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Mingwei Liu

Rutgers University - New Brunswick/Piscataway, mliu@smlr.rutgers.edu

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Abstract

In contrast to much of the research that treats the official All-China Federation of Trade Unions (ACFTU) as a monolithic organization, the author argues that there is considerable variation within the ACFTU in terms of local union organizing strategies. Using extensive field research and interviews with regional union officials, grassroots union cadres, shop floor workers, and employers and managers in China during the period 2005–2007, the author contributes to an understanding of contemporary trade union strategies in China. Moreover, his analysis of regional union strategies suggests three patterns of union organizing: the ACFTU pattern, the union association pattern, and the regional, industry-based bargaining pattern, each with vastly different consequences for the future of trade unions and bargaining in China.

UNION ORGANIZING IN CHINA: STILL A MONOLITHIC LABOR MOVEMENT?

MINGWEI LIU*

In contrast to much of the research that treats the official All China Federation of Trade Unions (ACFTU) as a monolithic organization, the author argues that there is considerable variation within ACFTU in terms of local union organizing strategies. Using extensive field research and interviews with regional union officials, grassroots union cadres, shop floor workers, and employers and managers in China during the period 2005–2007, the author contributes to an understanding of contemporary trade union strategies in China. Moreover, his analysis of regional union strategies suggests three patterns of union organizing: the traditional ACFTU pattern, the union association pattern, and the regional, industry-based bargaining pattern, each with vastly different consequences for the future of trade unions and collective bargaining in China.

By the end of 2008, workers had been organized in 85% of the Fortune 500 companies operating in China, even for such notorious anti-union companies as Wal-Mart. This apparent success occurred in the context of steadily increasing Chinese union membership that grew from 87 million members in 1999 to 212 million members in 2008, reversing a marked decline in union membership in the 1980s and 1990s. Moreover, the All China Federation of Trade

Unions (ACFTU) permitted the direct election of workplace union chairs in 1997 and promoted such elections nationally in 2003. The labor contract law that went into effect on January 1, 2008, further reaffirmed and strengthened a union role in the workplace. Based on recent union and labor legislation changes in Guangzhou and Shenzhen, even the *China Labor Bulletin* (2008), the mouthpiece of a Hong Kong based Labor Non-Governmental Organization (NGO) that was heretofore the most critical of ACFTU, claimed that “a crucial turning point in the history of China’s trade union movement” had been reached. Nevertheless, observers in general remain skeptical about the ACFTU’s ability to carry out reform and to organize successfully.

Indeed, given that independent trade unions are banned in China, union organizing there actually means *establishing* ACFTU branches bureaucratically at various levels, with the fundamental goal being not so much to protect workers’ rights as to

* Mingwei Liu is Assistant Professor at the School of Management and Labor Relations, Rutgers University.

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strengthen the Chinese Communist Party's social control. Nonetheless, organizing "official" unions does have significant effects on the future of the Chinese labor movement in general and the survival of ACFTU in particular. More importantly, growing local variations in organizing may indicate the possibility of the gradual and bottom-up transformation of Chinese trade unionism under the still-stable communist authoritarian regime.

Based on intensive field research, I have found that union organizing efforts in China are increasing. Not all of these increases, however, can be ascribed to the ACFTU's policies. The strategies of regional unions (regional union federations or councils, *difang zonggonghui* or *gonghui weiyuanhui*)¹ and of management are what have been critical to the recent organizing successes noted in the media, both in and outside of China during the period 2006–2008. Moreover, the organizing outcomes vary depending on the type of strategy used. In fact, the strategic choices that regional unions have made regarding how best to organize certain types of enterprises have been key to their successful increase in membership and are shaped by various preconditions including firm characteristics (i.e., size, geographic concentration, and industry commonalities); local labor market conditions; motivation and abilities of regional union leaders; and local government support. In the context of twenty-first century China, which I discuss

in detail below, it is important to focus on changes in organizing at the lower echelons of ACFTU, rather than treating ACFTU as a monolithic top-down organization with a unified strategy.

One of the first to investigate China's official union organizing, my study contributes to a deeper understanding of contemporary Chinese trade unions. In particular, it challenges the conventional wisdom that Chinese trade unions are of little use to workers. A key implication of my study, therefore, is the suggestion that there are significant variations within the Chinese labor movement and that a number of positive changes are emerging at the regional level. In addition, given the lack of research on official union organizing and development (perhaps due to the inactivity of official unions and their commonly perceived image of uselessness), this study contributes to the industrial relations literature by mapping and analyzing the development of official unions in a communist authoritarian regime that is transitioning to a market economy.

This study is based on more than 400 open-ended interviews—formal and informal—from 2005 to 2007 with union officials, managers, and workers in 14 geographically dispersed Chinese cities. The cases presented in this paper occur in four towns in South and East China. These towns were selected because of their high concentration of foreign or private enterprises, which were the focus of the ACFTU organizing campaign. I gained access through friends and acquaintances as well as through various officials and researchers within the ACFTU. In these towns, I interviewed a total of 15 regional union officials, 12 grassroots union (*jiceng gonghui*) cadres, 17 employers and managers, and about 40 workers. Although most of these interviews were conducted independently, in some cases I had to be accompanied by regional union officials or grassroots union cadres.

Union Organizing in China: Understanding the Context

Contemporary union organizing in China is different from its counterparts in

¹ Regional unions here specially refer to union federations and councils at the city, county, and town levels (the provincial-level union federations are more like the national ACFTU). The ACFTU has a top-down, bureaucratic structure with three levels: grassroots, regional, and national. Whereas the national- and regional-level unions are organized along both industrial lines and within geographic boundaries (with a parallel structure to that of the Party and government), grassroots unions are usually set up in each work or administrative unit (enterprises, undertakings, and state organs). In the ACFTU system, a union federation is entitled to more staff and funding than a union council. Before 1995, regional unions at the town level were all union councils. However, given the increasing importance of town unions in the wake of rural industrialization, more and more town union councils have been upgraded to federations since the mid 1990s.

Western countries and other authoritarian states around the world. As a formal part of the communist political structure, the ACFTU bases its power on its quasi-government status rather than on organized labor and does not operate by mobilizing the support of grassroots labor (Chen 2009). This structure fundamentally sets it apart from unions in Western nations and even from official unions in East Asian authoritarian nations, which, though co-opted by the states, were institutionally distinct from their governments and had to engage in grassroots mobilization to maintain and strengthen their power (Chew 1991; Deyo 1989; Park 1993). Although the official unions in the former communist countries in Eastern Europe shared many characteristics with the ACFTU, these unions had not been seriously challenged by market forces because these countries were largely economies under communist command before their democratic transitions. Neither had they encountered significant organizing problems because they had automatic union membership (see Pravda and Ruble 1986). Moreover, the official unions in both the East Asian authoritarian states and the former East European communist countries did not change significantly until the political democratization of these countries occurred. China's communist authoritarian regime, however, seems very stable well into the twenty-first century (Dickson 2006; Saich 2005; Shambaugh 2008; Walder 2004), which will make it very difficult for ACFTU to gain independence from the Party-State in coming years. Therefore, the development of the ACFTU (especially in the short term) may follow a path different from its counterparts in other authoritarian countries.

The unique political, economic, and social contexts of contemporary China have seriously challenged the ACFTU. Because the dominant logic constraining Chinese industrial relations has shifted from maintaining industrial peace to fostering economic development, the State, especially local states, often sides more with capital than with labor (Frenkel and Kuruvilla 2002). The Party-State control of unions, therefore, has become a fundamental

obstacle to the development of genuine trade unionism in China. The following challenges, for example, are striking. The first is the sharp decline in membership, from 39.60% in 1990 to 26.27% in 1999 (see Table 1). This decline was mainly caused by large-scale layoffs in state-owned enterprises (SOEs) and collective-owned enterprises (COEs) as well as by the difficulty of setting up unions in the private sector.² Table 1 illustrates that as union density in the state sector and foreign-invested enterprises (FIEs) declined, union density in the rapidly growing private-owned enterprises (POEs) increased slowly.³ In addition, in township and village enterprises (TVEs)—most of which had become POEs by the late 1990s but still fell into the TVE category in Chinese statistics—that employed many rural laborers (127 million in 1999), union density was extremely low at a mere 1.96% in 1999. This small percentage indicates that the majority of peasants worked outside of unions even though they had become genuine industrial workers depending on wages to live.

