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Participation and Co-determination in Chinese Enterprises 2010

Joint Research Project: Hans-Böckler-Stiftung, Büro Beijing der Friedrich Ebert Stiftung und Chinese Academy of Social Sciences

At a glance ...

What do we know about the interaction of enterprise workers, enterprise managers, enterprise owners, trade union leaders, local government officials, community managers and laid-off workers in China? To get empirical data Hans-Böckler-Stiftung, Friedrich Ebert Stiftung and CASS agreed to initiate a joint project based on extensive, interview-based fieldwork studies in different areas of China including state-owned enterprises, township enterprises, private enterprises, foreign invested enterprises and joint ventures. Three enterprises were chosen as typical, representative cases for in-depth investigations.

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It goes without saying, that the meaning of terms like Co-Determination or Participation obviously differ to a high degree because of the tremendous differences between the Chinese and German Industrial Relations System. Nevertheless, we hope, that for the one (scholars) or the other (member of a supervisory board, works councillor, union official) it might be of interest to learn more about these issues in China resp. how a Chinese research team delivers these important findings.

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Research Report

Three decades of economic reforms and liberalization in China have had a significant effect on the transformation of enterprise organization. Changes in the Chinese economic system constitute an important basis for understanding the different enterprise organization systems and governance relations based on participation from a macroscopic perspective. The development of Chinese society since the opening-up of the Chinese economy is a case of unprecedented organizational transformation. The various participation mechanisms and new forms and structures of organization that have gradually been emerging have great theoretical significance for the study of enterprise organization and the relationship between worker participation in enterprise governance and public relations. To study the forms and structures of participation in the transformation of Chinese enterprises is not a task that can be accomplished by the narrow branch of professional sociology. It requires, first of all, a deeper understanding of the history of enterprise organization and its transformations from a macroscopic angle, before moving on to the microscopic aspects of enterprise governance. At this level, one can examine how participation is increasingly becoming the core issue of enterprise organization and institutional design. Participation is further becoming the theoretical basis for an in-depth understanding of enterprise organization, of the individuals involved and even of the protection of rights in society as a whole. Worker participation in enterprise is thus in the process of becoming an important prerequisite for Chinese democracy and the democratization of the political establishment.

In the introduction to this report, we firstly look back on the three stages of transformation undergone by Chinese enterprises during the reforms of the past 30 years: first, in the initial ten years, a binary social structure characterized by the two-tier system as the core organizational mechanism dominated. The contract responsibility system widely adopted in both rural and urban areas at the central and local administrative levels organized different social economic units like township enterprises in grassroots society. The system was meant to change the operational modes of state-owned enterprises under the planned economic system, i.e., to solve and overcome the constraints of the planned economy characterized by an ambiguous/weakly-defined collective ownership system. Since the 1990s, the central government has extensively been promoting market-oriented reforms, which has led to the rapid development of the Chinese private sector, and brought private enterprises to the forefront of the economy. However, the reform was not carried out in a uniform way. The tax reform of the mid-1990s fundamentally changed the relationship between the central government and the local governments, and established a new social structure based on the interaction of private market forces and political power. From the beginning of the 21st century, China's economy has gradually been integrated into the globalized world economic system, and China has become "the world's factory". The adoption of international practices was reflected not only in global production, consumption, circulation and allocation systems, but also in

comprehensive innovations and reforms of Chinese social and economic activities, especially the reform of administrative layers. The concept of “governance” began to be regarded as the basis of institution-building. The logic of governance also began to be adopted by the enterprises themselves. On the one hand, enterprise governance led enterprises to handle various internal relations in a more coherent way, and on the other hand, in terms of the macro-structure, the reform of administrative layers changed the configuration and distribution of power and capital, which in turn gave rise to monopoly interest groups.

Generally speaking, throughout the three stages of reform, Chinese enterprises have followed the logic of reform with different paces and changed accordingly. The broader structural conditions and allocation mechanisms in society during the different stages led to different organizational structures and operational mechanisms, and the employees of different types of enterprise in these periods established relationships with the enterprises that corresponded to and depended on the given structural transformations.

Chapter I: From Ownership to Operation and Governance: Participation in the Transformation of Enterprises

Since the 1990s, the reform of Chinese enterprises has been strongly affected by the private market as well as by political power. On the one hand, market capitalization and even international capitalization have gained more and more influence, which has led to substantial flows of cheap surplus labour from the rural to the urban regions as well as to infringements of the rights of state-owned enterprise employees during the ownership system reform. Another consequence of these changes has been that the enterprises from the state ownership and collective ownership are not able to protect their members from the possibility of absolute and relative deprivation, so that employment mechanisms in Chinese enterprises show more and more of the characteristics of labour relations in a typical sense. On the other hand, the increase in government revenue and capacity has led to the infiltration of government power into various social realms, which in turn has limited the space for free expression and exercise of citizen rights in society, resulting in a growing number of social contradictions. These changes in the private sector as well as in government power have increased tensions within enterprises as well as tensions within the external social environment. Capital deprivation, policy-related unemployment and forced government control can easily change contradictions in the labour market into social contradictions, and widespread social contradictions can in turn affect the internal management and operation of enterprises.

This new situation has compelled researchers to better understand the nature of enterprises from the perspectives of both theory and practice. Past experience has shown that it is far from sufficient to only understand enterprises from the perspective of ownership rights, management enforcement, capital accumulation, efficiency improvements or cost savings, or in the context of free capital flows and labour or the boundless conflict between capital and labour. Instead, we also have to understand the significance of enterprise employees, especially the majority of low-skilled workers, within the structure of the enterprise, and how these employees can fully realize their rights and interests both in the companies they work for as well as in the general social and political sense. We must also expand our understanding of the relations between enterprises and their employees. It is not enough to merely focus on the level of ownership and management, but one should instead acknowledge that enterprises can only achieve effective governance through the active participation of their employees in the company's decision-making processes. Based on such understandings, it is possible to focus on the different models of ownership and management that take into account or are based on the widespread participation of enterprise employees.

Generally speaking, after 30 years of reform, the question of worker participation has become an important issue in Chinese society that inevitably needs to be addressed, particularly as grassroots participation has a fundamental impact on enterprise governance as well as on the macro social level. Social reforms in China have not only been accomplished in a very short period, but also with a swift pace.

Within 30 years, the planned economy established under the socialist system has been thoroughly overturned, which has resulted in capital now holding the leading position in all social and economic structures, besides transforming a large number of traditional farmers into factory workers, and further changing those workers who were previously state workers into contractual workers controlled by capital. Furthermore, national administrative power has gradually become combined with capital, which has led to the further changes social allocation. The resulting increase in social differentiation and inequality has become a serious problem at the beginning of this century.

I. Breaking away from the planned market economy: the work-units system and the collective system

Under the planned economic system, all enterprises were subjected to the highly standardised planning carried out by the government, which was the highest employment, operation and resource allocation authority for all enterprises. Various benefits and welfares services for employees were all granted, divided or specified by the government according to uniform standards, and all enterprises were government-affiliated organizations without independent rights, benefits or liabilities. Government planning covered almost all the activities of enterprises, and the production aspects including product output, production capacity, product technology, capital, labour product rate, total wage and average wage were all determined by administrative departments with the help of planning indicators issued each year. All enterprises were required to submit more than 40 kinds of statements to the responsible government authorities. In terms of investment management, the government strictly reviewed and approved all proposed projects, while the enterprises themselves had no rights in terms of investment decision-making. With regard to financial management, the government adopted the “uniform revenue and expenditure” management system, according to which all capital required by enterprises was granted free of charge by the financial departments of the central or local governments according to administrative guidelines. The government’s financial departments and the enterprises’ administrative departments reviewed and approved all capital flows of state-owned enterprises, and the enterprises paid the entire depreciation capital and most of their profits to the central or local governments. In terms of product circulation, the government “bought and sold” the enterprises’ products and raw materials, and managed the allocation and pricing as a whole. As for labour payment, the government controlled the entire labour force of the state-owned enterprises; wage control and various welfare payments and services were all supervised by the labour department of the central government, just as wage increases and welfare adjustments were also carried out by the government itself. Although the central government throughout various periods implemented policy “experiments” which entailed some loss of government control over the management of enterprises,

the general administrative system underwent no substantial change, and most of the experiments ended with the vicious cycl.

In 1979 and 1984, the State Council twice issued specifications on expanding the authority of state-owned enterprises over their own management. The first tide of reforms granting rights to state-owned enterprises was initiated in ten areas of production, including production planning, product sale, product pricing, material purchasing, capital utilization, as set handling, set some department in the enterprises, employment, wage and bonus allocation and joint operation. In the meantime, enterprises started to establish internal economic liability systems, through which the relations between the enterprises' management and their employees and the workers' responsibilities, rights and interests were further clarified and labour performance began to be linked to the allocation of bonuses. The government continued to guarantee the basic wages of the workers according to the official fixed wage criteria, and all enterprises were required to fulfill various welfare standards, but the work performance of the employees and their share in realizing the enterprises' liabilities would subsequently also be reflected in their income. In that period, the employees of state-owned enterprises were mostly still protected by the work-units system, in which their basic income was distributed by the government according to uniform standards that fixed all wages with respect to different industries, job positions and levels. The workers' thin but comprehensive welfare regime was handled by state-owned enterprises known as "enterprises supporting social welfare"¹; within companies, workers were paid almost the same regardless of their work performance, although later on slight differences in bonus allocation were introduced. The workers representatives' congress was purely ceremonial, and the rating and promotion of workers was arranged by the administrative department. As all personnel affairs were controlled by the senior administrative department, many interest groups formed within enterprises. The limited expansion of the enterprises' business authority to some degree stimulated their vitality, but in general it did not establish state-owned enterprises as the main business actors. Whenever the relations between the government and the enterprises, between the enterprise and the employees' rights or between liability and benefit were not fully clarified, certain enterprise managers began to pursue their own interests by using the deficiencies of the system. After the Cultural Revolution, the majority of workers had little awareness of liability processes, and were seldom able to actively participate in the business activities of an enterprise.

- In 1981, the All-China Federation of Labour issued the Provisional Regulation on the Workers' Representatives Congress in State-owned Enterprises, which specified that the workers representatives' congress is the basic form of democratic management in all enterprises, and a powerful institutional body for the employees to participate in decision-making processes as well as in the controlling and monitoring of enterprise cadres. The regulation particularly emphasized that the key to promoting and optimizing the workers representatives' congress lies in strengthening and improving the leadership of the CPC. The enterprise CPC was meant to actively take

¹ See Li Hanlin, *China's Unit Society*, Shanghai People's Publishing House, 2004

the lead, support the employees to take the initiative and guarantee that the workers representatives' congress is able to carry out its specified function. In this period, a theoretical bottleneck encountered by state-owned enterprises attempting to realize their employees' rights to participation was the problem of agency in state-owned enterprises immediately following the reform, as will be discussed in detail below. Although the enterprises still belonged to the government, the enterprises' activities appeared to be carried out in a system of agency by agreement. Before the reform, state-owned enterprises were like the "food prepared in a large canteen cauldron" which means life long employments and mostly adopted an interest allocation model based on administrative ratings and qualifications. However, after the implementation of the contractual system, although the fixed part of the wages continued to be allocated in the previous way, the allocation of increments (wage bonuses and various welfare services with different names) was largely carried out by the employers themselves or by their agents (factory managers), and they had the final say in determining the size of the bonus or the allocation of extra benefits. The new institutional arrangement therefore quickly developed into a factual double-track system: The rights to participation and general rights of the workers representatives' congress were specified by the government, while the employees' rights in sharing the enterprise profits were largely controlled by the employer. Salary Increments were allocated through non-transparent channels (such as the so-called "red packet/envelope") about which the employees knew nothing in detail. In fact, the latter form of allocation stood in complete contradiction to the former, and the majority of employees were ignored, which seriously harmed the initiative of the employees and made a mockery of the former workers representatives' congress. Particularly in instances when the allocation of increments went far beyond the usual amounts and employers illegally distributed state-owned assets through subordinated collective enterprises or carried out grey allocations of benefits beside the official wages and bonuses, the majority of employees became highly doubtful of the legitimacy of the existing system, and the planned economic system largely existed only on paper. In fact, after the implementation of the contractual system in state-owned enterprises, the enterprises for several years experienced negative developments in a wide range of aspects related to labour discipline, workers' rights, and the participation of employees, and even the workers representatives' congress in many enterprises existed largely on paper rather than in reality. Nevertheless the productivity of the enterprises somewhat improved and profits increased.

In 1978, the reform policy of Deng Xiaoping began to deviate from the orthodox industrialization policy implemented throughout the Mao Zedong era. Xiaoping adopted a new policy of organizing authorities into grassroots units to forge a more socialist system. The reform first of all cast light on changes in the household contract responsibility system in rural areas, and vast rural areas were thoroughly transformed. In 1984, the government issued a policy allowing the assignment of land utilization rights, and the village cadres began to adjust the land allocation process to changes in village populations, which to some degree reduced the farmers' confidence in land

security. During this period, the majority of farmers, especially those in regions with higher economic development, embarked on the process of industrialization to expand their own living space.

The township enterprises mostly adopted the collective ownership model. The development of township enterprises remains highly disputed in academic circles. The most noticeable problem is that progressive reforms in China did initially not lead to a comprehensive privatization of state-owned enterprises. However, the contribution of township enterprises to China's economic development is well known. Some researchers point out that township enterprises are characterized by ambiguous property relations. In the context of a "grey market", the government always controlled the key resources and provided effective protection for township enterprises, so that those enterprises could produce extremely efficiently. Because the workers of most township enterprises were from the surrounding village communities and used to the collective ownership system, the identity of the workers in these township enterprises was much more ambiguous. In fact, they were more inclined to identify themselves as members of the village community, or as members with local or family connections. In the initial stage, company affairs and village affairs were very much mixed. Especially in some areas, the factory managers of the local township enterprise were also the administrative officials of the surrounding towns. This meant that for a long period, no enterprises in the traditional sense of the term existed. Instead, the rights and allocation systems of these enterprises were often arranged based on the local village communities, and the labour relations within the enterprises depended on the customary social relations of the area.

Looking at the first stages of the reform, we can make the following observations. Both in state-owned enterprises during the initial stages of the reform and in township enterprises during the stage of original accumulation the problem of enterprise employees did not represent the focus of the reforms. Instead, the reforms concentrated on "expanding the independent operation and management authority of the enterprises" and aimed at overcoming the economic difficulties experienced by the enterprises and the state. The different stages of this reform covered two main aspects: the first one is to gradually separate all enterprises and their production activities from centralized planning guidelines, with the aim of expanding the authority of the enterprises and improving production efficiency. The second aspect consists of changing the internal allocation system of the enterprises, and, based on the enterprises' profits, adopting a system that corresponds to the idea of "more payment for more labour" and which thereby provides the employees with a concrete incentive to work. However, improvements in absolute income and the maintenance of the welfare system did not reduce the sense of relative deprivation experienced by the majority of employees. Due to the increasingly fierce "selling" of administrative power, state-owned assets gradually began to disappear into 'grey areas'. In addition to the increasing gap between the economic growth in the special economic districts and the employees' income, a combination of complex factors led employees in the inland state-owned enterprises to experience a sense of relative deprivation.²

² See Li Hanlin, Qu Jingdong, *The Anomie Effects in the Process of China's Unit Organizations Evolution*,

More importantly, the reforms regarding enterprise authority during this period largely focused on the division of powers between the contractor (executive) and the agent (manager), and did not address the rights of the majority of employees. With the expansion of the authority of both contractors and agents, the official ideology that portrayed the employees as the enterprises' veritable owners was increasingly challenged by de facto political and economic developments.

In the early stages of the reforms, the employees of township enterprises were limited to residents of the local township communities. These enterprises were oftentimes not directly covered by national policies. Labour management and employees' rights were still in a rather primitive stage of development, and remained organized roughly according to local social relations or grassroots administration. In this sense, due to the maintenance of traditional social relations and local models of administration, employment conditions in township enterprises were initially not as difficult as it usually is the case in "pure" capitalist systems. However, in joint ventures located in special economic districts, more exploitative systems of employment began to emerge, which represented a clear break with traditional local labour relations and followed a purely capitalist logic. In general, Chinese labour relations in the enterprises of that period showed very different characteristics due to the different types of ownership systems across the country. In Northern China, a number of large state-owned enterprises which were not included in the reform program still maintained the socialist work-units system common before the reforms in enterprise governance. In these companies, the wages and welfare benefits of the employees remained strictly regulated by administrative ratings and qualifications. The workers' entire lives from infancy to death were still arranged by the units, and the enterprises continued to maintain a workers representatives' congress as well as various channels for workers' participation regarding labour, technology and production activities. However, administrative authorities strictly defined the forms and the scope of participation. In a certain sense, these large state-owned enterprises still resembled administrative institutions, and although they had bottom-up democratic participation systems, the basic mode of organization and operation was generally a type of bureaucratic system controlled from the top down. Worker participation was therefore limited in level and scope to questions of labour competition, technical innovation and collective activities, and there was not much real participation regarding the more significant questions of enterprise management and operation. The state-owned enterprises included in the contractual system reform could resort to mechanisms based on the work-units system, but democratic participation remained a word rather than an action, and the concept itself was challenged by the employers' unequal allocation of increment salaries. Besides, these developments also threatened the basic logic of the so-called socialist public ownership ideology.

II. From ownership to operation: market-oriented reform and the establishment of the modern enterprise system

The wave of reforms concerning state-owned enterprises had been in progress since 1992. In July of that year, the State Council released the Regulation on the Transition of Operation Mechanisms in State-owned Public Industrial Enterprises, which clearly specified the general objectives of this new stage of state-owned enterprise reform. All enterprises were required to transform their operation mechanisms and adapt to market needs. Through the transformation of production and operation units towards legal and independent operation, independent profit and loss liability, self-development and self-regulation, they were supposed to become corporate enterprises with independent civil rights and assume civil obligations. The Regulation endowed enterprises with 14 new areas of operation authority and autonomy, which marked the third large-scale authority transfer in the reform of Chinese enterprises.

On the 14th National Congress of the CPC held in October 1992, the work report specifically pointed out the principles of social and economic development necessary for the establishment of a socialist market economic system, and, for the very first time, changed the name of public enterprises from “state-operated enterprise” into “state-owned enterprise”. This change in name was rather simple, but reflected a fundamental transformation. It implied that the government would no longer intervene in specific questions of enterprise governance, enterprise production objectives and marketing would no longer be determined by the planned economy or the two-track system under the planned economy, and enterprises would begin to enjoy the basic right to independent activity. This change also showed that the government had begun to adjust the entire public enterprise system to the logic of capital and the free market, meaning that the government would only control the appointment of national agents (the company leadership), whereas the supervising power would gradually be assigned to lower professional or local administrative units. Furthermore, the number of enterprises directly under the central government’s control was significantly reduced significantly, and the property structure of enterprises was gradually transformed into corporate governance. The enterprises’ ownership and production rights, as well as other connected rights, were gradually incorporated into the legal track, i.e., the various rights and obligations of enterprises and the general structure of these rights and obligations will become the basis of institutionalized laws.³ This means that to a large degree the ownership and operation structure of enterprises will no longer be subject to administrative supervision, but instead to the basic principles of civil laws. The withdrawal of the government is beneficial for the enterprises’ independence and decision-making, but it constitutes a challenge to the basic nature

³ In fact, in 1992 the State Commission of Institutional Reform, joined by other related departments, developed and released in sequence 14 documents related to the corporate governance, including the Regulation on Experiments of Joint-stock Enterprises, the Regulative Comments on Joint-stock company, the Regulative Comments on Limited Liability Company and the financial systems and human resource management systems of the stock enterprises.

of state-owned enterprises. In the past, the ownership and operation of state-operated or state-owned enterprises were both based on the socialist principle of public ownership. The government traditionally managed enterprises based on planned instructions and a centralized administrative system, which caused problems in terms of production and management efficiency, but corresponded to the ideology of public ownership, i.e., the ownership rights of the workers as the dominant class.

A serious problem caused by the transformation of enterprises into civil corporations is that according to the existing power structure, the government becomes the real owner of these enterprises, while the enterprise managers (or the director or general manager in a joint-stock company) are representatives of the corporate sector, which makes the identity of the employees themselves ambiguous. First, various workers' rights including wages, social security and welfare benefits are no longer subject to government administration, but are determined by each enterprise according to their specific situation. This means that the enterprise employees' new position is defined by a combination of nominal public ownership and factual employment. On the one hand, the employee is still a public worker who is compensated according to minimal wage standards, but on the other hand, existing welfare benefits are gradually reduced by the government or transferred to the liability of the enterprises. As a consequence, the welfare benefits of the majority of workers began to shrink in the 1990s, and started being entirely cancelled after the comprehensive marketization reforms at the end of the decade. Enterprises based on corporate governance structures began to adopt actual contractual systems, established internal labour controls and organized the external labour market according to the logic of capitalization. Another important measure accompanying the joint-stock company reform was the adoption of the government strategy of "managing large enterprises while easing the control over smaller enterprises". The government began to concentrate on the creation of large-scale enterprise groups while subcontracting, leasing and selling smaller enterprises based on the joint-stock company system and stock partnerships.

In 1992, the 14th National Congress of the CPC specified the objectives of China's social and economic reforms and officially established the socialist market economic system. It also affirmed its support for an ownership system characterized by national public ownership and collective ownership as the main forms of ownership, supplemented by longer-term coexistence with businesses run according to the principles of a privatized market economy and with foreign invested companies. The establishment of this reform goal strengthened market-oriented reforms at various government levels. Private investment was incentivized, the private economy developed with high speed and the Company Law determined and institutionalized new rights structures addressing the ownership and operation of enterprises. During this process of accelerated market-oriented reforms, an important basis for enterprises to expand and develop was the establishment of a modern company system. On the one hand, the transformation of enterprises into modern companies entails the clarification their status as independent corporations, so that various regulations and organizational structures can be developed according to corporate and civil rights. On

the other hand, enterprise ownership relations are clarified, meaning that investors become shareholders or owners of their company's assets, and the voting rights of the stockholders' assembly and the claims on surplus revenue are protected by law. Besides, the new laws clarified the division of management authority between the general meeting of shareholders and the board of directors, as well as the division of responsibilities between the board of directors and the company managers.⁴ For the first time, the market-oriented reforms established legal structures affirming the status of the corporations, the right to individual property and the legal rights and obligations of enterprises, and thoroughly clarified the ambiguous ownership relations that had characterized the original collective system (including both the township enterprises and the state-owned enterprises), or at least aimed at gradually reforming the undefined and unclear aspects of the system.

The transformation of the enterprise ownership system and the reforms establishing a company system also had significant effects on the enterprises' internal governance structure. The most significant results include the following: first, capital rights are established through market configurations; second, clear profit goals are set; third, the principle of maximizing profits and efficiency is introduced; four, enterprises will inevitably adjust their internal management order to these objectives and principles, and realize capital accumulation through optimized mechanisms and configurations; five, laws become an important method of self-protection for enterprises; six, enterprises begin to define and conceptualize their employees from a resource perspective, i.e., the employees are incorporated into the capitalized resource structure as human resources. In this sense, enterprises, having adopted the form of a modern company, start to design channels for worker participation. This new kind of participation resembles neither the rights-oriented participation of the previous national public ownership system nor democratic forms of participation, but instead a type of resource-oriented participation. The new enterprise objectives are neither the planned welfare configurations of the old work-units system which included "enterprises supporting social welfare", nor the rights-sharing mechanisms the employees of township enterprises enjoyed as individual members, but rather the implementation of a division and organization of labour strictly in tune with the logic of capital maximization. In this kind of enterprises, we often see various channels emerge that institutionalize the employees' training, appraisal, assessment, recommendation and participation. However, because the enterprise's employees are defined as one type of resource among others and are incorporated into a rationalized resource configuration designed to realize business objectives, they are not independent in nature, and thus cannot fulfill their own interests. In general, such a system of worker participation is established on the basis of business principles. In the framework of the modern enterprise system enterprise owners regard their employees as human resources in the production and management process, and therefore cultivate and utilize their employees as sustainable and renewable resources and establish various management systems of assessment, training and incentives. The

⁴ Qian Yingyi: *Modern Economics and China's Economic Reform*, Beijing: China Renmin University Press, 2003, Chapter 8

employees also perceive themselves as human resources in terms of their autonomous planning and development, and participate in various mandatory business activities based on that self-perception.

In terms of the internal management, if the enterprise owner regards his or her employees as human resources and establishes specific requirements for the tasks to be carried out by the employees, he must evaluate and assess their performance in certain ways, and use the results as the basis for future human resource management and training such as appointments and dismissals, promotions and removals, and wage increases and deductions. Participation is rightly the basic channel for managers to make evaluations and assessments. On the one hand, the active participation of the employees can be regarded as an important method of human resource training and development, as an incentive mechanism in human resource management, and as a mechanism for promoting excellent employees and managers. Through various forms of participation, the enterprise can obtain a comprehensive understanding of an employee's sense of responsibility, sense of recognition and capacities and values besides his specific job performance, which constitutes the basis for promoting talented workers. Worker participation can also develop the employees' skills and capacities, and consequently increase the production and operation efficiency of the enterprise. On the other hand, the content, form, scale and level of worker participation are also important elements of enterprise culture, and contribute to the cultural symbolism and brand of the enterprise. Through various forms of worker participation, the enterprise can gain advantages in external competitions, evaluations and assessments, and thereby to gain access to additional resources determined by the government or by the market.

Regarding employee governance, the imitation of the modern enterprise system rests in a form of governance based on labour contracts, rather than on participatory mechanisms like the workers representatives' congress in state-owned enterprises. As a consequence, in some new private enterprises, or even in local state-owned enterprises after the implementation of the ownership system reform, the workers representatives' congress system disappeared and was replaced by the human resource management model, which is based on collective contracting, a system of subsistence allowances and labour protection standards etc. Under this system, workers' rights are usually determined according to the minimum right guarantees in the respective industry, and labour contracts between the employees and the enterprise are signed according to the actual characteristics and needs of each enterprise. In comparison with the past model, the most significant advantage of contract management is its legal basis. In July 1997, the Labour Law of the P.R.C came into force, which corresponded directly to the implementation of the enterprise ownership reforms. This law established specific requirements for labour contracts, collective contracting, and working time and holidays, wages, labour safety and sanitation, special protection of female employees and underage workers, occupational training, social security and welfare as well as labour disputes, and the basic rights of enterprise employees were incorporated into the legal sphere. In this sense, the majority of enterprise employees for the first time had a definite legal weapon at their disposal to maintain and defend

their rights. Because labour contracts break up the unity of the employees existing under the former national public ownership system or the collective ownership system into multiple relationships between individual employees and their employers, employees can only utilize the new protective laws in connection to atomic individual events, which is not only technically complicated and entails high costs, but also limits legal challenges as dispute-solving mechanisms to individual cases, and workers thus become unable to organize as a collective force to fight against widespread infringements on the part of the enterprises or the industries. In fact, once the human resource management model replaces the collective worker participation model, employees are divided into different segments, and become unable to carry out collective negotiations and actions to press enterprise leaders for change. The social contradictions that arise from these changes will gradually show their effects in the coming years.

Since the mid-1990s, the labour issue in Chinese enterprises has become noticeable in various fields. First, the development of the private economy and the emergence of a large number of private enterprises led to enterprises operating in order to maximize their capital. In particular, various non-public enterprises, especially labour-intensive manufacturing and processing enterprises, chose not to absorb the surplus labour of the surrounding areas like the previous township enterprises did before. Instead, they began to recruit from the vast, further removed rural areas following the principle of minimizing labour costs, as the surplus labour in those rural areas was lower in cost and larger in number. Furthermore, these workers could be employed without having to comply with social security or legal standards and they do not benefit from the protection of their local communities. This recruitment process initiated a wave of large-scale labour migration and the employment of so-called migrant workers. Enterprises did not need to assume any responsibility for their employment, education and training costs, pensions and social security, as had been the case in the past, and the resulting minimal labour costs were thus rarely even included in the enterprises' expenditures.

In cities, faced with the new government policy of "managing large enterprises well while easing control over smaller ones" and "downsizing employees and improving efficiency" within state-owned enterprises, a number of mainland-based large and medium-sized enterprises experienced sustained deficits and deteriorating finances. As their income could no longer cover their production costs, they were forced to dismiss large numbers of employees, and some even had to declare bankruptcy. Other state-owned enterprises were more successful at swiftly transforming their ownership system or enjoyed the protection of the central government. The less successful enterprises were compelled to lay off a large number of workers with only minimal financial compensation, and the employees of the previous work-units system, which means life long employment, turned out the contractual workers or laid-off workers. These drastic changes, which had firstly led to the majority of public employees losing their identities and status as workers in the socialist work-units system as well as their economic security, resulted in many of these workers becoming unemployed and finding themselves in a very similar

situation as the migrant workers. Many workers experienced difficulties adjusting to this substantial change in their financial situation as well as in politics and social values in general.

In the 30 years of reform, the first “tide of migrant workers” was caused by the difficulties of selling food grains in the mid-1980s. During the adjustment of the rural industrial structure, 70 million hectares of land were altered to grow economic crops, which stimulated the development of a processing industry in rural areas. With the thriving of township enterprises, rural surplus labour began to target township enterprises as employment destinations, following the idea of “working in local factories without leaving the land”. In 1992, with the establishment of the market economic system, there were 40 million migrant workers coming into the cities in just a year, but due to the segregation caused by the household registration process, cities basically adopted a way of “absorbing the migrant workers into the economy while discriminating them in society”. The number of migrant workers in 1992 was 46 million, and had risen to 60 million by 1994. Later on, the number of migrant workers increased by 8-10 million per year, and reached 0.12 billion towards the end of the 1990s.⁵ In the 21st century, with China becoming the key destination of national manufacturing transfers, the number of migrant workers increased steadily, and workers increasingly decided to stay in the cities but lost the recognition of rural communities.

