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Collective Wage Bargaining and State-Corporatism in Contemporary China

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Collective wage bargaining is an old, yet alien concept for Chinese enterprises. It is old because it was put forward as early as in the 1980s and formalized in the 1994 Labour Law. Nonetheless, collective wage bargaining was alien to most Chinese enterprises because according to the 1994 Labour Law the implementation of collective wage bargaining was voluntary and few enterprises carried it out in practice. This situation did not change until 2000 when the Chinese government issued the *Tentative Measures for Collective Wage Bargaining*. The *Measures* dusted off the notion of collective wage bargaining and in 2007, the Labour Contract Law finally institutionalized collective wage bargaining in China. According to the 2007 Labour Contract Law, a collective consultation with assemblies of employee representatives or all employees is *required* before an employer can adjust an employee's salary.

Collective wage bargaining is defined in the Chinese labour regulations as “the communication and consultation behaviour on labour standards, working conditions, as well as other issues related to labour relations between employing units (including enterprises, individual economic organizations, private non-enterprise units, etc.) and the corresponding trade union organizations (or representatives democratically elected by employees in the enterprise that has not set up unions) on the basis of full legal equality according to state laws and regulations” (MLSS, 2000: 1). The result of collective wage bargaining is usually formalized as collective contract between employers and employees. To be noted that, collective wage bargaining is

officially called “consultation” (*xie shang*) not “bargaining” (*tan pan*) in China because it is assumed that there are no adversarial relations or conflicting interests between labour and capital in Chinese enterprises. Despite this distinct conception of collective wage bargaining in China, in the 1990s the Chinese government accepted and promoted the International Labour Organization’s (ILO) tripartite bargaining structure that has characterized the collective bargaining experiences in Western advanced industrialized democracies. Under the tripartite collective bargaining framework in China, the All China Federation of Trade Unions (ACFTU) is to represent workers, the Chinese Enterprise Directors’ Association (CEDA) is considered to represent employers and the Ministry of Human Resource and Social Security (MHRSS) is to represent the government.

It is noted that collective wage bargaining was introduced to Chinese enterprises when China’s economy was increasingly integrated into the globalizing world-market as marked by China’s entry into World Trade Organization (WTO) in 2001. Additionally, it was promoted by the Chinese state in a context in which the Chinese economy faced sky-rocketing pressure of inflation and trade deficits. According to news reports, collective wage bargaining in many Chinese enterprises led to wage increases by as much as 15 to 30 percent (Wang, 2006; Anonymous, 2008). The result of Chinese wage bargaining contradicts the theoretical prediction that pressure of market competition and currency inflation induces wage moderation (Calmfors and Driffill 1988; Swenson 1991). Thus many questions surfaced with regards to the policy initiative and implementation of collective wage bargaining in China. Why was collective wage bargaining policy introduced at that time? How can a Western tripartite structure of collective wage bargaining work in China’s authoritarian institutional context and how has it actually worked so far? What are the implications of collective wage bargaining for Chinese political

economic development in the foreseeable future? This chapter will address these questions in order. The following sections will unfold in the following way. The section immediately following will discuss three potential explanations of the emergence of collective wage bargaining in China. Section three will provide an alternative account of the policy initiative, institution and implementation of collective wage bargaining in China. The last section will conclude and discuss the relationship of collective wage bargaining with Chinese state-corporatism.

Potential Explanations of Collective Wage Bargaining in China

There are three main factors to expect when it comes initiating of collective wage bargaining in China: 1) the corporatist context in Chinese enterprises (Unger and Chan, 1996); 2) state intentions to control and alleviate labour tensions in the factory management (Warner and Ng, 1999; Clarke and Lee, 2004) and, 3) the changing pattern of Chinese worker-management relations (Zhu and Warner, 2000). Yet, as this section will argue, these factors cannot successfully explain the emergence and variation of collective wage bargaining in China.

Jonathan Unger and Anita Chan (1996) may be the first scholars to suggest employing the corporatist framework to interpret Chinese labour relations during the economic reform era. They argue that China with an authoritarian system that is associated with Communist Party regimes began to adopt state corporatist attributes, common to its East Asian neighbors (Unger and Chan, 1996: 32). One of the leading features of state corporatism is that all associations, of all types, need to be officially registered, and only one organization is recognized as the representative for each sectoral constituency. For instance, ACFTU is officially recognized as the sole legitimate representative of employees in China while CEDA is recognized as the sole