In addition to the membership crisis, the ACFTU had been confronted with economic challenges. ACFTU's income comes primarily from enterprises through a 2% deduction on total payroll.⁴ In the past, this deduction was automatic (through budget allocation) in SOEs and COEs. However,

² According to the National Bureau of Statistics of China, SOEs laid off nearly 30 million workers (or roughly 60% of their total workforce) between 1998 and 2005. Although the Chinese Trade Union Law stipulates that unions should be established in workplaces with twenty-five or more workers, the penalties for these violations are neither stated clearly nor enforced, which results in extremely weak oversight.

³ Many FIEs in the 1980s were joint ventures between foreign capital and state enterprises and thus had relatively high union density. The rapidly increasing number of Asian-funded FIEs in the 1990s led to the decline of union density in this sector, even as the number of union members significantly increased.

⁴ Two percent of total payroll goes directly to grassroots union accounts, 60% remains in grassroots unions, 35% goes to regional unions, and 5% goes to the ACFTU headquarters. Although staff and workers are also required to allocate 0.5% of their wages as union dues, this policy is not widely implemented in actual practice.

Table 1. Trade Union Membership Densities in China: 1990–2005

Year	Total		SOUs		COUs		POEs		FIEs		TVEs		MOEs		IOBs	
	Mem. (10000) (%)	Den. (%)														
1990	10136	39.60	8305	80.28	1783	50.24	0	0.28	47	70.68	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1996	10212	29.25	8339	74.17	1424	47.20	11	0.97	180	33.24	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
1999	8690	26.27	6540	76.29	717	41.89	69	3.43	201	32.82	249	1.96	n.a.	n.a.	n.a.	n.a.
2000	10362	32.50	6652	82.10	733	48.90	437	18.17	444	69.22	523	4.08	1391	112.07	n.a.	n.a.
2001	12152	38.35	6320	82.72	668	51.70	1866	68.75	779	116.10	914	6.99	1317	86.52	n.a.	n.a.
2002	13398	41.47	6786	94.74	660	58.78	2339	68.61	385	50.76	984	7.40	1509	82.60	n.a.	n.a.
2003	12340	37.04	7150	103.99	933	93.29	1957	45.52	485	56.19	n.a.	n.a.	1769	85.48	n.a.	n.a.
2004	13695	39.80	7010	104.47	924	103.00	2854	56.88	614	59.42	n.a.	n.a.	2160	94.03	n.a.	n.a.
2005	15029	41.49	7450	114.83	876	108.13	3220	55.29	738	59.30	n.a.	n.a.	2415	85.17	315	6.42
	(36222)		(6488)		(810)		(5824)		(1245)		(14272)		(2682)		(4901)	

Notes: SOUs=State-Owned Units (units include enterprises, institutions, and government agencies); COUs=Collective-Owned Units; POEs=Privately-Owned Enterprises; FIEs=Foreign-Invested Enterprises; TVEs=Township and Village Enterprises; MOEs=Mixed Ownership Enterprises; IOBs=Individually Owned Businesses. Figures in the parentheses are the number of employed people (10,000) in each sector in 2005 (from China Statistics Yearbook 2006). Real union densities should be lower. The employment data in *China Statistics Yearbooks* are highly underestimated since a large number of migrant workers are not counted. The union membership data in Chinese Trade Union Statistics Yearbooks come from trade unions' self-reports. It is common for lower-level unions to overstate their membership since they need to achieve certain quotas. This is why some union densities calculated from the official statistics equal more than 100%. The majority of TVEs have transformed into POEs, but according to China's official statistics, they still fall into the category of TVEs rather than POEs. Because the number of union members in IOBs has been rapidly increasing in recent years, ACFTU began to provide membership data in this sector in 2005. Sources: *China Statistics Yearbook* (various years); *Chinese Trade Union Statistics Yearbook* (various years); and the author's calculation.

given the decline of SOEs and COEs and the absence of unions in many POEs and FIEs, the ACFTU witnessed a financial crisis beginning in the 1990s.⁵ Although regional unions have invested great energy in collecting union dues since the late 1990s (for example, many regional unions have begun to consign the tax departments of local governments to collect union dues), the collection rate at the national level still fell from 64.13% in 1993 to 31.49% in 2005.⁶ The situation at the grassroots level is often even more dismal. Many grassroots unions, especially those in POEs, either do not have much money because enterprises simply pay 40% (or even less) of their total union dues to higher level unions (leaving them with little money for themselves), or their money is controlled by employers who normally manage all funds within enterprises.⁷ A more serious component of the financial crisis comes from the source of union dues. Because union money is derived mainly from enterprises, it is very difficult for unions, especially grassroots unions, to be genuinely independent from employers.

The third challenge for ACFTU comes from its declining relevance to workers. Various surveys have consistently shown that the majority of Chinese workers are unsatisfied or indifferent to trade unions (ACFTU 1993, 1999, 2005; Seung 2000). This dissatisfaction is apparent in the sharply increasing number of “wildcat” worker protests and the continuing formation of informal worker organizations (*gongren feizhengshi zuzhi*) such as “associations of fellow provincials or townsmen” (*tongxianghui*) and “laborer associations” (*laodongzhe xiehui*) which have greatly

⁵ Given the large number of union members, ACFTU’s income is always high. For example, ACFTU headquarters received union dues of US\$108.6 million in 2005. Still, after deducting staff salaries and the various administrative expenses of the huge bureaucracy (especially for heavy expenditures at the national level), union money is far from enough for union activities. During my visits to various levels of the ACFTU, this shortage was a common complaint among union officials.

⁶ The collection rate was calculated by the author as a percentage of actual to total union dues. The data come from ACFTU’s internal statistics and reports.

⁷ Interviews with grassroots union cadres.

challenged ACFTU’s legitimacy (Bai 2000).

Despite these challenges, the ACFTU (especially its branches at the regional level) has been granted increasing institutional space and operational autonomy in recent years, albeit within the framework of state corporatism (Chen 2003, 2004, 2009; Zhang 1997). In particular, the Party has strongly supported the ACFTU’s organizing campaign, with the hope that active official unions can counter the possible development of an independent labor movement and maintain social stability by defusing growing industrial conflict.⁸ The ACFTU’s role in “harmonizing labor relations” has been strengthened even further under the current Hu-Wen administration, which advocates a “harmonious society.”⁹ Moreover, the Party has begun to view union organizing in POEs and FIEs as an effective means to promote the building work of the Party and to extend its influence in these workplaces. On March 14, 2006, President Hu Jintao issued an explicit call to “strengthen Party building and trade union building in FIEs,” which pushed the ACFTU to take a stronger stance against the large FIEs that have refused to allow union formation.¹⁰

It is in this context of challenges, pressures, and opportunities that the ACFTU began to focus on organizing in the private sector after 2000. As a result, union

⁸ The logic of the Party in supporting ACFTU’s organizing is evident in the following words of Wei Jianxing, the former chairperson of ACFTU and one of the seven former top leaders of the Party: “Maximally organizing workers into trade union . . . is of particular importance for building close relationship between the Party and the masses, for consolidating the class base and power status of the Party, for carrying out the Party’s guideline of relying on the working class wholeheartedly, . . . for breaking the attempts of foreign and domestic hostile power to Westernize and break up the working class, and for worker solidarity and unification, social and political stability, and national security in the long-run” (Wei 2000).

⁹ President Hu Jintao has explicitly called on trade unions to play a role in “harmonizing labor relations” and “building a harmonious society,” examples of which can be found in many of his speeches of recent years.

¹⁰ Two days after President Hu Jintao’s call, the ACFTU set the target of organizing trade unions in more than 60% of FIEs by the end of 2006 and 80% by the end of 2007.

densities in various types of enterprises have increased significantly since 1999. To wit, the overall union density increased from 26.27% in 1999 to 41.49% in 2005, a reversal of prior trends (see Table 1). In addition, 41 million migrant workers who were heretofore excluded from trade unions had become union members by the end of September 2006, accounting for 24.1% of ACFTU's total membership (Sun 2007). These statistics imply a positive trend in union membership in the private sector; however, it is important to note that membership data from the ACFTU are somewhat unreliable because lower level unions may provide false numbers to achieve organizing quotas (Guan 2002). Still, the numbers do indicate that there has been some degree of success in recent organizing attempts.