From the point of view of the total social and economic structure, the binary social structure in rural and urban areas and the force of capital endowed by the marketization are the main causes for the wave of migrant workers leaving the countryside, although this flow was partly increased by factors specific to the rural areas, such as the increasing strain of land utilization, insufficient investment and worsening living conditions etc. According to economists, the population flows were largely determined by the difference between expected rural and urban incomes.⁶ In China, the per-capita income ratio between urban and rural areas was 1.72 in 1985, 2.54 in 1993 and 3.31 in 2002. The revolution in the private economy of the 1990s promoted the absorption of surplus labour by capital. Capital began to absorb large amounts of cheap labour in order to optimize costs by breaking through the limits imposed by the existing system, regulation and locality. According to current social analysis, the new industrial groups composed of migrant workers had the following characteristics: 1) although a series of government reform measures to some extent eased the segregation between rural and urban areas and promoted the transfer of surplus rural labour to non-agricultural industries, there were a number of material barriers to the flow of migrant workers, for example the segregation of household registration and the connected segregation of the social system. Migrant workers were largely unable to gain social recognition for their new non-agricultural identity. 2) The migrant workers in private enterprises did not have the same rights as urban workers, nor did they have the various rights of government workers or even the minimum rights of the private economy in city communities, such as the right to vote and

⁵ *Bulletin of the National Bureau of Statistics of China*, 2003, on the website of the Bureau.

⁶ Todaro, *Economic Development and the Third World*, China Economy Publishing House

various social welfare rights. 3) Labour contracts, labour protection and welfare standards and even the system of subsistence allowances in city communities discriminated against migrant workers. As most labour-intensive private enterprises and small and medium-sized or foreign invested enterprises adopted piece work wages, the resolution of labour disputes and wage criteria were not subject to optimized standards or supervision mechanisms, but rather depended on the enterprise owners themselves, and many enterprises turned into so-called “blood-and-sweat plants”.

In contrast, the state-owned enterprise employees in the majority of city communities encountered a different type of crisis during the same period. As described above, state-owned enterprises experienced substantial losses in the late 1990s: their losses could not cover their spending and they were unable to pay off their debts, so that they never were in normal operation. The only way of guaranteeing the existence of these enterprises was to start with laying off and redirecting employees. According to the criteria of that period, the term layoffs referred to employees who, due to the enterprises production and operation conditions, lost their job in an enterprise for more than 3 months without being resettled or finding another job, and without cancelling their labour relations with the original enterprise. The redirected workers were divided into two parts: the ones whose termination of employment was arranged by the enterprise itself through various internal channels and who still maintained their labour relations with the enterprise, including the self-reliant economic body, labour output, pensions and so forth; and the ones whose termination of employment was arranged through external channels, and who permanently terminated or cancelled their labour relations with the original enterprise. This latter group includes those who found employment in other enterprises, became self-employed, went into premature retirement, among others.⁷ According to a nationwide study about state-owned enterprises carried out by the former Ministry of Labour and Social Security in 1997, just in that year the total number of lay-offs and re-directed workers in national state-owned enterprises (no statistics for Tibet) was 12.742 million, which amounts to 17.2% of the number of state-owned enterprise employees at the beginning of the year.

During the ownership system reform and the lay-offs and redirection of public enterprise employees, one of the first difficulties faced was the rights of these public enterprises. According to the Constitution, the employees of state-owned enterprises are the legal owners of the enterprise. They enjoy the status of being the central element of these enterprises and are technically government workers. After the ownership system reform, enterprise governance became part of the corporate sphere, which meant that enterprise managers became agents of legal power, and the status and position of the enterprises' employees became more ambiguous. The ownership relations in the public system were also vaguely defined, as well as the rights the employees had or did not have. In this sense, all decision-making regarding the layoffs happened without the participation of the employees, the supposedly central

⁷ See the *Meeting Minutes of the Reports on Laid-off and Redirected Enterprise Employees Resettlement and Reemployment* (Guo Yue [1998] No.28)

actors in these enterprises, but was instead executed according to the instructions of senior administrative departments or the decisions of the enterprise leadership. Employees were extremely dissatisfied with the undemocratic way these decisions were made, as the workers themselves had no say in questions and decisions that determined their own future livelihoods and many lost their job without having had the possibility of exercising their due rights. Secondly, the public enterprise employees not only lost their previous welfare benefits, but also their jobs as government workers which they had held over the past dozens of years. This drastic change from being or seeing themselves as “enterprise owners” to becoming social migrants had a significant impact. Besides, the government and enterprises had to comply with no specific legal requirements concerning the compensation of the laid-off and redirected workers, and the enterprise employees were often pushed into unemployment just after being paid a compensation for their past services. Employees of all positions were dismissed from their lifelong status as government workers, and began to work as contract employees. The government did not establish a social security system with relevant supporting measures, despite the fact that many of the laid-off and redirected workers were employees of senior age, with low technical skills and small chance of re-employment, some of which had even lost the ability to work due to weakness or injury. The absence of a welfare system meant that many of these vulnerable workers immediately fell into poverty after losing their employment. Furthermore, towards the end of the 1990s, the government carried out comprehensive marketization reforms in various social areas that had a direct impact on people’s livelihoods, including housing, education, medical services and pensions, which further worsened the precarious living situation of the laid-off and redirected workers. We can even say this reform of state-owned enterprises not only to some degree negated the history of state-owned enterprises, but also in a sense blocked the future of the laid-off workers.

Generally speaking, the quick growth of China’s economy in the 1990s could not have happened without the internal ownership reforms in Chinese enterprises and the subsequent comprehensive establishment of a modern system of enterprise governance. However, the cost of these reforms was extremely high. Although the prevalence of capital effectively promoted economic growth, organizational restructuring and systemic innovation, the consequence was substantial deprivation among the rural migrant workers and local urban employees, both in terms of financial deprivation and a loss of negotiating power. The internal changes in the enterprises’ organizational structures seriously impaired the workers’ capability to conduct collective negotiations and impeded the formation of the workers’ collective consciousness, so that the potential for even greater social contradictions and inequality accumulated.

III. From operation to governance: enterprise governance and worker participation

1. Deterioration of labour conflicts

In the 1990s, China carried comprehensive economic system reforms, during which a large number of previously state-owned enterprises were impacted by ownership system transformations, which caused many workers to be laid off. Furthermore, the proportion of the non-public economy in the national economy increased quickly, which caused large-scale labour market transformations and an increase in the number of contractual workers. Migrant workers who came to the cities in a large flow of rural surplus labour began to constitute an important share of the total number of industrial workers. With the continuous expansion of the private economy, labour-investor relations began to make up a higher and higher proportion of labour relations in society as a whole. After 1993, employees in the private economy greatly exceeded those in state-owned enterprises and public units and became the majority of China's employees, so that labour-investor conflicts represented an increasingly serious social problem. After the year 2000, with the completion of the nationwide enterprise ownership transformation, the cases of labour disputes increased continuously, and complaint letters and visits from the side of the workers also increased drastically. According to statistics, in 1995 the National Labour Dispute Arbitrary Committee handled 33 000 cases of labour disputes, while in 2003, the number exceeded 200 000 cases, reaching 226 000 in total, 22.8% higher than in the year 2002.⁸ A lot of research materials also indicate that in many enterprises active in different areas workers faced very difficult conditions, beginning with recruitment to working conditions in general as well as wages and security. A fact worth mentioning is that in some Eastern coastal areas, the level of economic development and capital accumulation increased, whereas the income level of the workers did not improve but even decreased to some extent. Such situations were not uncommon and point to a rather ridiculous phenomenon: while there was a general surplus of labour in China, many areas were actually faced with labour shortages, which became a major bottleneck for Chinese economic development.

There were many factors that caused the tensions in labour-investor relations described above. First, the decline of state-owned enterprise resulted in the comprehensive marketization of China's labour relations. On the one hand, many employees were laid off while the state-owned enterprise system was transitioning into a modern, privatized enterprise system. On the other hand, as the ownership of the state-owned enterprises was not clarified and the problem of owner vacancy remained unsolved, state-owned enterprises failed to establish labour relations based on real marketization. Due to the deficient social security system, the rights and living conditions of a large number of laid-off and redirected employees were not protected or appropriately reconfigured. The whole set of life-long guarantees and the

⁸ Jiang Ying, *The Understanding on Some Issues in Separated Legislations Relating to Collective Contracting*, <http://www.btphr.com/expertteam/lunwen/006.htm>.

protection system formerly provided by the state-owned enterprises collapsed instantly, pushing the majority of employees into a rapidly changing market. The enterprises and employees suddenly both faced the risks of the capital market and the labour market, leaving them at loss; the previous governmental system as the ultimate social protection had disappeared so unexpectedly that the laid-off workers found themselves in a rather helpless situation.

Although the change in the employees' status during the ownership system reform represented a potential premise for the establishment of new labour-investor relations, the transfer of assets and the new property allocation essential to the reform process was a more important factor in building these transformed labour-investor relations. This involved the basic social fairness of resettling the laid-off workers, and directly affected the majority of employees' basic psychological attitude towards future labour-investor relations. All the enterprises included in the ownership reforms were enterprises that had faced economic difficulties and sometimes even bankruptcy, and many laid-off employees had not been paid the minimum wage or did not receive any financial compensation for a long period of time. Except for the system of subsistence allowances provided by the government (many laid-off workers did not benefit from social security and found themselves "cut-off" from most government services) there was no further aid available to unemployed workers from any social organizations. Besides, during the ownership reform of the state-owned enterprises, there was a large amount of corruption related to the exchange of power and money. State-owned assets were illegally transformed into private fortunes, while most employees, who had greatly contributed to the creation and accumulation of these fortunes, received close to nothing. These mounting inequalities between the rich and the poor significantly harmed all efforts towards social justice as well as existing trust mechanisms, and increased the sense of relative deprivation and inequality in society.⁹ Another major phenomenon related to ownership and the deterioration of labour-investor relations was that structures and measures for democratic participation of public enterprise employees, such as the workers representatives' congress, lost their function within the reformed enterprises, and employees now were unable to legally express their concerns and comments. However, once the resulting dissatisfaction reached a certain level, collective protest began to break out, and the workers' complaint letters and visits directly targeted the government in order to pressure for reforms guaranteeing greater social stability.

In the meantime, another factor influencing labour-investor relations and social contradictions during this new stage of enterprise privatisation that was unique to Chinese society was the influx of migrant workers into urban industrial centres. Within the secondary industries migrant workers constituted up to 57.6% of the total workforce.¹⁰ Due to the unstable and highly mobile living situations of the migrant workers, they had no natural social connections and relations to and within the enterprises/ As a result they were employed as atomized and isolated individuals and

⁹ Li Hanlin, Qu Jingdong, *The Anomie Effects in the Process of China's Unit Organizations Evolution*, Shanghai People's Publishing House, 2005

¹⁰ Liu Weijia, *An Interpretation of the Statistics on China's Agriculture, Rural Areas, Farmers and Migrant Workers*, Social Development Forum, Iss.1, 2006

workers, which meant that they had a natural disadvantage in terms of protection on the labour market. When they were dismissed by their employers, they had no binding social relations and connections to their workplaces and the communities they lived in and they did not experience any recognition from the local social culture of the enterprises. As a result they were more likely to drop to the lowest social class and to occupy the most disadvantaged position in the general framework of deteriorating labour-investor relations.

2. Public governance reform and the social responsibility of enterprises

As mentioned in the introduction to this paper, since entering the 21st century, the Chinese government has made significant adjustments to its economic development strategies. With the manufacturing industry now representing the core of the Chinese economy, the government has aimed at incorporating the country into the global economy to guarantee its continuous economic growth. This strategic change further strengthened the processes of marketization and capitalization, accelerated the establishment of a modern enterprise system, and is also increasingly affecting the global social and economic order. Regarding the property system, the central government actively promoted the development of a joint-stock company system. It also developed an economy based on combined ownership systems and encouraged the diversification of investment, with major enterprises largely funded by public investment. In 2003, the 6th General Meeting of the 16th National Congress of the CPC passed the Resolution on Several Problems Related to the Optimisation of the Socialist Market Economic System, which stressed the importance of promoting an economy based on combined ownership systems composed of state-owned capital, collective capital and private capital. It also underlined its goals of promoting the diversification of investors, of enabling the joint-stock company system to become the predominant form of enterprise organization, of legally protecting various properties, optimizing property exchange rules and supervision regulations and promoting an efficient property market, with the aim of guaranteeing the equal legal status and rights to development of all market actors. After the passing of this resolution, the ownership reform of state-owned enterprises expanded and deepened. State-owned small and medium-sized enterprises embarked on the reform process towards becoming private joint-stock companies or stock partnerships, and a number of managers were allowed to purchase or hold enterprise shares. Nevertheless, these measures show that the reform still very much focused on the core organization and power arrangements within enterprises, which are not directly related to the issues directly concerning enterprise employees. The academic and public debate surrounding property transfers mostly focused on disadvantaged groups, and rarely took into account the material and rights arrangements within enterprises. In fact, the rise of the issue of employees' rights was mostly due to changes in the external environment of enterprises. For example, the central government began to advocate for public services based on a new conception of governance, and in the course of the adjustment process to international practices, the social responsibility of enterprises

became an increasingly important factor.

In the meantime, Chinese enterprises faced the emergence of the concept of corporate social responsibility in the international market. Corporate Social Responsibility (abbreviated CSR) refers to the ways enterprises reach or exceed standards of behaviour required by conceptions of morality, the laws and the public, and to what extent they take into account the effect of their business activities on all interested parties. The concept of CSR is based on the idea that all business activities must comply with the requirements of sustainable development. Besides considering their own financial and operational status, enterprises must also take into account their effect on social and natural environments, and especially on parties of interest. Here, the parties of interest refer to individuals or groups affected by the enterprises' decisions and actions, including, but not limited to, the employees, the customers, the suppliers, the community groups, the parent or affiliated companies, the partners, the investors and the shareholders.¹¹ On the other hand, the international market's regulation of Chinese economic activities is also reflected in legal and administrative fields. In around 2001, the Chinese government and the legislative bodies substantially modified more than 2000 laws, regulations and decrees and more than a hundred thousand local regulations and rules, including the Foreign Investment Law and the Foreign Trade Law. While strengthening legal-oriented and standardized administration, the State Council and local governments at all levels began to establish various administrative service centers to actively promote transparent and open administrative policies and to accelerate the process of adopting international practices.

In 2003, the central government proposed a concept of governance based on a scientific outlook on development. The previous capitalized economic development model had led to the emergence of various social problems, and it was closely connected to the administrative atmosphere of the 1990s, when local governments largely focused on economic growth and market operations but neglected questions of social justice and public governance. In the 30 years of reform, Chinese enterprises mostly adopted the principle of improving production efficiency and saving costs by optimizing their governance structures, and followed the logic of capitalization in order to join international markets. In terms of enterprise operation and governance, employees were therefore not placed in an important theoretical position, and the opportunities and mechanisms for employees to participate in enterprise management and affairs were not fully established. In 2003, the State-owned Assets Supervision and Administration Commission of the State Council (Abbreviated as "State-owned Assets Commission") was established to further promote the reform of state-owned enterprises. However, the focus of its policies was not just ownership reforms and operation efficiency, but also employees' interests and enterprise governance. The Practical Comments on Further Regulating the Reform of State-owned Enterprises issued in 2005 for the first time combined "the maintenance of state interests and the prevention of the loss of state-owned assets" with "the maintenance of the interests of

¹¹See Porter, Michael E. & Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy", *The Harvard Business Review*, December 2002.

the employees of state-owned enterprises”, and further stressed the status and function of these employees as the central actors in the ownership system reform. This established the reforms not just as a matter for administrative departments and enterprise leaders, but as an important social process that could not go forward without the support and participation of employees.

In a series of related regulations, the enterprise workers representatives’ congress or the employees’ meeting was again placed at a prominent position, and became an important platform for enterprise decision-making. Important issues such as the enterprise ownership reform program, the employee resettlement program and enterprise development planning now had to be submitted to the workers representatives’ congress or the employees’ meeting for review and approval. The decision-making on these important issues had to occur in consultation with the employees, and the auditing and evaluation of the enterprises’ major financial indicators had to be released and publicized on time. The Comments included detailed stipulations regarding the rights and interests of employees. For instance, if an enterprise is transformed into a stock holding company, the new enterprise must still execute the labour contracts signed by the former enterprise and the retained employees’ work years in the former enterprise will be carried over to the new enterprise. For the employees whose labour contracts were cancelled during the ownership reform compensation must be paid. Furthermore, the new enterprise that holds state-owned assets cannot compel employees to invest their compensation into the new enterprise or lend it to the new enterprise. The wages, funds and medical service fees that were unpaid during the ownership reforms as well as misappropriated reserved housing funds and unsettled social security payments must be paid immediately; after the ownership reform, the enterprise is further required to carry on providing various social security benefits including pensions, medical services, injury and child bearing protection for the employees, and pay the various social insurance premiums fully and on time.

In this new structure, the rights of enterprise employees gained their full meaning. These endowed rights were based on the strong promotion of governance in joint-stock companies and stock partnership companies, as well as on an employment system premised on labour contracts and collective contracting, which differed from the rights structure in the system based on the idea of “enterprises supporting social welfare” that had emerged in the early stages or the first 10 years of the reform. Under the new system, the company governance structure, the stipulations in the labour contracts, the responsibilities of specific posts and the employees’ democratic rights took on the character of legally institutionalized rights. Below, we will analyze in detail the various tentative institutional channels and ways for state-owned enterprise employees to participate in enterprise affairs in three aspects: enterprise ownership, operation and governance. The endowed rights structure described above is reflected in the enterprise supervision system, the business committee system, the employees’ representatives meeting and the enterprise information reporting system etc. In January 2008, the Labour Contract Law officially came into force, which showed the central government’s concern about deteriorating labour conflicts, and its resolution to

coordinate labour relations through legal and administrative measures. The Labour Contract Law, which was aimed at enhancing the protection of workers, specifically addressed issues like the establishment, execution, modification, cancellation and termination of labour contracts, and pointed out in detail in the Special Clauses the liabilities regarding collective contracting, labour dispatch, non-full-time employment and specific law enforcement.¹² Looking at the implementation of the Labour Contract Law in the past two years, one can observe that it has achieved some of its intended effects: the proportion of legal labour contracts signed increased noticeably; the amount of short-term labour contracts decreased, and the average duration of newly signed labour contracts increased; the quality of labour contracts improved, and the newly signed labour contracts increasingly tended to include complete terms, with specific requirements concerning both parties' rights and obligations, which, according to the situation in question, serve to complement each other; social security coverage expanded, and revenues increased.

However, in the execution of Labour Contract Law, some clauses were found to be impractical. Particularly, many enterprises, including some multinational companies and state-owned enterprises, infringed on the rights and interests of the workers through the use of labour dispatch, which is only ambiguously addressed by the law. For instance, in some industries with high professional skill requirements a number of "dispatched workers" were used, including in the four major state-owned commercial banks, in China Post, and in the subsidiaries of the Ministry for Railways.¹³ According to the stipulations in the Labour Contract Law, labour dispatch generally applies to temporary, assistant or alternative posts. However, in the discussion in process of legislation, this stipulation was not clarified, and although the draft law originally specified that labour dispatch should not apply to posts with a duration of over one year, this specification was deleted in the final version. The Labour Contract Law simply limited the scope of labour dispatch to "temporary, assisting or alternative posts", rather than listing specific industries, posts and occupations to which the law applies, as it is common in most foreign legal systems. The lack of clarity in the law led to a phenomenon of so-called "inverted dispatch".

¹² In particular, the probation period was a loophole in the previous labour systems. The Labour Contract enhanced the protection of workers during the probation period. For example, if the labour contract duration is 3 months to less than one year, the probation period shall not exceed one month; if the labour contract duration is 1 year to less than 3 years, the probation period shall not exceed 2 months; if the labour contract has a fixed duration of more than 3 years or unlimited duration, the probation period shall not exceed 6 months. For labour contracts with a duration based on fulfilling certain tasks or with a duration of less than 3 months, no probation period shall be specified. There shall be only one probation period agreed upon between a certain employer and a certain employee. The Labour Law also specified the minimum wage to be paid in the probation period. The wage paid in the probation period shall not be less than the wage of the lowest-paid post in the employment unit or than 80% of the wage agreed upon in the labour contract, and the wage paid in the probation period shall not be less than the minimum wage of the region where the employment unit is located. The Labour Law specified that the employment unit shall not dismiss employees in the course of the probation period. During the probation period, except for situations defined in Clause 39 and in No.1 and 2 of Clause 40, the employment unit shall not cancel the labour contract. If the employment unit is to cancel the labour contract during the probation period, it has to explain the reasons to the employees in question. Details are specified in the Labour Law of the P.R.C.

¹³ An interesting fact was that a group of college students released an Investigation Report on Coca Cola based on their part-time work for the Coca Cola Company. The report stated that Coca Cola (China) was using a large number of dispatched workers and other non-formal workers, who were doing the most dangerous, torturing and tiresome jobs, for the longest work hours, but were paid the lowest wages, which were often delayed or retained. See College Students Concerned about Coca Cola, An Investigation Report on Coca Cola: <http://www.eduww.com/Article/200812/22630.html>.

Before the implementation of the Labour Contract Law, some enterprises even terminated contracts with employees with years of experience, and then resettled them to a labour dispatch. Then these same employees were dispatched back again to the enterprise they had originally worked for, with the aim of saving labour costs. A practice even more harmful to workers was the use of “fake dispatch” as a type of inverted dispatch, a system that makes use of the “triangular relation” between labour dispatch companies, the original employer and the workers. In this case, labour dispatch companies compel their workers to sign contracts with another labour dispatch company that does not have clear employment regulations or legal liabilities while threatening the workers with dismissal in case of disobedience, and thereby seriously damage previously stable labour relations.

3. Role of the Trade Union

During the period of economic reforms, enterprise trade unions gained a very important position in enterprises due to the mechanisms of rights enforcement and participation discussed above. They not only became members of the enterprises’ core management, but also an important force for organizing and attracting the participation of employees at various levels of enterprise governance. In 2001, the revised Trade Union Law came into force. This new law broke away from the traditional concept of placing equal strength on the four main functions of a trade union, and instead stressed the unions’ “maintenance” role, which reflected the new emphasis placed on trade unions in the market economic framework. Besides, the new Trade Union Law also specified two methods the unions should use to execute their duties, i.e., “through mechanisms of equal consultation and collective contracting, coordinate labour relations and protect the rights of enterprise employees”. On 26 September 2003, the 14th National Congress of the All-China Federation of Trade Unions passed the Chinese Trade Union Standing Rules (Revised), which established that the basic function of Chinese trade unions is to protect the legal rights and interests of enterprise employees. On the second meeting of the executive commission of the 14th session of the All-China Federation of Trade Unions, the Federation proposed that the unions’ general work concept should consist of “effectively organizing and fulfilling the protection of rights”.

In the past decade, the All-China Federation of Trade Unions has worked hard to build up and strengthen enterprise trade unions. The trade unions in state-owned enterprises were revived, and new trade unions were set up in a number of private enterprises. A network of trade unions has been set up through the establishment of local trade unions at the county, industry and town level, which represents an effective interaction mechanism for collective contracting, sponsoring employees’ assemblies and providing legal assistance. During the establishment of the modern enterprise system following the ownership reforms in the state-owned enterprises, enterprise trade unions became members of the core enterprise leadership, and not only demonstrated their role in enterprise operation through regular participatory mechanisms, but also served as supervising parties in various enterprise subsidiaries

and implemented numerous institutional innovations concerning enterprise governance. The case study explained in detail below shows that the transparency of enterprise operations as well as democratic participation counted among the responsibilities of the trade unions. The system of workers representatives' congresses was reintroduced and new forms of democratic participation were tested, such as the congress's participation in decision-making concerning important issues relevant to the majority of employees. In some large state-owned enterprises, the network of trade unions also played a significant role in the provision of public services and the social control of local communities, and thus complemented the responsibilities of the departments of law enforcement and public security.

However, although the establishment and strengthening of trade unions in private enterprises has achieved significant progress in recent years, it is still relatively difficult for trade unions to function as independent institutions, and they are often limited by capital and the company leadership in questions regarding personnel, decision-making rights and the scope of their activities. Enterprise trade unions can only carry out certain organizing or participatory activities connected to the working and living conditions of the employees, and their involvement is usually limited to non-significant affairs. In this sense, the internal participation mechanisms within enterprises have a limited effect on questions of governance. Trade unions seldom have a say in issues involving wages, labour protection, social security and injury compensation, and are sometimes even used by enterprise executives as a tool to ease and restrain internal labour conflicts. Obviously, it is difficult to establish effective mechanisms of decision-making participation and rights enforcement within private enterprises controlled by capital by only relying on trade unions, and worker participation and rights protection must therefore be achieved through external compulsory systems of enforcement and accountability.

Since the beginning of the new century, the All-China Federation of Trade Unions have been promoting worker issues beyond employment only, and made great efforts to establish local enterprise trade unions and to enhance the enforcement of employees' rights. However, these newly established trade unions should not be overestimated in terms of their ability to truly execute their functions. The configuration, organization and roles of trade unions vary greatly according to the different types of enterprise ownership systems. The state-owned enterprises' reliance on old institutional structures and mechanisms as well as the standardization of governance during the ownership system reforms in recent years expanded the functional scope of trade unions in these enterprises. Through specific case studies as the ones analysed further on in this study, one can examine the position of state-owned enterprise trade unions with regard to enterprise governance in greater detail, as well as their role within the state ownership structure, enterprise operation and company governance, and their innovative experiments regarding worker participation and democratic consultation. In some older industrial areas, enterprise trade unions have even attempted to address the difficult historical legacies of the ownership system reform at the end of 1990s. However, from the perspective of internal organizational structures and rights guarantees, today's enterprise trade

unions are far from incorporating all grassroots employees into democratic participation and decision-making channels, not to mention the non-formal employees, especially the dispatched workers, who remain largely excluded from the scope of rights enforcement and protection.

Chapter II A Proposed Theoretical Framework for Workers' Participation

I. Emphatic Study Framework

We can examine the specific structure of Chinese society and its effect on worker participation by looking at the triangular relations between the government, the enterprises and the trade unions, which are the three key actors determining the nature of worker participation.

First of all, regarding the role of the government, the administrative system and the Party and League system both have an important effect on worker participation in enterprises from the perspective of policy development and system design. According to the past governance model under the work-units system, enterprise operation and management were subject to the uniform administrative system, and senior government departments were in charge of key personnel appointments. However, with the deepening of the economic system reforms the divisions between the Party and the government and between the government and the enterprises gradually increased. At the same time, the government and its functional departments were also more and more divided and decentralized. After the tax system reform carried out in the mid-1990s at the central and local government levels, the capital out of the budget was completely separated. On the one hand, this meant that the central government hardly retained any control over the extra-budget capital, which initially encouraged local governments to establish collective enterprises and acquisition new land. On the other hand, the central government began to collect the VAT from local governments, so that the latter no longer gained much benefit from enterprises. As a result, local governments were soon much less enthusiastic about establishing new enterprises. All of these factors directly affected the formation, structure and function of enterprise-internal democratic mechanisms.