representative of enterprises, notably for state-owned enterprises (SOEs). According to Unger and Chan, almost all Chinese associations were established on the government's own initiative, from the national level downwards to the county or town level. Moreover, for a number of the more important associations such as Self-Employed Labourers' Association, membership is obligatory. More poignantly, as seen in the Hsu and Hasmath chapter on the rise and impact of the local state on the NGO sector, such a practice of the corporatist framework is distinct at the local level from the national level. Especially in regions and localities where there are few or no major industrial enterprises directly owned and operated by the central state, the local private entrepreneurs and local collective enterprises have an interest to support their local associations and local government against the encroachments of the central state. Thus, an alliance of interests forms on behalf of local protectionism. Although playing against the central state by colluding with local interests, local governments at times wrestle to retain their power and resources against the enterprises and citizens too. This puts the associations under increasing pressure from below to protect their constituents from the local government. Some of the local union organizations, which can rely upon a secure income based upon a fixed percentage of the wage bill of state-owned enterprises, directly have maneuvering (with the encouragement of higher levels of the union federation) for greater union autonomy from the local officialdom (Unger and Chan, 1996: 50). Unger and Chan expected that "[y]ear by year... at least some of the old 'mass organizations' and new associations are gradually coming under the influence of , and beginning to speak on behalf of, their designated constituencies. Some are, in short, shifting gradually but perceptibly in a 'societal corporatist' direction." (Ibid: 52) In such a context, the Chinese government established a working relationship with the ILO, seeking the latter's advice on establishing the tripartite corporatist structure of collective bargaining.

Unger and Chan's work advances our understanding of Chinese labour relations by bringing in the concept and theory of corporatism. They suggest that Chinese corporatism results from the former state socialism system borrowed from the Soviet model by the Chinese Communist Party (CCP) as well as the East Asian cultural bias such as paternalism favorable to corporatist structure. However, we should be aware that the constant historical and cultural influences cannot explain why Chinese collective bargaining took place at the time of early 2000s. Moreover, in Unger and Chan's analysis little attention has been paid to the incentives and strategies of different actors involved in collective wage bargaining labour and capital in the society, and associations and bureaucracy in the government under the corporatist context. As a result, it is unclear why the central state has had an interest in initiating collective wage bargaining in the early 2000s. In this sense, Warner and Ng's work (1999) emphasizing the intention of the Chinese state in sponsoring the collective wage bargaining is an important supplement to the understanding of the situation.

Warner and Ng interpret the state's intentions to promote collective wage bargaining in twofold. First, the state aspired to fill the institutional vacuum that has persisted in the Chinese workplace since the Party's partial withdrawal from the shop-floor during the first half of the 1980s. Second, the state intended to regain a potent level of intervention at the workplace for disciplining movements of wages by assigning agency roles to the ACFTU (to negotiate collectively) and the Labour Bureau (to vet and certify the negotiated contract). These state initiatives to "make" the collective contract as an instrument of state intervention were intensified by the context of changing industrial relations through reforms. On the one hand, potential labour grievances and shop-floor agitation proliferated as management discipline was tightened up. On the other hand, greater wage-drift was caused by the "individualized haggling"

in the emerging Chinese labour market (Warner and Ng, 1999: 310). Moreover, unlike Unger and Chan who stress the convergence of China's collective wage bargaining with the ones in neighboring countries such as Japan, South Korea and Taiwan, Warner and Ng (1999) emphasize the complexity of the design of collective contract in China. They argue that equating the nominal "structural" resemblances between the new device of collective contract in China and the institutions of collective bargaining in capitalist market economies, or focusing unduly on their mutual convergence in appearances may oversimplify comparisons (Warner and Ng 1999, 309).

Warner and Ng's discussion of the central state's intention in sponsoring collective bargaining is insightful, but their analysis seems to ignore the intentions and roles of other indispensable actors such as employers and employees. Moreover, their state-centric account does not explain the variation of Chinese collective wage bargaining in practice, for example, why some enterprises comply with the government's policy of collective wage bargaining while others do not. In addition, other scholars have questioned the feasibility of collective wage bargaining in achieving state intentions due to the institutional constraints of ACFTU. Simon Clarke and Chang-Hee Lee (2004) argue that the process of collective bargaining has not introduced a new system for negotiating the terms and conditions of employment between the employer and trade union in Chinese enterprise for the following reasons. First, there is no significant negotiation of the collective contract between employers and employees independently representing the interests of two sides. Second, employers remain reluctant to incorporate any substantive detail in the collective contract, so that the contract adds little or nothing to the existing legal regulation of the terms and conditions of employment. Third, in practice, it appears to be very rare for the enterprise trade union to provide advice or representation for employees, either in the informal

resolution of grievances or in formal dispute procedures. Therefore, Clarke and Lee (2004: 252) predict that unless trade union organizations at a higher level recognize the need for the change and develop their capacity to support genuine collective bargaining at the enterprise level, the change that the enterprise trade union develops into an organization that disengages from management to represent the interests of its members is not likely to occur, even under the pressure of growing conflict between employees and management.