Patterns of Official Union Organizing in China: A Strategic Choice Perspective

How best can we understand these recent organizing gains? How have the newly established trade unions performed? Have positive outcomes occurred, or are these gains just the bureaucratic and ineffective responses of the ACFTU to the changing economic, social, and political contexts? To answer these questions, we must consider that there are actually three different *patterns* of union organizing in China, each having vastly different consequences for trade unions and collective bargaining: the traditional ACFTU organizing pattern, the union association (*gonghui lianhehui*) pattern, and the regional, industry-based bargaining pattern.

Three variables in particular are key to differing union organizing and bargaining outcomes: dependence on the State, independence from employers and management, and bargaining power. Although no unions in contemporary China can be completely independent from the State (independent unions have always been suppressed immediately), the degree of their dependence varies greatly due to their dual-track incorporation—national- and regional-level union federations and associations into Party-State institutions and grassroots unions into management and workplace Party organizations (for the dual-

track incorporation of Chinese unions, see Chen 2009). The former situation leads to unions' high dependence on the State and relatively low dependence on employers and management.¹¹ Conversely, the latter situation results in grassroots unions' low dependence on the State and high dependence on employers and management.¹² Unions' high dependence on the State on the one hand can limit their autonomy and representative role tremendously, but on the other hand it can grant them the authority and power which, with the support of the State, can be used to confront employers or management. The State's support of union activities is particularly likely to occur when there is an increased concern for social stability or need for the protection of labor. Moreover, support may come not only from the central state but also from various local states since serious labor unrest may decrease economic growth and destroy the careers of local bureaucrats. Unions' high dependence on employers and management, however, often compromises their power, making them of little relevance to workers. The third variable, bargaining power, which refers to unions' ability to protect workers' interests or to gain workers' benefits, must also be understood in a uniquely Chinese context. The power of Chinese unions is an administrative power that comes from their quasi-government status rather than from the power of organized labor (see Chen 2009). When representing workers, whether and to what extent unions can employ the authority they derive from the Party-State or even from direct state support to confront employers and management is crucial to their bargaining power.

¹¹ Compared to grassroots unions incorporated into management, union federations' and associations' independence from employers and management is relatively high. Certainly, employers and management may still influence union federations and associations, for example, by lobbying the State and securing its support to neutralize the unions' independence.

¹² Unions in SOEs and Sino-Foreign joint ventures are often incorporated into Party organizations. However, because the Party usually shares the same goals with the management and the Party secretaries themselves are often top managers, the unions' independence from the management is still very low.

The variation among the patterns of union organizing is due mainly to the strategic choices that regional unions make in organizing forms, in process, and in union functions, though the strategies or responses of employers and management also play a role. Moreover, some preconditions play important roles in shaping the strategies and bargaining power of regional unions, including enterprise characteristics (such as size, geographic concentration, and industry commonalities), local labor market conditions, the motivation and capabilities of regional union leaders, and the support of local governments. Thus, understanding the prospects for trade unions and collective bargaining in China requires us to differentiate between the traditional ACFTU organizing pattern and the newly emerging patterns initiated by regional unions. My strategic choice approach to China's official union organizing is depicted in Table 2 and elaborated on below with detailed cases.

The Traditional ACFTU Organizing Pattern

Traditionally, the national ACFTU assigns organizing quotas to regional unions, which set up grassroots unions by gaining the approval of employers and management rather than mobilizing and organizing workers *per se*.¹³ Because all enterprises with more than 25 employees are legally required to establish trade unions, regional unions typically view each individual enterprise (especially mid- and large-sized ones) as a basic organizing unit. Still, it is not easy for regional unions to influence private or foreign employers. For example, regional unions often have to sacrifice many union rights by guaranteeing no collective action, allowing employers to appoint union

leaders and to determine union functions, and reducing union dues in exchange for the establishment of grassroots unions. This organizing method inevitably results in an extremely weak tie between regional unions and their workplace branches, leading to the latter's low dependence on the State and inability to use the administrative power of a union to confront employers and management.

Facing the pressure of unionization, employers and management tend to adopt two other strategies if their union avoidance strategy (typically their first choice) does not work due to various reasons such as government pressure or their desire to maintain a positive public corporate profile. One strategy is suppression, in which employers and management completely control the grassroots unions to the point that they exist only on paper, quite common among POEs and small FIEs. The other strategy, cooptation, occurs when employers and management dominate union activities and make unions an integral part of their management system, which is evident in some POEs, some large FIEs (such as Motorola and LG Electronics), Sino-foreign joint ventures (SFJVs), and SOEs. Although the two strategies may shape union roles and workers' outcomes differently, leading to within-pattern variation of union organizing (i.e., "paper unions" and managerial tools), they make grassroots unions rather irrelevant to workers.

Thus, organizing grassroots unions and leaving their functions to the discretion of employers and management may result in grassroots unions that are subordinated to employers and management with little or very limited bargaining power. However, it should be noted that unions set up following the traditional ACFTU pattern may have a certain relevance in some large, profit-making SOEs.¹⁴ Although these unions are not independent of management, they can act as channels for workers mobilizing moral pressure on management. In a few such SOEs, thanks

¹³ Setting up grassroots union branches in China has to follow a two-step procedure: filing an application to regional unions and acquiring their approval. According to ACFTU, three parties may file the application—enterprise Party branches, elected workers' representatives, and regional unions (with the agreement of employers and workers) (Chang 2001: 68). Due to the absence or weakness of Party branches in the private sector and to regional unions' unfamiliarity with grassroots mobilization (or their unwillingness), however, soliciting employers' agreement often becomes the first step to setting up grassroots unions.

¹⁴ Due to management dominance, unions in most SOEs have become increasingly irrelevant or useless for workers (see, for example, Lee 1999).

Table 2. Patterns of Official Union Organizing in China: A Strategic Choice Perspective

	<i>I. The Traditional ACFU Organizing Pattern</i>	<i>II. The Union Association Pattern</i>	<i>III. The Regional, Industry-Based Bargaining Pattern</i>
<i>Prerequisites</i>	"Paper Unions" <i>Mid- or large-sized enterprises</i>	<i>Managerial Tools</i> <i>Mid- or large-sized enterprises</i>	<i>Small or mid-sized enterprises with high geographic concentration and industry commonalities; tight local labor markets; capable union leaders; strong local state support</i>
<i>Strategies of Regional Unions</i>	Grassroots unions	Various forms of union associations	Union associations by trade
A. Organizing Form	Soliciting employers' agreement	Set up by regional unions (top-down)	Set up by regional unions (top-down)
B. Organizing Process	None	Organizing, social welfare, and labor dispute mediation	Collective bargaining
C. Union Functions	Suppression	Welcome or reluctant acceptance	Welcome or reluctant acceptance
<i>Responses of Employers & Management</i>	Low	High	High
<i>Organizing Outcomes</i>	Under total control of employers/management	Relatively high	Relatively high
A. Dependence on the State	None	Low	Relatively high
B. Independence from Employers /Management	None	Little or very limited	Relatively high
C. Bargaining Power			

to various firm-level factors such as a firm's strategic importance, the socialist legacy, and strong union leaders and Party support, the unions may even have a limited voice on policies related to worker interests.¹⁵ In addition, grassroots unions in some SFJVs may enjoy a degree of independence from foreign employers. Under the support of the Chinese management, Party branches, and even local governments, the unions may speak for worker interests in certain cases (Chan 1995; Tong 2005).

Another notable variation is the adoption of grassroots mobilization by some regional unions in setting up branches in the first batch of Wal-Mart Stores (for details see Chan 2007). Although as of 2010 it was not clear whether these Wal-Mart store unions would be able to develop into genuine workers' representatives, grassroots mobilization and organizing does have the potential to gain more independence and bargaining power for unions.¹⁶ Still, such an organizing method is extremely rare in China.

In the section that follows, I describe in greater detail two cases that correspond to the traditional ACFTU organizing pattern. The first case is a typical example of the traditional ACFTU organizing model and very common among POEs and Asian-invested enterprises (see Chan 1998). The second is one of the better examples of the traditional ACFTU organizing model, evident in many SOEs and some large POEs and FIEs.