Secondly, enterprises as independently operating parties were always interacting with the government and the market. Under the work-units system, most enterprises were owned by the government, and were completely restricted by the government's administrative guidelines and planning. Later, with the implementation of the reform and the liberalization of politics, enterprises with different ownership structures were established and began to constitute an important part of the national economy, including thriving foreign invested companies and joint ventures as well as newly emerging private enterprises. Even the township enterprises with their undefined ownership structures for a long time managed to maintain their advantages. In the 1990s, with the beginning of the enterprise ownership reform, the marketization and privatization of Chinese enterprises continuously expanded, and all enterprises were gradually reorganized according to the modern enterprise system. Since then, many enterprises have established more complex ownership models, internal management mechanisms and external system arrangements. Due to the adjustments in the government's administrative model, enterprises have built up complex relationships

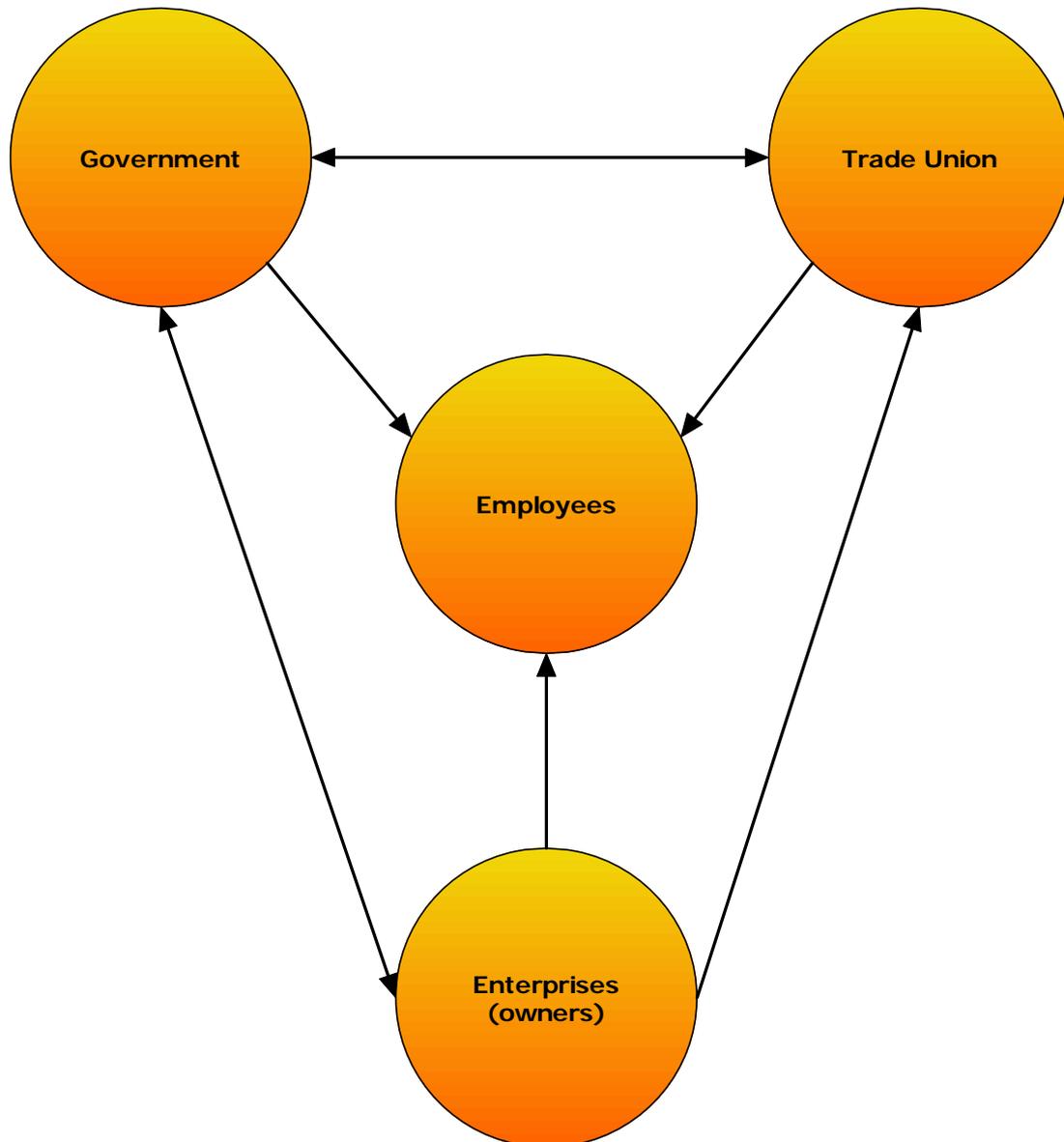
with senior administrative or coordinating departments. In the meantime, the market environment, the external management environment and the international market has also become more and more complex and intertwined. A change in any one of those factors will therefore have a direct effect on the structure and balance of the triangular relations mentioned above.

Lastly, all of the above-mentioned reforms and changes ultimately have an impact on enterprise employees. In the past, enterprise employees enjoyed a clear recognition of their status as government workers. However, with the deepening of marketization and the emergence of contractual employees, a large proportion of the labour force became an object of exchange on the employment market. For a rather long period of time, a large number of enterprise employees experienced a state of value confusion due to the missing recognition of their former status and identity. They lacked a sense of affiliation and the social connections necessary to maintain unity, and to large degree became 'atoms' in the new labour market. Employees became more diversified, and new social layers representing unbalanced interest groups came into being. The labour-investor problem resulted from these new differentiations that resulted from the general transformation of social structures oriented towards marketization. The transformation thoroughly changed the employees' status as permanent employees affiliated with the government as well as the employees' sense of being central actors in the economy and the values associated with the former official ideology. The originally static relations between the government, the enterprises and the employees changed into a set of more diverse relations. The employment system also became more complicated, with worker issues changing into labour-investor relations and the issue of laid-off workers into an unemployment issue. As the employees as independent individuals gradually broke away from the administrative system on both an identity- and consciousness-level and employees started to become a prominent citizen group in society, the government began to handle the social relations with employees through legal and social security systems.

During the change in labour relations discussed above, the trade unions began to play important roles at various levels. The trade unions played a mediating role in the interactions between the government, the enterprises and the employees by being in charge of coordination, organization and supervision. On the one hand, the trade unions allowed employees to establish extensive connections with other social service institutions, such as legal service bodies, the chambers of commerce, associations, civil society groups, community organizations and non-governmental organizations, which helped the employees to expand the network of social support to ensure the enforcement of their rights. On the other hand, trade unions are also the conveyors and promoters of various governmental policies related to the protection of workers' rights and interests, and function as the legal mediator coordinating governmental policies and enterprise decision-making. In this sense, trade unions have become a link between the government and the enterprises with the aim of establishing real connections to the general public.

This research therefore first of all aims at studying the effects of various aspects

of worker participation by examining the triangular relations between the government, the enterprises (enterprise owners) and the trade unions, and through the examination of the interactions between these three parties arrive at a better understanding of worker participation in the larger social structure.



Using an emphatic research framework, we tried to combine the external institutional background of worker participation with each enterprise's specific organizational characteristics and each worker's individual traits and experiences. Regarding the internal institutional arrangements of an enterprise and its external social environment, the integration of social relations and the social order within the enterprise will most strongly be reflected in the following three aspects:

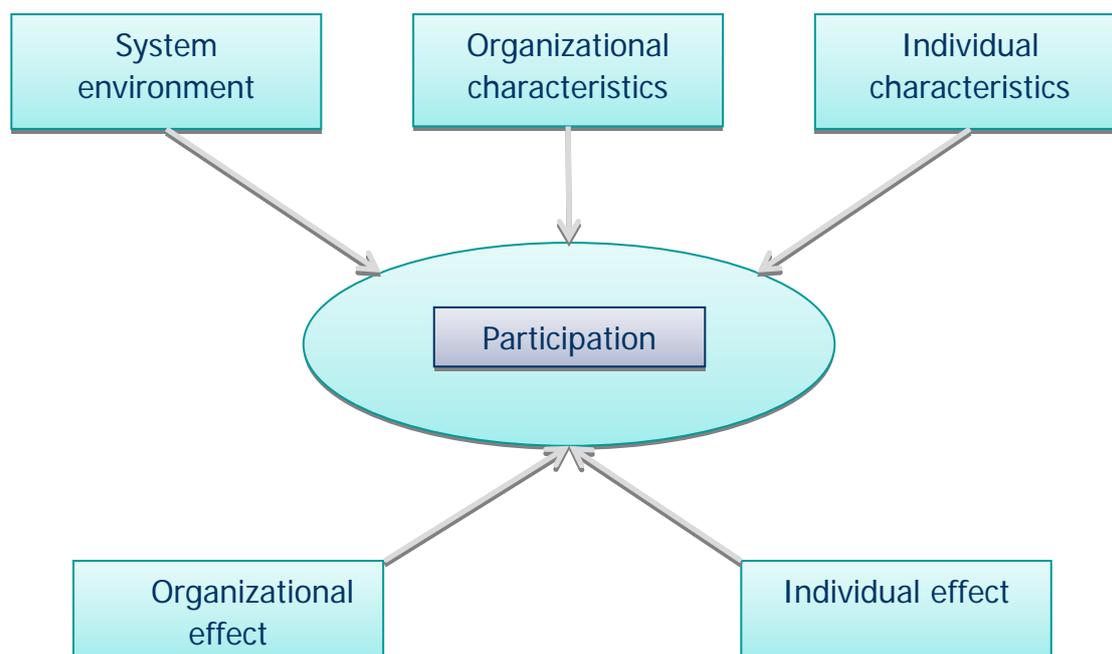
1. What is the significance of worker participation for the protection of their

rights, interests and careers? What is the significance of the employees' participation in the process of improving the enterprise's performance and its sustainable development? What is the significance workers participation for the realization of social justice and stability?

2. For the enterprise owners and professional managers, what is the significance of promoting and mobilizing worker participation in the process of addressing core issues, such as production efficiency, personnel management and the market, system and policy environment?

3. In the process of building new relations between the employees and the enterprise, what are the specific roles of the organizations acting as mediating or intermediate parties (such as trade unions), and how do they fulfill these roles?

We therefore need to examine how the system environment, an enterprise's organizational characteristics and individual characteristics affect the participation process, and how participation will have a dual effect on organizations on the one hand and individuals on the other, i.e., in what sense and to what extent the organizational characteristics of an enterprise will be affected, and in what sense and to what extent the individual characteristics of enterprise members and employees will change.



This research study will begin by examining the specific processes of participation and analyze the various mechanisms of participation at different levels, such as institutional channels for participation through the government, the enterprises and the trade unions, as well as non-institutional activities and strategizing on the party of the employees themselves.¹⁴ The study will subsequently assess how

¹⁴ See Schutz, A., 1967, *The Phenomenology of Social World*. Trans. by G. Walsh & F. Lahnert. Evanston :

participation occurs in general, both through institutional and non-institutional organizational structures.

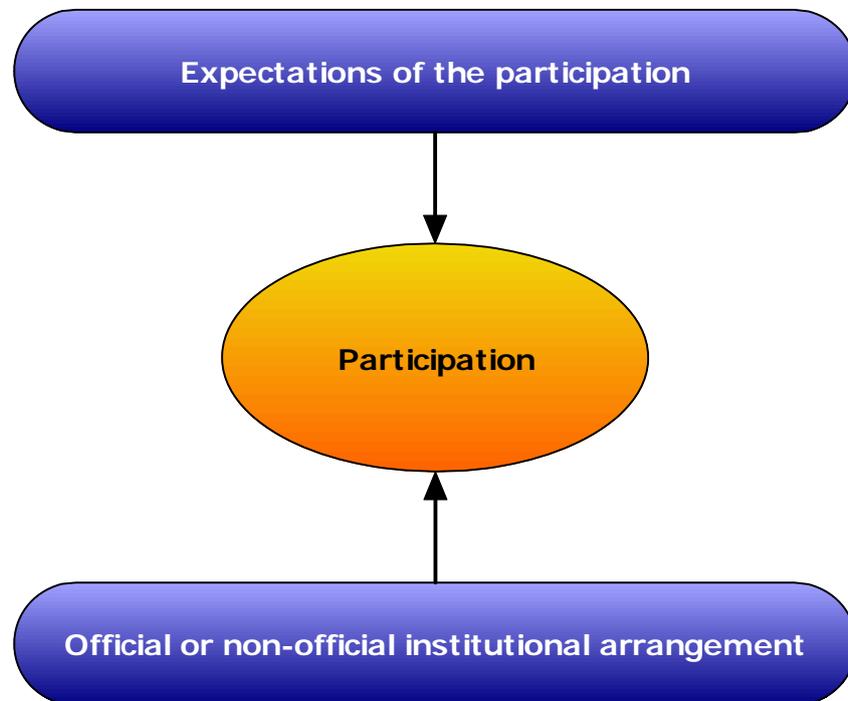
In this sense, the aim of this study on worker participation in enterprises is to examine how effective mechanisms of participation are formed between employees and their employers, in a way that makes all parties willing to promote worker participation and to realize the actual effects of participation. Furthermore, the study aims at examining how collective relations are formed among employees and among enterprise owners respectively and how these relations are correlated and can therefore contribute to realizing greater worker participation. For example, the medical forces among employees or enterprises gradually gain in importance, and they become important factors maintaining the unity of these organizations. However, to evaluate whether the intended effects of greater participation are achieved through official institutional arrangements or through non-official tacit knowledge, the specific processes of participation have to be examined. Regarding the mediating role of trade unions, one must further look at whether trade unions achieve unity and effectiveness through bottom-up mobilization or through administrative force. Only then does it become possible to understand the profound changes occurring in China's social structure and the unique nature of China's governance model.

When examining the causes for participation, we must also consider its circumstances, such as routine or certain working environments or the occurrence of particular events. First, participation in itself constitutes an event and a case of personal involvement in public activities. Participation must therefore occur in a certain public field, as an occurrence or an event caused by a certain other event. The first characteristic of participation is thus interaction, and the second is presence, meaning the presence of the participants. The third characteristic of participation is the shared knowledge among the participants and interacting individuals, meaning the consistence of actions or the consensus among the participants throughout the participation process. This means that the participants must share a common knowledge, such as specific technical or business knowledge, as well as a common will or desire for expression, and certain values or life principles. Besides, another important characteristic of participation is the behavior path dependency which means that the habitus or action routine established through habits or practices, so that the participants follow habitual ways of action to realize their participation. For example, after the state-owned enterprises were transformed into private enterprises, the employees still followed the action routines of the old enterprises rather than the rules and regulations of the private enterprises to determine their participation. Once their rights or benefits were threatened, their first reaction was not to resort to legal procedures to settle the problem, but to seek out the governmental liability for state-owned enterprises as they had done in the past, which is a typical example of this kind of habitus.

Regarding the mechanisms of participation, we must also examine the preconditions necessary for participation to occur, such as inter-personal relations at

different levels, institutional arrangements and the information channels involved in the process of participation. Particularly, it is important to analyze the possible platforms for participation and various information carriers, with examples of the former including regular institutional panels, mechanisms for dialogue such as seminars, democratic group discussions, the employees' social gatherings and the employees' clubs etc., and examples of the latter including platforms for information , exchange and communication, i.e., the information interface, and various meetings, on-line forums, SMS messages and complaint boxes arranged by the enterprise. The heterogeneity, asymmetry and interaction of information is to be represented and realized through these interfaces, and only when new content is produced during information can participation be realized.

Generally, this study on enterprise worker participation will involve various aspects of the external system environment as well as more specific actions. We will examine not only the relations between participation and the social ecology of an enterprise or external organizations, but also the relation between participation and certain action models, chance and selection structures and resource configurations within enterprises. We will further examine the organizational effects and individual effects resulting from participation, and assess how participation affects the relationships between an enterprise and its members as well as the various forms of collective recognition and enterprise unity. Besides, participation is also connected to enterprise crisis management. During the profound changes in enterprise organization undertaken in 30 years of reform, every crisis faced by enterprises had close connections to the nature of and changes in the model of worker participation.



This empathic study will also examine a range of further issues, such as the

history of enterprises during the ownership reforms, the reshuffling and merges, the history of industrial adjustment and structural job cuts, the changes in enterprise ownership and the changes in the relations with the government, all of which affect the specific models and substance of worker participation.

II. Ownership, operation and governance: a specific framework for theoretical discussion

On the most fundamental theoretical level, the enterprise as a form of organization can be regarded as consisting of three different dimensions: ownership, operation and governance. It is through these three aspects that the enterprise shows its unique political, economic and social characteristics, and consequently gains its unique power structure, power relations and mechanisms of operation. The nature of enterprises as defined by these three dimensions determines an enterprise's organizational structure, its institutional arrangement and its resource configuration. Furthermore, it also affects the status, rights and behavioural models of the enterprise employees, which constitute important factors determining the nature of worker participation in the enterprise.

1. Ownership

According to the classical definition of Locke, based on the theory of natural law, the Creator grants man all things on the land for him to exploit and possess. Man can use his abilities, personality and possessions to preserve life.¹⁵ Life, freedom and ownership of property are therefore the basic rights of man. The possessions means here that all things to be possessed by everyone, and are the natural right of the individual.¹⁶ As pointed out by Laslett, in the ages of Locke and Baxter, the two words *property* and *propriety* can be used interchangeably. Therefore, in this sense, Locke first established the relation between possession and propriety. In his book *The Political Theory of Possessive Individualism: Hobbes to Locke*, Michael S. Mcpherson defines ownership through the possession of "capital-objects" in order to determine the basic rights and rights structure of enterprise owners and employers.¹⁷ An enterprise is the modern form of organization in which the natural equality of rights and factual social inequality clash. In this regard, many people considered enterprises to be a series of possessive relations, with ownership structures based on a series of contractual relations. The differences in ownership structure or in customs and routines regarding ownership determine the nature of an enterprise and thus affect all other attributes of such types of organization.

Classical political economy and social theory established three ideal types of ownership:

Private ownership: The form of property possession based on private ownership

¹⁶ See Laslett, *John Locke's two treatises of government*, translated by Feng Keli, Sdxjoint Publishing Company, 2007, p131, note 2

¹⁷ Macpherson, *The Political Theory of Possessive Individualism: Hobbes to Locke*, Oxford University Press, 1962.

generally constitutes the theoretical foundation of classical liberalism. The definition of ownership through property obtainment and inheritance justifies the premise of unequal possession of fortunes, and consequently establishes the concept of private enterprise owners. The operation and activities of enterprises adopt the principles of capital accumulation and interest maximization. Legally, enterprises are privately owned, and the assignment of rights and the power of the owner is either determined by the owner or defined by entrustment. The owner remains the final decision-maker regarding questions of rights. This model of ownership dominated at the initial stage of capitalism, characterized by primitive accumulation, and in the typical factory organizations criticised by Karl Marx in the 19th century. It subjects all enterprise activities to the principle of maximized private capital accumulation, and establishes a legal rights structure that corresponds to the capitalist ideology. In the three decades of market-oriented reform in China, certain labour-intensive enterprises funded by local or foreign private capital largely adopted the characteristics of this model, meaning that they regarded capital accumulation as the ultimate goal of enterprise governance, and thus aimed at reducing labour costs as much as possible in order to improve market competitiveness and maximize the accumulation of private fortunes.

Public ownership: Based on the criticism of the theory of private ownership described above, the basic concept of a more just social structure in the mind of socialist theorists, especially Marxist communists, consists of incorporating the production structure of the entire society into system of equitable resource distribution. The structure of public ownership is based on the idea of collective rather than individual possession and adopts the principles of equal protection and fair mechanisms for all people rather than capital accumulation as the priority goal. In this system, rights are determined by systems of representation, which establish the basic rights structures and leadership bodies of an enterprise. In the 30 years following the foundation of the P.R.C, the workers representatives' congress of the state-owned enterprises was the nominal system of interest representation. The ideal implementation of this concept would imply that the operation of the enterprise is entirely managed through participation at all levels. As the rightful owners, the employees are responsible for delegating their decision-making rights in terms of enterprise operation and governance to representatives, i.e., the workers representatives' congress is elected to execute the top-level decision-making in the enterprise. However, public ownership in this sense is nominal rather than actual. On a more fundamental level, this kind of public ownership tends take the form of government ownership, and the representatives designated or entrusted by the government execute the actual operation of the enterprises. In other words, the vertical rights structure of the overall system shapes the actual administrative power. In the system of national socialism, the body wielding administrative power has the absolute authority. This was also the case for the "work-units system" during the period of Chinese public ownership, in which the government decided the welfare benefits and working conditions of the employees according to the industry in question and the administrative levels of the units, while the employees did not have the right to exercise substantial participation in this process.

Co-ownership: Compared with private and public ownership, co-ownership usually stresses traditional customs and cultural resources at the level of community, and thinks of enterprises as having more or less has the same structural characteristics as traditional churches, social groups, industrial communities and corporate or family unions that are based on common ownership. For example, the professional groups described by Durkheim neither adopt the clarified property relations of the bourgeoisie (capital owner and investor) as the principle of defining enterprises, as it is stressed by liberal doctrines, nor do they establish enterprise ownership according to labour standards and public ownership, as it is stressed by socialist theory. Systems of co-ownership emphasize membership in a community, and the natural or historical divisions among its members, i.e., the functional differentiations. These divisions are the basis for the possession of different rights or degrees of power. The possession of particular rights or functions remains a collective possession. This ownership structure plays down the opposition of capital and labour to implement the concept of a collectively shared enterprise based on different roles and functions. In this sense, the concept of co-ownership stresses the moral obligations and ties within an organization, that is, the employees' affiliation to and their recognition by the organization. Such enterprises show some of the characteristics of capitalism, and the particular nature of these enterprises to a large extent becomes apparent on the professional levels. This model tends to grant more rights to social industrial organizations, and through industrial collaboration, reduce the risk of competition, maintain the affiliation to and recognition of the organization, and strengthen the unity and social connections within the enterprise.¹⁸ The township enterprises that were based on a collective system and emerged in rural communes at the beginning of China's reform and liberalization period as well as the family connections that marked certain Chinese private enterprises at a later stage of the reforms both showed some of the characteristics of the co-ownership model. These forms of collective ownership emerged for a variety of reasons. For grassroots village organizations in China, past forms of mutual economy and transactions based on family connections to some extent provided a traditional meaning for the establishment of a co-ownership system.

More importantly, agricultural production and rural life were primarily concerned with land allocation, and the foundation of Communist China had established collective ownership throughout Chinese rural communities. After the reforms, the increasingly thriving township enterprises mostly continued this model of collective ownership. Although the system of co-ownership shifted from agricultural production to the field of industrial production, but the members of collective or family ownership systems still had a reasonable claim to participation.

In fact, looking at the history of China over the past 60 years, we can see that Chinese enterprises today have to some degree combined the characteristics of these three types of ownership. From the system of public ownership common under the traditional socialist regime and its various specific forms such as the work-units system, to the drive towards capitalization emerging during the market-oriented

¹⁸ See Durkheim, *Social Division of Labour*, Sdxjoint Publishing Company, 2001; *Ethics and The Sociology of Morals*, Shanghai People's Publishing House, 2001

reform period (i.e., various forms of enterprises mainly based on private ownership) and the collective ownership systems in the majority of rural and urban communities that rely on family or traditional cultural resources for their internal operation - all of these have some of the typical characteristics of the three types of enterprise ownership discussed above.

To be more specific, from the end of 19th century to the beginning of the 20th century, intermediate models of enterprise organization emerged that combined some of the characteristics of the three principal types of ownership. In the development of Marxism, representative figures of the Second International such as Bernstein etc. combined the concepts of the market and the nation with the Marxist theory of production and class analysis. They thought that the struggle and revolution of the proletariat should be transformed into a political struggle carried out by the legislative within the nation-state and the trade union within the enterprise.¹⁹ In fact, in the history of the Chinese worker movement ideas very similar to this strategy emerged.²⁰ Zoll called it the double character of the trade union: the trade union functions within established production relations, and the difference between the trade union and the proletariat lies in the fact that the former struggles for better living and working conditions by bargaining within the current production relations, while the latter attempts to solve the problem of freedom through class struggle.²¹

The basic concepts of this intermediate road include: the establishment of trade unions and the protection of their status through legislative mechanisms that are part of parliamentary politics at the national level, a step that is based on the recognition of the democratic system, and the creation of laws concerning the protection of employees' rights through participation in the legislative. Enterprise laws are adopted and enshrined as constitutional laws. Therefore, within enterprises, forms of participation and deliberation similar to the parliamentary system are used to enable employees to participate in the decision-making. They are institutionalized as enterprise laws and are thus defined as necessary to the functioning of the enterprise. The enterprise parliament is an official organization elected by the employees and representing the interests of the employees. The enterprise parliament determines the election process, the scale of the election, and the parliament's rights, obligations and responsibilities. Therefore, one of the foundations of this kind of parliamentary politics is to determine the governance structure of an enterprise with the participation of the workers at the core.

The corporatist model also stemmed from European emphatic conceptions of social and economic organization, which represents the counterpart to economic liberalism. The basic concept of corporatism lies within the realm of civil society rather than the nation. All rights must be based on agreement (consensus, not contract), and any one person or organization cannot execute any rights without having obtained

¹⁹ Till 1914, there were nearly 30 socialist parties worldwide, and many countries established trade unions and cooperatives. Until the breakout of World War I, trade union members exceeded 10 million worldwide, and there were more than 7 million cooperative members. During the time of the Second International, the strongest and most influential socialist party was the Socialist Democratic Party of Germany; on the eve of World War I, the Party had 1.085 million members, and dominated the German parliament with its 111 seats.

²⁰ Liu Shaoqi once said, "the factories must not be demolished, otherwise the workers can not survive."

²¹ Zoll, Rainer, *Der Doppelcharakter der Gewerkschaften*, Frankfurt/Main, 1976.

the agreement of all other actors involved. In this sense, corporatism advocates for social autonomy based on the idea of a public sphere and stresses the responsibility of formally private groups to execute public tasks. The corporatism school emphasized that social organizations or enterprises gained their internal division of labour and functional orientations. In this meaning, the enterprises play the role of intermediaries and regulators in public life and national public decision-making.

The interaction among enterprises and interest groups and the organizational function of national authority must therefore be stressed. The premise is the mediation effect of industries and industrial organizations. In this sense, civil society can be understood as numerous systems of intermediating groups, and their self-organised production and living units such as factories and families are independent from public or private authority. Civil society depends on autonomy both in the public and private realms, and represents a type of partnership system. When it comes to enterprise operation, enterprises are self-reliant and independently operated, but when it comes to enterprise governance, they are not self-reliant, but must engage in active two-way interactions with the government using industrial organizations as intermediaries.

Democratic company system. As pointed out by David P Ellerman, in order to realize a more democratic system within organizations or enterprises, the employees' identity should shift towards an identity based on the concept of membership. Given the contractual relations among enterprise members, the goal is to "build another type of enterprise to replace the company's employment system with a membership system". The democratic company system is thus premised on two fundamental principles: one is principle of democratic self-management, i.e., the enterprise members have the right to vote; the other is the theory of labour property, i.e., the enterprise members have a right to surplus and net income. These two rights must be endowed to the workers. As a result the former "enterprise authority" and relationships of obedience determined by the power of capital are transformed into a system of "dependent coordinated functioning": the enterprise executives require work performance from their employees, and the lower level employees require rights and payments in return. Lower level employees further share some of the responsibility for the enterprise's business operation, but in exchange they are granted more autonomy in their work. "The abolition (change) of employment relations did not abolish the rights of private property, the free market and entrepreneurship, but changed the scope and nature of these systems."²²

Theory of the "share economy". This economic theory is another theory advocating for a partial change of ownership. A "share economy" refers to a type of economy in which the enterprise employees are involved in profit allocation and benefit sharing. This economic model adopts various mechanisms aimed at allowing the employees to share in the total profit of the enterprise on top of their fixed wages, for example through systems of bonuses, dividends, incentive wages, profit sharing and pure income sharing. This system links the performance of the enterprise to partial profit benefits for the workers, and thereby incorporates some elements of the

²² See David P Ellerman, *Idea of Democratic Firm*, translated by Li Daguang, Xinhua Publishing House, 1998

collective economy into the private system.²³ The original systems of bonus and dividend allocation have gradually developed into more complicated worker-managed corporative shops, profit-sharing and income-sharing systems and labour-capital partnerships.²⁴ During the enterprise allocation system reform beginning in China in the 1990s, many enterprises began to adopt annual wage systems and stock future rights. The annual wage system refers to a system determining the annual wage of the manager based on enterprise performance and usually consists of the basic wage and additional risk income. Stock future rights were influenced by the concept of an “employee stock ownership plan” in share economies. The “employee stock ownership plan” tried to break through different ownership systems and rights structures and eliminated the differences between human capital and human resources. Whereas from the perspective of traditional capital owners human capital was still a part of capital reproduction and capital accumulation, the “employee stock ownership plan” defines employees as the owners of their own human capital, and they are granted rights based on this recognition. In this sense, the reason for employees to have stock ownership rights is that “ownership entails both responsibility and rights”.

Principal-agent theory. Generally speaking, the term ‘principal’ refers to the enterprise owner, who employs other agents (including the managers and the workers) to fulfill certain tasks. The emergence of principal-agent theory is based on the professional requirements of modern enterprise operation and of the market economy. When the level of “professionalism” in an organization and the technology used reaches a certain point, there will be a shift in internal labour relations as the agent begins to act in the name of the principal due to relative advantages this will bring (Hart and Holmstrom, 1987).²⁵ The principal-agent theory establishes an intermediate link between ownership and operation, which is of real significance to participation within the enterprise. The principal-agent system breaks through the barrier separating ownership from rights to operation (management) central to previous organizational theories, and transforms systems of partial ownership into full operation rights through the professionalism framework. In this process, the actual ownership is divided and shared through the management of the enterprise. The operation-oriented ownership is distributed amongst all the organization members, which leads to participation and joint decision-making. Since the 1990s, the market for professional managers and skilled professionals has gradually been forming, as the reform of Chinese enterprises has broken the single labour market which in the early stages consisted mainly of cheap and surplus labour. The principal-agent system has been established in a number of large state-owned and private enterprises, and the vertical participation structure with managers and skilled professionals as the core has begun to spread in Chinese enterprises, which represents a phenomenon worthy of attention.

Of course, during the actual evolution of Chinese enterprises, the development at the level of ownership and the logic of the construction of ownership are more complicated than the situations described in Western organizational theories. Even the

²³ Weizman, *Share Economy*, translated by Du Qingsong, He Jiacheng and Hua Sheng, China Economy Publishing House, 1986

²⁴ James Meade, “*Different Ways of Sharing the Economy*”, Reform of the Economic Structure, Iss.1 1989

²⁵ See Grossman, S. and O. Hart, 1983, “An analysis of the Principal-Agent Problem”, *Econometrica* 51, pp7-45.

so-called state-owned enterprises under the socialist public ownership system do not necessarily resemble public enterprises in the typical sense. Public ownership generally means a type of state ownership, and only in the original ideology is the state in question a proletarian autocracy. However, in reality, the enterprises are still business organizations controlled by the administrative system and the planned economy, and operated strictly in accordance with the central bureaucracy and government instructions. Furthermore, the enterprise employees are included into the general welfare structure according to administrative ratings and job experience. Although there existed certain democratic participation systems such as the “three old boards” (i.e., the committee of the CPC, the workers representatives’ congress and the trade union), most employees were rarely able to participate in the decision-making regarding key personnel appointments and important enterprise affairs, or to actively improve their own rights and welfare situation through such participation. This is the reality of the work-units system frequently mentioned in sociological theory.

