

Commentary:

The Iron Rice Bowl Shattered: Labor Turmoil in China

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The complex, intertwined relationship between Chinese labor unions and the communist power structure poses great challenges for those who are trying to analyze it from the vast amount of information available, ranging from published statistics to fabricated propaganda materials. Traditionally, Western observers have relied largely on official publications to study trade unionism and labor-management relations in the People's Republic of China (PRC). This approach imparts a certain degree of bias. Furthermore, the close association between many so-called China experts and the Chinese government has also alienated them from the truth and reality in China.

THE DEVELOPMENT OF TRADE UNIONISM IN THE PRC

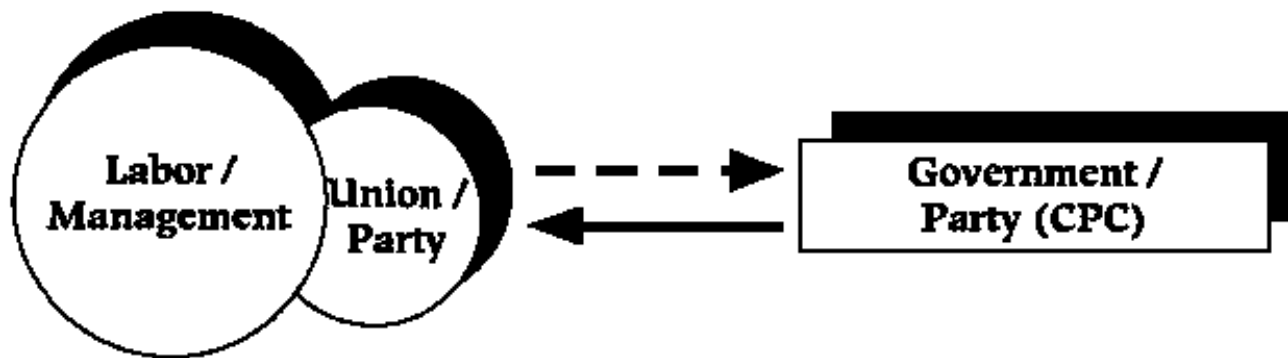
In 1948, the Communist part (CPC) organized the All-Chinese Federation of Trade Unions (ACFTU). ACFTU functions as the sole trade union center for China's 15 national unions which have 536,000 branches and 100 million members, representing 90 percent of the labor force.¹ Many of China's grass-roots trade unions are inseparable from the CPC structure. Union representatives are typically party cadres. The unions are not independent by nature and by law; independent unions are, in fact illegal.

The interactions between workers, management, and the government (and party) are very different in China than in the United States and other Western nations or Japan. These interactions are schematically illustrated in Figure 1. Chinese labor-management relations are unique because (1) the grass-roots trade union organizations branch out from the party structure; hence, the government/party directly supervises the unions, and (2) management people often identify themselves as part of the labor force, as is evident in China's state-owned enterprises. In the 1989 pro-democracy movement, crushed by the Tiananmen Square massacre in June, the leader of China's first independent, nationwide labor union was the plant manager of an aluminum factory in Shanxi. The system is best illustrated by the following official comments:

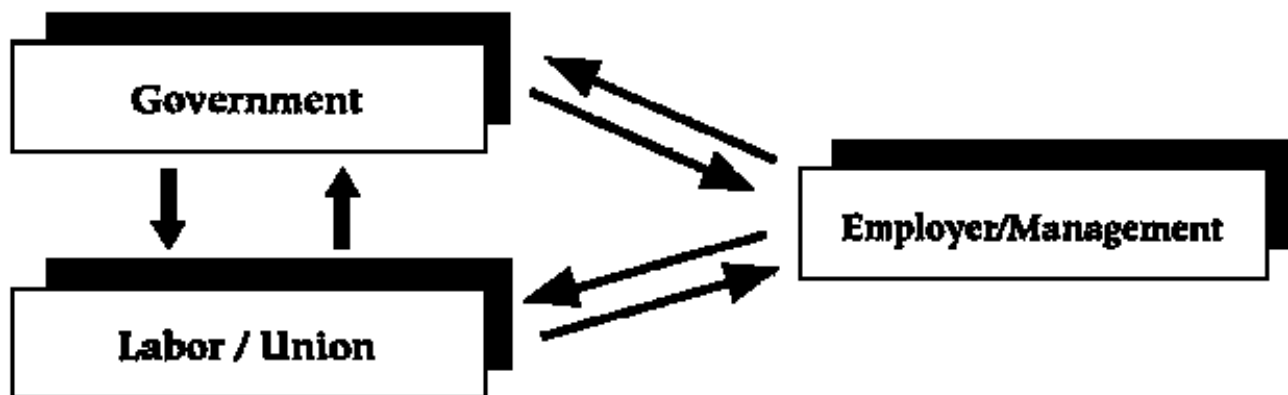
Figure 1
Three Models of Labor-Management Relations