¹⁵ I visited a large, very profitable SOE in Hangzhou in the summer of 2008, where due to the socialist legacy and support of the enterprise Party committee, the union had consistently spoken for worker interests in the Workers' Congress, the collective consultation process, and the firm's decision-making process, which led to significant increases of wages and benefits between the late 1990s and 2008.

¹⁶ The Chinese media reported that Mr. Gao, a worker-elected union chairperson in a Wal-Mart store in Nanchang, had successfully protected worker interests against the store in several cases. Later he disagreed with some articles in the collective contract between the ACFTU and Wal-Mart and tried to negotiate a better one. However, the collective contract was still signed by another store union chairperson who was assigned to replace Mr. Gao as the workers' representative. Under the pressure of both Wal-Mart and ACFTU, Mr. Gao finally chose to resign.

“Paper Unions”:

The Case of Union Organizing in NCW

NCW was a Taiwanese-owned enterprise in Shilou Town, Guangzhou City, Guangdong Province, which produced watches and clock accessories for export and employed 550 (primarily) migrant workers. Working conditions in NCW corresponded to the typical exploitative model associated with low-cost, labor-intensive production systems.¹⁷ Furthermore, these workers were not given labor contracts. Often, their wages were reduced arbitrarily and they were frequently fired without any severance pay. As a result, labor-management conflict was high, and work stoppages and wildcat strikes were common,¹⁸ albeit unsuccessful, in redressing conditions because of the workers' lack of organization and awareness of their legal rights.

Given the relatively large size of NCW, the regional union—Shilou Town Trade Union Council (STTUC)—followed the traditional organizing model and urged NCW several times to set up a grassroots union. The employer resisted but finally relented under the pressure of the local Party committee (under the request of STTUC). In June 2003, NCW completed the required paperwork, turned in membership fees to STTUC, and received an official title plate, “NCW Trade Union,” meaning that the NCW union was now established, even though the workers were completely ignorant of its existence.

With the bureaucratic requirement of establishing a union having been fulfilled, STTUC finished its “job,” having no incentive to determine whether the union was actually effective. Thus, the union was completely under the control of the employer, in effect a “paper union” without any substantive function. The company did not even take the trouble to elect or appoint a union chairperson. As the NCW human resources (HR) manager admitted,

¹⁷ Workers told me that they worked 50–60 hours a week, but they were not paid overtime as required by law. Their monthly wages were only ¥400–700 (US \$50–87.50), lower than the local minimum wage (¥780 in 2006).

¹⁸ Interviews with workers.

“We have few union members. Workers do not want to join the union since they need to pay membership fees. The company established this union just for dealing with some paperwork required by the town government and union.”¹⁹

This “paper union” was nevertheless challenged by NCW workers, led by Mr. W, a migrant worker who had some knowledge of unions and had confronted the company’s illegal labor practices several times. With the belief that a trade union could help them bargain with the employer and improve their working conditions, Mr. W and his fellow workers went to their employer asking for unionization.²⁰ After the employer rejected their request, Mr. W went to STTUC for help, but he was told that a trade union had already been set up in NCW and that there could only be one union in an enterprise under Chinese Trade Union Law. Meanwhile, given the pressure from the workers, the employer immediately required all managers to become members of this “paper union” and appointed the HR manager to the position of union chairperson. According to Mr. W, “This is a secret ‘boss union’ without any worker in it.”²¹ Of course, the workers did not want to become members of this “paper union” because they would have to pay membership fees without having any voice.²²

This case demonstrates that the NCW union’s complete lack of independence and bargaining power is a function of the way it was established and explains why the traditional model provides the least potential for Chinese workers. The “paper union” not only fails to serve the interests of workers, but its existence also means that no genuine trade union can form because the law only allows one union per enterprise.

¹⁹ Interview with the NCW HR manager.

²⁰ Mr. W thought that an employer agreement was required for setting up grassroots unions. Although such an agreement is a common practice, the law does not stipulate one.

²¹ Interview with Mr. W.

²² Interviews with workers. Although workers are required to contribute 0.5% of their wage bills as union dues, this practice is not well enforced, especially in the private sector. The NCW employer deliberately used this regulation to deter workers to join even a “paper union.”

This form of union organization may result in the complete alienation of Chinese trade unions from rank-and-file workers.

Managerial Tools: The Case of Union Organizing in DHP

DHP was an enterprise located in Humen Town, Dongguan City, Guangdong Province, owned by a native businessman, Mr. C, but registered in Hong Kong in 1988 in order to take advantage of favorable policies for FIEs.²³ DHP mainly produced packaging products, such as cigarette packages and albums, and its customers included both national companies and some large multinationals. According to the officials of the regional union (Humen Town Trade Union Council (HTTUC)),²⁴ DHP was well known locally for its good working conditions and had gained hundreds of honors for its responsible corporate conduct.

Given the relatively large size of DHP (more than 900 employees), HTTUC followed the traditional ACFTU organizing model, requesting DHP to set up an grassroots union. However, unlike most other employers, Mr. C, a locally renowned businessman and a representative in the People’s Congress of Guangdong Province, was quite active and cooperative in establishing a union and maintaining harmonious labor-management relations. He felt that these actions were both necessary for his good public profile and consistent with his business philosophy of mutual gains. Thus, in 1997 a grassroots union was smoothly established. Mr. C went further by allowing the workers to elect their union chairperson directly. Any employee who had worked for DHP for more than one year was eligible to run for chairperson; however, in the four elections that took place biennially beginning in 1997, none of the shop floor workers had run for this position. The candidates all

²³ This is a so-called “round-trip” investment. Because of the favorable policies (such as the tax policy) given to FIEs in China, many Chinese people register their companies outside China so that these companies can become FIEs.

²⁴ The HTTUS was upgraded to a federation in late 2005.

came from middle management.²⁵ This is not surprising, given that most POEs in China are characterized by a paternalistic management style, making workers afraid to challenge their employers. Indeed, all workers could really do was simply to vote for the candidate who was nicest to them or most distant from the employer.²⁶ Because the union chairperson had always been a middle manager—the chairperson from 2001 to 2003 was the financial manager and the chairperson from 2003 to 2005 was the administrative manager—Mr. C did not need to worry about the union's independence. In fact, the union was required to report everything to him and secure his permission for any activity in which it wanted to engage,²⁷ which indicated its scant bargaining power and extreme subordination to Mr. C.

HTTUC was satisfied with what Mr. C had done in establishing a union in his enterprise and left its functioning almost entirely to the latter's discretion. The extremely weak linkages between HTTUC and the union served to further increase the union's dependence on Mr. C, thereby decreasing its power. Mr. C, however, continued to adopt a cooptation strategy, for he viewed the union as his tool of communicating with the workers and promoting production. In practice, he chose just one of the "official" grassroots union functions designated by ACFTU, that is, dealing with social issues to motivate employees, also in DHP's interest. As a result, the union merely functioned as a welfare unit of DHP and had done quite well in promoting worker well being and entertainment under the support of Mr. C, including setting up special funds for workers in financial difficulty, providing workers with free physical examinations once a year, building a library and an Internet bar, and organizing activities and events such as sports, travel, and collective weddings. Moreover, acting as a transmission belt, the union sometimes passed worker demands on to Mr. C. For example, it communicated with Mr. C about the worker demands to reduce working

hours from 42.5 hours to 40 hours per week as required by labor law, and to have a half-day leave for female workers on March 8th, International Women's Day, which was also a legal requirement in China. Fortunately, he approved both demands.²⁸

It should be noted here that the union actually did not "bargain" with Mr. C, but simply played the role of messenger, for it left the final decisions completely up to the boss's discretion. As the current DHP union chairperson admitted, the union had played only a trivial role, if any, in improving the welfare of workers. The relatively improved employment conditions in DHP actually were partly a consequence of maintaining a "good" employer image and partly due to strict factory inspections by some of DHP's foreign customers.²⁹ More importantly, all the workers whom I interviewed regarded the union as a weak managerial department rather than as an organization for which they could take ownership. According to these workers, their good working conditions were not a result of having a union but rather a result of being "lucky to have a good boss."³⁰

Compared to NCW, which adopted a union suppression strategy and was more exploitative, DHP assumed a strategy of cooptation toward the union and treated its workers relatively better due to Mr. C's desire to maintain a good public image. The DHP union functioned more or less as a venue for employees' social welfare, and worker-management relations were quite cordial; conversely, at NCW, a "paper union" existed without any substantive function and labor-management relations were riddled with conflict. Despite these differences, neither of the two unions enjoyed autonomy or significant bargaining power. Under this organizing pattern, grassroots unions can at best act as managerial tools to provide for the welfare of and communicate with workers, but they may seldom be able to challenge

²⁵ Interview with the DHP union chairperson.