Another account of Chinese collective wage bargaining attributes the rise of collective wage bargaining to the changing patterns of human resource management in contemporary China especially after China's accession to WTO in 2001. In Chinese enterprises since the 1990s, 'three new committees' board of directors, shareholders committee and monitoring committee have been added to the conventional structure with emphasis on supervision by investors externally and workers internally over the management (Chen 1997). Ying Zhu and Malcolm Warner (2000) argue that the Chinese economic reform is premised on a reduction of the Party's influence in enterprises, as claimed by the government as "a separation between politics and enterprise management" (*dang zheng fen kai*). However, political networks still form a readily accessible structure for informal bargaining and personal connections (*guanxi*). The relationship between trade union and enterprise management varies across the different ownership types and union leaderships mainly depend on personal relations between management and union leaders at the enterprise level (Zhu and Warner, 2000: 357). Zhu and Warner (2000:358) predict that only the newly established tripartite employment relations "with Chinese characteristics" help diffuse further levels of conflicts in an economic downturn, increasing unemployment and labour tensions. Zhu and Warner's study of the evolution of Chinese employment relations since the SOEs reforms in the mid-1980s is helpful to understand the context in which the tripartite

collective wage bargaining takes place in China. Nonetheless, a more nuanced explanation is needed to account for the timing and variation of collective wage bargaining practice in China.

The above three accounts of Chinese collective wage bargaining indicate that ambiguities remain in our understanding of this burgeoning phenomenon. First, it is unclear what are the intentions of actors such as employers and employees in participating in collective wage bargaining. Second, it is not immediately obvious what factors caused the palpable variation of collective wage bargaining practice among Chinese enterprises. These points suggest turning our focus to the intentions of the government, employers and employees respectively and the circumstances that gave rise to the common interest of these three parties in adopting the tripartite collective wage bargaining in China during 2001-2006.

An Alternative Account of Initiative, Institution and Implementation of Chinese Collective Bargaining Policy

One of the main arguments of this chapter is that the rise of Chinese collective bargaining was contingent on the interests of the government, capital and labour between 2001 and 2006. After decades of economic reforms, the problems the Chinese government encountered between 2001 and 2006 were related to upgrading industries, reducing social inequality and containing labour militancy. Such situation forced the government to increase its authority in influencing wage determination and redistribution among enterprises and regions. At the same time, the management in many Chinese factories that were notorious for low wages, long working hours and poor working conditions, were highly concerned with labour shortages and labour-management tensions. In Shenzhen, one of the first Chinese cities significantly benefiting from the nation's economic reform and increasing openness, factory operators said that finding low-

wage workers was harder than ever (Barboza, 2006). Factory management gradually realized that it was also in their long-term interests to establish a wage negotiation mechanism that workers would accept in order to alleviate labour-management tensions. Furthermore, labour mobility and skills had increased throughout the 1980s and 1990s thus workers' legal consciousness and capabilities to safeguard their rights also increased. Consequently, the initiative of collective wage bargaining was contingent on the interest of the government, capital and labour in maintaining labour quiescence and protection during 2001-2006.

Given the contingent interests, the Chinese authoritarian state strategically established a state-led corporatist system to facilitate collective wage bargaining at the enterprise and various government levels. That is, the corporatist historical legacies and structure of ACFTU are conducive to the rapid establishment of the tripartite system of collective wage bargaining in Chinese enterprises. Nonetheless, within the state-led corporatist framework, the practice of Chinese collective bargaining greatly varies across regions and ownership types of enterprises. In other words, the overall economic conditions, enterprises' ownership types and their relations with local administration are important factors that affect the Chinese practice of tripartite collective bargaining.

Initiative of Collective Wage Bargaining in China

After two decades of reform and openness since 1978, the Chinese economy has achieved outstanding development. During 1990 to 2000, the average annual growth rate of China's GDP was 10.3 percent. More importantly, industrial and service sectors grew rapidly. In 1998, the proportions of Chinese industrial and service sectors in GDP have increased from 38 percent and 28 percent respectively in 1970 to 48.7 percent, and 32.9 percent respectively in 1998.