After the process of enterprise privatization that began in the 1990s, the new private enterprises began to organize according to capitalist principles and taking into account legal frameworks, which initiated the primitive accumulation typical of the first type of ownership. After the enterprise ownership reform of the 1990s, the state-owned enterprises began to carry out company-oriented reforms, and beyond the privatization of the sold enterprises, the legal rights structure of the state-owned enterprises began to be determined according to the model of corporate governance. This meant that state-owned enterprises implemented reforms to adopt the joint-stock company and stock partnership models. In essence, the establishment of a modern enterprise system also resulted in the difficulty of handling the relations between the “three old boards” (i.e., the committee of the CPC, the workers representatives’ congress and the trade union) and the “three new boards” (i.e., the meeting of shareholders, the board of directors and the board of supervisors) within enterprises. In traditional public enterprises, the workers representatives’ congress nominally is the supreme governing body of the enterprise and the trade union is the standing body, while in the modern enterprise system, the general meeting of the shareholders can be regarded as the supreme power instance, and the board of directors functions as the standing body.

In entirely state-owned enterprises, the usual practice regarding the allocation of ownership rights consists of including the chairman of the trade union (on behalf of the whole employees) in the core management of the enterprise, and allow him, as a member of the board of directors, to represent the employees in the enterprise leadership and to execute their basic right to participation. Regarding ownership relations since the reform, the rights structure in Chinese enterprises has not been thoroughly clarified. Chinese enterprises absorbed the abundant experiences of various intermediate models of ownership, but did not take into account the various political, economic and cultural factors or capital, labour and social relations as a whole, which represents a major theoretical challenge to the study of ownership structures in Chinese enterprises.

2. Operation

Max Weber made an important contribution to the study of the institutional effects of operation at the organizational level. He argued that a core issue faced by modern enterprises is the interrelation between the ethic of responsibility and the ethic of conviction in bureaucratic enterprise organizations formed after rationalisation. In this sense, the operation of enterprises is not only related to the political and ethical values adopted by enterprises within the modern social structure, but also to the rights and value of the individuals working in these organizations. Enterprises are nothing but a continuous series of business activities organized through a business body or institution, and the principles of an enterprises are first of all the principles of profit and utility; and rational capital accounting the core of the enterprise concept.²⁶ Enterprise operation consists of the systems and personnel structures acquired in the process of realizing the enterprise's profit goals. We can roughly classify the concept of enterprise operation into three different types of operational structures: the authoritarian, the legal-rational and the principal-agent models.

Authoritarian integration model. This type of quasi-patriarchal and quasi-military enterprises usually emerges at the beginning stages of a capitalist society and with the foundation of a new enterprise. It is a model centering on the personal concepts, intentions, capital strength and capacity of the enterprise owner (the owner as the operator) to dominate or realize the capital and product operation of the enterprise. The state-owned enterprises under the socialist system also had some of the characteristics of the authoritarian model, as the operation of these enterprises resembled the operation of an administrative system and represented an expansion of state power from the top to the bottom. The enterprises did not have operation autonomy in the real sense, but were required to follow the government plan. Making profit is therefore not the fundamental goal of this kind of enterprise operation. The integrated authoritarian operation model appears when ownership and operation rights are combined and highly intertwined. In this case, the will of the owner is the will of the enterprise, and the behavioural model of the owner is the behavioural model of the enterprise. In the state-owned enterprises in the first 30 years after the foundation of socialist China, the work-units system was the most widespread and representative model of enterprise organization. Some sociologists called this model the enterprise organization type under the system, in which the administrative relations within the enterprise resemble the hierarchical relations of a patriarchal system, in which and both the senior departments within and external to the enterprise wield the absolute authority. In terms of the enterprises' activities, all orders are immediately executed, the efficiency of mobilization is extremely high, and state power represents the driving force behind all enterprise activities. Enterprise operations in a work-units system does not adopt profit-making as its primary goal, which consequently among many economists and sociologists creates the illusion of ineffective management. But in fact, this kind of system benefits from absolute efficiency in terms of political mobilization a the highest goal is to maximize national power, and the authoritarian

²⁶ Weber, Max, *Economy and Society : An Outline of Interpretive Sociology*, Guenther Roth & Claus Wittich ed., University of California Press, 1978, p.96

model represents the most effective way of realizing this goal. Past research on factional relations²⁷ and protectionism²⁸ in the work-units system are all discussions of the internal organizational structure of an enterprise under the condition of highly integrated power structures.

After the reforms and liberalization, the goal of enterprise operation began to change from political mobilization to economic profit maximization, which rapidly decreased the efficiency of the work-units system. On the other hand, the efficiency of operational activities based on clarified ownership relations instantly increased. For example, authoritative power in state-owned enterprises decreased with the adoption of the contractual system, the weakened capacity for political mobilization, the shrinking social welfare system, and the adoption of a contract responsibility system for plant managers in particular. With the progression of market-oriented reforms, private capital and enterprises characterized by private ownership emerged in the private economy. In the initial period of change, these enterprises were organized according to the rigid authoritative power of capital, and enterprise operation followed the goal of interest optimization, which often came at the cost of the employees' initiative and most basic benefits. In terms of operation decision-making, the employees had almost no chance of participation, and were oftentimes subjected to exploitation.

Legal-rational hierarchical model. According to Weber's classical definition, this model can simply be regarded as system of enterprise organization based on centralized leadership. It is the operational model with the highest level of rationalization, with all operation activities based entirely on discipline and professional knowledge. The legal model adheres to and prioritizes business principles. The model does not organize operational rights according to the ownership system, but configures enterprise resources, organizational mechanisms and business channels according to technical and professional requirements. These enterprises therefore tend to have an obvious administrative character, which can apply to both enterprises in the capitalist system or enterprises in the socialist system. The enterprises in the Chinese work-units system were characterized by a combination of common public ownership and the hierarchical model of administrative planning. At the initial stage of the reforms, the business activities of many enterprises were strictly determined by the will of the enterprise owner, and all enterprise activities were thus subjected to strict authoritative power. Since the mid-1990s, with the expansion of enterprise sizes, the improvement of enterprise management and the upgrading of quality criteria, higher rational requirements for enterprise operation were put forward, and worker participation in the form of human resource management has become an important organizational requirement for enterprises to realize their profit goals.

Principal-agent model. The reason why the principal-agent model is put forward again in the section examining enterprise operation is that the core of this model consists of changing enterprise ownership into operational rights, or to

²⁷Li Meng, Zhou Feizhou, Li Kang, *Unit: Internal Mechanism of Institutionalized Organizations*, China Social Sciences Quarterly (Hong Kong), Vol.3 1996

²⁸Jean Oi, *State and Peasant in Contemporary China: The Political Economy of Village Government*, Berkeley: University of California Press, 1989

maximize the operational goals of an enterprise by separating enterprise ownership from operational rights. As mentioned above, the principal-agent model originated from the phenomenon of specialization. In the case of advanced specialization, a situation can emerge in which the agent begins to act in the name of the principal due to the relative advantages that this brings. Although the internal principal-agent relationship is regulated by contractual relations, the emergence of the principal-agent model diversifies the labour market, creates a market for professional managers, and divides labour structures. The top management of the enterprise becomes the central actors in the enterprise. Although the goals of the enterprise do not change, the operational rights are delegated by the owner, which results in the separation of the owner and the operator.²⁹

3. Governance

For a more complete understanding of the functioning of enterprises the concept of governance needs to be included in the discussion. As Gerry Stoker said, “the concept of governance is that the structure or order it creates should not be imposed by an external party; its functioning must rely on the interaction among several dominating or mutually affecting actors”,³⁰ or “to be more specific, governance is the system of rules which only take effect after the majority has accepted them”.³¹ The concept of governance rests on the fact that regardless of what the ownership type or the operational goals of the enterprise are, the enterprise is understood as an organizational system consisting of members. This organization cannot be understood as a purely self-reliant system, but is incorporated into the social structure and the national system as a whole, and therefore encompasses public politics in a more universal sense. The concept of governance represents different dimensions of the people’s understanding of enterprises. One is that the enterprise is an organizational system that consists of all of its members. Such a system is not only formed by grassroots ownership or business relationships, but also by the various mechanisms for participation and communication established by the members. These mechanisms differ from ownership and business relationships in scope and direction of functioning, and form the basis for the inter-personal relations, trust and supporting networks that exist in an enterprise. One could even say that the various types of organizational behaviour of the enterprise members will deeply affect the nature and operational model of the enterprise itself, and the ties among various groups of enterprise members will have an even more profound effect. From the perspective of governance, no enterprise can operate a closed organizational system, but must inevitably communicate with various external systems on issues of power, capital and information. In this sense, enterprises should be understood as sub-systems in a wider social system, and their effects usually go beyond the enterprises themselves and

²⁹ Hart, O. & Holmstrom, 1987,

Theory of Contracts in Advances in Economic Theory: fifth world congress, edited by T.Bewley. Cambridge University Press

³⁰ Stoker, Gerry, "Governance as Theory: Five Propositions," International Social Science Journal (Chinese version), Vol. 16, Iss.1

³¹ Rosenau: "Order and Change in World Politics", Governance Without Government compiled by Rosenau, Jiangxi People’s Press, 2001, p5

cause different forms of social association. In fact, the power structure, management model, labour and legal relations and product services of an enterprise will usually cause a wide range of social effects going beyond the enterprise itself; besides, public consciousness, participatory activities, forms of self-organization and the enterprise employees' capacity for collective activity also constitute basic elements of public politics.³²

Therefore, from the perspective of governance, one can gain a public recognition of employees' rights and worker participation as well as the democratic management and institutional arrangements of an enterprise from society as a whole. In this sense, our understanding of enterprise members should not be limited to the relations between employer and employees, or to the business relations between the administrator and lower-level members. Instead, it is important to understand that there are also relationships formed among enterprise members through common participation in governance. In other words, enterprise members constitute the basis for all-member governance of the enterprise. The concept of participation is in fact defined by the contribution of each member to the governance of the enterprise. On the other hand, the democratic governance structure of an enterprise defined by participation also constitutes the basis for participation in public life and democratic politics in society as a whole. In fact, in a political structure based on a representative system, democratic elections in enterprises can in a way be understood as the starting point of the public political process, or as a way of making worker participation and democratic activities within enterprises focus on more specific content, and achieve actual effects through processes of free expression and democratic supervision.

Of course, in the history of enterprise development there were always various models of enterprise governance. The formation of these models was related to both the ownership and operational structure of an enterprise as well as to the general social, cultural and political environment. In enterprises following the **autocratic model**, the enterprise members (employees) obviously do not have the right to participate in the decision-making concerning enterprise affairs, and the enterprise owners and managers with operational rights completely dominate enterprise governance. When ownership and operational rights are combined, the emergence of an autocratic model of governance is particularly likely. According to the Chinese experience, employees' interests play a role in both the general planning of social welfare in enterprises under the work-units system and in the East Asian family enterprises adhering to a Confucian political ideology. In fact, the autocratic model of governance does not necessarily prevent the effective protection of employee rights, and may even give those rights active ideological support. However, the autocratic

³² During the investigation, we found that in the traditional state-owned enterprises, the employment system under the public ownership regime covered all of the workers' educational costs as well as the living costs of the workers' after retirement. In some private enterprises in the labour-intensive manufacturing sector, the rural population constituted the majority of employees and most employees were between 18-35 years old, and the enterprises were exempt from covering any educational costs or the living costs after retirement for these workers. Even if the enterprises offered the workers basic technical training, this did not guarantee them a job after they were dismissed at the age of 35. The arising costs of this model were left for the society to settle. It is therefore far from enough to understand the nature of enterprises from the perspectives of ownership, management, efficiency and performance. One must also take into account a wider range of issues such as the social costs that need to be covered by the enterprises.

model largely deprives employees of their right to participation in governance, and the concerns and comments of the employees are not expressed or addressed through institutional channels. In the autocratic model, the personal ideas and attitudes of the people with ownership or operational rights or the external governance system alone determine enterprise governance.

Comparatively, enterprise governance based on a model of human resource management seems to have a more justifiable basis in management science. A prominent characteristic of human resource management is that enterprise owners and managers gradually become aware of the fact that enterprise employees are different from other production materials or resources and represent a potentially sustainable resource, which is of more importance to the functioning of an enterprise. Although human resources are included in general resource management, they involve more complicated factors to ensure their renewability, such as, for example, the protection of the basic rights and interests of the employees. Furthermore, in order to enable the most effective utilization of human resources, a special system of participation has to be developed, as participation is part of the process of human resource development. In the process of building and developing an enterprise culture, the employees have to recognize and accept the enterprise's values, which in turn allows the enterprise to realize the continuous control of human resources and give the employees the initiative to develop themselves. However, on a fundamental level, the basis of a human resource management model with respect to enterprise governance is a model of participation that circumvents politics, as it subtly adapts the public governance of enterprises to the logic of the most effective utilization of human resources. The cultural and organizational recognition confines all relations of enterprise employees to the organization, and eliminates the basis for more public interests and activities.

The **collective negotiation model** represents a clear break with the governance mechanisms discussed above, which are largely based on individuals, and instead emphasizes collective requirements on enterprise governance. The premise of the collective negotiation system therefore is that collective negotiation is used to coordinate and settle conflicts among different social bodies on the economic market. The model is further based on the idea of diverging interests and conflictual relations between capital and labour, and assumes that there is an ongoing competition between investors and workers regarding collective governance rights. For this reason, the collective negotiation system also recognizes that the governance of an enterprise cannot be solved through internal governance mechanisms only, but must go together with the intervention of external organizations such as trade unions, so that the employees can determine their identities and interests of the enterprise. The collective negotiation model also differs from the enterprise contractual system: the central element of collective negotiations are not individuals, who represents the focus of the contractual system, but the collective, and the legal framework for protecting the collective negotiation system is therefore not contractual law, but the constitutional regulation of enterprises.

The **worker-investor co-determination model** is a democratic system of industrial organization represented by the German model. This model legally

establishes two representative bodies within the enterprise system. In other words, the constitution of an enterprise must be based on the establishment of two rights bodies and the basic rights structure is determined according to the organizational structure of enterprise law. In the collective negotiation system, the enterprise law only determines the employees' collective rights to governance, but it does not specify the personnel and rights structure of the workers and the investor. However, in the co-determination model, the enterprise law stipulates both, and requires, for example, the establishment of an enterprise parliament and a workers representatives' congress. The co-determination model is not only the institutional configuration of enterprise governance rights, but also affects the allocation of the enterprise's operational rights and the basic structure of enterprise decision-making. With regard to enterprise governance, the co-determination model places the workers and the investor in an equal rights structure, and thus simulates the political model of a representative social democracy. It thereby establishes the basic principles of a democratic enterprise. However, enterprise democracy remains limited, and lacks the possibility of developing into the social movement prescribed by Marxism. The worker-investor co-determination in the German model is closer to the basic conception of governance than the American indirect model that combines ownership or operation with the governance, as it directly influences and stipulates corporate rights. To some degree, worker-investor co-determination directly supports the mechanism of employee rights enforcement, and limits the corporate principle of efficiency as the ultimate governance priority. Research shows that in the actual implementation of the model, some large-scale enterprises try to evade their liability in terms of rights enforcement. However, it is important for Chinese enterprises to draw on these experiences when formulating their own governance models.

Based on the discussion above, ownership, operation and governance constitute the three aspects most important to our study of the nature and structure of enterprises. Within each of these aspects, there exist different theoretical and historical models, which duly reflect the complexity of enterprises. More complexity is added by the influence of the given social, political and economic environment and different historical circumstances. Furthermore, the boundaries and distinctions between these different models and aspects are far from being clearly demarcated, but instead tend to be mixed and, through their combination, form various enterprise types and attributes.

In fact, the different elements forming an enterprise plus the different ways of combining these elements determine the multiple forms of enterprises, and further determine the legal structure of an enterprise regarding ownership, operation and governance as well as the rights relations within these three dimensions. The formation of rights structures and relations directly determines the structure of an enterprise, for example the opportunities for taking action, behavioural orientation and resource configuration, and all of these factors determine the motivation, form, content, mechanism and effect of participatory activities. As the rights structures and relations in the enterprise organizational process are so mixed and as the various operational mechanisms have different characteristics, any research on organizational structure, activities and functional effects must clarify in detail the specific forms of

ownership, operation or governance in question, find their correlations and discuss the basic logic behind their functioning.

Therefore, from the internal perspective of an organization, we can regard participation as the process of sharing ownership rights, or regard it as a coordination mechanism oriented toward the effective division of labour. From the perspective of goal-oriented operational and management activities, one can regard participation as a process of production and technology realization, and from the perspective of governance, it can be seen as a safety mechanism for easing the tensions arising through worker-investor conflicts, or for preventing non-institutional responses to an organizational crisis. In this sense, with this theoretical preparation in mind, our understanding of worker participation must be layered and multi-dimensional. It should not be reduced to a single dimension or a single kind of explanation, but rather combine structural and mechanical analysis in order to find a more multi-dimensional explanation. This kind of multidimensional research orientation corresponds to the multiple experiences of Chinese enterprises after more than a century of exploration and development. It further allows us to combine traditional and modern cultural resources, Chinese and Western institutional elements and the institutional characteristics of various ideologies, which constitute a challenge to all existing theories.

Chapter III Two Case Studies of Participation in Enterprises: State-Owned Enterprises and Private Enterprises

I. Perspective on the reform

--Why has worker participation become a key issue? To address the topic of this chapter and to answer the question posed above, it is firstly necessary to discuss the relationship between employees, enterprises and the state. This may seem to be an obvious point. However, the emphasis of our analysis differs significantly from traditional theories and perspectives. Researchers for a long time thought that individuals, groups and the state form a self-contained relationship, and employees were seen as “individuals in the units” or “individuals in the state”. The relationship between employees and enterprises was thought to be based on labour or on labour and capital, whereas the relationship between enterprises and the state represented the relationship between enterprises and their social and political environment. Enterprises were a kind of "social enterprises", but they blurred the relationship between employees and the state, which was broken by the process of marketization; or they discussed enterprises and employees in the framework of state – market – society relations. Nevertheless, these kinds of analysis do not change the fact that employees did not constitute the core of the analysis and were not seen as important parts of the general framework. The issue of employees as a social and structural question lagged behind macro-economic reforms, which definitely resulted in a series of difficulties in the implementation of structural reforms and social transformation. This is an irrefutable truth accumulated over thirty years of reform. Thus, our initial question is what kinds of difficulties arise in theory and practice if the issue of employees remains on the margins. Why and how do we introduce the issue into the core of the analysis?

During thirty years of Chinese economic reforms and liberalization, one of the most critical changes was the fact that enterprises became the core of the macroeconomic system. As corporatization and the establishment of a modern corporate system become key elements of the reform, the importance of enterprises in economic mechanisms has drastically increased. The problem lies in two aspects. One is that political and decision-making power and the economic market have merged unexpectedly. The market was once thought to restrict power, while in fact the market has allowed power to be exercised more efficiently and in a better environment. The economic market has become the place where power can be exercised, and power is an important force on the economic market.³³ Under such circumstances, corporations continued to be based on power relations, rather than on market contracts only. Although market contracts can be useful under relatively equal conditions,³⁴ the political and ideological differences between China and other market economic states

³³ Sun Liping: *“Free Flowing Resources” and Free Flowing Space*, from Sun Liping: *Modernization and Social Transformation*, Beijing: Beijing University Publishing House, 2005.

³⁴ Qian Yinyi, Cui Zhiyuan, Lang Xianping: *“Remin University Economic Forum”* (<http://www.pinggu.org>), details referring to: <http://www.pinggu.org/bbs/b8i3519.html>.

can explain the continued reliance on power in Chinese enterprises. In a system in which power and market forces merge, employees are the most likely to be harmed. The second problem is that if enterprises are regarded as purely economic entities and employees as human resources among other factors of production, issues such as employment, living conditions, social security and development will be addressed by the enterprises at their own will, or by society and the market only. As a result, employees have no power or platform to express their views neither inside nor outside the enterprise and are faced with market exclusion and society's buckpassing. The employees' problems are only heard and addressed once the economy's rapid growth is set back. Employment and security are therefore key to the problem.

If we address the problems mentioned above from a social angle, it is inevitable to repeat the problem inherent to the definition of an enterprise. An enterprise's operational mechanisms and management model used to be thought of purely as operating mechanisms. Although enterprises are broadly recognized as a social organizations, their social quality and standards are relegated to the realm of "social affairs" that are seen as irrelevant to an enterprise's economic quality. The concept of "enterprises burdened with social responsibilities" is simplified to relieving enterprises of their obligation to operate social programs, and therefore this task which means simplified to relieving enterprises of their obligation to operate social programs, becomes one of the goals of the reform of state-owned enterprises. From this point of view, the social quality of an enterprise cannot be carefully examined and studied, or perhaps can be understood theoretically but is actually thought of as useless for an enterprise's survival.

When enterprises are defined as social entities, the idea is that enterprises represent multilayered ensembles with an objective social quality, which is not imposed by external forces and "stimulated" by a system, but an old problem that needs to be re-examined and improved. The definition of enterprises as social entities firstly implies that during the period of transformation, Chinese enterprises are ensembles of powers, not just of contracts. Secondly, from a social community point of view, one must emphasize the enterprises' social and political quality and the significance of social contracts, not only of pure market contracts. From the perspective of the masses, it is important to stress that the main elements of an enterprise are the operators as well as the employees, who constitute the driving force. Finally, from the perspective of human development and the employees' duties, one must stress that employees are social activists as well as subjects of development, and not just a labour force or 'human resources' with labour capacities. Thus, enterprises are required to go beyond the economic concepts of market efficiency and profit as their primary goals, and lay greater emphasis on human values in the process of production. On the basis of this theory, we assume that enterprises have three main components - ownership, operation and management - and we will discuss the problem of worker participation within this framework of analysis.

Enterprises are based in society, and only if enterprises are considered social communities does participation become a really meaningful concept. One must firstly consider the importance of raising awareness among employees. Once employees

regard their enterprise as their “home”, they will refuse individuation and social atomization, and they will be more willing to gather together and organize collectively in corporations that give them sense of belonging and consensus. To reach this goal, it is necessary to mobilize employees to participate in common actions, and through participation cultivate their acceptance of the corporation in question and their passion for their job, and to confirm and strengthen their mutual interests and ways of protecting them.³⁵ The second point is about management. If enterprises are thought to be social systems, management cannot consist of one-directional top-down ruling and administration, as social members are not just objects, but activists that can easily be mobilized. Two-way interactions and processes of feedback, adjustment and restraint represent a more flexible way of organization under a solid and legal ownership system, much like social relationships are based on dynamic processes of participation, negotiation, selection and decision-making.

Enterprises are also rooted in politics. In the current Chinese system, enterprises are an ensemble of powers; typical enterprises, however, are not only economic entities. Only when they are seen as social and political systems does it become a necessity to make substantial measurements of economic equality, and to test the relations between economic equality and performance.³⁶ This is why we look at the issue of employees and their importance to corporate management from a social perspective, and consider possible explanations from a variety of dimensions. As for academic research, there is no one explanation that holds the ultimate truth. There are so many important internal and external elements that influence and determine enterprise management and development, such as ownership, scale, technology, capital operations and human resource management. We recognize the importance of these elements for explaining an enterprise’s management model and performance. However, our institute focuses on a more mixed social dimension, which is essential to all enterprises’ existence, their basic driving force and continual vigour, and which is theoretically recognized yet often disregarded on the ground.

This social dimension emphasises the association between macro-level social and political economics and micro-level worker participation based on the following aspects:

Issues of equality in the mode of development and workers participation

Issues of enterprises at the heart of macro-systems and worker participation

Labour issues and means to organization in corporate governance and worker participation

Social issues in enterprises and worker participation

The issue of activists in human (labour) and worker participation

The issue of social benefits in enterprise performance and worker participation

The assumptions of the key definitions of the social dimension include:

Employees are the driving force of an enterprise’s existence and development, the

³⁵ Manuel Castells: *The Power of Identity*, Social Science Literatures Publishing House, 2006, 65.

³⁶ Carole Pateman: *Participation and Democratic Theory*, Shanghai Century Publishing Group, 2006, 101.

stability of enterprises and even of entire industries is therefore gained through the innovation of employment systems, the core of which are employment, security and development. Participation can help implementing and realising such a system. Full (solidarity) cooperation inside the company is the social foundation of its production, supply, sales and of the growth of social welfare; (solidarity) cooperation can be achieved through effective management of social relations and conflict-solving mechanisms (between labour and capital, the system and individuals, the government and the enterprise, the enterprise and the community), and the key to management is worker participation.

II. Worker participation in enterprise governance

--What is workers' participation?

The social dimension perspective claims to understand worker participation within the framework of enterprise governance. Although different corporate systems and management models create different systems of participation, we argue that through the exploration of participation structures in enterprises with different types of ownership, one can establish certain common characteristics of all participatory systems:

1. Participation in enterprises does not only consist of bottom-up (including lateral) mechanisms and actions generally defined by industrial democracy; in contrast to top-down ruling and administration, worker participation as an organizational structure is a way of acting lawfully or authorized by the higher authorities. There are many types of organization empowerment (authority-based and public, organization authorisation being the former). Participation authorisation refers in particular to the exercise of a certain kind of allowed and bottom-up power, which encompasses the employees' autonomy, self-control and self-management, the influence of lower-level employees on the company management, the employees' influence on decisions concerning their own group and so on so forth. The driving force of participation is a combination of top-and-bottom interaction and the sharing of rights and benefits.

2. As a functional requirement of organization system operation, participation is a partial revision of and functional change to orthodox authority structures (such as, "team", "corporate", or "family" etc.). It is a process of power configuration in the framework of an organization's new "separation and centralization of powers". An organization's "separation and centralization of powers" may take a lot of different forms, such as separation of powers concerning participation, which refers to authorising lower-level employees to partake in the decisions nominally made by the enterprise managers.³⁷ The means of participation are determined by an enterprise's basic ownership structure. Enterprises cannot avoid systemic risks, but re-allocate power and interests through changing organizational structures. In this sense, participation is required by the enterprise management to separate powers, with the goal of mobilizing, activating, shaping and motivation of the employees' willingness

³⁷ Carole Pateman: *Participation and Democratic Theory*, Shanghai Century Publishing Group, 2006, p65—67.

to participation. In other words, it is a collective act dependant on the cooperation of both employees and the enterprise management.

3. As a social process that aims at gaining rights to control and participate in decision-making, participation challenges or enforces power through a series of rules and mechanisms designed by the organization or evolved over time.

4. Participation is not a contingency, nor a particular skill or tactic, but a mechanism of organizational management and control. Its major function is to create positive relations between the enterprise management and the employees; positive being defined as cooperative and interactive relations desired by both sides on the basis of the employees' acceptance of and loyalty to the enterprise's management. Only if corporations shape their employees' will to the management goals can participation be sustainable.

5. Even though participation cannot be solely executed by employees but requires the cooperation with the corporation in question, we cannot exclude cases in which the opposite of participation occurs, i.e. conflict. Within the framework of enterprise authorisation and management based on a separation of powers, we can design legal and cooperative mechanisms for conflicting sides, and thereby solve conflicts and bring participation into more cooperative channels.

Obviously, worker participation in such a management framework is not simply a moral or interest-based concept, but a concept of governance. The idea of worker participation is neither elitist (elite participation is not thought to be the most critical), nor merely populist, but a combination of both.

There are different types of worker participation in an enterprise.

Firstly, participation in a narrow sense refers to the 'moving down' of decision-making rights on corporate affairs, that is, the passing-down of decision-making "privileges" nominally belonging to managers to lower-level employees. Participation in a much broader sense covers almost all ways of communication within a corporation, as well as an individual's sense of belonging to a group or organization. As participation processes consist of different levels that are not always clearly divided, it is crucial to connect the concepts of participation in a broader sense with more narrow interpretations, as it is much more important and practical for employees to participate in their immediate surroundings. Worker participation encourages the transition from lower-level positions to higher-level positions, and participation in the lower levels of an enterprise may even be regarded as training for the responsibilities of the more senior positions.

Secondly, participation can be divided into two levels. At the individual level, participation means that it is possible and right for employees to take part in affairs directly concerning their interests at the workplace. For individuals, participation follows the principle of "adaptability", which means that participation is most likely to happen when the individual has a stable job and high-level needs, as participation in essence is not a way of making a living, but an important aspect of an individual's self-development and abilities. At the organizational level, participation refers to the process of institutionalizing the right to partake in enterprise affairs and participate directly and indirectly in affairs concerning the employees' interests. As for the

organizations themselves, participation is the best way of realising its management goals, maintaining control and fostering cultural recognition in the larger community.³⁸

Finally, participation can be divided into endogenous and exogenous participation. Comparing the state-owned mining enterprise F with enterprises of other ownership types, we find that when participation is required by distributions of power in the internal management based on endogenous mechanisms, enterprises and employees become partners, shaping the cooperative model in a way that both sides are actively participating. Due to employees' agreement with the enterprise management, participation becomes a shared activity, and the process helps to bind enterprises and employees together to form a common community. Participation thereby becomes more constructive and effective, and is internally required for the enterprise's existence. Under the current ownership systems, endogenous participation mechanisms oftentimes exist in state-owned enterprises, as well as in some enterprises of the mixed ownership type or foreign-owned enterprises. The state-owned enterprises analysed in this study showed exactly these characteristics of participation. Nevertheless, if participation is not required and internal management powers are functionally separate, exogenous mechanisms are needed. In this case, both labour and management always remain on opposite sides and form such a conflicting mode that they begin to restrict one another. Management in this case is not actively involved or interested in providing a platform for participation, and the workforce lacks the recognition and acceptance of enterprise governance, which means that a push from external forces is needed. Participation thereby becomes an operating mechanism implemented by external political forces, which oftentimes are cross-enterprise and cross-industry trade unions or the government and which realise participation in the form of "collective negotiation". Social responsibility standards in the international market also constitute an external push. Certain mandatory exogenous mechanisms are suitable for private companies or enterprises with mixed ownership systems that fall short of mobilising internal participation.