²⁶ Interview with DHP workers.

²⁷ Interviews with DHP union cadres.

²⁸ Interviews with DHP union cadres.

²⁹ According to the DHP union chairperson, most of the union's achievements, such as fewer working hours and better provisions for employees' social welfare, were gained during DHP's preparation for factory inspections.

³⁰ Interview with DHP workers.

employers as genuine representatives of the workers.

The Union Association Pattern

Since the late 1990s, in areas with high concentrations of small enterprises or individually owned businesses (IOBs, *getihu*),³¹ regional unions have begun to organize union associations (*gonghui liankehui*) to cover multiple workplaces, such as community unions (*shequ gonghui*), village union associations (*cun gonghui liankehui*), market unions (*shichang gonghui*), office building unions (*bangonglou gonghui*), and union associations of FIEs or POEs (*waiqi* or *siqi gonghui liankehui*). These union associations are an innovative response by regional unions to changing labor market conditions, especially in their attempts to organize small POEs and IOBs. Most POEs in China are very small—for example, in 2004, each POE had an average of 13.7 employees (Research Group of Chinese Private-Owned Enterprises 2005). Furthermore, there are a large number of IOBs with total employment of 49.01 million in 2005 (see Table 1), representing a potentially large pool of union members. Because there is no legal mandate to establish grassroots unions for small businesses employing fewer than twenty-five employees and it is often impractical to do so, the only way to absorb these employees into unions is to organize union associations covering multiple employers. Essentially, union associations are branches of regional unions. However, their function has not been clearly defined as of this writing in 2010 (since they are very new). In some cases, union associations perform some regional functions with grassroots unions reporting to them. In other cases, they act like grassroots unions directly organizing and representing workers (see also Taylor, Chang, and Li 2003: 104–105).

In the union association pattern, because regional unions directly set up union associations (with no need for employer

agreements), appoint their own staff as union chairmen (reducing employer control of union leaders), and subordinate the union associations to their direct leadership (decreasing employer intervention in union activities), the union associations tend to be more independent from employers than are grassroots unions in the first pattern, but highly dependent on regional unions and therefore on the State.³² This dependence gives the union associations the potential to utilize their administrative power to confront employers during organizing and bargaining processes. Nevertheless, though the union associations are often able to persuade employers to allow unions, they seldom bargain substantively with employers because of diverse working and employment conditions of the enterprises, low motivation and capability of union leaders, and insufficient or non-genuine government support. The associations' high dependence on the State also makes them unwilling or unable to engage in large scale grassroots mobilization. When these unions recruit members, they usually follow the old method of soliciting employer agreement, though limited grassroots mobilization may be used in some cases.³³

Employer strategies or responses only play a very limited role in shaping the development of union associations. Whereas some employers welcome unions with the view that unions can help them motivate workers, reduce labor-management conflicts, or maintain a good relationship with local governments, most employers feel negatively toward unions but are forced by regional unions or local governments to accept them. More importantly, employers lose their dominance over the unions and are unable to intervene directly in union

³¹ In China, the difference between IOBs and POEs lies in the number of employees. The former are either self-employed or have fewer than eight workers while the latter employ more than eight workers.

³² Much like the national ACFTU, regional unions at various levels are essentially an arm of the government and a subsidiary organ of the Party. The cadres of regional unions are also Party or government officials appointed and approved by the Party and are exchangeable with officials in various government departments and Party organs.

³³ During interviews, some union association officials have told me that they go to employers for membership recruitment because it is employers who pay union dues.

activities.

Although the bargaining power of union associations is weak or non-material, they are often active in other functions including organizing, welfare and entertainment, and labor dispute mediation, so the union associations still have a certain relevance for workers. More importantly, the relative independence of union associations from employers and better ability to enforce union administrative power in the workplace make them significantly different from those employer-dominated grassroots unions, creating some potential for a more independent labor representation role in the future. Nonetheless, their high dependence on the State may impose great limitations on the development of such possibilities.

The Case of Union Organizing in Small POEs and IOBs in Guanlan Town, Guangdong Province

Located in Shenzhen City, Guangdong Province, Guanlan is a small town with a high concentration of FIEs (1,013 in 2005) as well as small POEs and IOBs. In 2005, there were more than 300 POEs, most of which employed fewer than 25 workers, and more than 4,100 IOBs, which employed an average of two or three employees each. The majority of the workers (over 200,000) in Guanlan were migrant workers who had often been maltreated in various enterprises. Grassroots unions had been established in most of the FIEs by following the traditional ACFTU organizing model; it was impractical to do so, however, in small POEs and IOBs. Because these enterprises did not have unions, both the local government and the regional union (Guanlan Town Trade Union Federation, GTTUF) found mediation and resolving the rapidly increasing labor disputes and conflicts difficult in these workplaces.

In order to maintain social stability as demanded by the local government, GTTUF decided to organize the workers in small POEs and IOBs in a new way through the Guanlan Union Association of POEs and IOBs (GUAPI). Under the direct leadership of GTTUF, GUAPI maintained relative independence from employers. GUAPI had

a special office, three full-time staff, and was financially self-sustaining (with an income mainly from union membership dues). Moreover, it was supported and embedded in the local government. Under ongoing requests of the GTTUF chairperson who was highly respected locally (he had worked in the town for many years, first as a government official and then as the union chairperson), the local government not only called on all the government departments to assist in establishing GUAPI but also granted it RMB¥100,000 (US\$ 12,500) in start-up funding. In addition, to enhance GUAPI's authority vis-à-vis employers, GTTUF intentionally appointed the vice-director of the local industry and commerce bureau (a government department in charge of the registration and management of various enterprises) and the vice president of the Association of IOBs (*Getihu Xiehui*, a quasi-government department responsible for the management of IOBs) as GUAPI's chairperson and executive vice chairperson (other union committee members were also appointed by GTTUF without an election).³⁴ On the one hand, these arrangements increased GUAPI's independence from employers (compared to grassroots unions that are incorporated into employers and management), but on the other hand they caused GUAPI to become highly dependent on the government, serving the government's interest for maintaining social stability.

Centered on maintaining industrial peace, the major functions of GUAPI included organizing, social welfare, entertainment, and mediating labor disputes. By June 2005, GUAPI had established 31 branches covering all 12 communities and shopping malls in the town and had organized more than 7,500 workers and self-employed individuals in 80 POEs and more than 1,700 IOBs, mainly by adopting a bureaucratic organizing method. In other words, the GUAPI staff visited

³⁴ It is common for officials of regional unions and union associations to hold positions in Party, government, or quasi-government institutions simultaneously, especially at the town level where various mass organizations are short-staffed.

the enterprises one by one and negotiated with employers regarding the formation of unions.³⁵ In addition, during the organizing process, GUAPI provided training for union cadres and activists and widely publicized trade unions and labor laws to mobilize the workers in POEs and IOBs. GUAPI had also organized a series of entertainment activities such as birthday parties for union activists and sports for the workers, as well as offered its sympathetic support on holidays for workers in financial difficulty. GUAPI's key function, however, was mediating labor disputes in POEs and IOBs. In particular, it had actively intervened in wage arrears disputes and conflicts, which were common in the private sector and had become the major cause of social unrest in Guanlan. In 2004, for example, more than 160 workers in a POE (fearing that they would lose their unpaid wages) had a violent clash with the court police who had come to seal up this POE due to its illegal business activities. GUAPI immediately went to the enterprise, appeased the workers, and helped them get their unpaid wages from the local government the next day. These activities, though somewhat limited, had popularized trade unions among the workers. In fact, all 12 workers whom I interviewed knew about GUAPI. Though five of them did not think GUAPI was helpful to them, three did say "it has a little use sometimes" (*youshi youdian yong*) and one worker even got back his unpaid wages from his employer through GUAPI's help (the other workers did not evaluate GUAPI).³⁶