Accompanying rapid growth of industrial and service sectors, Chinese foreign trade have also increased sharply. In 2005, China's surplus of international balance of payments was US \$223.8 billion, representing an increase of 3.3 times since 2001. In 2007, scholars stated that the situation of China's economy during the period from 2001 to 2006 was the best since the reforms began in 1978 (Qi, 2007). With such an economic upturn, the problems faced by the government were not how to stimulate economic growth, but to regulate the market activities and prevent the economy from overheating. Several issues have become particularly severe in the eyes of Chinese government: trade friction with foreign trade partners, regional disparity and social inequality. As China's export sectors exponentially grew during the reform era, the continuous increase of exports brought China enormous foreign trade surplus as well as trade friction. Since 2000, the number of anti-dumping charges leveled against China has become twice or even three times as much as those leveled against the countries that ranked second (Chou and Tung, 2009). The problem of trade friction not only damages China's economic interests in increasing foreign trade and attracting Foreign Direct Investment (FDI), but also threatens China's foreign relations and its image in the international community. For example, China's striking trade deficit has been the focal point on the agenda of the US-Sino Strategic Economic Dialogue for several rounds (Chou and Tung 2009). Without strict implementation of intellectual property right, environment and labour protection, the costs of Chinese products are out compete their foreign counterparts all. As an example of the friction, on 16 September 2004, Chinese shoes worth a total of 10 million *yuan*, were burned by in Elche, Spain. As the owner of a shoe-making factory in Wenzhou of Zhejiang Province recalled "before that event, Chinese shoes were like a crowd of locust eating up all middle-low-grade shoe-making enterprises in European markets" (Liu, 2005). To reduce trade friction with foreign trade partners, the Chinese government undertook

many efforts to upgrade production technology in Chinese labour-intensive manufacturing factories. Enhancing labour remuneration and forcing enterprises to upgrade technology to offset increased labour cost was one of the strategies taken by the government. During an interview with a textile factory owner in Taizhou City of Zhejiang Province, I was told that government's export subsidies for textile industry have substantially decreased in recent years since the government has been unwilling to protect labour-intensive industries with lower technology (Personal communication, 4/6/2009).

The other problem the Chinese government encountered in the beginning of the 2000s was wide regional disparity and enlarged social inequality. Among China's 31 provinces including the four municipalities, the highest-to-lowest GDP per capita ratio is over 5.5 (the richest province being Jiangsu Province and the poorest being Guizhou Province) (Keidel, 2007: 3). The central government has taken various measures to narrow the large regional disparities. On the one hand, it greatly increased investment in public projects such as the construction of highways and railways in inland areas to increase capital inflows in the regions. On the other hand, it increased fiscal subsidies for inland provinces and tried to reduce the income gap between coastal and inland provinces. One of the consequences of such biased government policies towards the inland is the increasing shortages of migrant labour (*minggong huang*) in coastal regions. The central government's preferential policies stimulated large labour demands in inland cities. Thus many young workers who used to migrate to coastal provinces such as Guangzhou, Shanghai, Beijing or Tianjin for jobs in private firms or joint ventures could find jobs in their home provinces. According to Kaiming Liu (Montlake, 2006) who runs a labour-rights group in Shenzhen, around 1.7 million migrant workers in the Pearl River region who took annual leave in January during the Chinese New Year holiday did not return afterwards as they preferred to

look for jobs closer to home. In the early 2006, a survey conducted by the Asia Footwear Association in Hong Kong found that many Chinese shoemakers were understaffed, some by as much as 60 percent. Percy Lan, an entrepreneur, observed that newly built plants in Dongguan were idle due to a lack of labour. He noted that the industry already employed around 1 million workers in Dongguan but still needed 100,000 more (Montlake, 2006). The concurrence of labour shortage and production expansion in the economic upturn during 2001-2006 induced many factory managements to raise wages to attract job applicants. For instance, a manager raised salaries in 2004 by 10 percent and added more vacation time in an effort to retain workers at her small shoe factory, but she still worried about losing out to rivals elsewhere in China offering better wages (Montlake 2006). Moreover, burgeoning service sectors after the late 1990s became a strong competitor of the manufacturing sector for labour. Domestic services, retailing and hospitality industries attracted a large number of young and single female workers. Women workers are preferred by factory bosses as they are easier to manage. In such circumstances, private firm owners who used to deem collective wage bargaining detrimental to profits-making, turned to accept it as a desirable strategy to secure labour force and promote production.

