberals might have wished. The Party has certainly withdrawn from the day-to-day management of industrial relations via the dismantling of the *danwei* in what could be construed as a neoliberal rolling-back of the state. However it has deployed administrative (*hukou*) and legal institutions (the construction of a regulatory labour relations framework) as conduits for direct state intervention in labour relations and evolving labour markets. Above all, the state has limited legal labour organisation to the CPC-led All China Federation of Trade Unions (ACFTU).

Underlying these interventions has been a determination to uphold social stability and maintain CPC rule, as the Party has adopted aspects of both neoliberal and state-led prescriptions in pursuit of economic growth. For example, while the deregulation of labour markets has been a key aspect of neoliberal policies globally, China's labour markets have remained subject to sometimes contradictory regulatory and institutional influence. The fragmentary impact of *hukou* restrictions continues to hinder the integration of urban and rural labour markets as well as weaken workers' ability to defend collective rights and interests. Labour markets are further segmented by spatially influenced variations, as different types of enterprise ownership collide with different local political economies at different stages of transition.

In 2008 the state appeared to move against the global tide of employment informalisation which has been such a distinguishing feature of neoliberal globalisation. The introduction of the Labour Contract Law (LCL) in the face of organised opposition from the forces of domestic and international capital

appeared to be an attempt to slow the rate of informalisation by providing workers with stronger and standardised contractual rights. The LCL carries an entire chapter on collective contracts, suggesting a move to encourage the collectivisation of labour relations and even promote – albeit very cautiously – collective bargaining as an instrument of class compromise. Also in 2008 the Labour Mediation and Arbitration Law attempted to render juridical channels of dispute resolution more user-friendly to workers. While these laws and policies do little to change the fact that labour power has become a commodity in China, they nevertheless do not entirely conform to the global trend of informalisation and the removal of constraints on the commodification of labour.

Despite the weak position of labour in the transition period, the CPC has not relaxed the ban on independent working-class organisation. The Trade Union Law grants an organisational monopoly to the ACFTU, which remains obliged by its own constitution to accept the leadership of the CPC. Attempts by workers to organise outside these restrictions are severely punished with prison terms. At the same time, the ACFTU has come under considerable pressure from the CPC itself to improve its credibility among workers, especially migrant workers in the private sector, where the institution remains weak and largely ineffective, and at the enterprise level. The source of this pressure has been China's nascent labour movement, to which we now turn our attention.

The Forces of Labour in China

As a central plank of CPC policy following the Fifteenth Party Congress, the restructuring of SOEs left the traditional urban working class with very little room to manoeuvre. Although the ACFTU stood to lose from the demise of its power base in the state sector – principally as a labour welfare bureaucracy, rather than a representative organisation of workers – it was never likely to put the interests of workers before party policy. Nevertheless workers themselves did not simply roll over, and there was widespread but geographically scattered resistance to redundancies (Cai, 2002). The resistance climaxed in a six-week protest by as many as 80,000 laid-off oil workers in the city of Daqing in 2002, during which the state deployed army units on the outskirts of town and riot police in the squares occupied by the workers.

Yet from a strategic perspective, the fact that most protests against restructuring were organised *after* workers had been laid off – including in Daqing – meant that local authorities were faced with issues of crowd control rather than having to break strikes and restart production. To this end, the Ministry of Public Security issued guidelines to local police forces not to exacerbate the tension by resorting to blanket repression as protests by laid-off workers were coming to a head. The most effective repression involved the arrest of workers' leaders combined with an immediate 'goodwill' subsidy to workers to meet their most urgent financial needs, such as food bills, a child's school textbook

or medical expenses. In general the process of breaking the 'iron rice bowl' was skilfully managed by the Party, preventing laid-off workers from making common cause with those still in employment – and thereby transforming protests into strikes. This is significant because strikes have the inherent capacity to disrupt or even stop production. If the protests by laid-off oil workers had spread to those still in work, the immense power of energy sector workers in particular would have been felt at different nodes of the global production chains that FDI and the Chinese state had carefully constructed.