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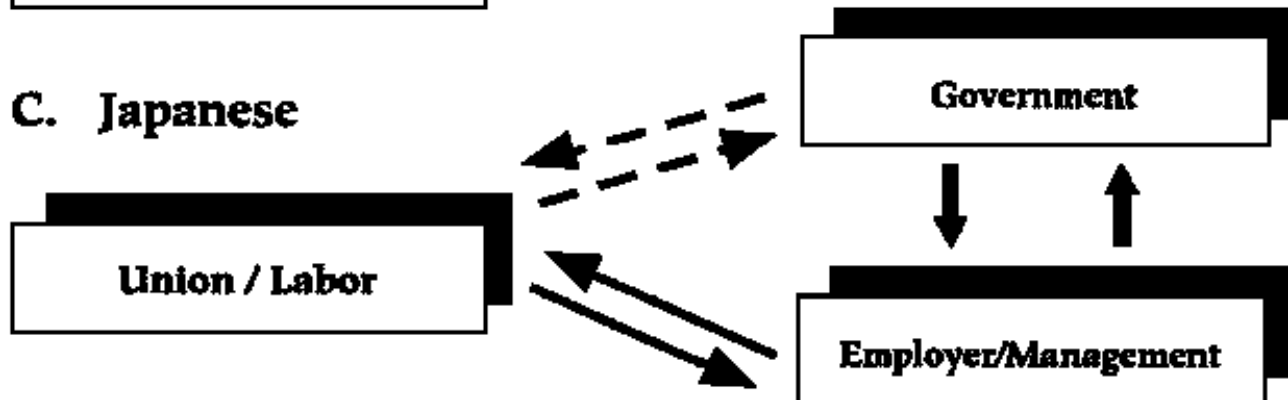
A. China



B. U.S. and other western nations



C. Japanese



---> Implicit, nonbinding flow of information.
<--- Direct, binding flow of information and control.

In China, the fundamental interests of trade unions and the government are identical. Trade unions should safeguard the government's authority, which in return should respect and protect the trade unions' legal rights and interests, expanding their rights to participate in state affairs and exercise social supervision.²

A WEAK LABOR CLASS AWARENESS

Unlike the close relationship between the labor movement and the stages of economic development witnessed in many developing and NIEs, workers' expectations in China are drastically different from those of their counterparts both in Asia and Eastern Europe. Those who are puzzled by the initially similar but strikingly different outcomes between China and Eastern Europe in 1989 have simply overlooked the lack of workers' support in China's pro-democracy movement. Although China's 536,000 grass-roots trade union organizations have a combined membership of 100 million workers, many of them are peasants. Forty years of a socialist public

ownership system brought them a slightly better life than rural farmers. In general, the workers' class awareness and cohesiveness are low. In the better days of economic reform, even official sources admitted that trade union work was not at all satisfactory. Measures to safeguard workers' interests have been weak, and their leadership and administration remain overly bureaucratic.

CHANGES IN THE SYSTEM: THE MARKET ECONOMY STRIKES

Before the June 1989 crackdown, enterprise managers were gaining decision-making autonomy as China's reform program grew. On the surface, it appeared that trade unions had also become more independent, with the establishment of unofficial unions such as the Workers' Autonomous Federation.³ But the crackdown saw the disappearance of free unions and their leaders, and, once again, unions were totally under party and state control. They were still more involved in helping to raise productivity and defusing potential conflicts than in representing workers and fighting for their rights. However, there was talk about unions of management and workforce, which by no means resembled any significant organized labor movement.⁴ It was more like the concession and cooperation sentiment that blossomed in the United States in the 1980's amid the decline of industrial competitiveness in the international economy.