Compared to their counterparts in the private sectors, state-owned enterprises that rely less on migrant labour are more concerned about the increasing labour-management tensions and conflicts. After years of SOEs reforms by means of downsizing and introducing 'scientific management' principles characterized by meticulous rules for all work procedures and precise penalties for their violation, labour-management relations in SOEs have deteriorated from previous "traditional paternalism" to present "organized despotism" (Lee, 1999). In the late 1990s, spontaneous work stoppages and labour disputes proliferated on shop floor (Lee, 1999:62). The state tried to divert these labour grievances into certain government-arranged

channels for labour disputes settlement such as judicial mediation and collective wage bargaining. According to a official in the Department of Wage of Guangdong province's labour bureau, collective wage bargaining is a good way to prevent potential massive disputes from breaking out because it contains and coordinates the conflicting interests of management and workers within enterprises (Personal communication, 6/6/2009). The reason is that collective wage bargaining opens a channel for workers to articulate their interests and exchange opinions about remuneration with management. Workers' legal consciousness and knowledge have improved in the past decade thanks to proliferating media reports and debates on labour rights and labour protection, paralleling several rounds of labour legislation since the 1994. In addition, increased job opportunities between 2001 and 2006 empowered workers at the negotiating table with management. Thus, collective wage bargaining came into being among Chinese enterprises in the early 2000s and was institutionalized by the government in 2007. This leads to a new question as to how such a policy is implemented in the Chinese authoritarian institutional context.

Institution of Collective Wage Bargaining in China

The mechanism of collective wage bargaining in China, as mentioned above, is a tripartite system. At the various government levels, the collective wage 'consultation' is held among ACFTU, CEDA and MHRSS that are considered to represent employees, employers and the government respectively. Moving downwards to the enterprise level, the process is run between enterprise union¹ and management under the supervision of local Labour Bureau. Such a system has two important features.

The first institutional feature of Chinese collective wage bargaining is "state-led". Some

scholars have pointed out that the process of Chinese collective bargaining including its procedure, content, frequency, participants and even its written document format, is specified in considerable detail by government regulations (Warner, 2000: 108). According to the *Tentative Measures of Collective Wage Bargaining* issued by Ministry of Labour and Social Security in 2000, agreement and collective contract derived from collective wage bargaining should be submitted to local Labour Bureau for approval, otherwise they cannot take effect; and the Labour Bureau has the right to review and modify the agreement or collective contract (MLSS, 2000). These regulations indicate that the state plays the leading role in Chinese collective wage bargaining. One official in Department of Legal Affairs, municipal ACFTU in Liuzhou, Guangxi disclosed that the government rarely disapproved collective wage bargaining agreement or collective contract as long as the process of collective wage bargaining was in conformity with the regulations (Personal communication, 20/7/2009). The reasoning: collective wage bargaining usually does not touch upon issues that the government feels uncomfortable or disagree with (*neng tan de cai tan, bu neng tan de bu hui tan*). Therefore, the agreements or collective contracts drawn from collective wage bargaining in different enterprises are highly stylized by government's instructions and thereby almost uniform in content.

The second institutional feature of Chinese collective bargaining is 'corporatist'. In theory, the attributes of corporatism include 1) a monopoly role played by corporatist groups; 2) a linking of roles of policy formation with policy enforcement; and 3) a salient state role in licensing and codetermining policy (Cawson, 1993). In China, the state recognizes only one organization as the sole representative of employees: ACFTU. Likewise, CEDA is the sole representative of employers². The corporatism embodied in the tripartite system of Chinese collective bargaining can find its origins in the evolution of ACFTU development. All Chinese

trade union organizations whether they are regionally based or industry/sector-based have to be affiliated with ACFTU which is led by the CCP. ACFTU's corporatist orientation can be illustrated by three episodes in its history of development.

First, since the new Republic was founded in 1949, ACFTU with its numerous branches has served as a 'transmission belt' of the state in society – akin to Groot's analysis of this concept in action in the previous chapter. All enterprises or work units had trade union organization before 1978. Even after a decade of market economic reform in the early 1990s, China's union density was still 65 percent, higher than most advanced industrial countries (Ng, 1998: 50). However, unlike the trade unions of Western advanced industrial democracies bargaining freely and even fixing wage levels, ACFTU played very limited and far from autonomous roles in Chinese enterprises. Especially in the heyday of the 'Iron Rice Bowl' (*tie fan wan*) system, trade unions' main job is only to organize leisure activities and distributing holiday bonuses (Ng, 1998). In a socialist state like China before 1978, the working class were considered 'the master of the state', and all enterprises were owned by the state and thereby nominally owned by the workers. In theory, there was no such thing as worker-state conflict or worker-management antagonism in the socialist state. Trade unions established in such political and economic context by no means possessed divergent interests or standpoints with the state.