III. A comparative analysis of the differences between types of ownership

The basic unit of our study are not only individuals, but also integrated enterprise organizations, which contain the relations between the different social roles in the system, people's social communication, all kinds of social behaviour and the significance and information conveyed by all the above. Our study intends to compare the differences across organizations, which is why we chose to conduct a comprehensive case study based on field surveys and comparative research methods.

When choosing which enterprises to study, we took the findings of previous studies and our tentative survey as a basis and looked at three different types of ownership - state-owned, mixed and foreign-owned - as the main focus for investigating differences between various types of ownership. We also took into

³⁸Manuel Castells: *The Power of Identity*, Social Science Literatures Publishing House, 2006, 65.

consideration the different types of industry - such as natural resources, manufacturing and high-tech - and other characteristics such as the scale and location of the enterprise. To compare and analyse these differences, we borrowed the statistical data from the large-scale survey and publicized the results of our analysis in a separate article. We chose several typical cases for our analysis and designed our research study based on of the case studies of the enterprises mentioned above as well as on a more macroeconomic analysis of enterprise structures.

The reason why we emphasise the comparison of different types of ownership is that ownership models exert a fundamental influence on worker participation in an enterprise, and that these differences follow systematic patterns according to the type of ownership model (as seen in our research samples).

Based on numerous case studies, it is possible to confirm that state-owned enterprises tend to have a long-standing tradition and innovative motivation when it comes to worker participation, and that they mostly rely on trade unions to realize this participation. Foreign-owned enterprises and joint ventures are influenced by the different traditions of Europe, North America and Asia depending on their place of origin. European-owned and particularly German-owned ventures tend to be organised according to the theory and practice of “democratic enterprise systems”, and thus bring more or less democratic politics and enterprise assemblies into their own companies or joint ventures located in China. These kinds of systems are characterized by employee shareholding, participation management, stakeholder management, the cooperation between labour and management, and conflict management. American-owned enterprises on the other hand lay emphasis on their own human resource management, they develop their own remuneration mechanisms, welfare plans and employee development plans and strive to replace trade unions as the main forums through which worker participation is actualized. Most private companies tend to simulate mechanisms of human resource management while combining professional management with de facto family management, or copy methods from state-owned enterprises such as granting employees certain “decision-making rights” and channels for expressing opinions. Other private enterprises remain in the state of primary accumulation and simply overlook the basic interests of their employees, while trade unions and collective negotiation systems remain external systems that are still in the process of development.

In view of the fact that state-owned and private enterprises currently are China’s most typical types of enterprises, this report features two case studies of enterprises of these two types respectively. The analysis is divided into two parts:

Part one: The model of worker participation in the management of a state-owned enterprise—taking the mining company F as an example (omitted)

Part two: The management framework and employee issues in a private enterprise—taking company H as an example (omitted)

Chapter IV Chinese Trade Unions in the Transformation of Labour Relations —Characteristics, Roles and Activities

I. The role and position of Chinese trade unions

30 years of economic reforms and liberalization have not only brought about the miracle of Chinese economic growth, but has also caused a serious fracture within Chinese society, which has led to considerable structural tensions. Especially since the mid-1990s, Chinese economic growth has significantly deviated from any form of social development, and rapid economic growth has not resulted in natural improvements in social standards and living conditions. On the contrary, the social position of many people has been getting worse.³⁹ This economic and social disharmony has been particularly marked in the industrial sector. Labour relations have grown increasingly tense and labour disputes and conflicts have emerged. In most cases, the legitimate rights and interests of workers are impaired, or they lack effective channels to communicate and represent their interests, and are therefore unable to stand up for their rights.

In this extremely tense environment, the question of how to express, synthesize, defend and enforce the interests of Chinese workers has naturally become the core problem in the field of labour relations. This is because the issue not only concerns the representation of workers' rights, but is also related to the establishment of harmonious labour relations within enterprises that will promote those enterprises' development in the future. Furthermore, the issue addresses the question of social stability and political legitimacy in the country as a whole. In this process, Chinese trade unions have become the main focus points, as they are the representatives and defenders of the lawful rights and interests of Chinese workers and the only legitimate mass organizations representing Chinese workers. The way in which Chinese trade unions conceptualize the roles and positions of workers, enterprises (investors) and the state and the institutional coordination mechanisms they promote are directly related to the stability and harmony of Chinese labour relations. The tensions and contradictions caused by the transformation of Chinese labour relations have made Chinese trade unions important participants in the process of coordinating these relations. In other words, through past reforms and subsequent structural transformations, Chinese trade unions now have the chance to move from “backstage” to the “forefront” of labour relations and play a substantial role in the future.

Under the planned economic system, Chinese labour relations were essentially administrative relations between the state and the employees. The state was responsible for the overall management and protection of the workers. It further clearly standardized the regulation of employment policy, the labour wage policy, labour protection policy and the social security system. There was an egalitarian practice of everyone taking food from the same big pot and better care for workers, but the overall levels of welfare were relatively low. At that time the contradictions

³⁹ Sun Liping, *Cleavage: Chinese Society Since 1990s*, Beijing: Social Sciences Document Press, 2003.

inherent to labour relations and labour disputes were not a prominent issue. If they did, it was up to the state to adjust them, not the workers.⁴⁰ The problems of labour relations and interest representation were overshadowed by ideology and politics,⁴¹ which covered up or neglected the differences between groups with different interests, not to mention the interest contradictions and conflicts between different social groups. The secretary of the All-China Federation of Trade Unions, Li Yonghai, once explicitly assessed the nature of unions in the planned economy: "The covered-up contradictions, the ambiguous identities and neglected functions are not conspicuous, because all decisions, from the macroeconomic decisions concerning the national economy to the micro-management of enterprises, are made directly and specifically by the Party. In addition, the existence of the 'egalitarian practice of everyone taking food from the same big pot' and an equalitarian allocation policy means that the hidden differences in terms of social economic benefits are small, and there are temporarily little differences between the hidden and the superficial differences. The contradictions are therefore not so intense and the effects are not obvious."⁴² Because of this, Chinese trade unions were ambiguously defined and occupied a rather vulnerable position that made them hesitant to act. "If the unions had acted, they might have been considered as opposed to the government and they might have stood up to the government as equal partners and supported syndicalism."⁴³ Not only that, trade unions even "did not have the right to intervene in those policy problems directly concerning the workers interests, not to mention wage policy. Even the director did not have the right to decide the numbers of gloves to be handed out to the workers."⁴⁴

But past reforms have "transformed the workers' concrete benefits such as employment, wages, work insurance, welfare benefits and so on from the previous relationship between the employees and the state to the relationship between the employees and the enterprises, and developed towards marketization and contractual relations."⁴⁵ In this process, the interest relationships between the state, the enterprises and the workers have been further differentiated and clarified and the labour systems within enterprises have significantly changed. The workers are no longer state workers, but have become enterprise workers.⁴⁶ On the national management level, the trade unions have begun to gain their own specific status as the

⁴⁰ Wei Jianxing, January, 14th, 1995, "Address about the Work of the Trade Unions in Inspection of Tianjin Development Zone", *The Basic Duty of Trade Unions*: p 125.

⁴¹ Zhang Guoxiang, February, 22nd, 1995, "Address in Seminar about the Theory and Practice of the 'Household Modes in Shekou Industrial Zone' in National Trade Unions", *The Important Source Book since the 12th Session of Chinese Trade Unions*: p177-8.

⁴² Li Yonghai, March, 27th, 1998, The Reflection of the Some Theoretical and Practical Issues about Trade Unions' General Concept –Speech in Conference of Policy Research Office in National Trade Unions, *The Important Source Book since the 12th Session of Chinese Trade Unions*: p807

⁴³ Zhang Guoxiang, February, 22nd, 1995, "Address in Seminar about the Theory and Practice of the 'Household Modes in Shekou Industrial Zone' in National Trade Unions", *The Important Source Book since the 12th Session of Chinese Trade Unions*: p177-8.

⁴⁴ Wei Jianxing, April, 5-13th, 1995, "Address about the Work of the Trade Unions in Inspection of Guizhou", *The Basic Duty of Trade Unions*: p 109.

⁴⁵ Wei Jianxing, December, 12th, 1996, "Address at Fourth Session of the 12th Executive Committee of All-China Federation of Trade Unions", *The Basic Duty of Trade Unions*: p39.

⁴⁶ Zhang Dinghua, October, 1994, "Adapting to the Demands of Socialist Market Economy and Striving to do the Union Work of the New Period", *The Important Source Book since the 12th Session of Chinese Trade Unions*: p102-116.

representatives and defenders of the workers' interests participating state governance. From the perspective of the workers, they need an institutional channel to represent, communicate and safeguard their own interests in the face of a much stronger investor (enterprise leadership), a goal that can not only be achieved through enterprise participation but also through political participation at the state level. Finally, from the perspective of the enterprises, they benefit from setting up a platform for institutional participation as it allows them to more effectively manage their employees. The unions thus play a cooperative and auxiliary role to help enterprises establish more harmonious labour relations.⁴⁷

According to the classical definition of the British experts on the history of worker movement, Mr. and Mrs. Weber, "unions are groups guaranteeing the workers' continued existence and maintaining or improving their living and working conditions."⁴⁸ In the search for the original roots of labour unions, Mr. and Mrs. Weber found that the origins of the unions lie in several historical developments: First, workers and production tools were separated, and, as Marx argued, capitalists started owning the means of production while workers only sold their labour on the market. The division of labour and capital became the basis of the new industrial structure, and capitalists and workers emerged as the two opposing classes in the society. The second factor is the traditional mechanism for social protection. National protection policies or industrial regulations in favour of the citizens were gradually cancelled (such as the magistrates' regularized wages, even the prohibition to use certain machines, and the enterprise's presumed responsibility to ensure that the workers lived "easier" lives), and laissez-faire and liberal economic principles began to prevail.⁴⁹ In this economic and political environment, workers began looking for a way to form an association to fight against the gradually worsening working and living conditions as well as against declining incomes. Of course, this process occurred in different historical periods in different countries, as unions faced different political and economic systems and accordingly chose different methods and strategies for protecting the interests of workers. Unions thus appeared in all sorts of different forms and developed their own modes of operation according to the characteristics of their respective national system and the strength of the labour force.

Hyman devised a classification of the ideal types of Western trade unions, and came up with three ideal types or union images⁵⁰: 1) the unions as the opponent in collective negotiations. Unions mainly represent workers to negotiate with investors about purely economic interests and they try not to interfere in politics, because it is

⁴⁷ Even in the history of western syndicalism, trade unions have increasingly become "a necessary part of the social control mechanisms" and are the enterprises' "management control system", so that in places in which the managers cannot exert their control, unions can help to discipline employees. Concrete explanation from: Hyman, 2008, *Labour-capital Relations -- a Marxist Analytic Framework*, Beijing: China Labour and Social Security Publishing House: p46-7.

⁴⁸ The Webers: *The Short History of British Trade Unions*, translated by Chen Jianming, Beijing: The Commercial Press, Edition 1959: p1.

⁴⁹ The Webers: *The Short History of British Trade Unions*, translated by Chen Jianming, Beijing: The Commercial Press, Edition 1959: p28-40.

⁵⁰ Hyman: *Comparison of Trade union movements*, translated by Xu Jifeng and Wu Yuren, Taipei: Weber Cultural International Publishing Ltd, Edition 2004.

easy for labour unions to be used by politicians for their own goals; 2) Unions as the carrier organization in a larger class struggle. This aggressive image of unions is closely related to the socialist movement. According to this image, the unions' mission is to organize and mobilize workers through constant struggles and revolutions and by arousing the workers' class consciousness, with the final goal of demolishing the capitalist system; 3) Unions as a partner for achieving social unity. In the unions' opinion, overall social welfare and social unity are the most important social development targets, rather than pure capital growth or economic development, especially when growth and development come at the cost of social division. According to this perspective, capitalists and workers are members of one society and they should work on building a mutual relationship. The unions participate in national legislation and policy-making in a gradual manner to improve the relationship between capital and labour and to realize the goal of social solidarity, and they should in general play the role of a social partner.

Despite the different images of Western trade unions, they share a fundamental theoretical point, which is that unions as a kind of pure social force have grown out of the workers' self-organization, and that they have gradually developed into a power that can counteract the force of capital. The precondition for the unions' development, as the Webers emphasized, lies in the fact that as the expansion of capital worsened the living and working conditions of the workers, the state did not actively intervene in or oppose this process. The unions developed naturally from civil society and their fundamental starting point and end point are the interests of the workers,⁵¹ although the strategies employed may differ.⁵²

For the study of Chinese trade unions, the reforms and economic liberalization is generally regarded as a central turning point. The definition of Chinese trade unions before the reform, based on Lenin's classical concept of trade unions, was that unions (including, of course, mass organizations such as the Communist youth league, the women's federation etc.) were the "conveyor belts" between the Party and the employees. On one hand, unions represented national collective interests from the top down, communicated state instructions and mobilized the workers for productive labour. On the other hand, the unions also needed to convey the workers' opinions and demands from the bottom up and protect their rights and interests. This situation was called "classic dualism."⁵³ However, economic reform and liberalization have brought about tremendous changes in Chinese labour relations, caused an increasing number of labour disputes and even resulted in a wide range of protest movements such as workers' strikes, slow-downs and demonstrations, which do not only represent a challenge to the unions, but also a huge challenge to the state in general. The state and the unions were thus forced to search for a new relationship or operational pattern.⁵⁴

⁵¹ Although in reality, some unions have developed into the bureaucratic organizations, and have begun to face bureaucratic issues, such as the union leaders only care about the survival of the unions and their power, which are problems in the organization operations, not affecting the definition of trade unions in theory.

⁵² Flanders, Allan, *Trade Union*, London, 1968.

⁵³ Chen Peihua: "Revolution? Corporatism?—Post-Mao Trade Unions and Labour Movement", *Modern China Studies*, No.4 (1994).

⁵⁴ Tong Xin, in the article "'Efficiency Contract' in the Practice of the New Unions — Analysis of Case of BJC

The current theoretical analysis and interpretation of Chinese trade unions mostly adopts the research framework of P.C. Schmitter's theory. This theory provides a model for a state-society relationship that is completely different from liberalism (or pluralism) and nationalism (or totalitarianism).⁵⁵ In a corporatist model, the central task is to integrate social interest organizations into national decision-making. These social groups take on dual responsibilities, namely benefit polymerization (the right to consultation and making suggestions regarding related public affairs by entering the decision-making process) and carrying out government policy (shouldering the public responsibilities of organizations and undertaking their normative management). However, one can distinguish between two forms of corporatism, national corporatism and social corporatism, which differ in the allocation of power between the state and the corporations. In a system of national corporatism, the state plays the leading role and can forcefully intervene and influence every corporation to realize national interests.⁵⁶ In a system of social corporatism, corporations win the monopoly position through competitive elimination in their respective fields and thereby obtain national approval, and they have greater bargaining power and autonomy vis-à-vis the state.

Howell pointed out that the tremendous changes in the Chinese working class since the reform, such as internal fragmentation and decentralization, greater mobility and difficult interest appeals, put the All-China Federation of Trade Unions under pressure to reform itself in order to cope with the newly emerging challenges. Especially in the late 1990s, the emergence of large-scale unemployment the infringement on worker interests by non-public enterprises resulted in both collective protests and the rise of worker self-organization. The All-China Federation of Trade Unions was forced to start the transformation of internal organizational structures, including the establishment and strengthening of legal departments to actively participate in legislation and policy-making, the establishment of collective consultation departments to promote equal consultations and negotiate collective contracts and the creation of flexible connections between the trade union cadres and the workers.⁵⁷ Chen Feng thought that in the study of Chinese trade unions, the relationship between the state and unions rather than between the unions and managers should be the primary focus, because the extent to which the unions represent the workers' interests and have the power to challenge the managers is dependent on the state and not the managers, as the state makes the rules governing labour relations.⁵⁸ White on the other hand thought that in the socialist period, the trade unions did not follow a corporatist pattern. The state and the workers both established an implicit contract based on clientelism, as the state provided the workers

union's collective contracting" argued that Western theorists have three important theoretical models for the research of Chinese trade unions: the corporatist model, the intermediary model, and the civil society model.

⁵⁵ "The Relevant introduction of corporatism", see Zhang Jing, *corporatism*, Beijing: China social sciences press, 2005.

⁵⁶ Zhang Yunqiu, 1997b, "From State Corporatism to Social Representation: Local Trade Unions in Reform Years," *Civil Society in China*, edited by Timothy Brook and B.Michael Efofic , M.E.Sharpe, 1997, pp131-144.

⁵⁷ Howell, Jude, 2003, Trade Unionism in China: Sinking or Swimming? *Journal of Communist Studies and Transition Politics*, Mar. Vol.19: 102-122.

⁵⁸ Chen Feng, 2003, "The role conflicts of Chinese Trade Unions in the Market Economy Between Country and Workers", *The China Quarterly*, December.

with various welfare benefits and the workers in return were supposed to maintain loyalty to the state. This model naturally weakened and marginalized the role of grassroots trade union officials. White further argued that in the future, unions would become more and more independent and influential and the Party would increasingly rely on trade unions. A new type of relationship would thus appear between the trade unions and the Party that would resemble a tripartite corporatist pattern. He further thought that civil society would play a much bigger role in the future.⁵⁹

In fact, some researchers have pointed out the substantial differences between the traditional socialist trade unions and Western trade unions. The former control rather than represent and do not play a significant role in employment relations (such as wage regulations etc.). Trade unions are internal components of the socialist system, which do not represent the resistance of the workers, but rather a way of integrating these workers into the socialist system. Contrary to the findings of previous studies, the state confirmed and strengthened the role of the trade unions after 1989.⁶⁰ So what role do Chinese trade unions play or what kind of position do they occupy in the Chinese system of labour relations? We believe that to gain an objective and accurate understanding of these questions, the analysis of the role and position of Chinese trade unions should be placed within a more general governance framework that includes governance both at the national and at the enterprise level.

Since the reform, Chinese labour relations have been transformed from administrative relationships into market-based relationships. The state is not longer able to intervene in labour relations in the traditional administrative way, as marketization reforms have cut off the traditional connections between the state and the workers. Presently “the Party lacks the corresponding bridge to the employees,”⁶¹ but the trade unions have become a very important institution helping to rebuild the national governance tradition according to which “[union] branches are built within companies.” Therefore, “the reason why union formation has been put forward as a priority is to promote development and stability, not due to the unions’ problems or in order to collect more funds.”⁶² In this sense, the significance of trade union formation is not only to allow employees to have organizational self-protection. More importantly, the quick formation of new enterprise labour unions means that more workers are organized in unions, which not only promotes the safeguarding of workers’ rights and interests and worker mobilization, but also forms the Party’s mass base and the foundation of an entire social class and thus contributes to the consolidation of the Party’s ruling status.”⁶³ Secondly, the unions always adhere to

⁵⁹ White ,Gordon, Chinese Trade Unions in the Transition from Socialism: Towards Corporatism or Civil Society? *British Journal of Industrial Relations* 1996,34: 433-457.

⁶⁰ After a period of political turmoil, on December 21st, 1989, the Central Committee issued a “notice that the central committee of the CCP will strengthen and improve the Party leadership’s work with the trade unions, the Communist youth league, and the Women’s Federation,” emphasizing that the trade unions, Communist youth league and the Women’s Federation will receive leadership positions in the Party committees that form the higher levels of the Party organization.

⁶¹ Wei Jianxing, August, 2002, *Trade Union Cadre Training Course (Preface), The Basic Duty of Trade Unions:* p6.

⁶² Wei Jianxing, November, 12th, 2000, “Address when Discussing the Conference Speech about the newly built Trade Unions in Enterprises”, *The Basic Duty of Trade Unions* : p158-9.

⁶³ Wei Jianxing, November, 12th, 2000, “Address when Discussing the Conference Speech about the newly built Trade Unions in Enterprises”, *The Basic Duty of Trade Unions* : p157.

the principles of the Party and assume responsibility for the party cadres' affairs. "The organic reforms of the union leadership must also strengthen the Party leadership of the union work.... The trade unions in large enterprises represent the leadership of both the industry and the local unions, which corresponds to the principle of two administration lines which means administration from local and from the center as well and strengthens the Party's leadership role regarding the trade unions. This does not mean that local trade unions are to reduce the authorities, but that it is beneficial to develop the union work within enterprises under the leadership of the Party."⁶⁴ The fundamental objective of the unions is to mobilize the workers to participate in the overall political system—and economic development currently is the focus point of the state and politics in general. Wei Jianxing once stated that "the trade union is an association not just meant for safeguarding rights. The fundamental purpose of representing and defending the rights and interests of the workers is to further arouse the enthusiasm of the workers as the central actors in the national economy, and to stimulate the workers' enthusiasm for increasing productivity, for example through competitions between workers.. We must adhere to the Party's basic principles and focus on economic development."⁶⁵

However, Chinese trade unions have the possibility of determining and interpreting the concepts of "Party's Committee Leadership, government support" and "safeguarding in accordance with the law." In terms of representing the interests of the workers, collective negotiation at the level of industry, enterprise or business based on the traditions of Western unionism is a very important safeguarding mechanism. At the state level and in the regions, parliamentary politics exist but the fundamental force for change comes from mobilizing workers for collective action (strikes). Chinese trade unions have very different ways of operating.⁶⁶ Their activities include macro-level participation (such as participation in formulating laws, regulations and policies, the joint conference system with government departments, the tripartite consultations between government departments, trade unions and the associations of entrepreneurs), micro-level and grassroots coordination of labour relations (including consultations and negotiation of collective contracts), the promotion of democratic management systems in enterprises (such as setting up a workers' congress), participation in labour law supervision and labour dispute processing, establishment of labour dispute warning mechanisms and organising assistance for the most needy workers etc. "Safeguarding in accordance with the law" is also an important principle of Chinese trade unions, which prescribes that all union activities must comply with the country's laws and regulations and the rule of law in general. This means that the unions must follow basic national regulatory frameworks when formulating their positions and activities. The Labour Law of July 1994 forms the legal basis of the unions' basic activities. At the second session of the 12th

⁶⁴ Wei Jianxing, April, 15th, 2001, "Address about the Work of the Trade Unions in Inspection of Jiangsu", *The Basic Duty of Trade Unions*: p 329-30.

⁶⁵ Wei Jianxing, January, 5th, 1998, "Address on the Chairman of the All-China Federation of Trade Unions' Working Meeting Discussing the Document Drafting of the 13th Session Trade Union ", *The Basic Duty of Trade Unions*: P122.

⁶⁶ The roles and concrete activities of the trade unions will be explained in the next section, what follows is simply a short summary.

executive committee in 1994, the All-China Federation of Trade Unions further specified the general outlines of the unions' work: implementing the Labour Law, promoting their own development and reforms, bringing the union work to a new level in order to play a more active and effective role in the implementation of reforms and in the development process.⁶⁷ Accordingly, the All-China Federation of Trade Unions has pushed for a "1633" Project to foster and train legal professionals to work in the trade unions.⁶⁸

II. Organizational and institutional changes in Chinese trade unions since the reform

Taking the mid-1990s as a dividing line, China's economic reforms can be divided into two stages with regard to the tensions that the transformation of labour relations has brought. During the first stage, generally speaking not too many changes were implemented, although the system of Chinese labour relations underwent some reforms. Some workers were beginning to feel slightly concerned and worried about future transformations, but there were no drastic changes in labour relations and the workers' interests were not infringed upon. Instead, during this initial period enterprise workers were largely beneficiaries of the reforms. During the second stage, with the massive restructuring of state-owned and collective enterprises and the rapid rise of non-public enterprises, Chinese labour relations worsened sharply in the process of rapid marketization. The increase in contradictions and conflicts between capital and labour and the universal damage caused to worker interests brought Chinese labour relations into a period of open conflict of interests. This transformation of labour relations also marked the beginning of the change in Chinese trade unions.

At the beginning of the reforms, China was characterized by a political and economic structure dominated by a system of units. The units system was a system according to which the country governed the cities, and the overall economy and society were all subordinated to the logic of politics. This system made the units the basic place of connection between the state and the workers, and the creation of the units (system) was an important way in which the socialist government governed its workers (the people). This is how the state achieved the mass line, organized workers (the masses)⁶⁹ and established mutual relations between the state and the workers in a socialist patriarchal system.⁷⁰ Furthermore, through this unique institutional

⁶⁷ Gao Aidi, *The Sport History of Chinese Workers*, Beijing: China Labour and Social Security Publishing House, 2008, P271.

⁶⁸ Gao Aidi, *The Sport History of Chinese Workers*, Beijing: China Labour and Social Security Publishing House, 2008, P271.

⁶⁹ Lu Feng: *The Origin and Form of Chinese Work-units system*, *China Social and Science Quarterly*, 1993, Nov. 5.

⁷⁰ Actually Kornai used the concept of patriarchy to describe the socialist internal social relations, but the Chinese translation was "paternalism". But Kornai thought that paternalism was the relation between the state and state-owned enterprises, which led to the softening the state-owned enterprises' budget constraints. In our opinion, Kornai's concept of paternalism was used on the wrong level, and the socialist state did not have paternalistic relations with state-owned enterprises. In essence, the paternalistic relations between the state and the workers resulted in its appearance in state-owned enterprises. If the socialist state had no concern for the workers, it would

arrangement, the state could also bring most city dwellers into an organization that was directly connected to the state and thereby transformed urban society into a highly organized society that could easily be mobilized for certain goals or objectives. Furthermore, given that the state administration was in control of internal resource allocation, it could use this power to supply organization members with additional resources, thereby exerting control over the unit members. The units thus became the basic links to the national administration⁷¹.

Generally speaking, before the 11th conference of trade unions in October 1988, Chinese trade unions' main task was strictly confined to certain areas. Their main task was to focus on the four pillars of modernization, to work in the areas of production, living conditions, education and democratic management etc., and to strengthen the organizational structure of the trade unions themselves. The unions had basically inherited a functional structure that before the reform consisted of "focusing on production, and integrating production, living conditions and education," to which the task of "democratic management" was added. The following are the ways in which their tasks were defined or measured:⁷²

(1) In production: They developed high-yield, high-quality, low-consumption and safety-focused labour competitions which increased production and economic efficiency. They further mobilized and organized workers to come forward with technical innovations and technical cooperation and rationalization proposals. They adhered to the principle of combining spiritual and material incentives to fulfill the "three requirements"—the interests of the state, the enterprises and the individuals, and to realize the "four increases" – increases in the incomes of the state, local communities, enterprises and individuals. "Competitions with small demand in the production" represent a good method for realizing the "three requirements" and the "four increases". The unions further strengthened labour protections, which were included as an important into general inspections and assessments of the competition; they developed and established files for new labour models, built working systems based on these labour models and mobilized the masses to compete, learn, catch up, help and surpass each other;

(2) In life: The unions were required to mainly protect the vital interests of the workers and to solve those of the workers' problems that needed to be and could be solved, for example through cooperating with the department in question to adjust salaries and prices; they further were responsible for supervising and helping the administration to allocate houses, to hire workers, to find places in children nurseries etc.; they were in charge of labour insurance, helped to restart careers after periods of recuperation; and maintained competitions in production.

have been impossible for the state to give enterprises more possibilities for softening budget constraints. In addition, Walter (1996: 253-254) also thought that the various aspects of welfare which state-owned enterprises offered to the workers are the core content of patriarchal domination. Kornai: *the Economics of Shortage* (2 volumes), Beijing : The Publishing House Of Economic Science, 1986.

⁷¹ Sun Liping, *Transformation and Fracture—the Changes of Social Structure since the Reform*, Beijing: Tsinghua University Press, 2004:p 226-7.

⁷² The following concrete measures are from the Chairman of All-China Federation of Trade Unions called Ni Zhifu's work report at Second Session of the 9th Executive Committee in October, 1979. Li Guicai: *The selected documents of Chinese Trade Unions for forty years* (1948—1988) , Shenyang: Liaoning People's Press, 1990: p979-89.

(3) In education: firstly, they strengthened the emphasis on ideological and political education, particularly to prevent young workers from following the ideas of anarchism, ultra-individualism and bourgeois liberalism, and educated them in working-class history and traditions, taught them to be arduous in struggle, selfless, to follow the rule of law and to be disciplined, and act with stability and in unity, always bearing the interests of all in mind. At the same time, the unions strengthened cultural and technical education, including supplemental education to general workers, to improve their political, scientific, technological and cultural knowledge, and to help them understand modern technology and management strategies. In addition, they also particularly emphasized that the masses should respect intellectuals and support their work;

(4) In democratic management and the realization of self-organization: The former mainly consisted of organizing the workers' and employees' congress, and to actively explore and implement the democratic election of grassroots leaders. According to what Deng Xiaoping had emphasized, the realization of self-organization consisted of building the unions as organizations that the workers trusted, and which spoke for and served the workers' interests. The key is to focus on the unions' primary organizational design, to require the trade unions beyond the grassroots level to be oriented towards production and the masses, and to encourage the setting up of grassroots groups and to investigate how to encourage the employees in the production lines.

Based on the specific responsibilities enumerated above, Chinese trade unions largely do not have access to the core of labour relations. With regard to pay, working hours, labour conditions, welfare benefits etc., they are meant to represent the workers and to negotiate with the enterprise administration, and to ensure the workers' access to decision-making processes regarding the enterprises' employment conditions in order to attain their legitimate rights. However, Chinese trade unions are situated more on the periphery of labour relations, and they regard themselves as the Party's and the government's (or at the level of local government or the enterprise) executive agency, which exists to execute the tasks or requests passed on to them from above. Chinese trade unions do not play the role of autonomous bodies negotiating labour relations, but execute the requests of the Party and the government sectors, or constitute affiliated departments or administrative offices of the Party and different government sectors.