The situation in the private sector presents a different set of conditions. The 'unmaking' of China's traditional urban working class has been accompanied by the 'making' of a new proletariat, as millions of people moved into non-agricultural employment. Current official figures put the number of migrant workers at approximately 250 million, in effect the largest rural–urban migration in human history. As *xiagang* proved an effective policy instrument to administer restructuring, so *hukou* has demonstrated its capacity to supply and discipline a young workforce employed in the manufacturing, construction and service sectors.

In the early to mid-1980s, the first generation of migrants found themselves in a straitjacket of exploitation as they left the land in search of a way out of poverty. Capital provided the main body of the garment (employment) while the state fastened the straps with various legal and political constraints on resistance (*hukou*) and organisation (denial of the right to organise). Most acts of resistance were short-lived and fragmented by place-of-origin loyalties, as class consciousness remained undeveloped among young people encountering the factory system for the first time. These protests were often met with local state-sponsored or employer-organised violence. Demands were generally directed at local government officials via demonstrations outside local labour bureaux, as migrant workers attempted to induce the local state to enforce the minimum labour standards stipulated in China's first national Labour Law (1995).

Class Consciousness

Scholars have contrasted the scattered, street-based 'protests of desperation' of SOE workers in 'rustbelt' industries with the 'protests against discrimination' of migrant workers denied the same rights as urban workers. Lee (2007) argues that migrant workers are more likely to use the law in their attempts to uphold employment rights, a process that forms part of a wider struggle for full citizenship denied by *hukou*. This approach is critiqued by Anita Chan (2008) on the grounds that the situation of migrant workers is often just as desperate as that of laid-off state workers and that the former also resort to extralegal 'militant' forms of protests on the streets. Chan seems to suggest the difference is one of 'consciousness' but does not clarify whether this is a class consciousness or some form of 'citizen' consciousness: '[T]he day when migrant workers demand abolition of the *hukou* system will mark the maturation of their consciousness'.

Recent empirical reality allows us to cut through this debate. Since the turn of

the century, a number of factors have combined to produce conditions in which migrant workers have been able to move from defensive protests targeting government officials to strikes aimed directly at employers, reflecting the emergence of class consciousness as expressed through collective strike action (compare Basso, Chapter 8). These include the onset of structural labour shortages beginning in 2003; the arrival of second and third generations of migrants whose connection to the land is much weaker than that of their parents; and an accumulation of knowledge of both the factory system and the law. Widespread access to information and communications technology has helped the current generation of migrant workers to understand their strong bargaining position in global production chains and also to organise labour actions more effectively. At the same time, the generalised alarm in government regarding the political risks of maintaining high levels of inequality that have emerged as a result of the reforms has also encouraged local officials to implement labour laws that at least restrain the worst excesses of employers.

Lee is certainly correct to argue that migrant workers have made use of the juridical channels of dispute resolution through which the state has tried – and failed – to individualise and fragment labour struggles. But these tactics have not ruled out street protests, short work stoppages and even the occasional battle with the police. In Guangdong province, the growth in legal activism has not prevented other forms of resistance. For example, long struggles for diagnosis, medical care and financial compensation from employers for occupational disease, such as the campaigns by Gold Peak battery workers and Lucky Gem jewellery workers, demonstrate a nonlinear mix of tactics. These include pursuing suppliers through legal channels, shaming multinational companies in the media, disrupting shareholder meetings outside China, strikes, protests and even occupations of government offices.¹ Indeed it is rare for disputes to follow a ‘common sense’ linear progression from juridical channels to some form of collective disruption of capital accumulation, as ‘militancy’ increases in inverse proportion to desperation.

A more reliable framework for interpreting the growth of migrant worker labour disputes distinguishes between individual labour rights and collective class interests. This approach is used by Chan and Pun, who suggest that ‘the making of a new working class is increasingly conscious of and participating in interest-based or class-orientated labour protests’ (2009: 287). I would add that this approach to understanding growing labour militancy in China should not be based on an assumption that there is a clear line dividing struggles over individually defined labour *rights* and labour *interests* collectivised by workers’ autonomous agency.