Because GUAPI was established by GTTUF, under its direct leadership and supported by the government, employers had no means to prevent the union's establishment, nor were they able to intervene in union activities. In fact, even though a

few employers welcomed GUAPI with the idea of maintaining a good relationship with the local government, most of them did not agree initially to become union shops, for they would have to pay union dues. Subsequently, they were forced to accept the union because of pressure from the local industry and commerce bureau, the vice director of which was also the chairperson of GUAPI.³⁷ Despite GUAPI's strong "government color," it was not able to utilize its administrative power effectively to bargain with employers for several reasons. First, the POEs and IOBs worked under diverse conditions. They engaged in different types of businesses including both large manufacturing and small grocery shops, had different modes of operation, and employed different types of workers—both local residents and migrants—which made it very difficult for GUAPI to bargain effectively or conclude encompassing, meaningful collective contracts. Second, the leaders of GUAPI and GTTUF, though keen in developing union membership, were not entirely interested in or motivated to engage in substantive bargaining with the employers. Third, given its top priority for economic growth, the local government did not want the union to do "too much" to hasten the flow of capital out of town.³⁸ Therefore, although GUAPI had concluded three collective contracts involving 120 IOBs by 2005, the articles in these contracts were vague, or they merely repeated the labor law, failing to add any benefits for the workers. At the same time, GUAPI did play some sort of educational role because most of the employers and workers had not even a rudimentary knowledge of labor laws.

Given the small size, high geographic concentration, and diverse working and employment conditions of the POEs and IOBs, the moderate support of the local government (because it supported only union organizing, not bargaining), along with the motivation and ability of GTTUF, two strategic choices were made: first, to organize a union association and second,

³⁵ Self-employed individuals are eligible to join trade unions whereas private employers are not eligible for union membership in China. However, GUAPI also had a few employer-members. In recent years, some regional unions have absorbed private employers into grassroots unions and union associations due to their lack of knowledge of union regulations. The national ACFTU has noticed this and has issued directives to all regional unions requiring them to stop such practices.

³⁶ Interview with GTTUF members.

³⁷ Interviews with the GTTUF chairperson and some employers.

³⁸ Interviews with GTTUF and GUAPI officials.

to engage in organizing, social welfare, and mediation. As a result, GUAPI was relatively independent from employers and highly dependent on the State, yet it had weak bargaining power. GUAPI was still far from genuinely representing workers. Neither its establishment nor its activities had significant worker input. Moreover, its goals centered on maintaining social stability rather than on protecting worker rights per se. Still, GUAPI had organized a significant number of workers and self-employed individuals who would otherwise not have had access to union membership under the traditional ACFU organizing model. Furthermore, GUAPI had popularized trade unions among workers with little knowledge of unions, educated both workers and employers on basic labor rights, and provided certain social welfare to workers. More importantly, its relative independence from the employers made it more able than employer-controlled grassroots unions to represent worker interests in labor disputes. Thus, it had a certain relevance for the rank-and-file workers.

The Regional, Industry-Based Bargaining Pattern

Regional unions that follow the regional, industry-based bargaining pattern choose to organize union associations by trade (*hangye gonghui lianhehui*) and engage in regional, industry-based negotiations of wages and other employment conditions.³⁹ Having the same organizing form and process as the union association pattern described above, the union associations organized by trade are relatively independent from employers and highly dependent on the State. However, four preconditions enable them to be more active in collective bargaining and therefore give them higher bargaining power than the unions following the second organizing pattern. First, regional union leaders in this third pattern are typically motivated and innovative, able to transform the unions' administrative power into substantial

bargaining power. Second, the similarities in working and employment conditions (and related similarities in worker interests) across enterprises in the same industry within the region make it much easier for these unions to conclude meaningful industry collective contracts. Third, local labor markets in these regions are relatively tight. Thus, employers (especially large ones) can be more easily persuaded to accept unions and collective bargaining since they may help to attract and retain skilled labor. Finally, local governments often strongly support union bargaining activities because they help sustain social stability. Such strong government support can further increase bargaining power for unions and facilitate their bargaining process. Similar to their counterparts in the second pattern, employers here either welcome unions and wage negotiation or are forced to accept them by regional unions or local government.

In general, the union associations organized by trade share elements of genuine Western trade unions, and their activities can be viewed as more positive and "radical" adaptations of Chinese official trade unions to the challenges posed by the changing economic and social environment. Although this pattern of union organizing is evident in some regions with a high portion of small POEs such as those in Zhejiang and Jiangsu provinces, it serves as a good example of the potential for stronger unions that can engage in more genuine collective bargaining.

Perhaps the most well known case of this organizing pattern is the collective wage negotiation in the woolen sweater industry in Xinhe Town, Wenling City, Zhejiang Province (see Yu 2004; Liu 2009). Union organizing in the following case (which is also in Wenling City) was actually under its direct influence.

The Case of Union Organizing in the Water Pump Industry in Zeguo Town, Zhejiang Province

Zeguo is a small town in Wenling City, Zhejiang Province, where POEs dominate

³⁹ Union associations by trade are different from the 10 national level industrial unions, which have ambiguous and weak roles in the ACFU system.

the local economy. In 2005, there were more than 4,000 POEs concentrated in 13 industries, employing more than 62,000 workers (90% of which were migrants). The water pump industry with 22 POEs employing more than 3,800 workers was one of the central industries in the town. Since 2000, however, the industry had been experiencing several labor and employment problems.⁴⁰ First, the relatively tight local labor market had resulted in certain labor shortages in this industry, especially in peak seasons. In addition, due to wage differences between enterprises (especially between small and large ones), workers frequently switched jobs for higher pay, leading to high turnover and even larger labor shortages in small enterprises. Second, employers often reduced workers' wages at will (which dropped many workers' monthly wages to below the local minimum wage, RMB ¥560 or US \$70), and sometimes even delayed paying wages, which resulted in labor disputes and strikes. Third, unreasonable wage rate differences among different types of work within enterprises (wage rates arbitrarily determined by employers) also led to frequent conflicts between labor and management. Grassroots unions were established through the traditional ACFU organizing model in all 22 POEs, but these were under the control of the employers and thus of little use to the workers.

Given the small size and high industry concentration of the enterprises in Zeguo, the capable leaders of the Zeguo Town Trade Union Council (ZTTUC) decided to organize union associations by trade and collectively negotiate wages with employers. The Wenling City Trade Union Federation also provided strong support for the organizing. In particular, it persuaded the Wenling City Party Committee to issue a Party-union joint decree requesting the support of the Zeguo Town Party committee and government for its organizing and bargaining.⁴¹ The water pump industry was then chosen as a trial. In July 2004,

the Zeguo Water Pump Industry Union Association (ZWPIU) was established, with all the grassroots unions in the 22 POEs as its branches. ZWPIU's chairperson and union committee members were all appointed by ZTTUC: the chairperson was ZTTUC's vice-chairperson and most of the committee members were grassroots union chairs, with several others being front-line workers. Because ZWPIU was under ZTTUC's direct leadership, it was relatively independent from the employers. More importantly, it was able to overcome the weakness of grassroots unions by being able to confront the employers directly as the workers' representative. In addition, ZWPIU had gained great support from the local Party-State, to whom the union's role of reducing labor conflicts was attractive and supporting this organizing was a "political task."⁴² Perhaps more importantly, the union leaders were very skilled at dealing with labor-management relations; they were highly motivated (because of their sympathy for workers and their own career concerns) and were able to transform the union's administrative power and government support into substantive bargaining power.⁴³ The tight local labor market, together with similar employment conditions and worker interests in these 22 POEs, made it easier for ZWPIU to influence employers and gain meaningful bargaining outcomes.

The major function of ZWPIU was collective bargaining (especially for wages), which could not be performed effectively by the employer-controlled enterprises unions.⁴⁴ ZWPIU first went to the industry employers' association asking for information on existing wage rates for all 236 types of work in the 22 POEs.⁴⁵ Thereafter,

⁴² Interview with the ZTTUC chairperson.

⁴³ The ZTTUC's chairperson was promoted to the chairperson of Wenling City Trade Union Federation at the end of 2005 due to his successful leadership in the ZWPIU's bargaining.