At the end of the initial period of reform, the general direction of the market-oriented reforms of the Chinese economic system (including labour relations) had been established. During the reforms, Chinese trade unions underwent the first adjustment of labour relations and established their four basic roles during the new stage of marketization -- construction of the market, safeguarding of worker's rights, participation and education. However, just as the goals of the state-owned enterprise reform were established in 1993 but no substantial breakthroughs happened until 1998, the transformation of Chinese trade unions was also a rather long and winding process.

Not long after the four main roles were suggested⁷³, it was soon emphasized that these roles were difficult to fulfill, as the unions had no precedent to go by. At the second session of the 12th executive committee in December 1994, the chairman of the All-China Federation of Trade Unions, Wei Jianxing, stated that “safeguarding is the central task that our trade unions can assist the Party with.”⁷⁴ The safeguarding function was stressed to the extreme, and the Chinese trade unions’ four basic functions were arranged according to their respective importance. The safeguarding role became the trade unions’ main role, and the other three functions were secondary in importance.⁷⁵ The immediate reason for this shift was the difficult relationship between labour and capital in private enterprises, where the workers’ interests were almost completely ignored. The 1993 “Nov. 19” fire in the Zhili Crafts and Toys Factory in Shenzhen and the “Dec. 13” fire in the Gaofu Company in Mawei of Fuzhou⁷⁶ particularly pushed the “Labour Law” to be adopted.⁷⁷ In other words, during the later stage of the reforms, labour conflicts in private enterprises became an important impetus for Chinese trade unions to further highlight their safeguarding role. In these cases, the trade unions’ duty of representing the workers’ interests was more defined, as opposed to the complex conflicts of interest that had characterized the role of trade unions in public enterprises. Another reason for changing the role of the trade unions was the large number of lay-offs that came with the restructuring of state-owned enterprises. According to the data provided by the All-China Federation of Trade Unions, the number of laid-off workers in 1994 was 3.6 million, 5.64 million in 1995 and 7.2 million in 1996. In the first quarter of 1997, the number exceeded 9 million.⁷⁸

Since the mid-1990s, the fundamental objectives or tasks of Chinese trade unions were the following: focus on economic restructuring, maintain social stability and safeguard the rights and interests of the workers. These three aspects are closely related, and the specific activities of the trade unions can be summarized as follows: A) Following the collapse of state-owned enterprises, they mobilized workers to help enterprises reduce losses and increase profits, which corresponds to the unions’ traditional role of stimulating production, for example through emphasizing labour competitions, rationalization, technical innovation and technological cooperation etc. B) Faced with the worsening living conditions of the state-owned companies’ laid-off workers, they promoted re-employment projects on the one hand, and on the other hand implemented projects focused on self-help and mutual aid. Trade unions set up new enterprises and public institutions to help solve the unemployment problem and

⁷³ In October, 1993, in the report “Adapting to the demands of the socialist market economy and striving to complete the union work of the new period”, Zhang Dinghua still emphasized “focusing on the central task of economic construction to fully perform the four social functions”, *The Important Source Book since the 12th Session of Chinese Trade Unions*: p108.

⁷⁴ Wei Jianxing, December, 12th, 1994, “Address at Second Session of the 12th Executive Committee of All-China Federation of Trade Unions”, *The Basic Duty of Trade Unions*: p102.

⁷⁵ Wei Jianxing, October, 18th, 1995, “Address at Seventh Session of the 12th Presidium Meeting of All-China Federation of Trade Unions”, *The Important Source Book since the 12th Session of Chinese Trade Unions*: p241.

⁷⁶ Li Yonghai, March, 27th, 1998, “Speech in Conference of Policy Research Office directors of National Trade Unions”, *The Important Source Book since the 12th Session of Chinese Trade Unions*: p815.

⁷⁷ Teng Yilong, July, 14th, 1997, “Sharpening Awareness, Seeking Accurate Seat and Promoting the Laid-off Workers to be Reemployed”, *The Important Source Book since the 12th Session of Chinese Trade Unions*: p594-5.

related social issues. C) They pushed private enterprises to establish trade unions. Although the idea had originally been put forward in the early 1980s, the contradictions between capital and labour were not serious enough at the time to push for the establishment of new unions. The setting up of trade unions was not regarded as an important task that needed to be taken seriously. But from the mid-1990s onwards, establishing trade unions became an important task both from the perspective of the rights and interests of the workers and from the political perspective. D) The unions began to explore systematic ways or mechanisms to participate in the economic process and defend the workers' rights.

When it comes to safeguarding the interests of laid-off workers, Chinese trade unions show characteristics quite different from Western unions facing similar kinds of structural adjustment policies. From the All-China Federation of Trade Unions to the trade unions at the local level, Chinese trade unions follow the idea that trade unions must "consider the issues at stake from a political perspective", "mobilize workers to support and participate in the reforms" and "play a key role in maintaining social stability."⁷⁹ In the crucial stages of the reform, deep-seated contradictions in every area of economic policy will inevitably be touched upon. These contradictions mainly concern the issues of employment, resource distribution and the safeguarding of rights etc. Generally speaking, the trade unions focus on the following: a) concerning employment, they should help enterprises to properly relocate surplus labour, thereby expanding employment, and help workers improve their skills to increase their choice of careers and improve their chances in the job bidding process. B) Concerning distribution, they support the government in allocating resources while prioritizing labour interests and promoting efficiency with due consideration of equality. C) Regarding social security, they push the government to provide for the aged and the unemployed and to ensure medical treatment and insurance. D) Concerning collapsing enterprises, enterprises in semi-production facing bankruptcy and workers in difficult position, they implement charitable projects and promote mutual cooperation. E) They focus on infringements on workers' rights in foreign enterprises and on instances when workers are forced to perform illegal activities regardless of production safety standards etc.⁸⁰

III. The operational system of Chinese trade unions: ideology, institutions and mechanisms

1. The impact of Chinese trade unions

To discuss the activities and impact of Chinese trade unions, one has to take into account their history tracing back to the beginning of this century. Their performance has greatly improved both due to the support of the state and due to its own efforts. In 2003, the Blue Paper on the Role of Chinese Trade Unions in Safeguarding the

⁷⁹ In the preceding contents, the position of the trade unions has already been elaborated.

⁸⁰ Wei Jianxing, June, 26th, 1994, "Address at Third Session of the 12th Presidium Meeting of All-China Federation of Trade Unions", *The Basic Duty of Trade Unions*: p46-9.

Legitimate Rights and Interests of Workers was issued.⁸¹ The blue paper issued in 2007 allows us to familiarize ourselves with recent developments in Chinese trade unions:⁸² 1) As for the establishment of Chinese trade unions and leadership training, 1.324 million grassroots trade unions with 170 million members were established nationwide. In 2006 and 2007, the number of members has increased by 12.7% and 13.1% respectively relative to the increase in members during the same period in 2005, with 40.978 million migrant workers among the total number of members. 2) With regard to the rehiring of laid-off workers, local trade unions launched 2,423 employment agencies at the local or national level, which successfully recommended 5.225 million jobs. They also established 2,350 vocational training institutions, which trained up to 7,918 million people; and they set up 6,000 re-hiring centers at which 1,123 million laid-off workers received training. 3) Concerning collective bargaining and collective wage negotiations within enterprises, 305,000 collective contracts concerning wages were signed nationwide, involving 526,000 enterprises and 3,714 million workers, with an increase of 21.1%, 27.1% and 5.2% respectively over the last years. 4) Regarding the reform of social protection systems and the development of insurance businesses promoting cooperation among the workers: 23 provincial trade unions, 244 prefecture trade unions and 1,149 county trade unions joined the social security institutions set up by local governments, 50,000 grassroots trade unions were involved in mutual aid programs for employees, in which 11.36 million employees participated and which covered 17.258 million employees. 5) With respect to maintaining labour safety, hygiene standards, the trade unions at all levels started various training programs for 10 million migrant workers, and set up 264,000 labour protection supervision committees in trade unions, enterprises and institutions throughout the country, covering 6.7476 million workers. 6) Concerning legislation and participation in policy-making, the trade unions were very active in drafting and amending laws and regulations such as the Enterprise Bankruptcy Law, the Employment Promotion Law, the Labour Contract Law, the Social Security Law, the Law of the People's Republic of China on Mediation and Arbitration of Labour Disputes and the Enterprise Wage Regulation. They drafted or participated in the drafting in 245 local codes at provincial and prefectural levels throughout the country, including 153 codes related to workers' rights and 40 codes related to trade union rights. They further drafted or participated in drafting 895 local authorization documents (excluding regulations). 7) Regarding the establishment of democratic management practices within enterprises, 901,000 enterprises and public institutions have participated in the workers' congress nationwide, an increase of 19.8% compared to the last year. Furthermore, a system promoting transparency in factory affairs has been implemented in 761,000 enterprises and public institutions, an increase of 21.5 % compared with the previous year; employee director systems have been established in 600,000 enterprises with corporate systems, and systems of employee supervisors have been set up in 510,000 enterprises with corporate systems, accounting for 62.0%

⁸¹ All-China Federation of Trade Unions: Blue Paper on the Role of Chinese Trade Unions in Safeguarding the Legitimate Rights and Interests of Workers (2002), Human Rights, Volume 2, 2003, p18-31

⁸² The following data is from All-China Federation of Trade Unions: Blue Paper on the Role of Chinese Trade Unions in Safeguarding the Legitimate Rights and Interests of Workers (2006).

and 62.6% respectively of all enterprises with trade unions. 8) Concerning three-party mechanisms and joint conference systems, 28 provinces (autonomous regions or municipalities) have established trade unions and governmental joint conference systems or held similar conferences. In 2006, 2,014 local trade unions and governments have held joint conferences at or above the county level, accounting for 62.5% of all local trade unions at or above the county level, and 8,213 third-party coordinating mechanisms have been set up all over the country. 9) In order to help employees in difficulty and to visit disadvantaged homes, local trade unions have established 2,332 help centers for employees in difficulty at or above the county level all over the country, which in total have helped 4.685 million employees in difficulty. 10) Collective contracting and labour contract signing: among enterprises and public institutions with trade unions, 75.923 million workers have signed labour contracts, including 19.545 million migrant workers; 862,000 collective contracts have been signed in enterprises and public institutions nationwide. 11) Participation in labour law supervision: 195,000 organizations of labour law supervision have been set up by enterprise trade unions and public institutions, covering 49,892 workers. 12) Participation in labour dispute mediation and arbitration: 258,000 labour dispute mediation committees have been established by enterprises and public institutions with local trade unions, covering 65,447 workers. In 2006, 340,000 cases were accepted and heard by those committees, 63,000 cases were successfully settled, and 11,000 local and professional mediation organizations have been set up.

The activities of Chinese trade unions include the following aspects: 1) Macro-level participation: This mainly refers to trade unions participating in the making and revision of relevant laws, regulations as well as policy documents at the macro-level of governance (local). Macro-level participation also includes the system of participation in and discussion of government and political affairs, such as reporting to and communicating with related Party and government organs. This includes in particular the system of reporting to the Party committee and having trade unions representatives in the Party committee, National People's Congress, Chinese People's Political Consultative Committee and the government, where they represent the workers' demands and positions on issues involving the workers and trade unions. Macro-level participation also includes communication with the National People's Congress, participation in the examination and drafting of laws, regulations and policies involving the workers' vital interests such as employment, division of income, social security, labour safety and hygiene, etc., and to supervise their implementation. Other tasks include establishing or participating in a joint conference system with local and county governments, active participation in the coordination committee of the government branch working on issues related to workers' rights and benefits; and last but not least promoting the establishment and development of three-party negotiation mechanisms for issues concerning labour relations in the provinces, cities and at the county level, as well as within industries. 2) Coordination systems of labour relations at the grassroots level: This mainly refers to pushing employment units including different companies at the micro-level to sign and implement labour contracts, and assisting workers, especially those working in private enterprises and

migrant workers, in negotiating and signing these contracts. Other tasks at the micro-level include promoting and standardizing labour dispatch as a way of employment; implementing a system of equal consultation and collective contracting (including special collective contracting for more immediate and actual effect), improving existing systems of collective contracting, pushing for the establishment of a modern enterprise system and strengthening of the business management system. 3) Democratic management of the workers: this mainly includes systems of democratic management established and developed in enterprises and public institutions in the form of workers representatives' congresses, as well as workers' democratic management committees, democratic councils, discussions between capital and labour representatives and democratic conferences. Other tasks include seeking to establish reviewing systems of the workers representatives' congress by higher-level trade unions as well as a regular inspection system, work reporting and joint assessments. 4) Supervision system of labour law: This mainly refers to cooperating with the People's Congress and related government branches at all levels to examine the implementation of labour laws and the enforcement of regulations; working in conjunction with government and social security inspections; promoting the institutionalization and the legalization of work; establishing labour law supervision units in trade unions and seeking to create a system of labour law supervision based on open comments and suggestions. 5) Early warning and response systems for labour disputes: this includes establishing information and communication channels for labour disputes and information coordination, information collection as well as analysis and assessment, establishing a labour relations evaluation index, and activating the group petition offices of trade unions and a hotline that can be used in case of infringements on workers' rights (12351). Other responsibilities include predicting and preventing the emergence of labour disputes; working with labour and social security departments as well as enterprise representatives to jointly establish early warning mechanisms in case of arising labour disputes, helping the relevant departments of the Party and government administration to cope with mass unrest among workers; and improving the enterprises' mediation of labour dispute, including local and industrial labour dispute mediation systems. 6) Helping employees in difficulty: Strengthening systems of minimum social security guarantees, for example by establishing information networks for employees in difficulty as well as help centres that can provide further assistance with respect to official laws and policies, employment services, social security, medical aid and children's schooling.

2. The operational mechanisms of Chinese trade unions

The activities of Chinese trade unions mainly rest on their status as supervision authorities. "The trade unions have neither decision-making authority, nor the competences of an auditor. However, we have got the right to organize the workers to supervise the activities of enterprises."⁸³ This supervision authority is very much

⁸³ Wei Jianxing, July 7th, 2000, "Address at Fifth Session Presidium Meeting of the 13th Executive Committee of All-China Federation of Trade Unions", *The Basic Duty of Trade Unions*: p308.

needed by government branches, which rely on trade unions for carrying out their administrative and law-enforcing role. The most typical problem faced by the government is that of shortage of manpower, and the participation of trade unions can help to bridge this gap. Therefore, both sides are “in urgent need of each other”. As for the specific practice, law-enforcement departments entitle trade union members to participate in law enforcement and charge them with certain tasks in order to overcome their own shortage in manpower. This cooperation with party and government organs is one of the important operational mechanisms of Chinese trade unions. Chen Youde, chairman of the general trade union in Yiwu city, called this the mechanism of “leveraging by wind and with reason.”⁸⁴ which means here people try to do something with other kind help and mechanism.

Leveraging “by wind” means that the trade unions receive help from the basic demands and the direction of the policy put forward by the government. This is not only the basic premise of the trade unions’ work, but represents an opportunity as well as a source of support for the trade union’s activities. In recent years, the state has changed its traditional way of thinking when it comes to assessing local governments, focusing no longer mainly on GDP, but instead putting forward a “scientific outlook on development” and the concept of a “harmonious society”. These new policies provide a possible framework for the safeguarding of workers’ rights and to a certain extent assist the activities of the trade unions, as well as facilitating the process of obtaining resources from the government.

Leveraging “with reason” refers to rational reasoning on the side of the trade unions. On the one hand, the workers are usually the victims of the conflict between capital and labour, a fact that the trade unions have to demonstrate with clear reasoning and concrete evidence. On the other hand, this means that when discussing a matter with the enterprise management, the trade unions have to communicate, discuss and attempt to solve labour disputes by way of mediation. It is certainly important to act fairly and reasonably. Many disputes will be solved not by fighting but by considerate bargaining between both sides, with the trade unions acting as a go-between. Of course, if mediation fails, the law should be appealed to and the trade unions should “safeguard the workers’ rights by legal means”, which include legal services, legal aid and appealing agencies, etc.

Concerning the task of “leveraging”, the power of the trade unions to safeguard workers’ rights can be strengthened by collaborating with relevant party and government organs. Secondly, by gaining the support of the judicial department, which can for example entitle trade union employees with the qualifications of “grassroots mediators” and “people’s jurors”, the trade unions can directly participate in the hearing of important labour dispute case and ensure that all cases are reported, registered, heard and quickly brought to a court or mediation authority. Thirdly, trade unions benefit from the support received from law-enforcement departments and supervisory institutions such as the National People’s Congress and the Chinese People’s Political Consultative Committee. For example, the joint inspection system

⁸⁴ Chen Youde, *the Practical Exploration and Reflection on Establishing the Socialized Rights Safeguarding Mechanism in Trade Unions*, Journal of China Institute of Industrial Relations, No.2, 2005

of the general trade union of Huangshi, Hubei province, the Municipal People's Congress and the People's Political Consultative Committee have put forward common suggestions for improving the implementation of policy and regulations such as labour legislation, trade union laws etc.⁸⁵ Furthermore, the trade unions also benefit from the authority and resources of the administrative departments responsible for labour issues. For example, some of the employees of the workers' rights safeguarding center of Yiwu have been named official arbitrators. This position allows them to actively participate in labour disputes by collecting evidence and cooperating with labour monitoring groups during the investigation of a particular case.⁸⁶ In certain areas of activity (such as the creation of more harmonious labour relations within enterprises and the establishment of more harmonious industrial zones), trade unions work in cooperation with the department of work and employment, for example by devising relevant standards and implementing labour contract systems (including collective contracting) and democratic worker management systems. For example, concerning the standards needed to assess the nature of labour relations in an enterprise, some indicators such as the rate of labour contract signing, the establishment of a workers representatives' congress and the election of an employee representative and supervisor should be established to exert more pressure on enterprises. Finally, the trade union use the assistance of industrial and commercial bureaus or related industrial offices to create three-party consultation systems that work on strengthening and promoting local or industrial collective consultation system as well as local or industrial systems of workers representatives' congresses. Additionally, trade unions should bring together different departments to form a team working specifically on the protection and defense of workers' rights. For example, the general trade union of Yiwu has founded a municipal rights safeguarding work team, in which the city leader holds the position of the group leader. The other team members are the directors of relevant government departments such as the employment department, the judicial department and the local court. The group's centre has employed a municipal organization to function as a consultant⁸⁷ and to supervise the city leadership and department directors. The trade union has further cooperated with the judicial department, the employment department, the civil administration department and the group petitions office to set up a special fund for legal aid for workers, which will offer legal aid and services to workers in difficulty.

Besides, the Chinese trade unions can benefit from the support of society as a whole, which can help strengthening and improving the work of the national administration. Important social pressure forces include: 1) The local media; 2) Local law offices and cooperation agreements with municipal bar associations; 3) International social standards that promote democratic management systems, transparency in factory affairs and the system of appointing employees as directors and supervisors, which can help to represent and address the issues most important to

⁸⁵ Li Xianghua, *Exploring the New Thinking of Socialized, Legitimate and Professionalized Rights Safeguarding in Trade Unions*, China Workers' Movement, No.10, 2005, p28-29

⁸⁶ Chen Youde, *the Practical Exploration and Reflection on Establishing the Socialized Rights Safeguarding Mechanism in Trade Unions*, Journal of China Institute of Industrial Relations, No.2, 2005

⁸⁷ Chen Youde, *the Practical Exploration and Reflection on Establishing the Socialized Rights Safeguarding Mechanism in Trade Unions*, Journal of China Institute of Industrial Relations, No.2, 2005

the workers. It is worth noting that compared with the local trade unions under the vertical management system, the unions now play a more prominent and important role. Since the reform and liberalization of the Chinese economy, numerous social transformations such as more diversified patterns of ownership, the pluralization of operating mechanisms and increasingly complicated labour relations make the trade unions play more and more prominent role in public administration, particularly with respect to the representation of social interests, the coordination of labour relations and the protection of the interests and rights of the workers. In this sense, Chinese trade unions have achieved considerable progress, and now play an irreplaceable role in local communities and in industry. The trade unions mostly carry out their work by means of joint conferences, which consist of bringing together relevant industrial departments, industrial associations and chambers of commerce and putting forward the trade unions' suggestions and opinions concerning important issues involving workers' interests and rights in one particular industry. Secondly, trade unions have established three-party consultation systems with relevant industrial departments and associations, which focus on the most prominent problems in terms of labour relations and aim at perfecting the employment system and improve participation mechanisms. These consultation systems particularly address problematic issues such as payment, labour quotas, insurance, welfare and working condition. Most importantly, every part of the industrial sector will hold an annual collective workers representatives' congress that aims at promoting and perfecting the transparency and visibility of workers' rights.

3. The enterprise trade union, worker participation and its limits

Based on our case studies, we found that participation of workers in state-owned enterprises was based both on tradition as well as a new drive for innovation. In the new period of Chinese economic development, worker participation systems mainly developed by way of enterprise trade unions. In the process of protecting the workers' rights and safeguarding and promoting worker participation in decision-making, trade unions have gained an extremely important new task and position in the Chinese economy. This task not only consists of participating in the core management and administration of an enterprise and monitoring the transparency of factory affairs and democratic participation, but also of organizing and encouraging workers at all levels and by all means to participate in enterprise affairs. Under the direction of enterprise trade unions, the system of worker representatives' congresses was re-introduced. The unions also attempted to establish a permanent representation of the workers representatives' congress in the top management of enterprises that would participate in the decision-making regarding important enterprise affairs. Furthermore, the trade unions built a platform for grassroots participation, organized the workers to participate in the issues of direct concern to them, played quite an important role in the provision of community services, and even helped to ease some of the conflicts related to labour relations that had emerged during the transformation of enterprise ownership structures.

As for institutional improvements, the trade unions of state-owned enterprises have to find a special position among the Party committee, the administration and the workers, and attempt to establish a balance between these different actors. Some of the trade unions' specific practices include: 1) the permanent establishment of a workers representatives' congress and co-determination mechanisms; 2) organizing the workers representatives' congress or other forms of democratic management that encourage worker participation; 3) promoting the creation of a "small home", which means to promote to be treated production group as "small home"; 4) promoting economic and technical activities such as rationalization proposals, technological innovation and technological competition; 5) organizing various welfare-oriented activities to increase the workers' sense of belonging to their enterprise; 6) opening up information channels from the bottom-levels to the top-levels of an enterprise; 7) coordinating the relations between the enterprise and the external community/environment, etc..

Comparatively speaking, the trade unions' role and specific responsibilities in non-public enterprises have been more varied and diverse than in state-owned enterprises, as the activities of trade unions in non-public enterprise have been influenced by multiple factors. The chairman of the trade union in a private enterprise is oftentimes either related to the enterprise owner or one of his close partners, or another top-level official such as the principal shareholder or the vice-president. Generally speaking, the trade unions' role and responsibilities in non-public enterprises include: 1) organizing various welfare-oriented activities; 2) organizing the workers' congress; 3) helping the enterprise owner meet external requirements; 4) coordinating conflicts in the administration, etc. In non-public enterprises, the activities of enterprise trade unions do not necessarily correspond to the relevant laws, regulations or policies, but have been changed over time: enterprise trade unions should therefore rather be considered products of institutionalization. In the eyes of the enterprise owner, the trade union can help the enterprise achieve legitimacy and legal status, as well as to obtain resources from the government (including honorary titles). They are also an important institution for stimulating the productivity of the workers and to resolve arising conflicts between capital and labour.

Comparing the role and responsibilities of trade unions in state-owned enterprise and non-public enterprises, we discover that:

- (1) Since the establishment of the modern enterprise system in the sphere of state-owned enterprises, the trade unions in these enterprises have played a more substantive role in the coordination of labour relations and worker participation. On the one hand, their role as the representative and defender of the workers' interests has been clarified, and, on the other hand, this role and position is premised on the fact that the unions operate within the enterprise administration. This means that trade unions in state-owned enterprises must continuously find a balance between party policy and the interests of the enterprise employees. After several years of hardship connected to public enterprise reform, the employees' interests now correspond more closely to the enterprises' interests, and it is widely accepted that the realization of the

workers' individual interests cannot be achieved without the development of the enterprise as a whole. Based on improvements in enterprise development and the safeguarding of employees' interests, the trade unions' activities can now more naturally reflect the interests of the employees. Meanwhile, the employees are more motivated to participate. In this sense, compared to the units system before the reform, the orientation and role of trade unions in state-owned enterprises has become clearer and more practically oriented, as enterprise ownership, operation and administration have changed on all levels. For example, the shareholding of property rights, labour contracting, the standardization of human resource management and the marketization of employee social program and benefits have all expanded the space in which trade unions can exercise their function and in which they can negotiate and attempt to solve specific conflicts of interest in the enterprise management and administration.

For example, the permanent establishment of a workers representatives' congress, which the trade unions use as their primary 'executive' organization, has strengthened the workers representatives' decision-making authority over significant issues in the enterprise. This provides new possibilities for the democratic participation of employees and trade unions in the "three old boards" and "three old boards" systems of state-owned enterprises. The trade unions in state-owned enterprise have provided numerous channels and opportunities for the participation of workers, which allows the workers to consent to the management and design of the labour system through worker participation. The possible harm caused by overtly strict administrative rules and practices has been relieved and replaced by means of human interaction and mutual benefit. A platform has been set up for workers to actively participate in enterprise development and governance by creating the atmosphere of a "small home", starting from the most basic level and focused on safeguarding the employees' legitimate interests. A number of profit-sharing schemes have been established; the trade unions have participated in technological innovation and grassroots administration, and safeguarded their own interest through the "gold-idea in improvement in production" plan and "rationalization proposal." A 'liaison' system has promoted the democratic sharing of information between the top and bottom levels of an enterprise. Active participation in the affairs around them has trained and nurtured the employees' democratic consciousness. They have gained new experiences connected to labour participation and its related processes, so that the employees can now more fully exert their own power when facing enterprise decision-making, and carefully use and defend their own rights in political life, etc.

(2) However, in non-public enterprises, the system of private ownership has weakened the role and status of trade unions compared to those in state-owned enterprises. In private enterprises, the organizational structure is based on the logic of capital management or profit maximization, which makes it difficult for the trade unions to exist as autonomous departments and exert their functions. Instead, they usually form parallel or overlapping relations with the ownership and operational structure, which establishes a supervision and safeguarding system which build up from bottom to top. From another point of view, one could say that a private

enterprise is mainly led by the subjective will of the enterprise's owner and is oriented towards the fullest possible use of human resource. All the problems encountered in such an enterprise can therefore be summarized as the question of how the entrepreneur can promote the rapid expansion of capital or the continuous realization and added value of human capital. Based on this logic, every problem is addressed and solved by rationalizing organizational structures. For example, both "human, financial, and material resources" and "the production-supply-marketing chain" are organized according to the logic of capital. All labour-related problems are handed over to the human resource department. The principle or starting point is to transform any worker-related problem into a human resource problem. In this context, the legitimacy of a trade union mainly depends on whether it can integrate itself into the capital management of the enterprise, and whether it can help coordinate and support processes of capital management. As all labour-related problems are usually attributed to human resource problems, the labour-focused trade union plays an ambiguous and uncontrolled role, and remains a non-professional body. The ultimate role of the trade union depends on whether the enterprise owner gives the union a position to serve the capital management of the enterprise, and its power relations are developed in accordance with the ownership and top-down management.

In the course of our study, we observed that the activities of trade unions in private enterprises tend to overlap more with the enterprise ownership and management structure, and that the enterprise owners oftentimes take advantage of the unions as a channel to cope with external institutional requirements, to obtain more resources or even to evade various laws and regulations. In non-public enterprises, the channels or opportunities for participation offered by trade unions are comparatively weaker and less developed than those in state-owned enterprise, and worker participation is often reduced to a matter of ceremony, while the workers generally have to comply with the will of the enterprise ownership. Certainly, with the expansion of non-public enterprises and the gradual perfection of their managerial system, there will be more opportunities and influence for worker participation. However, it remains difficult for trade unions in private enterprise to participate in co-determination in the same way as trade unions in state-owned enterprises. In other words, the trade union in Chinese private enterprises always serves the purpose of the enterprise owner and the participation of workers is only encouraged to better realize the productivity and management objectives of the enterprise owner. In this process, the employees can gain only limited benefits, and this kind of participation thus amounts to no more than limited participation.

The role and responsibilities of trade unions vary greatly according to the ownership model of the enterprise in question. To a certain extent, trade unions in state-owned enterprises have the possibility of playing a comparatively important role in enterprise governance. As for the participation of workers and interest representation, trade unions in state-owned enterprises have more possibilities to strike a balance between the enterprise and the employees so as to strengthen their ties and common interests. However, in the present situation, the trade unions in non-public enterprises are more controlled by the enterprise leadership, and the best

these unions can do is to provide limited opportunities for participation. The trade unions in non-public enterprise will not to the same extent balance the interests of the enterprise and its employees, but rather serve the will of the enterprise (ownership). It remains to be investigated whether the trade unions in non-public enterprises will gradually take on a governing role similar to that of the trade unions in state-owned enterprises.. From the perspective of worker participation, state-owned enterprises are presently better at realizing the workers' demands and at transforming traditional concepts and structures of governance, while non-public enterprises can only provide limited and formal worker participation. An external force (such as the local trade union or the local government) is required to intervene in order to completely represent and safeguard the workers' interests in these cases.