One indication of the transition from rights to interests in authoritarian post-state-socialist countries such as China is the emergence of demands that go beyond the minimum standards stipulated by the law. These can be both

1 See Globalization Monitor: www.globalmon.org.hk/tags/cadmium-poisoning

economic and political, and can elicit state intervention and compromises from capital – or not. For example, a wave of strikes across six southern ports in Guangdong between March and May 2007 climaxed in a 33-hour stoppage at the Yantian International Container Terminals (YICT), which is part of the Singapore-listed Hutchinson Port Holdings Trust and the fourth largest port in the world. The strike by well-paid gantry and tower crane operators had an immediate and potentially disastrous impact on exports to Western markets, and was launched in pursuit of three basic demands: lowering of pay differentials with white collar workers; an increase in basic pay including a paid lunch break; the replacement of the management-sponsored staff association with an effective trade union funded by the workers themselves.

In 2010 in another example, the demand for an effective plant-level trade union was echoed in a watershed 19-day strike by workers at Honda's Ben Tian car-parts plant in Foshan, Guangdong province. As at the port, the demands were political and economic: a pay rise and the 'reorganisation' of the trade union at the plant via the recall of the existing trade union representatives and the election of a new committee. With their operations in China heading towards a complete halt, Honda's management had little choice but to participate in collective bargaining with 30 elected worker representatives who had obtained advice from China's best-known labour scholar, Professor Chang Kai. The dispute triggered a wave of strikes that spread beyond Guangdong and beyond the auto industry, again highlighting the strong bargaining position of workers in sectors that are thoroughly integrated into global markets. In my view, these events provide the key to consolidating and expanding the emerging labour movement as the strikes seek to constrain globalised capital.

Both strikes ended with management making significant concessions to the economic demands of the workers. Equally important was the role of the ACFTU in these disputes. One result of the rise in workers' confidence to pursue their grievances through strike action has been significant pressure on the state union to improve its capacity to represent workers. In part this is reflects the CPC's determination to head off independent worker organisations that could threaten the regime itself – the example of the Solidarity trade union in Poland was not lost on the CPC leadership. Thus at Yantian, the deputy chair of the Shenzhen Federation of Trade Unions (SFTU) rushed to the scene of the strike at 2 a.m., arriving to find a rowdy and tense situation. The SFTU told workers it supported their pay demands but that the establishment of a union branch at the port must be in accordance with the Trade Union Law. The workers' more radical demand for an organisation of representatives directly funded by the workers themselves would constitute an illegal organisation. In the negotiations, the SFTU played a mediating role using its political connections with the CPC to extract guarantees from management not to take revenge on strike leaders after the dispute was settled.

During the Honda strike, the official trade union at provincial level (Guangdong) and city level (Guangzhou) went beyond the level of mediation

and provided passive support to the workers' demands for a substantial pay rise. In contrast, the local township trade union's response was to organise a physical picket-line attack on militant workers, for which it was instructed to issue an unprecedented public apology after pictures of the incident were widely publicised. The attack reignited worker solidarity, and the apology served as an indication to the strikers that they had the support of the higher-level unions.

Both strikes produced at least partly elected trade union committees mostly made up of frontline workers. The strikes also represent the impact of shop floor militancy on a Party-led institution that had traditionally relied on appointed officials usually selected from the ranks of management. It is here that a second key strategy for building the labour movement comes into the spotlight. The demand for direct trade union elections so that workers can choose their own representatives has become an increasingly common feature of strikes. This strategy reduces the impact of the absence of freedom of association and has the potential to build a layer of enterprise-level trade union representatives closely connected to the lives and demands of ordinary workers. Although the unions operate under the legal constraints of the Trade Union Law, there is the potential for sector-level networks to cohere over collective bargaining issues – as indeed has been the case in the auto industry and even in some Wal-Mart retail stores.

Two key factors render the growing class consciousness of China's expanding working class particularly important for forcing changes to production relations. First, the state's policy of tying economic development to integration in global markets has provided workers with an important source of structural power: the capacity to disrupt global trade flows and production chains as demonstrated by the Yantian port workers and Honda auto workers respectively. Imagine the potential (class) power generated by workers in these two sectors coming together in joint action! Second, the sheer size of the Chinese working class renders it a central player in determining the future of global capitalism and potential alternatives. According to the National Bureau of Statistics, there were 770 million employed people in China at the end of 2013. While it is important to avoid indulging in any kind of deterministic optimism on the basis of these figures, it is nevertheless difficult to overestimate how central the Chinese working class has become to neoliberal globalisation – and its possible demise.