Second, beginning in the 1990s, ACFTU encountered many problems that it did not have before such as emergence of conflicting interests with the state, and ambiguous identity problems. As SOE reforms began in the mid-1980s and proceeded through the 1990s, the interests of the state, labour and management began to diverge. The tension of the inherently dual identities of trade union became intensified and open. On the one hand, ACFTU's structure as a hierarchical state apparatus remained unchanged; on the other hand, as the sole political

representative of workers in China, it is expected by its members to protect their interests in the burgeoning market economy. However, Chinese trade union confronts many structural constraints that prevent it from acting as an independent and an autonomous representative of its members. For example, in terms of financing, trade union funds mainly come from government subsidies and enterprise dues that are supposed to be 3 percent of each enterprise's annual payroll. But there are no strong legal penalties for arrears. As a result, many trade union organizations, especially those based in individual enterprises cannot afford to hire full-time staff to carry out their jobs. Therefore, many trade union organizations share the same personnel with enterprise management (Liu, 2008).

Third, in recent years ACFTU has made some innovation in organization development. Since the 1990s, several new organizational forms have been introduced by some regional trade unions such as trade-based regional unions, community unions, market unions, village union associations, and union association of foreign-invested enterprises (FIEs) or private-owned enterprises (POEs). Mingwei Liu (2008) points out that union associations that cover multiple employers and function as both regional and enterprise unions have more flexibility to organize widely dispersed workers in small POEs and individual-owned businesses (*getihu*). More importantly, because such unions are under the direct leadership of regional unions and independent from any particular employers, they have the potential to confront the domination of employers or local governments (Liu, 2008: 14). However, this innovation was found in particular cases and whether the innovative practice can spread nationally is not clear at this juncture. Therefore, it is still early to claim that these organizational innovations at the regional level can gradually transform ACFTU into a more genuine representative of workers in the future.

In sum, the institution of collective wage bargaining in China is characterized as “state-led” and “corporatist”. Both characteristics reflect the strong power of the Party-State in China. Contrary to scholars who argue that this is detrimental to the development of Chinese collective wage bargaining (Clarke and Lee, 2002), one can hold that the close relation of ACFTU with the CCP has been conducive to the remarkable expansion of trade union organizations in recent years, as well as to the rapid establishment of the tripartite system of collective wage bargaining in Chinese enterprises. Nonetheless, it is strongly feasible that the ACFTU’s excessive dependence on CCP will jeopardize its autonomy and incentives to represent workers’ interests (see You, 1998; Clarke and Lee, 2004; Liu, 2008). Thus, it might be more safe to conclude that the corporatist relationship between the Chinese state and trade unions is a double-edged sword for the future development of Chinese collective wage bargaining.

Implementation of Collective Wage Bargaining in China

At this point of time, it is still difficult to evaluate the implementation of Chinese collective wage bargaining in a comprehensive manner. Even an official in Department of Wage at the national ACFTU admitted that there has been no official conclusion about the overall effects of collective wage bargaining on Chinese workers’ wages, welfare benefits, and generally industrial relations (Personal communication, 15/6/2009). In spite of the ambiguous overall impact of Chinese collective wage bargaining, there is believed to be a considerably large variation of its implementation due to the diverse political and economic situations of Chinese localities. By fieldwork in summer 2009³, several factors have been identified playing important roles in affecting the implementation of collective wage bargaining in Chinese enterprises.

As the above sections have demonstrated, the initiation and rapid growth of collective wage

bargaining in Chinese enterprises were contingent on the interests of government, capital and labour during 2001- 2006. The key condition for the converging of these three parties' interests is the economic upturn of the period. As domestic economies began to recover from the 1997 Asian Financial Crisis in the early 2000s, Chinese factories obtained increasing purchase orders and many of them began to make profits again. As labour demand skyrocketed, labour's position was relatively advantaged in the negotiation with management. The importance of the economic climate in initiating collective wage bargaining was affirmed by almost every interviewee in the author's fieldwork. In my interviews in Taizhou city of Zhejiang province, Shenzhen city of Guangdong province and Nanning city of Guangxi province, several enterprise managers mentioned that the government's supervision on the practice of labour contract laws and collective wage bargaining appeared relaxed since the economy downturn began in 2008 (Personal communication, 2/7/2009, 7/7/2009, and 18/7/2009). Nonetheless, an official in district labour bureau in Taizhou city of Zhejiang province and an official in national ACFTU disclosed that ACFTU deemed the economic hard time as a great opportunity to promote collective wage bargaining in more enterprises because in this situation workers are more willing to accept wage moderation in exchange for employment (Personal communication, 2/7/2009 and 15/6/2009).