Chapter V Primary Results of the Quantitative Analysis

Since the reform and liberalization of the Chinese economy, the ownership structure of Chinese enterprises has changed profoundly. The former planned economy that maintained the predominance of the state and collective ownership has gradually developed into a market economy with different systems of ownership. This transformation of the organizational structures of enterprises is not only an economic process caused by systemic changes, but also represents a change in social relations. The main purpose of this change is to meet the demands of the market economy and to increase the efficiency of enterprises by changing their ownership structure. These reforms are based on the assumption that a fully developed market can bring new blood into the Chinese enterprise system and provide equal opportunities to all individuals in society. However, in the aftermath of the initial reforms, it became apparent that as new ownership structures become more institutionalized and the government is gradually shaking off its role as the guarantor of adequate working and living conditions, comprehensive marketization alone cannot solve the basic problems of enterprise development, and the conflict between capital and labour as well as broader questions of social justice began to emerge. From a sociological perspective, we need to investigate whether the self-adjusting market economy is embedded⁸⁸ in or disembodied from society. With the diversification of the employees' roles and after solving the problems of "who owns and who manages", how to adjust the relations between the employer and the employee and between capital and labour and how to face the pressure for corporate social responsibility exerted by global economic integration, new problems have emerged as the main research focus in the field of enterprise organization. These include the question of how to stimulate the enthusiasm of the workers for participation in enterprise affairs.

We hold the view that in this new period of transformation in Chinese society, the relations between employees and enterprises and a number of related problems are not only economic but also social issues. Worker participation can be used as a starting point for analysis and divided into three different aspects: firstly, personal effects, which means that worker participation exerts a positive effect on promoting the workers' interests and their vocational development; secondly, organizational effects, which emphasize the significance of worker participation in increasing the efficiency of enterprises and promoting their development; thirdly, social effects, which refer to the role of worker participation in maintaining social stability and coordinating issues of social justice and welfare benefits.

We can specify and examine these different dimensions in our analysis,⁸⁹ which

⁸⁸ The concept of "Embeddedness" was introduced into the academic circle by the economic historian Karl Polanyi in his book *The Great Transformation: The Political and Economic Origins of Our Time*, and later continuously borrowed and interpreted by other modern scholars. According to Polanyi's concept, the word "embeddedness" tries to show that the economy is not self-reliant, as described in economic theory, but subordinate to politics, religion and society. In Polanyi's view, a fully self-regulated market economy must change the human being and the natural environment into pure commodities, which will inevitably cause the destruction of society and the natural environment.

⁸⁹ The "individual effect" is classified into 5 variables consisting of a sense of relative deprivation, a sense of powerlessness, position promotion, income level and welfare; the "organization effect" is classified into 6 variables consisting of organizational commitment, organizational recognition, organizational profit,

is based on two larger aspects, namely the organizational effects and the perspective of ownership, operation and governance (see Figure 1). We aim at examining the significance of these problems by a series of tests on our research hypothesis.

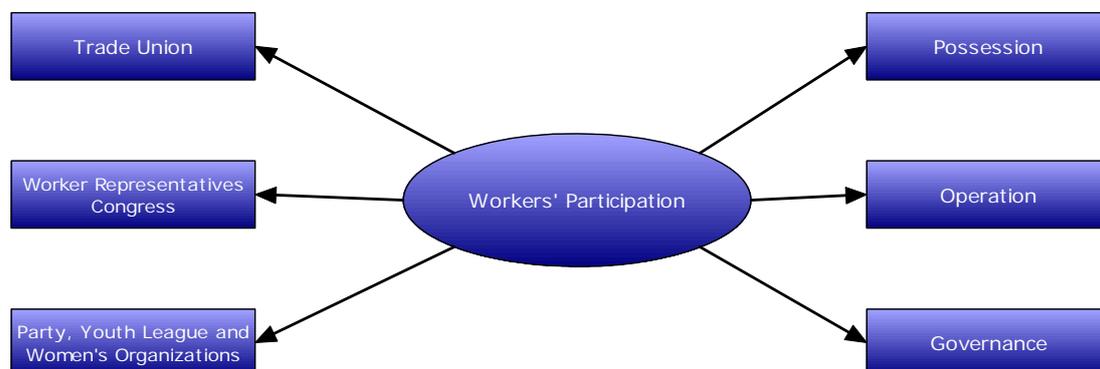


Figure 1: An Analytical Perspective on “Workers’ Participation”

I. Worker participation from the perspective of ownership, operation and governance

From an economic point of view, an enterprise is only a set of market contracts and can be abstracted into three main components, namely capital, labour and management. However, in the current Chinese system, enterprises bear more resemblance with assemblies of different power relations, rather than a collection of contracts. The latter can only operate under comparatively equal conditions. It is therefore more reasonable to conceptualize enterprises as a combination of the following three elements—ownership (possession), operation and governance.

1. Ownership. For the sake of analysis, the concept of “ownership” is examined with regard to two aspects: the classification or definition of enterprise ownership and internal employee stock ownership. The hypothesis is that **different enterprise ownership structures entail different degrees of worker participation (hypothesis 1)**. Firstly, as for the classification of ownership structures, enterprises are grouped into seven categories, namely individual businesses, private enterprises, joint ventures, state-owned enterprises, mass organizations, public institutions and organs of government. These groups are based on different forms of ownership of the means of production. The employee stock ownership system is supposed to have the ability to eliminate the gap between human capital and human resources, as the employee in this system is the owner of his own human capital, and the employee stock ownership system consists of transferring partial rights to the employees.

Based on the analysis of our data, we find that organizations with different ownership structures differ widely in the degree of worker participation. As for participation in trade unions, the percentage of workers participating in the trade

organizational trust, organizational unity and an optimized configuration of human resources; the “social effect” is classified into 5 variables consisting of social morale, social participation, collectivism, rationalism and social justice.

unions of state-owned enterprises (41.5%, with a confidence interval of 33.8%-49.7%) and joint ventures (36.3%, with a confidence interval of 31.5%-41.5%) is obviously higher than the equivalent percentage in individual businesses (41 %, with a confidence interval of 1.4%-11.1%) and private enterprises (11.8%, with a confidence interval of 8.7%-15.8%). As for the area of coverage and the deliberative capacity of workers representatives' congresses, there remains a significant difference between enterprises with different ownership structures. The area of coverage of workers representatives' congresses is the highest in state-owned enterprises (73.5%, the confidence interval is 66.5%-79.5%), and the lowest in individual businesses (3.9%, the confidence interval is 1.6%-9.4%). The proportion gradually increases from individual businesses and private enterprises to joint ventures and state-owned enterprises. As for the deliberative capacity of workers representatives' congresses, the deliberative capacity in individual businesses (the average is -0.66, and the confidence interval is -1.07—0.25) is conspicuously lower than in state-owned enterprises (with an average of 0.05, and a confidence interval of -0.04—0.13). Communication networks in state-owned enterprise are higher than in any other sort of enterprise (more than 0.3 %). As for participation in decision-making, the right to participate in decisions gradually decreases from individual businesses (The average is 16.8, and the confidence interval is 15.8-17.8) and private enterprises (The average is 12.0, and the confidence interval is 11.7-12.4) to joint ventures (The average is 11.4, and the confidence interval is 11.1-11.7) and state-owned enterprises (The average is 11.1, and the confidence interval is 10.8-11.3). As for employee stock ownership, stock-holding employees are better situated than the employees who are not stockholders when it comes to career communication (more than 0.21 %), free expression (more than 0.18 %), decision-making (more than 0.35 %) as well as the degree of understanding of and identification with the enterprise (more than 4.4% and 0.21 % respectively).

2. Operation. The term “operation” describes a rational behaviour and process. There is no issue of “owning” or “sharing”, in the substantive sense, in the operational process, and operating mechanisms and the degree of worker participation tend to influence each other. The different operating mechanisms may result in different degrees of worker participation, and, on the other hand, the enthusiasm and degree of worker participation will affect the operating mechanisms of an enterprise. We hypothesize that **the operating mechanisms of an enterprise correlate with the degree of internal worker participation (hypothesis 2)**. In the analysis, operation and management are measured by three variables, namely member communication, freedom of expression in the enterprise and the attendance of conferences. Communication among members mainly refers to information-circulation from top to bottom as well as horizontal contacts, including both formal communication and informal communication. Effective communication can not only improve the implementation capacity of an enterprise, but also help perfect the interpersonal relation and complement the existing institutional order. We therefore think that **worker participation will promote communication among members (hypothesis 2.1)**. Freedom of expression and conference-attendance are in itself an embodiment of

“worker participation.” Freedom of expression in the internal affairs of an organization reflects the workers’ right to participate in enterprise management. We therefore assume that **worker participation will promote free expression among enterprise members (hypothesis 2.2)**. Conference attendance is considered an important element of worker participation, operation and management, so we hypothesize that **the more enthusiastic the workers are to participate, the more opportunities they will get to do so (hypothesis 2.3)**.

The outcome of the data analysis shows that the amount of formal communication is less in enterprises without a workers’ congress than in enterprises with a workers’ congress (20% lower); the amount of formal communication is higher among Party members than among non-members (8% higher); the amount of formal communication is also lower in enterprises without a Women’s Federation Organization than in enterprises with a Women’s Federation Organization (18% lower). The degree of general communication among workers in enterprises without workers’ congress is significantly lower than in organizations with a workers’ congress (10% lower) and the degree of communication among stockholders is significantly higher than among employees who are not stockholders (21% higher). The degree of freedom of expression among members of the Women’s Federation Organization is higher than among those who are not members (6% lower); the degree of freedom of expression among members of the workers’ congress is higher than among those who are not members (110% lower) and the degree of freedom of expression among stockholders is higher than among employees who are not stockholders (18% higher). Party members are much more likely to attend conferences than non-members (12% higher).

3. Governance. Generally speaking, the governance structure of an enterprise refers to the internal control bodies and supervision mechanisms consisting of the general meeting of shareholders, the board of directors and the managers, as well as the support and restraint mechanisms exercised by other stakeholders (the employees, the trade union, social organizations). The aim of enterprise governance is to promote operating efficiency while simultaneously reducing operating risks. Governance thus functions as a kind of institutional arrangement between different stakeholders such as shareholders, managers, and employees, with the objective of striking a balance between the involvement and restriction of each party involved. In addition, the purpose of governance is not merely to govern and manage, but also to guide, coordinate and control. Governance refers to a dynamic process of comparing, selecting and decision-making, rather than to the static relation of governing and being governed, managing and being managed. We hypothesize that **worker participation will influence the way an enterprise is governed (hypothesis 3)**. The concept of “enterprise governance” is measured by several variables, namely participation in decision-making, the evaluation of senior management, the involvement and motivation of the employees and the social responsibility of the enterprise. Participation in decision-making is the most important embodiment of worker participating in enterprise governance. In our data analysis, higher scores on decision-making questions mean that the employees have more rights. The hypothesis

is that **the more enthusiastic the employees are to participate, the more decision-making rights they will obtain (hypothesis 3.1)**. Evaluations of the senior management reflect the fact that rights are exercised from the bottom up, and we think that **the higher the degree of worker participation, the easier or the more feasible it is for workers to evaluate senior management practices (hypothesis 3.2)**. In the process of enterprise governance, one has to distinguish between “heterogeneous capital” and “homogeneous capital”. The level of motivation is an important embodiment of an enterprise’s employment system, and a powerful measure to stimulate employees to participate actively, and remains an important governance mechanism for enterprises. **Therefore, the more enthusiastic the workers are to participate, the stronger the degree of promotion and motivation will be (hypothesis 3.3)**. The concept of corporate social responsibility requires enterprises to overcome the traditional model of treating profits as the sole purpose of an enterprise. Corporate social responsibility emphasizes that apart from making profits for stockholders, an enterprise also needs to take into account the interests of all the stakeholders in the enterprise’s activities. In this respect, the employees’ interests are the most direct and primary concern in terms of the social responsibility of an enterprise. **The more enthusiastic the workers are to participate, the better the enterprise will implement principles of corporate social responsibility (hypothesis 3.4)**.

According to the outcomes of our statistical analysis, trade union members have more decision-making rights than non-members (+ 5%); members of the workers’ congress have more decision-making rights than non-members (+ 9%); and stockholders have more decision-making rights than those who are not stockholders (+ 35%). Party members have a much greater possibility to participate in the evaluation of higher-up managers than non-members (+ 35%, $e^{0.29}-1$). The more decision-making rights employees enjoy, the higher the level of promotion and motivation to the employees (the correlation coefficient is 0.11 under the level of significance of 0.001%); the more independent the work of an employee is (the average independence in operation is 24.27, and that of the production line is 22.44, and that of team work is 23.79), the higher the level of excitement. As for social responsibility, enterprises with a workers’ congress (the average is 7.31 and confidence interval is 7.22-7.39) are better at taking into account social responsibility than those without workers’ congress (the average is 6.99 and the confidence interval is 6.91-7.08). Similarly, enterprises with trade unions (the average is 7.33 and the confidence interval is 7.25-7.40) are better at taking into account social responsibility than those without trade union (the average is 6.78 and the confidence interval is 6.67-6.88).

II. Worker participation from an organizational perspective

The following section analyzes worker participation from an organizational perspective. Organizations can be classified according to three main types, namely

trade unions, the workers' congress, and the Party, Youth League and women's organization. This classification focuses on "worker participation in governance", and the combination of Party, Youth League and women's organization is peculiar to Chinese enterprise organization.

1. The trade union. The Chinese trade union can neither be treated as an old functional department merely attached to the government and simply following the guidelines of the administration, nor as an independent and direct spokesperson for the interest of the employees in the relations between capital and labour, as it is common in Western society. **We maintain that workers' expectations regarding trade unions and their enthusiasm to participate in trade union activities are influenced by the performance of the trade union's function,⁹⁰ (hypothesis 4) while the question of whether to set up a trade union or not is related to the nature of enterprise organization (hypothesis 5).**

According to the statistical analysis, the percentage of trade unions is highest in state-owned enterprises (87.1%, the confidence interval is 82.8%-90.5%), and lowest in individual businesses (6.3%, the confidence interval is 2.7%-14.0%); the coverage rate of national level trade unions is highest in enterprises with different organizational levels (83.2%, the confidence interval is 76.0%-88.5%), while the coverage rate of transnational level trade unions is lowest (24.2%, the confidence interval is 10.2%-47.2%). Among organizations of different sizes, the percentage of trade unions is highest in very large enterprises (87.1%, the confidence interval is 82.9%-90.3%), and lowest in micro-enterprises (30.1%, the confidence interval is 19.5%-43.4%). As for the number of layers in organizational structures, the percentage of trade unions increases proportionately with the number of organizational layers in an enterprise. With regard to the legal role of trade unions, the functions of employees in various posts as well as administrative functions and organizing levels vary widely. The evaluation of trade unions by senior management employees (the average is 0.26, and confidence interval is -0.1-0.58) is much better than the evaluation by lower-level employees (the average is -0.03, and confidence interval is -0.12-0.05); the higher the administrative function of the respondent, the better the evaluation of the trade union (0.7 at department and bureau level, the sample in general is -0.01). The higher the enterprise level at which the employees work, the better the evaluation of the trade union (0.55 in multi-national organizations, the general specimen is -0.00). Interviewees who experienced the transformation of ownership structures are more likely to negatively assess their enterprise trade union (the R value is 0.53). Interviewees working in enterprises with different forms of ownership vary greatly in their negative assessments of trade unions. Interviewees working in individual businesses have the strongest negative feelings towards trade unions (the R value is 0.52), while interviewees working in mass organizations (the R value is 0.41) and public institutions (the R value is 0.49) have the least negative

⁹⁰ The functions of the trade unions include coordinating and solving the labour relations on behalf of the employees, participating in the democratic management of the unit on behalf of and by organizing the employees, carrying out occupational training and post training, helping the employees solve the specific difficulties and protecting the employees' rights and benefits in employment.

feelings towards trade unions. The lower the social rank of the respondents, the stronger the negative feeling towards the trade union (the R value is 0.53 in social rank 1, the average R value is 0.50). Employees in enterprises with different ownership structures also differ in terms of their expectations of trade unions. The expectations are highest in public institutions (the average is 11.87, and the confidence interval is 11.75-11.99), while the expectations are lowest in individual businesses (the average is 10.58, and the confidence interval is 10.34-10.82). The higher the monthly income of the employee, the higher the employee's expectation of the trade union; and the higher the level of education of the employee, the higher his or her expectation of the trade union (the average is 11.50 among those finished colleges or universities; the general average value is 11.41). Similarly, the higher the interviewee's degree of political involvement, the higher his or her expectation of the trade union (the average among Party members is 11.59, and the general average is 11.41). With respect to worker participation in trade unions in the various types of industry, the rate of worker participation is highest in the cultural sector (46.6%, the confidence interval is 38.2%-55.3%), in the public service sector (51.6%, the confidence interval is 38.4%-64.5%) and in the logistics industry (28.9%, the confidence interval is 22.3%-36.4%). The participation of state-owned enterprise workers is much higher than that of other types of enterprise workers. In this respect, government departments and institutions account for the highest participation rate (56.0%, the confidence interval is 43.8%-67.4%), while individual businesses account for the lowest rate (4.1%, the confidence interval is 1.4%-11.1%). There is no obvious difference in the rate of worker participation in trade unions of enterprises with various sizes. With regard to participation in trade union activities, there is no major difference between employees of different education levels (the average is 0.13 among those who finished universities, the general average value is -0.02). Among interviewees of different ages, the average rate of participation in trade union activities is much lower for employees under 25 years old (the average is -0.43, and the general specimen is -0.02) than that of other ages, while there are no significant differences among employees of other ages. Party members are much more enthusiastic about participating in trade union activities than others (the average is 0.27, and the general average is -0.02). Among employees with different administrative functions, those above departmental or bureau level are most reluctant to participate in trade union activities (the average is -0.66, and the average of general specimen is -0.02). Among employees with different work experiences, those with 1-2 years work experience are least enthusiastic about participate in trade union activities (the average is -0.31, and the average of general specimen is -0.02).

2. Workers' congress. Workers' congresses not only constitute the basic form of democratic enterprise administration required by law, but also represent an important platform for workers to participate in the decision-making of the enterprise concerning issues such as enterprise restructuring schemes, resettlement schemes, enterprise expansion projects, etc. **The question of whether to set up a workers' congress or not is related to the attributes of the enterprise in question, and the**

congress' decision-making powers⁹¹ are quite different in different kinds of enterprises (hypothesis 6).

Among the different areas of industry, the establishment of a workers' congress is most common in industry and agriculture (54.1%, the confidence interval is 45.6%-62.3%) and in the cultural sector (53.2%, the confidence interval is 46.5%-59.8%), and the least common in the public service sector (24.9%, the confidence interval is 16.9%-35.1%). Among enterprises with different ownership structures, the set-up rate of workers' congresses is much lower in individual businesses (3.9%, the confidence interval is 1.6%-9.4%) than in other types of organizations (the general specimen is 43.6%), while the set-up rate in state-owned enterprise (73.5%, the confidence interval is 66.5%-79.5%) is significantly higher than in other types of organizations. Among enterprises with different organizing levels, the set-up rate is highest in enterprises on the national level (67.0%, the confidence interval is 57.9%-74.9%), while there is no significant difference in the set-up rate in enterprises at the other levels (the average of general specimen is 43.4%). With regard to enterprise size, the larger the size of the enterprise (it is 73.5% in large-sized enterprise, and the general specimen is 43.4%), the higher the set-up rate of workers' congresses. As for the deliberative capacity of the workers' congress among enterprises with different ownerships, the deliberative capacity is weakest in individual businesses (the average is -0.66, and the average of general specimen is -0.03), but there is no significant difference in deliberative capacity in enterprises with other ownership structures. Among enterprise organizations with different organizing levels, the deliberative capacity of workers' congresses is greatest in multi-national organizations (the average is 0.51, and the average of general specimen is -0.03), which is quite significantly higher compared to other types of organizations, but there are no significant differences in deliberative capacity among other types of organizations. As for enterprise size, the larger the size of the enterprise, the greater the deliberative capacity of its workers' congress (the average in large-sized enterprises is 0.12, and the average in micro-enterprises is -0.36, and the average of the general specimen is -0.03).

3. Party, Youth League and women's organization. With the economic reforms and liberalization, the transformation of ownership structures in state-owned enterprises and the foundation of enterprises with various ownerships models created a dilemma for the Chinese government: on the one hand, the leadership and governance of the CPC had to be maintained; on the other hand, the market economy requires enterprise not to have any social and political functions except for its economic role. In this situation, mass organizations such as the Party organization, the Youth League organization and the women's organization that also fulfill a political role were supposed to partly represent the safeguarding of worker interests and to participate in organizing and mobilization activities within enterprises. The party and other mass

⁹¹ The decision-making capacities of the employees' assembly include the following aspects: production and operation, development strategies, reshuffling and ownership reform, development and revision of regulations and rules, safety standards in production, electing, evaluating and dismissing the management of the unit, drafting the collective contracts, specifying the wage criteria and welfare demands.

organizations thus became an important mechanism for workers to participate in enterprise affairs. This study does not address the political role of these organizations. **We maintain that the Party, the Youth League and the women's organization widely differ in terms of their role in organizing and enabling worker participation according to the type of enterprise in which they operate (hypothesis 7).**

According to the statistical findings, the set-up rate of Party organizations is lowest in individual businesses (7.5%, the confidence interval is 3.3%-16.2%) and highest in government departments and institutions (96.9%, the confidence interval is 94.2%-98.4%). The set-up rate of Youth League organizations is also lowest in individual businesses (7.4%, the confidence interval is 3.4%-15.5%) and highest in state-owned enterprises (81.3%, the confidence interval is 76.9%-85.1%); the set-up rate of women's organizations is significantly lower in individual businesses (4.0%, the confidence interval is 1.5%-10.0%) than in any other sorts of enterprises (the general specimen is 40.7%), and there is no obvious difference in the set-up rate of women's organizations between enterprises with other ownerships structures. Among organizations with different organizing levels, the set-up rate of Party organizations is lowest in multinational organizations (21.0%, the confidence interval is 7.4%-46.8%), and highest in national organizations (86.1%, the confidence interval is 78.8%-91.1%). The set-up rate of Youth League organizations is lowest in multinational organizations (15.9%, the confidence interval is 8.8%-27.0%) and highest in national organizations (72.0%, the confidence interval is 63.6%-79.2%); the set-up rate of women's organizations is lowest in multinational organizations (11.9%, the confidence interval is 4.5%-27.9%), and there is no obvious difference between other types of enterprises (the general specimen is 40.5%). Among enterprises of different sizes, the set-up rate of Party organizations increases with the size of the enterprise (it is 86.6% in large-sized enterprises, 37.9% in micro-enterprises, and the general specimen is 68.8%); the larger the size of the enterprise, the higher the set-up rate of Youth League organizations (it is 76.3% in large-sized enterprises, 22.6% in micro-enterprises, and the general specimen is 55.9%); the larger the enterprise size, the higher also the set-up rate of women's organizations (it is 59.3% in large-sized enterprises, 19.9% in micro-enterprises, and the general specimen is 40.5%). With regard to participation in decision-making, non-members have fewer rights to participate in decision-making (the average is 10.53, the confidence interval is 10.38-10.67) than employees who are Party members (the average of general specimen is 11.40); while in our sample there is no difference between those who are members of the Youth League and the women's organizations and those who are not. As for the expression of one's opinions and ideas, the willingness to express one's opinion gradually decreases from the party organization leader (93.3%) to the non-member (79.3%); from Youth League leader (92.6%) to activist (73.4%) the willingness to express one's ideas also gradually decreases; and the key members of the women's organizations (98.2%) are more willing to express their ideas than other sorts of members. Concerning participation in rights-safeguarding activities, the enthusiasm for participation gradually decreases from the from party organization

leader (76.1%) to the non-member (42.5%), while there is no difference among those who are members of the Youth League and those who are not. The rate of participation in rights-safeguarding activities is much higher for the activist members of women's organizations (68.8%) than for other sorts of members.

III. The effects of workers' participation

In the following analysis, we divide the effects of worker participation into the categories individual effects, organizational effects and social effects, and **we hold the view that worker participation exerts positive effects on all of these three aspects (hypothesis 8).**

Individual effects. According to the results of our statistical analysis, the sense of relative deprivation of participating employees (the average is -0.19, the confidence interval is -0.24—-0.14) is significantly higher than that of non-participating employees (the average is -0.19, the confidence interval is -0.03-0.06); the sense of relative deprivation among trade union members is significantly higher than among non-members (13% higher); the feeling of powerlessness among participating employees (the average is -0.21, the confidence interval is -0.24—-0.17) is higher than among of non-participating employees (the average is 0.07, the confidence interval is 0.04-0.11); the feeling of powerlessness is also higher among trade union members than among non-members (7% higher); and the feeling of powerlessness among members of the workers' congress is lower than among non-members (1% lower). Employees holding shares are more frequently promoted (the average is 0.72, the confidence interval is 0.58-0.87) than employees holding no shares (the average is 0.49, the confidence interval is 0.46-0.52). The monthly income of employees holding shares is lower than that of employees holding no shares (about 24% lower); the monthly income among employees in enterprises with trade unions and workers' congresses is higher (by about 335 Yuan and 42 Yuan respectively) than that among employees in enterprises without such organizations. The welfare level of employees in enterprises with trade unions and workers' congresses is significantly (167% and 16% respectively) higher than that of employees in enterprises without such organizations.

Organizational effects. According to the data analysis, the degree of commitment to the organization in question is much higher among participating employees (the average is 0.16, the confidence interval is 0.12-0.20) than among non-participating employees (the average is -0.01, the confidence interval is -0.05-0.03); and the degree of commitment to the organization is much higher among employees holding shares than among employees holding no shares (about 21% higher). The degree of recognition for the organization (the average is 0.16, the confidence interval is 0.12-0.20) is much higher among participating employees than among non-participating employees (the average is 0.05, the confidence interval is 0.02-0.09); and the degree of recognition for the organization is much higher among employees holding shares than among employees holding no shares (about 9%

higher). With regard to the level of profitability, the profitability of participative organizations is much higher than of non-participative organizations (about 48% higher). The degree of trust between participating employees is much higher (the average is 0.13, the confidence interval is 0.10-0.17) than among non-participating employees (the average is -0.01, the confidence interval is -0.04-0.02); and the degree of trust between employees holding shares is much higher than among employees holding no shares (about 13% higher). The degree of trust in the system is much higher among participating employees (the average is 0.21, the confidence interval is 0.17-0.25) than among non-participating employees (the average is 0.04, the confidence interval is 0.00-0.07). The promotion and motivation of employees participating in the Youth League organization (the average is 0.21, the confidence interval is 0.17-0.25) is higher than that of non-participating employees (the average is 0.04, the confidence interval is -0.002-0.07); and the promotion and motivation of employees holding shares in the Youth League organization is significantly higher than that of employees holding no shares (about 23% higher). The participating employees are more confident in the optimization of human resources (the average is 0.19, the confidence interval is 0.17-0.25); similarly, the employees holding shares are also more confident in the optimization of human resources (about 23% higher).

Social effects. The evaluation of the general mood in society is better among participating employees (the average is 0.16, the confidence interval is 0.12-0.20) than among non-participating employees (the average is 0.03, the confidence interval is -0.01—0.07). The degree of social participation among participating employees is much higher (the average is 0.23, the confidence interval is 0.20-0.25) than among non-participating employees (the average is 0.09, the confidence interval is 0.07-0.11). The tendency towards collectivism among participating employees is much higher (the average is 0.11, the confidence interval is 0.09-0.14) than among non-participating employees (the average is 0.00, the confidence interval is -0.02—0.03). The tendency towards rationalism is much higher among non-participating employees (the average is -0.02, the confidence interval is -0.04—0.01) than among participative employees (the average is -0.07, the confidence interval is -0.10—0.46). Actions promoting social justice were much more frequent among participating employees (the average is 0.87, the confidence interval is 0.04-0.13) than among non-participating employees (the average is 0.04,, the confidence interval is 0.00-0.09).

The statistics above show that in the social transformation that began with economic reforms and the liberalization of the Chinese economy, worker participation in enterprises shows the following characteristics:

1. Among the various ownership structures of enterprise organization, there are differences in the forms, scope, and degree of worker participation.
2. The various models of enterprise operation and management determine the specific forms of employee participation.
3. The forms, degree and legitimacy of worker participation will directly influence the governance structure and the organizational solidarity of an enterprise.

4. Worker participation in Chinese enterprises has its own particular character, as it absorbs and makes use of various historical experiences and therefore differs from the Western model of worker participation.
5. State and party systems exert important influences on worker participation in Chinese enterprises, and continue to play a decisive role.
6. In Chinese enterprises, the form of worker participation changes with differences in ownership structure. However, these differences can be overcome by combining top-down and bottom-up participation.
7. Trade unions do not exist independently of worker participation. Unions continue to operate the framework of state governance, and they cannot carry out their activities without the leadership of the Communist Party of China.
8. In the current stage, worker participation in Chinese enterprises remains a form of participation with limitations. It cannot thoroughly fulfill the rights and the political values that the concept of participation entails.

Work Report

Subject research report 1: Qualitative Investigation

During 2006 and 2010, the research team completed an extensive, interview-based fieldwork study in the Northeast, Southeast, Northwest and midlands of China. The interviewees included enterprise workers, enterprise managers, enterprise owners, trade union leaders from all levels of management, local government officials, community managers and laid-off workers, among others. The enterprises chosen for the survey included state-owned enterprises, township enterprises, private enterprises, foreign invested enterprises and joint ventures. A wide range of respondents were surveyed to achieve a representative sample. In order to obtain more informative results, the research team chose three enterprises to be the focus of the survey. The selected enterprises were a typical state-owned enterprise specialized in heavy industry in the Northeast of China, Liaoning FM Group Co., Ltd., a typical private enterprise in the more developed Southeast, Zhejiang HX Textile Co., Ltd., and NL Machinery Co., Ltd. Taking these enterprises as typical cases representative of other companies with similar profiles, the research team immersed itself into all important processes within and surrounding the enterprise and investigated the mechanisms and activities the staff participated in, from the general manager to the frontline staff, from the trade union officials to the lower-level personnel, from the workers at their posts to the peasant-workers and the laid-off workers, from the local government to the local community. Besides the nationwide survey and data collection, the research team carried out a more in-depth survey in these representative enterprises in order to analyze and understand their macrostructure as well as the micro-mechanisms, using the experience of a selected unit as case study to examine a larger area in-depth, and combining both horizontal and vertical analysis.