⁴⁴ The function of mediating labor disputes is also listed in the union's constitution but has not yet been performed.

⁴⁵ The employers' association was also established in July 2004 under the coordination of the local government to meet the needs of industry-based collective bargaining.

⁴⁰ Interview with the ZTTUC chairperson.

⁴¹ Interviews with the chairperson and vice-chairperson of the Wenling City Trade Union Federation.

specialists on industrial engineering in the local labor bureau were invited by ZWPIU to help propose new wage rates for each kind of work, which were further discussed with the workers (the number of workers consulted in each enterprise ranged from six to more than 40, depending on the size of the enterprise). Then, ZWPIU and the employers' association began to negotiate based on the proposed rates. Finally, after several rounds of bargaining, an industry wage agreement was signed and approved by the worker representatives in November 2004.⁴⁶ This agreement detailed different minimum pay scales for various jobs covering the entire production process, established a minimum monthly wage (not less than the local minimum wage, an achievement given that many workers did not even earn minimum wage before the wage agreement was signed), and specified that wages must be paid on time every month unless enterprises were experiencing particular cash flow difficulties.⁴⁷ As a result of the agreement, the workers' monthly wages increased by between 5 and 8%, turnover and labor shortages decreased (as did the number of labor disputes) and no strikes occurred. In late 2005, the second industry wage agreement was reached, giving workers an average increase of 3%.⁴⁸

Because the negotiated wage rates were publicly posted within the enterprises as required by ZWPIU, all ten workers I interviewed knew them and earned the exact same rates. Three of them thought that ZWPIU played an important role in the wage negotiations; four workers, however, did not know ZWPIU at all. This difference in perception is not surprising because ZWPIU was still not a genuine trade union and the

local government did not want it to truly represent workers. ZWPIU was established without significant input from rank-and-file workers, nor did it make a significant effort toward grassroots mobilization; instead, it depended on the authority of ZTTUC and the local government to increase its bargaining power (though it did consult with some workers on the wage rates). The absence of grassroots mobilization efforts may decrease the sustainability of such regional, industry-based collective bargaining in the future.

At the beginning of the first wage negotiation, ZWPIU was welcomed by several large employers, mainly because they had already paid workers higher wages and thought that the trade union association might help them stabilize their workforce and reduce labor disputes. However, this was not the case with smaller employers, who were initially strongly against wage bargaining. Many of them refused to bargain with ZWPIU, but later they were forced by the local government (under the request of ZWPIU) to accept and institute the negotiated wage rates.⁴⁹ Two years after that, however, my interviews with some employers (both large and small) revealed that all of them were satisfied with the declining labor conflicts and employee voluntary turnover, though a couple of them complained that some wage rates were too high. Moreover, all ten workers whom I interviewed agreed that the wage rates were among the highest they knew and did not have plans to leave their enterprises in the near future. A worker even used the attractive wage rates to persuade several of his hometown acquaintances to quit their former jobs in Guangdong and come to work in his enterprise. According to the ZWPIU chairperson, the positive effects of wage negotiations on the part of both employers and workers made the second wage agreement much smoother than the first one.

Given the enterprise characteristics (small size and high degrees of region and industry concentration), the relatively tight

⁴⁶ Each grassroots union assigned three to five worker representatives to attend the industry workers' meeting.

⁴⁷ Under these conditions, enterprises must guarantee the minimum monthly allowance for basic living to their employees.

⁴⁸ The CPI of Zhejiang Province was 103.9 in 2004 and 101.3 in 2005 (the preceding year=100, China Statistics Yearbook, 2005 and 2006). Thus, the two contracts still gave workers slight wage increases after adjusting for inflation (the average inflation-adjusted wage increase was 1.1–4.1% and 1.7% respectively). More importantly, without this wage negotiation mechanism, such increases would not be guaranteed.

⁴⁹ Interviews with the ZTTUC Chairperson and some employers.

local labor market, the capability of union leaders, and the strong support of the local government, ZTTUC made two strategic choices: to organize a union association in the water pump industry and to engage in collective bargaining. As a result, ZWPIU maintained independence from employers and gained relatively high bargaining power. It not only ensured wage payment and increased workers' wages, but it also improved labor force stability and reduced labor disputes in the industry, benefiting both employers and the local government. Given that the existing authoritarian regime does not allow independent trade unions, this pattern of union organizing can be viewed as good progress toward more genuine collective bargaining.

Discussion and Conclusion

The four cases outlined above clearly illustrate that the strategic choices of regional unions with regard to organizing forms, process, and union functions play a key role in shaping union organizing patterns. When regional unions choose the traditional ACFTU organizing pattern, newly-established grassroots unions are invariably dominated by employers and management and lack independence and bargaining power. Although this pattern of union organizing is the dominant organizing model in China and has rapidly increased ACFTU's membership, it may cause the grassroots unions to become completely dependent upon employers and to become increasingly irrelevant to Chinese workers. At the same time, these grassroots unions might potentially better represent workers and provide a platform for the development of independent trade unionism in the future. One possibility is that workers who occupy key positions in the labor market (including those whose skills are in high demand) might develop certain informal workplace bargaining strategies (as happened in Hungary), which may force the official grassroots unions to truly represent the workers and formalize collective bargaining (so that unofficial unionism can be contained). In addition, legislative changes that forbid employer-dominated unions might also result in more

independent grassroots unions (similar to the Wagner Act that transformed American company unions).

The second and third patterns of union organizing represent more positive adaptive tendencies of regional unions to set up union associations to cover multiple workplaces and to organize workers as well as self-employed individuals in small POEs and IOBs. The relative autonomy of the unions organized through these patterns ensures that they are not dominated by employers. Moreover, they link regional unions directly with rank-and-file workers and provide the possibility of using the unions' administrative power to protect worker interests. The two new patterns of organizing are local initiatives, but their ability to increase union membership rapidly in small enterprises has made the central ACFTU decide to diffuse them nationally.

In the case of the second pattern, because union functions are designated as organizing, social welfare, and mediation, the union associations are able to organize a large number of workers outside the traditional ACFTU model, provide a certain degree of social welfare for them, and even represent their interests in labor dispute mediation. Moreover, the relative independence of these union associations from employers and their potential to enforce the unions' administrative power in the workplace may contribute to the development of more independent labor representation in the future. Certainly, the union associations are still not so much representatives for workers as they are the State's tool for maintaining social stability. Yet, because they only need moderate government support in persuading employers to allow unions, which is often not difficult to get given the central Party-State's instructions on supporting union organizing, various union associations have been established in most Chinese cities, counties, and towns. Though the data on the number of union associations and their membership are not available, I was informed of their rapid and stable development during my visits to the regional unions in six Chinese cities in

2008.⁵⁰ In particular, in the Luwan District of Shanghai, members of union associations accounted for roughly 90% of the district union federation's membership.

The third pattern— regional, industry-based bargaining—is more promising than the other two in that union associations organized through this pattern can replace employer-controlled grassroots unions as workers' bargaining representatives, transform the unions' administrative power and state support into substantive bargaining power, and gain certain benefits for workers. Therefore, this organizing pattern is able to help ACFTU to extend its authority and influence to the workplace, overcoming to a certain extent the intrinsic weakness of contemporary China's official unionism, which is "an administrative power without effective enforcing units" (Chen 2009). Although unions organized in this way are still not common, this organizing pattern has become increasingly prevalent in East and South China where there are high concentrations of small POEs. Nevertheless, its sustainability is not yet clear. On the one hand, none of the preconditions (capable and motivated union leaders, tight local labor markets, and strong government support of collective bargaining), are guaranteed or enduring, which may paralyze wage negotiations for the unions. On the other hand, the skilled union leadership and effective collective bargaining may contribute reciprocally to strengthening the unions and increasing worker commitment (to both unions and employers), thus fostering sustainable development of this organizing pattern. The 2008 labor contract law, which recognizes regional collective contracts and regional, industry-based collective contracts (article 53, section V) may help to expand this pattern. The weak enforcement of the labor law in China and the poor quality of Chinese union officials (see Liu 2009), however, make the large-scale expansion very difficult in the short term.