Ownership type of enterprises is another salient factor that affects the implementation of collective wage bargaining in China. The effects of ownership types work in two ways. One is to affect the status and influence of trade unions in an enterprise's daily management. It has been noted that trade union density is much higher in public owned enterprises (including SOEs and collective-owned enterprises) than in private owned ones (including POEs and foreign-owned firms) (Ng, 1998: 46). Since the trade union is an indispensable part in the tripartite collective

wage bargaining, its power and role has a direct impact on the implementation of collective wage bargaining. The other way in which ownership type affects the practice of collective wage bargaining is to determine the pattern of industrial relations in enterprises. According to Anita Chan's (1998) study of labour relations in foreign-funded ventures, two quite distinct patterns of industrial relations are discernible in China's foreign-invested enterprises (FIEs). The pattern which is found in FIEs jointly owned by big Western corporations and big Chinese SOEs entails relatively consensual industrial relations. Collective bargaining in such enterprises will be premised on a contradictory country-of-origin relationship (foreign management/employees versus Chinese management/employees) rather than on a contradictory capital-labour relationship (Chan, 1998: 140). The other pattern of industrial relations is seen in enterprises invested by East Asian nations such as Taiwan, Hong Kong, Singapore and South Korea. Trade unions in these enterprises are set up in a Maoist campaign style by the local government in the name of achieving collective wage bargaining, "as if under pressure to surpass a campaign quota" (Chan, 1998: 140). Because most of the East Asian-style enterprises are concentrated in the development zones or industrial parks built by local governments to attract foreign investment, collusion between capital and local bureaucracies is obvious. According to Chan (1998: 141), the situation of collective wage bargaining in such enterprises is that "[a]t this level a tripartite industrial relationship does not exist. The local government as the state's representative is either too weak to act as a neutral arbitrator, or has thrown in its lot with capital and management, and the union gets converted into a tool for management's social control".

Furthermore, enterprise's relationship with local government matters as well in the collective wage bargaining. This factor relates to but is not completely identical to enterprise ownership type. An informant in a municipal labour bureau, Liuzhou city of Guangxi province disclosed

that the enterprises that have conducted collective wage bargaining were mostly those under direct or close supervision of local government (20/7/2009). These firms are either large-sized SOEs or private firms notorious for labour-management disputes. In the large-sized SOEs, collective wage bargaining is better implemented because of the well-organized trade union in these enterprises and the SOE management's tendency to implement state decrees. Firms with a negative track record in labour relations, many of which are unprofitable SOEs or POEs, collective wage bargaining is imposed and closely supervised by local governments in order to solve labour disputes and to secure labour quiescence in their jurisdictions.

Conclusion

This chapter has examined the initiative, institution and implementation of collective wage bargaining in China. It argues that the contingent interests of the government, capital and labour in the economic upturn during 2001-2006 gave rise to the imperative of collective wage bargaining in Chinese enterprises. After three decades of economic reforms, the Chinese economy entered a new phase of economic development after 2000. The central government faced new challenges from an overheated economy, trade friction and widened social inequality. At the same time, factory managements were commonly concerned by labour shortages and labour grievances. Thanks to the economic boom, more job opportunities arose during this period and with workers more confident to defend their rights and interests against management. In such circumstances, a tripartite system of collective wage bargaining became a desirable strategy for the government, management and workers to achieve their intentions and interests.

The institution of collective wage bargaining in China has been characterized as state-led and corporatist. The procedure, content, and participants of collective wage bargaining are highly

regulated by the state. The bargaining is carried out within a corporatist system. The voices of labour and capital are only allowed to be articulated by the two state-sponsored associations: The ACFTU that represents workers' interests and CEDA that represents management's. ACFTU's corporatist history and a national organization have been at the forefront in facilitating the rapid establishment of tripartite collective wage bargaining system in Chinese enterprises.

Nonetheless, the difficulties faced by ACFTU to effectively represent and realize their constituents' interests loom large as well.

Many factors have been found to significantly affect the implementation of collective wage bargaining in Chinese enterprises. Overall economic condition directly affects the enterprises' incentives for implementing collective wage bargaining. Ownership type of enterprises might be one of the most important determinants of collective wage bargaining practice because the influence of trade union and the pattern of labour relations vary greatly across ownership types of enterprises in China. Similarly, an enterprise's relationships with local government make some more susceptible to government's labour supervision than others.