In more than three years of field research, we visited three national and local trade unions, twelve government departments and eighteen enterprises characterized by different ownership structures. Of these eighteen enterprises, we selected four representing the most common types of ownership - a state-owned enterprise, a restructured enterprise (a previously collectively owned enterprise transformed into a joint-stock enterprise), a private enterprise and a joint venture - to be the long-term focus of the investigation. However, due to their unexplained reasons it turned out to be difficult to investigate the joint ventures and foreign invested enterprises, and only preliminary interviews could be carried out at these enterprises. Apart from these two exceptions, all other types of enterprises could be fully studied and investigated.

I. Research at Fushun, Liaoning

1) Enterprise Background

Fushun, in the Liaoning Province, is a very typical and thus highly representative state-owned enterprise and community in the Northeast of China. It is located in the centre of the North-eastern heavy industrial area, which is characterized by single-industry towns and coal resource-based industries, which is going to be exhausted. In city Fushun, their service industry is also less developed. The location of these large enterprises overlaps with the local communities. The local population has few employment opportunities besides the state-owned enterprises, which has resulted in high levels of unemployment and social instability in the area. Fushun is known as the “Coal City”, as it originally became prosperous due to its coal mining industry.

FM Group Co., Ltd. has undergone a thorough restructuring process, which transformed the original FM Bureau into an entirely state-owned enterprise. It is one of the Top 500 enterprises in China. As one of the three resource-based heavy industry enterprises, it is characterized by the following features:

1) The enterprise can be traced back to the government of the late Qing Dynasty. The development of the enterprise went through several important stages: the period of Japanese governance, the period of the Kuomintang Government, the era of socialist economic planning and the market economic reforms, which represents the general growth orbit and development of modern Chinese enterprises. The FM enterprise holds a significant amount of valuable historical documents, which cover a period of over a 100 years and offer vital historical data for the subject of our study.

2) As a resource-depleting and resource-recycling enterprise, it experienced the typical transformation of Chinese enterprises in the 1990s, which allows us to carefully examine the nature of worker participation during that time.

3) Presently, the enterprise counts more than 40 000 employees, more than 50 000 retirees, as well as dozens of subordinate enterprises and thousands of laid-off workers. All of these characteristics are typical of the Northeast old industrial area. The complicated relationship between the enterprise’s internal structure and the external government and community creates a constellation typical for the region.

2) The first investigation:

In November 2006, the research team began a seven-day study of the FM Group Co., Ltd. and carried out the following tasks:

- A. The research team familiarized itself with the business organization structure, the organizational system, production, operation management and corporate culture by speaking to the director and part of the senior management staff, and further established mutual trust and friendly cooperative relationships with the enterprise executives.
- B. The research team selected five subordinate branches to be investigated, and organized 16 interviews and conversations with senior management staff and ordinary workers.

- C. The research team arranged two rounds of focus interviews with enterprise workers and worker representatives, each round involving five workers and lasting three hours.
- D. The research team systematically collected written historical materials concerning the establishment and organization of staff assemblies and trade unions from the enterprise archives.

3) The second investigation:

From September 7 to 21, 2007, the research team carried out the second part of the study at FM Group Co., Ltd. This investigation involved the following tasks:

- A. In January 2007, FM Group Co., Ltd., after careful preparation began to implement the concept “All power to the staff assembly”. The Permanent Congress of Worker Representatives (PCWR) was set up to vote on important decisions. These decisions became an important focus point for the research team. We systematically collected all relevant documents, written voting materials and process records of the PCWR and spent two days carrying out in-depth interviews with eight PCWR representatives, focusing in particular on the congress’ establishment, the implementation process and several matters related to the PCWR that were in our special interest.
- B. Within the trade union, we conducted in-depth interviews with the chairman and vice-chairman regarding the relationship between the trade union and the PCWR and the trade union’s role in organising and coordinating the establishment of the PCWR.
- C. Due to the trustful relationship established with the enterprise leadership in the course of the first investigation, we were able this time to examine the enterprise’s mining field, which helped us understand the participation of workers in their working environment as well as their working methods and the production conditions. We visited the mining teams, and observed in particular one team executing the preparatory work before the actual production process. We examined the division of labour, the training the workers receive regarding safety standards and procedures, information flows as well as their quasi-military ceremonies. In the Western open mine, we organized a focus interview with one of the production teams.
- D. Eight in-depth interviews with senior management staff were completed (the interviewees were members of the Labour and Capital Bureau, the Quality Supervision and Inspection Office, the Organization Personnel Department, the Finance Department and the Asset Management Committee respectively) to learn more about the participation of workers in personnel management, wage negotiations, production evaluations, supervision, limitation of power and asset management, etc.
- E. We received further historical materials about the enterprise from the local library, which was helpful to understand the present model of worker participation by examining its history in the enterprise. Besides, we obtained a number of historical materials from the Editorial Department of the Miners

News, which provided us with a different perspective on the enterprise's organizational structure, worker participation and enterprise culture.

- F. The research team took part in and observed the workers' sports competition and conducted a field observation during the ceremony, examining mobilization methods and institutional arrangements as well as the workers' attitudes and position in the state-owned enterprise.

4) The third investigation

From January 25-26, 2008, the research team took advantage of the Annual Workers' Congress to carry out a third investigation. The tasks completed were as follows:

- A. The investigation aimed at participating in and examining the "Workers' Congress" typical for state-owned enterprises. The Workers' Congress is the most important annual meeting related directly to workers' rights and benefits in the enterprise, and the enterprise trade union, as the permanent executive agency, presided over the meeting. We listened to the chief executive's enterprise development report delivered to the workers, as well as the annual work report of the chairman of the trade union. We further observed how the enterprise's board of directors signed an "All-Year Production Liability Paper" (which contains the concrete regulation of production targets, division of profits, etc.), the election of the new "permanent worker representatives", the modification of the number of "permanent worker representatives" and so on. Both this field observation and the participation in and examination of the enterprise's sports competition during the second investigation allowed us to achieve a more truthful experience and better understanding of the ceremonies, institution arrangements and the workers' attitudes and position in state-owned enterprises.
- B. We took part in one "permanent worker representatives" meeting. The meeting was the continuation of Workers' Congress. Although it differed from the meeting to pass bills and make decisions, it allowed us to know the opinions and reflections of the grassroots representatives of the units on the issues discussed at the meeting.
- C. We conducted an in-depth interview with the deputy manager who was in charge of operation and management. During the interview, he discussed the relationship between the state-owned enterprise and the national and local government, the mechanisms of "democratic management" within the operation and management of the enterprise, such as trans-administrative bureaucratization, the different committees that decentralize decision-making power, the concept of establishing a permanent staff council and the problems the project faced. He further addressed the whole decision-making process within the enterprise, the question of how to realize workers' rights and benefits and the significance of the new labour law to the workers in state-owned enterprises, etc.

II. Research at Changxing, Zhejiang as the survey point

A. NL Machinery Co., Ltd.

1) Enterprise Background

CX County, Zhejiang, is the portal of three Chinese provinces (Jiangsu, Zhejiang and An' hui) and is located on the Hangjia Lake plain in the Yangtze River delta, on the Western bank of the Tai Lake. It has over the past few years achieved remarkable economic and social improvements and become one of China's most rapidly developing counties. This county's economy is largely dominated by restructured collective enterprises, private enterprises and joint ventures.

NL Machinery Co., Ltd. is a logistics equipment manufacturing enterprise with more than 1600 employees. Over the past six years, it has gone through a very rapid development and most of its products are now sold abroad. Because it is an enterprise exporting technological equipment, it has had to pass a large amount of international quality certifications and comply with certain social standards. The enterprise was originally a county "collective enterprise", but has been transformed into a joint-stock cooperative company.

2) The second investigation

We visited this enterprise in 2005 for a pre-investigation, and, in October 2005, returned for a second investigation that involved the following tasks:

- A. We conducted in-depth interviews with the enterprise leaders and senior management staff (personnel department, finance department).
- B. We invited some frontline staff to participate in a focus interview. The interviewees were mainly workers from the local town, the surrounding rural areas as well as from abroad.
- C. We conducted an in-depth interview with the chairman of the trade union to learn more about the establishment and organization of the trade union.
- D. We visited the production line and got to know the employees' working environment and space for participation.
- E. We visited and interviewed the local administration of the development zone, which helped us understand the enterprise's social environment. Knowing the employment conditions in this particular area also taught us more about the participation of workers in the enterprise.
- F. We conducted in-depth interviews with the county trade union members.

3) The third investigation

From December 21 to 31, 2005, the research team carried out the third part of the field research at the enterprise and completed the following tasks:

- A. We interviewed the senior management staff of the enterprise's main organization.

The interviewees came from the Administration Department, the Human Resource Department, the Production Department, the Research and Development Department, the Finance Department, etc. The interviews and the ensuing conversations helped us to learn more about the basic operating model and management of the enterprise, about how the departments participate in and manage enterprise matters, how private enterprises entered the international market, how private enterprises began to hire and make use of professional managers and manages its staff, etc.

- B. We visited the grassroots units called “workshops” and “work teams” to observe their working process, and talked to the workshop manager, the foreman and the workers to examine how these two important working units mobilize, are supervised and transfer staff and to compare our observations with those made at the grassroots units of the state-owned enterprise also analyzed in our study.
- C. We conducted a stratified sampling survey among ca. 500 company employees.
- D. We participated in the annual “Congress of Workers” and examined how the private enterprise mobilized staff, revised their “Employee Manual”, asked for the opinions of the worker representatives, formulated staff management regulations and rules and how they implemented the new labour law.
- E. We carried out a follow-up interview with the company director. In 2005, we had already conducted an in-depth interview with him, and this time the interview raised a number of important issues such as the significance of winning the “anti-dumping” case against European countries for Chinese enterprise development, the relationship between the enterprise and the local government, the transformation into a joint-stock system, technical innovation, the current employment system and the impact of the new labour law’s implementation on the enterprise and its workers, etc.

B. HX Textile Co., Ltd.

This enterprise, originally a collectively-owned factory, was established to be a private enterprise and became a limited joint-stock company during the restructuring process of local collective enterprises. Its main business is textile and it exports to the South American market, to Eastern Europe and to the Middle East. In recent years, it has also established an electronics factory and began to be involved in the mortgage industry. The enterprise now counts over 500 employees.

1) The first investigation

In October 2005, the research team conducted its first study of the enterprise. We visited the production field and interviewed the company director, researched the history of the enterprise’s development, the joint-stock operation model, the enterprise’s certification levels, its inner management, the local trade union and working conditions in the enterprise, etc. This first investigation allowed us to confirm that the enterprise was indeed relevant to our survey and a valuable case study, and we completed the necessary preparations for a follow-up study.

2) The second investigation

In December 2007, the research team carried out a second study of the enterprise. Based on the previous study, we completed a comprehensive investigation, mainly including the following tasks:

- A. We interviewed the company president, six large shareholders, the main executive bodies and the production departments and branches to examine the development of the joint-stock system, the implementation of inner simulated contracting, the managers in low and middle and staff as enterprise shareholders, family management within the enterprise, interpersonal relation management, system design and mechanisms.
- B. We carried out a stratified sampling questionnaire among ca. 200 staff members of the enterprise and further conducted longer interviews with and observations of a part of the sampled employees.
- C. We visited the production and working areas and examined the working conditions, health conditions, the system of rewards and punishment as well as cases of over-time work, etc.

In the course of this investigation we also paid a second visit to the county trade union and interviewed the secretary of the CPC in the County Committee. We further had an informal discussion with industrial associations and some other government organizations to get a sense of the mutual interdependence and interaction between the local government, the enterprises and the local labour regulations and policies.

3) The third investigation

In February 2010, the research team completed a second follow-up study, this time focusing on the company president Dai Shunhua. The aim of the study was to investigate the geographical distribution of industrial development, the chains of production and the company's internal structure and method of governance, as shown specifically in the following:

- I. **Industry:** HX's production chains and the geographical distribution of industrial development: 1. There were no obvious changes in the production chains and working procedures in the enterprise's leading industries, textile and dyeing, except for multiple production lines being merged into two principal production lines (printing and dyeing); 2. Based on D's interview, we learned that he had actively worked to expand the role of middlemen in the market, who had been mentioned in previous investigations; 3. The enterprise had seized manufacturing instant electric water heaters. However, due to the good economic prospects of the ozone machine, they continued its production; 4. At the end of 2009, the enterprise purchased the Jinbakai Company and thereby entered the biomedical field. They built a raw materials site, and this purchase in particular influenced the enterprise's management philosophy; 5. They reduced their business in the mortgage

industry and began providing micro-credits (the license was predicted to arrive in March 2010).

- II. **Organizational structure:** 1. The internal shareholder and institutional structure: 1. The number of shareholders decreased from 6 to 4. Two relatives quit their positions but stayed in the enterprise to work in the new investment field (Jinbakai's raw materials business); 2. The general manager's administrative committee, which consists of young members selected from all areas of the enterprise, was set up as a club that would take over the role previously played by the Red Guard, as well as to supervise Mr. D; 3. A special Supervising and Auditing Department was established (this can also be the general manager's administrative committee).
- III. **Governance:** Adjustments in the mode of governance: 1. The internal shares system was eliminated and simulated contracting was turned into formal contracting (four production lines were merged into printing and dyeing, under the charge of Mr. Z and Engineer Mo respectively); 2. A new performance assessment was developed and the internal management generally became more professionalized (for example by cooperating with professional consultancy firms to design new institutions); 3. The composition of shareholders was adjusted to clarify and simplify property rights; 5. The Sister XY's role was replaced by existing organizations and she formally quit this post and tried to enter a new department in which she was more needed, her role would be replaced from participate from other opinion's leader in this company. 6. The general manager's administrative committee was set up to play the role formerly played by the Red Guard.

This investigation supplemented our data on specific measures concerning property rights, enterprise operation, governance and changes in the levels of organization to shed more light on new trends in the development of private enterprises.

Reference: (vide post)

Appendix 1: **List of organizations and enterprises included in the investigation** (18 enterprises and 15 government organizations)

Appendix 2: **List of interview materials** (94 respondents, 12 volumes of compiled materials of about one million words)

Subject research report 2: Quantitative Study

This investigation focused on urban citizens and their attitudes towards and opinions on a number of different issues. The survey began in October 2007 and ended in December in 2007, with a sample size of 6000 respondents and 4917 valid responses.

First, the statistics in the almanac of the National Bureau of Statistics were used to obtain precise data about the nonagricultural population in 559 Chinese counties and cities (not including two cities in Tibet) in the year 2005 (unit: 10 thousand

people, variable name POP), the year-end labour population (unit: 10 thousand people, variable name LABOUR), the local GNP (unit: 10 thousand Yuan, variable name GNP), the year-end savings deposits of urban and rural residents (unit: 10 thousand Yuan, variable name: SAVE), domestic enterprises' total output value (unit: 10 thousand Yuan, variable name NEP), Hong Kong, Macau and Taiwan-invested enterprises' total output value (unit: 10 thousand Yuan, variable name YXP), foreign invested enterprises' total output value (unit: 10 thousand Yuan, variable name FEP) and the number of local telephone users at the end of the year (unit: 10 thousand amount of telephone users, variable name PHONE).

This data was used to calculate five new variables:

Labour-population ratio (LPR) = the year-end labour population (LABOUR)/ the nonagricultural population (POP) * 100

Per capita gross national product (GNPP) = local GNP / the nonagricultural population (POP)

Per capita savings deposits (SAVEP) = the year-end savings deposits of urban and rural residents (SAVE)/ the nonagricultural population (POP)

Per capita telephone (PHONEP) = the number of local telephone users (PHONE)/ the nonagricultural population (POP)

Domestic-investment ratio (ECON) = domestic enterprises' total output value (NEP)/ [domestic enterprises' total output value (NEP) + Hong Kong, Macau and Taiwan-invested enterprises' total output value (TXP) + foreign invested enterprises' total output value (FEP)] * 100

These variables plus POP were used as the basis for a latent class analysis, which resulted in 5 latent classes with a model classification error rate of 4.85%. The attribute list of every latent class is as follows:

Table 4.1 Latent Class Analysis of Cities in China in 2005 (N=659)

	Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Labour-population ratio	8.50	25.47	5.07	24.90	42.62
Per capita gross national product	17008.35	30805.04	8490.60	44438.60	88830.29
Per capita savings deposits	10313.24	24059.70	5154.75	33170.24	57527.13
Per capita telephones	0.30	0.64	0.17	0.71	1.27
Domestic investment ratio	79.58	93.90	91.88	67.50	67.37
Non-agricultural population	60.60	38.32	77.49	148.01	62.84
Proportion	0.30	0.27	0.22	0.16	0.05

In the table above, we see that the third latent class consists of the least

developed cities, which make up a total of 22.13% of all cities, with a per capita gross national product of less than 10 thousand Yuan (about 8000), per capita savings deposits of about 5 thousand Yuan, a labour-population ratio of about 5%, a per capita telephone rate of only 0.17, a domestic-investment ratio of 91.9% and a medium-sized nonagricultural population (about 770 thousand people).

The first latent class comprises the less developed cities, which make up 30.03% of all cities, with a yearly per capita gross national of about 17 thousand Yuan, per capita savings deposits of about 10 thousand Yuan, a labour-population ratio of about 8.5%, a per capita telephone rate of only 0.30, a domestic-investment ratio of 79.6% and a medium-sized nonagricultural population (about 610 thousand people).

The second latent class holds the medium-developed cities, which make up 26.87% of the total, with a yearly per capita gross national product of about 31 thousand Yuan, per capita savings deposits of about 24 thousand Yuan, a labour-population ratio of about 25%, a per capita telephone rate of only 0.64, a domestic-investment ratio of 93.9% and a small nonagricultural population (about 380 thousand people).

The fourth latent class are the more developed cities, which make up 15.61% of the total, with a yearly per capita gross national product of about 44 thousand Yuan, per capita savings deposits of about 33 thousand Yuan, a labour-population ratio of about 25%, a per capita telephone rate of 0.71, a domestic-investment ratio of 67.5% and a large nonagricultural population (about 1.48 million people).

The fifth latent class comprises the most developed cities, which make up only 5.35% of all cities, with a yearly per capita gross national product of about 89 thousand Yuan, per capita savings deposits of about 58 thousand Yuan, a labour-population ratio of about 43%, a per capita telephone rate of 1.27, a domestic-investment ratio of 67.4% and a medium-sized nonagricultural population (about 630 thousand people).

Based on this analysis, we selected used a stratified sampling method to select the cities to be surveyed from all the 659 cities in the analysis. This method consists of clustering all the cities into five layers according to eight leading economic and social indicators, randomly selecting eight cities in each layer, randomly choosing 10 neighborhood committees in each city, selecting 15 families in each neighbourhood committee through systematic sampling, and choosing one respondent from each family to finish one questionnaire. The survey respondent should be a regularly registered resident with a job (retired individuals, transient populations or migrants are not included).

Table 4.2 Population of Cities in Different Latent Class in 2005

City Latent Class	City Number	Gross Population	Population Proportion	Sample Proportion	Weighted Value
The first latent class	193	10548.13	22.2	20.8	1.067
The second latent class	181	10929.53	23.0	19.0	1.211
The third latent class	151	7161.84	15.1	19.6	0.769
The fourth latent class	100	15321.59	32.2	21.8	1.475
The fifth latent class	34	3558.78	7.5	18.7	0.401
Total	659	47519.87			

Second, the Statistics Bureau through systematic sampling chose 10 neighbourhood committees from the neighbourhood committees' list in each of the 40 selected cities.

From the selected neighbourhood committees, the supervisor randomly chose the starting point of the investigation according to geographical position, and the researcher chose 15 families by one of the following methods:

- A. By the ascending order of house numbers, building numbers, unit numbers and door numbers.
- B. By the ascending order of door numbers if several families shared the same house, compound and unit numbers.
- C. If several families shared the same house number without respective door number, the researcher chose one family out of 15 through systematic sampling following the "left to right" principle, or going from the outside to the inside, or from top to bottom.

During the door-to-door survey, the researcher filled in the "Contact Recording Form" and "Screening Schedule" for each of the surveyed families that had employed family members and clearly indicated the reasons for unsuccessful cases. These unsuccessful door-to-door surveys were replaced by the neighbouring families' survey until the investigation was successfully completed. During the door-to-door survey, the researcher could choose the specific respondent according to the Kish table.

The data collection was completed in December 2009.

Appendix 1: List of organizations and enterprises included in the investigation

List of organizations and enterprises	Place	Interviewee	Time
DSM China (solely Holland-owned)	SH	President	October 2005
SH Airlines CO., LTD. (state-owned enterprises)	SH	Secretary of the Party Committee, Chief of Human Resources, Chairman of Trade Union, etc	October 2005
Alcatel-Lucent SH Bell Co., Ltd. (joint venture)	SH	Vice President, Chief of Human Resources, etc	October 2005
Genius Advanced Material(SH) Co., Ltd. (private enterprise)	SH	Vice President	October 2005
CX County Party Committee and Government	CX County, Zhejiang Province	Secretary of the CPC in the County Committee, Political Laboratory personnel (details in the Table of Interviewees), Director of the Committee on Development and Reform, Vice-chairman of the County Business Association (Chamber of Commerce), Secretary-General of the County Cement and Machine Association (details in the Table of Interviewees)	October 2005 December 2007
CX County Government	CX County, Zhejiang Province	President, Department Heads, Chairman of Trade Union, Director of Human Resources, Shop Managers, Job Foremen, Staff, etc. (details in the Table of Interviewees)	October 2005 December 2007 January 2008
CX NL Machinery Co., Ltd (joint-stock company)	CX County, Zhejiang Province	President, Department Heads, Chairman of Trade Union, Director of Human Resources, Shop Managers, Job Foremen, Staff, etc. (details in the Table of Interviewees)	October 2005 December 2007
FZL Village, CX County	CX County, Zhejiang Province	President	October 2005
CX Federation of Trade union	CX County, Zhejiang Province	Chairman	October 2005
CX YD Electronic Power and Electric Pole Plant (private enterprise)	CX County, Zhejiang Province	President	October 2005

CX HX Textile Co., Ltd. (private enterprise)	CX County, Zhejiang Province	President, Heads of Departments and Branches, Staff, etc. (details in the Table of Interviewees)	October 2005 December 2007 January 2010
CX Electronics Factory (private enterprise)	CX County, Zhejiang Province	President	October 2005
HQT Group (private enterprise)	WZ, Zhejiang Province	Vice-President	December 2005
SL Group (private enterprise)	WZ, Zhejiang Province	Secretary of the Party Committee and Vice President	December 2005
WZ City Trade union	WZ, Zhejiang Province	Head of the Interest and Right Protection Department	December 2005
LW District Trade union, WZ	WZ, Zhejiang Province	Chairman of the District Trade union	December 2005
ZZ Coal Mine and Machine Factory (state-owned enterprise)	HN Province	Manager of a subsidiary company	December 2005
LY Glass Co., Ltd. (state-owned enterprise)	HN Province	Deputy Secretary Chief of the Board and Deputy Chief of the Office, Head of the Human Resource Department, Managers of LY Crane Factory and Dinghong Company	December 2005
ZZ YF Cotton Spinning Co., Ltd. (state-owned enterprise)	HN Province	Director of the Office of the Party Committee and also Minister of Organization and Secretary of the Discipline Inspection Committee	December 2005
SM (joint venture)	TJ Development Zone	Deputy General Manager	December 2005
LS Group (state-owned enterprise)	TJ Development Zone	Director of Human Resources	December 2005
GP Company	TJ Development Park	Director of Human Resources	December 2005
AC Federation of Trade Unions	BJ	Member, secretariat of the CPC Central Committee	December 2005
US Company (solely	BJ	Financial executive officer	December 2005

American-owned)		President, General Manager, all	
FS Mining Group Co., Ltd. (state-owned enterprise)	FS, Liaoning Province	departments and branches, trade union, workshop sections, teams and staff (details in the Table of Interviewees)	November 2006 September,2007 January 2008

Appendix 2: List of interview materials

Changxing County

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2. Interview with the Director of the Committee on Development and Reform.....38
3. Interview with Secretary W of FZL Village of CX County.....70
4. Interview with the President of CX NL Machinery Co., Ltd. D.....106
5. Interview with Head of Human Resource Department of CX NL Machinery Co., Ltd. Y.....125
6. Interview with President of CX HX Textile Co., Ltd. Dai.....152
7. Interview with Chairman Z of CX general trade union.....208

Sourcebook 2

1. Interview with the Secretary of the CPC in CX County Committee L.....1
2. Interview with the CX County Trade Union.....23
3. Interview with the Vice-chairman of the CX County Business Association (Chamber of Commerce).....52
4. Interview with the Secretary-general of the CX County Cement and Machine Association W74
5. Interview with President of HX Textile Co., Ltd. D.....102
6. Interview with Vice President of HX Textile Co., Ltd. S.....144

Sourcebook 3

1. Interview with the Deputy Financial Controller of HX Textile Co., Ltd.
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2. Interview with the deputy technical director of HX Textile Co., Ltd.190

3. Interview with Engineer M of HX Textile Co., Ltd.220

4. Interview with husband of the younger sister of branch of HX Textile Co.,
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1. Interview with CEO Y of NL Machinery Co., Ltd.....1

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3. Interview with the Assistant Chief Engineer of NL Machinery Co., Ltd. T....68

4. Interview with the Chairman of the Trade union of NL Machinery Co., Ltd.
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5. Interview with the department manager of NL Machinery Co., Ltd.
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6. Interview with the pioneer product shop manager of NL Machinery Co., Ltd.
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7. Interview with teams of the metal working shop of NL Machinery Co., Ltd...196

8. Interview with the Secretary W of FZL Village of JP Town of CX
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9. Interview with the President of the Grape Industrial Association of ZC Town of CX
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FM Group Co., Ltd.

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1. Interview with the General Manager Y and Vice President S of FM Group Co.,
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3. Interview with the deputy Secretary of the Party Committee of the Forestry Office of FM Group Co., Ltd.	72
4. Interview with Secretary L of the Forestry Office and Section head L of the Bureau trade union.....	90
5. Interview with the staff of the Forestry Office of FM Group Co., Ltd.	127
6. Interview with workers of the Shale Refinery of FM Group Co., Ltd. on wages and personnel.....	149
7. Interview with the employees ZYSg and W of Shale Refinery of FM Group Co., Ltd.	227
8. Interview with the employees Z and S of Shale Refinery of FM Group Co., Ltd.....	280
9. Interview with the employees Y and G of Shale Refinery of FM Group Co., Ltd.	315
10. Interview with Secretary T of the department of collectively-owned section management of FM Group Co., Ltd.....	349
11. Interview with the Head of the Retirement Management Office of FM Group Co., Ltd. L.....	397
12. Interview with the Head of the Retirement Management Office of FM Group Co., Ltd. L	429
13. Interview with the Head of the Retirement Management Office of FM Group Co., Ltd. X	458
14. Interview with the Head of the complaint letter and request handling office of FM Group Co., Ltd. W	496
15. Interview with chairman L of the Trade union of the Western open mine of FM Group Co., Ltd.....	537
16. Interview with President L, Head of Z and Section chief M of the Western open mine of FM Group Co., Ltd. (I)	577
17. Interview with President L, Head of Z and Section chief M of the Western open	

mine of FM Group Co., Ltd. (II)	614
18. Interview with President L, Head of Z and Section chief M of the Western open mine of FM Group Co., Ltd. (III)	651
19. Group discussion with cadres of the personnel section of the Western open mine of FM Group Co., Ltd.	668
20. Group discussion with workers of the FS Mining area.....	681

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2. Interview with the Chairman of the Trade union of FM Group Co., Ltd. L (Bottom volume)	30
3. Interview with the representative of the power supply department of M Group Co., Ltd. S (Permanent Representative).....	76
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5. Interview with the President of the Trade union of Heater Factory of FM Group Co., Ltd. (Permanent Representative)	142
6. Interview with the President of the Western open mine of FM Group Co., Ltd. Lv (Permanent Representative)	181
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9. Interview with Secretary S and Director Z of the department of collectively-owned section management of FM Group Co., Ltd.....	340
10. Interview with Secretaries S and D and Manager W and Head S of the Coal Association of the department of collectively-owned section management of FM Group Co., Ltd.....	389
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12. Interview with Chief Z of the Labour and Capital Bureau of FM Group Co., Ltd.....	450
13. Interview with the vice president of the Western open mine of FM Group Co., Ltd. L	481
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15. Interview with the Head of the Assets Committee of FM Group Co., Ltd. Z.....	592
16. Interview with the Head of the Organization and Personnel Department of FM Group Co., Ltd. C (Permanent Representative)	620
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18. Interview with the Head of the Quality Supervision Office WH and Head of Complex Section SW of FM Group Co., Ltd.....	714
19. Interview with the Deputy Financial Controller W of FM Group Co., Ltd.....	754
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3. Interview with the Head of the Human Resource Department of LY GLASS CO.,LTD.....	35

4. Interview with the Managers of the LY Crane Factory and DH Company.....	38
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10. Interview with President W of WZ AK Group.....	220
11. Interview with President N of the Trade union and Head W of WZ S Group.....	254
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