Some preconditions are important in shaping regional union strategies and

organizing outcomes, including enterprise characteristics, local labor market conditions, union leaders' motivation and ability, and local government support. For enterprises employing more than 25 workers, regional unions typically choose to set up grassroots unions and allow employers to dominate these unions. For small enterprises concentrated in a specific area or industry, regional unions have begun to organize union associations covering multiple workplaces.⁵¹ Where regional union leaders are motivated and capable and the support of local government is strong, union associations have even begun to bargain with the employers and gain favorable bargaining outcomes, especially when the local labor markets are tight.

Furthermore, the role of employers and management differs in these patterns of union organizing. In the first pattern, employers and management control grassroots unions and play a major role in shaping outcomes for industrial relations. In the second and third patterns, employers only play a limited role (if any) in shaping the outcomes of union organizing because they do not have any effective means of preventing unions from being established, nor can they control the unions or determine union functions.

It is worth noting that in all three patterns, when organizing efforts of regional unions meet strong opposition from employers, the unions tend to go to their local governments for help. This support may help smooth the organizing process, but it cannot fundamentally change organizing outcomes. In the NCW case, the local Party-branch forced the employer to set up a union, but it was not able to prevent its becoming a "paper" union. In the GUAPI case, although the local government forced many employers to accept the union, it could not (or did not want to) help GUAPI become a genuine representative for the workers. In the

⁵⁰ The six cities are Beijing, Shanghai, Changchun, Hangzhou, Ningbo, and Shenzhen.

⁵¹ When structural conditions point to two options, that is, to organizing grassroots unions or union associations, the choice of regional unions is based on a few preconditions, particularly the motivation and ability of union leaders and the support of local governments.

ZWPIU case, it was ZTTUC's choice of wage negotiation that increased the workers' wages; the support of the local government only helped smooth the bargaining process. Indeed, local governments can at best play a facilitating role in the union organizing process.

Still, the role of the Party-State in union organizing is more complicated than that described above. At the national level, the Party-State continues to forbid independent unions from organizing and suppresses any such efforts while it simultaneously encourages organizing workers into the Party-controlled ACFTU. At the local level, governments have gained increasing economic autonomy since the 1980s, but not political autonomy. Thus, local governments do not differ from the central government in union control, such as repression of independent unions and incorporation of workers into official unions. Moreover, the top priority for all local governments is economic growth, even though some local governments may also protect worker interests to a certain extent in order to sustain local economic development. Where the local governments are concerned about labor interests or industrial peace, they may facilitate the organizing efforts of certain regional unions (but absolutely no organizing independent from the Party); where they are more pro-capital, the regional unions may be totally sidelined in union organizing. This role of the Party-State may not change in the near future given the stable authoritarian regime.

The macroeconomic environment seems to have significant effects on two of these preconditions, that is, local labor market conditions and government support, and therefore on the evolution of the various patterns of union organizing. When the economy is booming, the labor market may become tight and many local governments may support certain union organizing activities to balance the interests of labor and capital (albeit to different degrees), which may result in relative high union bargaining power, new union organizing initiatives, and the development of more representative unions. This actually happened during 2003–2007, when the

Chinese economy was on a fast track of development. When the economy is experiencing a recession, however, the labor market may become unfavorable for workers and many local governments may significantly reduce their support of union organizing and labor rights protection, leading to weak union bargaining power and even to the marginalization of trade unions. For instance, during the 2008–2009 global financial crisis, the bargaining power of many unions decreased due to the large-scale factory closures and layoffs and reduced local government support. In addition, local minimal wage increases were suspended all over China, and collective wage negotiations were also suspended in some regions.⁵² These suspensions significantly limited the development of the third pattern of union organizing. Even worse, because ACFTU urged workers and enterprises to stand together and many enterprises meanwhile found that unions could be a useful broker in persuading workers to accept wage cuts or layoffs, more grassroots unions tended to develop into managerial tools. The development of union associations, however, was less influenced by, or was perhaps even strengthened by, the financial crisis because regional unions made greater efforts in organizing laid off and unemployed workers into various forms of union associations.⁵³ Yet, their focus was on maintaining social stability rather than on developing genuine workers' representatives.

It should also be noted that worker inputs were largely missing in these organizing cases, yet this is not surprising given the bureaucratic nature of such official union organizing. However, as discussed above, rapidly increasing labor disputes and spontaneous strikes and protests play a key role in pushing the Party-State and ACFTU to engage in union organizing. In the GUAPI case, one key reason why the local government supported the union

⁵² For example, in November 2008, the Guangdong Federation of Trade Unions announced that collective wage negotiations would be suspended in enterprises that were facing operational difficulties (Wu 2008).

⁵³ Phone interviews with two unions officials in Guangzhou and Hangzhou.

association was the large number of labor disputes and conflicts in small POEs and IOBs. In the ZWPIU case, increasing labor disputes, strikes, and worker turnover in the water pump industry impelled union wage negotiations and helped the union gain support from the government. Thus, worker actions are important in driving any positive organizing and reform efforts of the official unions.

What can we learn from the case studies of these three different organizing patterns for the future of Chinese trade unions and industrial relations? First, there may be two ways to revitalize grassroots unions in the traditional ACFTU organizing pattern. The first requires reforming the ACFTU's structure and the principle of geographic jurisdiction, so that mid- and large-sized enterprises can also be organized into unions based on trade, especially those across regions. According to an informant, ACFTU has now decided to strengthen industrial unions at all levels and develop industry-wide collective consultation. The second requires regional unions to engage in grassroots mobilization and bottom-up organizing (though emerging, those are still extremely rare). By these means, grassroots unions may become more independent from employers and management and be able to act as a voice for workers.

Second, for the union associations that are already quite independent from employers, having motivated and capable leaders who can engage in more genuine collective bargaining and can transform the administrative power of unions into substantive bargaining power is key to their success. Even if their bargaining power is still not very effective given constraints like the diverse employment and working conditions of the enterprises and insufficient government support, as long as they can truly represent workers, they may be able to find ways to protect worker interests or gradually improve working conditions.

Third, for unions that follow the regional, industry-based bargaining pattern, which represents the most progressive pattern, regional unions should increase the sustainability of such bargaining. Otherwise, reversal is a distinct possibility. If the

collective bargaining function of the union associations by trade becomes formalistic (just like the collective contract system in SOEs) due to unfavorable changes in various preconditions, these unions may become irrelevant to workers. To avoid such a reversal, the unions should increase their bargaining power substantially by engaging in grassroots mobilization rather than by merely depending on their administrative power or on unstable government support.

Fourth, given the existing situation of weak labor and strong capital in China, it is often necessary for unions to gain support from the Party-State, an even stronger position in that society, to smooth the organizing process. For example, both GTTUF and ZGTUC were supported by their local governments, which helped them attain a degree of success in organizing. Thus, at least presently, the close Party-union relationship may be in the interest of ACFTU. Still, the support of the Party-State is a double-edged sword. It may further increase the dependence of the Chinese unions on the authority of the Party-State rather than on the power of organized labor, and thus negatively influence the development of genuine independent trade unionism in the long run. Moreover, because the Party-State supports the unions with the aim of regaining control over society rather than protecting worker rights per se, too much dependence on the Party-State may cause the unions to act completely in the Party-State's interests and thus become its tool for the maintenance of social stability.

Finally, one of the biggest challenges for Chinese unions at all levels is local mobilization and the need for more effort focused on organizing unions completely from the bottom up. Given that the national ACFTU is still conservative and tightly controlled by the Party, and that grassroots unions in general are controlled by employers and management, meeting this challenge will require considerable effort by regional unions that have more operational autonomy. As the cases discussed above demonstrate, some regional unions have already developed organizing patterns different from the traditional model.

Although the local initiatives are still very limited, especially regarding grassroots mobilization and bottom-up organizing, they do indicate the key role of regional unions in shaping organizing outcomes and effecting possible change in the future. In fact, regional unions have become the focal point of change in the organizational hierarchy of ACFTU in recent years (see Liu 2009). More importantly, some local initiatives, such as the various forms of union associations, have been diffused to

other areas and have even influenced the decision-making of the national ACFTU, revealing a bottom-up movement. Thus, although the national union still has a significant impact on the development of the Chinese trade union movement, focusing on the organizing initiatives of regional unions may help Chinese trade unions gradually transform into more genuine representatives of workers in the future.

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