What are the implications of collective wage bargaining for the development and adaptation of Chinese state-corporatism? As this chapter has demonstrated, Chinese government's initiative of collective wage bargaining between 2001 and 2006 was not a result of fundamental political reform or change in the Chinese authoritarian context. Instead, it was a strategy by which the government took advantage of the corporatist legacy and arrangements embedded in the existing state-society relations to increase and control wage levels and labour tensions in Chinese enterprises. In this sense, collective wage bargaining reflects and even reinforces the framework of Chinese state-corporatism. However, further development of Chinese collective wage bargaining will inevitably encounter deficiency of representativeness of the state-corporatist

associations. Given the rapidly increasing diversification of economic sectors, enterprise ownerships and social preferences, the existence of collective wage bargaining will allow workers labour and capital to more consciously define, articulate and defend their interests and positions with respect to each other and to the state. Without substantial organizational innovation and reform, the proliferation of social demands for participation and representation in policy-making is very likely to exceed the accommodating capacity of the two state-corporatist associations, ACFTU and CEDA. In this sense, collective wage bargaining will place a great challenge to the persistence of state corporatism in China.

Notes

¹ In enterprises where unions have not been set up, worker representatives for collective bargaining are to be democratically elected.

² Members of CEDA are mostly large or middle sized SOEs. In recent years, the representativeness of CEDA on behalf of employers in collective bargaining is challenged by another enterprise association-- the All-China Federation of Industry & Commerce (ACFIC) that has developed to represent interests of non-public enterprises owners. What is controversial is that many trade union organizations of non-public enterprises (including small sized private owned firms, the self-employed business and professionals) are affiliated with ACFIC which is supposed to represent capital interests of these enterprises.

³ The fieldwork was conducted between May 2009 and August 2009 in a number of Chinese localities (Beijing, Shanghai, Tianjin, Suzhou city of Jiangsu province, Taizhou city of Zhejiang province, Guangzhou city and Shenzhen city of Guangdong province, and Nanning city and Liuzhou city of Guangxi province). During the fieldwork, twenty Chinese enterprises (including five state-owned enterprises, one collective-owned enterprise, three joint ventures and eleven private-owned firms) were visited and 30 interviews with public officials in labour bureaus, trade unions, and NGOs, managers and workers in enterprises and scholars of Chinese labour relations were conducted.

Appendix: List of Selected Interviews

Interview # 1: Official, Department of Wage, ACFTU. Beijing. June 15, 2009

Interview # 2: Officials, Department of Wage, Ministry of Human Resources and Social Security, Beijing. June 17, 2009

Interview # 3: Scholar, School of Labour Affairs, Remin University of China, Beijing. June 18, 2009

Interview # 4: Official, Beijing Office of International Labour Organization, Beijing. June 19, 2009

Interview # 5: Human resource Manager, state-owned enterprise. Shanghai. June 26, 2009

Interview # 6: Director, Huangyi International Trade Ltd.. Suzhou, Jiangsu. June 27, 2009

Interview # 7: Human resource manager, Schneider Electric, Suzhou, Jiangsu. June 29, 2009

Interview # 8: Officials, district labour and trade bureaus. Taizhou, Zhejiang. July 2, 2009

Interview # 9: Manager, private-owned firm. Taizhou, Zhejiang. July 2, 2009

Interview # 10: Manager, collective-owned firm. Taizhou, Zhejiang. July 4, 2009

Interview # 11: Official, Office of Labour Dispute Mediation, Labour Bureau of Guangdong Province. Guangzhou, Guangdong. July 6, 2009

Interview # 12: Officials, Department of Wage, provincial labour bureau. Guangzhou, Guangdong. July 6, 2009

Interview #13: HR Manager, private-owned enterprise. Guangzhou, Guangdong. July 7, 2009

Interview # 14: Deputy Manager, private-owned firm. Shenzhen, Guangdong. July 7, 2009

Interview # 15: Human resource manager, Donglu Yang Ltd.. Shenzhen, Guangdong. July 7, 2009

Interview # 16: CEO, Ainuo Si Ltd.. Guangzhou, Guangdong. July 7, 2009

Interview # 17: Worker, Flat Glass Factory. Nanning, Guangxi. July 15, 2009

Interview # 18: Deputy Manager, state-owned enterprise. Nanning, Guangxi. July 18, 2009

Interview # 19: Human resource manager, Dongya Ltd. Nanning, Guangxi. July 25, 2009

Interview # 20: Manager, Wulin Ltd., Liuzhou, Guangxi. July 20, 2009

Interview # 21: Officials, Department of Legal Affairs, ACFTU municipal branch. Liuzhou,
Guangxi. July 20, 2009

Interview # 22: Human resource manager, Huahong Ltd. Liuzhou, Guangxi. July 21, 2009

Interview # 23: Trade Union Cadre, state-owned enterprise. Liuzhou, Guangxi. July 22, 2009