Alternatives to Development: State-Led or Worker-Led?

The CPC has certainly implemented – some would argue pioneered – a number of policies associated with new developmentalism. A national minimum wage set by local city governments and based, according to the regulations, on 'actual existing conditions'; cash transfers to the urban poor in the form of a means-tested minimum income subsidy; and employment creation – but not full employment – have been at the heart of the CPC's entire reform-era strategy. However Deng Xiaoping's famous slogan for the reforms – 'let some get rich



first, so that others can get rich later' – appears to be an embodiment of the class-based neoliberal 'trickle-down' prescription for economic growth. And yet, as Harvey notes, the market can do 'little to transform an economy without a parallel shift in class relations, private property and all the other institutional arrangements that typically ground a thriving capitalist economy' (2005: 122).

The transformation of China's class relations has been guided by the CPC's concerns to retain its status as the ruling party in a one-party state presiding over a system which was once described as a mixed economy structured around state-led initiatives by the former chief economist at the World Bank, Joseph Stiglitz.² Property rights have been gradually broadened – though hardly clarified in the neoliberal sense – to allow a full range of enterprise ownership. This has in turn led to the rise of a capitalist class with close and often corrupt ties to the CPC.

In 2002, the CPC announced that it would allow business owners to join the Party, in what the *Economist* (2007) termed 'a massive networking opportunity for bosses'. In 2004, the Constitution was amended to recognise and protect a 'citizen's lawful private property [as] inviolable', and in 2007 the Private Property Law of China was passed despite considerable opposition from leftists within the Party. On the other hand, all land remains the property of the state. Agricultural land is allocated for up to 30 years via tradeable land use rights overseen by village committees on the basis of (in theory) family requirements – an institution broadly supported by a majority of farmers.

The system has not excluded land grabs chiefly carried out by property developers working closely with party committees at the county level. Such activity has provoked widespread protests in the countryside, and left approximately 60 million people affected with little option but to seek non-farm work even as their *hukou* status as farmers denied them access to permanent urban residence. We might be reminded of the period of primitive accumulation that cleared the commons and heralded the growth of capitalism in England.

The central government has proved incapable of preventing such digressions and unwilling to curb the repression that accompanies them. The experience of China's rapidly expanding working class in the reform era has demonstrated (yet again) that state-led development requires a heavily repressive hand over labour. Indeed, the Chinese state's capacity to 'pick winners' and use the banking system to support selected SOEs at the same time as implementing widespread privatisation in the state sector and developing investor-friendly special economic zones to attract FDI has rested on the institutionalised repression of the Chinese working class.

The reforms have not been some kind of grand neoliberal shock programme of full-blown privatisation inspired by the Chicago school, as in much of Latin America or following the collapse of the Soviet Union. However Chinese

² See <http://mises.org/daily/2960>.



development hardly fits into a programme of 'full employment as a primary goal' as stated by the Sao Paulo structuralist school.³

State and capital in China have demonstrated willingness to work together to ensure that emerging capitalist social relations are shored up by existing fragmentations rooted in geographic, spatial, gendered and cultural-linguistic divisions. And they have not hesitated to conspire in the repression of militant workers and activists organising in the workplace in order to prevent China's 'class against capital' from becoming a 'class for itself' – to use the language employed by Marx to explain how unified labour movements emerge. But in spite of the constraints, the process of conscious class cohesion that is unfolding in China carries the potential for autonomous working-class organisation(s) based in workplaces that can act as both an entry point for militants and an institutional class memory that draws on lessons from defeats and develops strategy and tactics for future struggles. If we accept – as contributors to this book do – that such capacities lie at the heart of a genuine break with neoliberalism, and potentially capitalism itself, then the unparalleled size and global reach of the Chinese working class renders its struggles of profound relevance to making another world possible.

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3 See www.tentheseonnewdevelopmentalism.org