The quest for change, however, gradually spread within the organization, from managerial autonomy to union independence. A local union in Shenyang declared itself "Solidarity" in 1988. Some unions turned down government subsidies in order to gain more independence. In the Special Enterprise Zone (SEZ) of Shenzhen, unions got directly involved in settling labor-management disputes by, for example, negotiating grievances of workers directly with management. The first secretary of the ACFTU, Zhu Houze, argued that the unions should (1) become independent, (2) truly represent workers' interests, and (3) establish collective bargaining power against the enterprise and the government.⁵

The country's move from a communist economic system to a market economy has brought spectacular growth, but has also threatened the jobs and living standards of millions of its workers. China's "iron rice bowl" of cradle-to-grave welfare benefits and a job for life is being smashed, and 150 million are in search of jobs.⁶ State enterprises, which still greatly dominate the economy, are paring payrolls to boost productivity and become profitable (only about a half are now). This type of major restructuring, also going on now in Russia, the other former Soviet republics, and the former Soviet bloc in eastern and central Europe, generates high unemployment. At the end of 1994, the country reported an unemployment rate of 17 percent in major cities, and some analysts estimate rural unemployment to be as high as 37 percent.⁷ The published official national unemployment rate for the PRC is under 3 percent, and the urban rate is about the same!

In the face of this restructuring and the growth of nonunionized foreign ventures, labor unrest has grown. And it is increasingly organized, independent of the official unions of the All-China Federation of Trade Unions (ACFTU). Over 8,000 strikes were recorded by the Labor Ministry in 1993; strikes are not legal in China. This growing unrest alarmed the government, and several actions have been taken. Effective January 1, 1995, a new labor law bans child (under 16) labor, sets an 8-hour day (and a 44-hour week), bans discrimination in the workplace based on race, sex, nationality or religion, sets maternity leave of at least 90 days, and requires each government unit (city, province, autonomous region) to set a minimum wage for approval by the State Council, China's cabinet.⁸ The Labor Ministry also has responded to the unemployment problem by setting up a two-year labor market program of job-training, labor services, and a national unemployment insurance plan (which some cities have instituted on their own already).⁹

The government has singled out foreign-funded firms as abusers of labor, as labor disputes involving them increase (as they have at state enterprises!). They have ordered all foreign-backed ventures to establish a union, as part of the ACFTU, by the end of 1994.¹⁰ Under China's trade union law, this will give the local union a seat on the company's board of directors. The aim is to ease the abuses of workers' rights, but the ACFTU has been a passive organization within

enterprises, and, as we noted above, more involved with productivity enhancement and dispute resolution.

CONCLUSION

The future of industrial relations in China is difficult to forecast, as so much is in ferment. The growing worker unrest in the 1990s, and the state's benevolent response, are very different from the 1989 student-inspired unrest and subsequent crackdown. New laws to protect underage workers, establish minimum wages, and, in general, alleviate abuse of workers, if enforced, can have a great effect on the labor market and labor relations. As hundreds of millions of workers clamor for a better life, the Party most likely will respond as positively as it deems possible. If not, it risks overthrow, as it itself did to the old government in 1949, with workers playing a dominant role. And as long as the Party remains in control, free and independent trade unions will not be a major force in the PRC.

ENDNOTES

1. *Beijing Review*, February 13-25, 1989: 32.
2. *Beijing Review*, November 7-13, 1988: 7.
3. *New York Times*, March 3, 1992: A16.
4. *Beijing Review*, February 13-25, 1989: 31.
5. *China Times Weekly*, January 6-12, 1990: 48.
6. *International Herald Tribune*, March 15, 1994: 1.
7. *Wall Street Journal*, December 13, 1994: A14.
8. *Wall Street Journal*, July, 1994: A9.
9. *Wall Street Journal*, September 21, 1994: A12.
10. *Wall Street Journal*, June 29, 1994: A14.

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