

## **TRANSFORMATION WITHOUT TRANSITION**

### China's Maoist Legacies in Comparative Perspective

*Mary E. Gallagher*

The politics of Chinese labor and the interaction between China's authoritarian political system, dualistic labor market institutions, and "state corporatist" industrial relations are issues of incredible importance. Chinese labor trends not only affect outcomes in China but also in other countries with which China is actively engaged economically, through trade and foreign direct investment and through competition for the same. Many studies of Chinese labor politics have increased our general knowledge of the topic and explicated important facets of labor relations in post-1978 China for those unfamiliar with Chinese political institutions (Walder 1986; Lu and Perry 1997; Lee 1998, 2007; Chan 2001; Gallagher 2005; Frazier 2002, 2010; Hurst 2010; Solinger 1999).

However, China's trajectory from a relatively isolated, state-socialist, planned economy to the second largest economy in the world with the largest inflows of foreign direct investment in the developing world by far and diverse patterns of regional development and ownership have remained largely left out of analysis of labor issues in comparative politics. Scholars of Latin American labor politics have frequently expanded their sights to cross-national comparisons, especially to cases in East and Southeast Asia, but differences of regime type and transition paths have generally excluded both China and Vietnam from most studies (Haggard and Kaufmann 2008; but see Chan and Norland 1999 on the China-Vietnam comparison). The varieties of capitalism literature (Hall and Soskice 2001) has similarly not been used frequently to explore the Chinese case (but see McNally

2012; Kennedy 2010; Fligstein and Zhang 2011). Although no analyst of global labor trends researches the Asian region without reference to the “rise” of China and its “emergence” as a global manufacturing power, we do not find many comparative scholars linking China’s developmental success to its labor institutions and politics, a major focus of the varieties of capitalism framework. After the collapse of the Soviet Union, comparative analysis between China and transitional countries continued, with some focus on labor institutions (for example, see Chen and Sil 2006), but comparison has become less frequent as the respective political institutions have diverged. Electoral politics and links between parties and unions are the new foci of studies of postsocialist labor while China’s labor politics are still embedded in the strictures of a single-party state.

This chapter discusses China’s labor institutions and the legacies of the Maoist period using concepts and theories from the comparative field while not ignoring China’s somewhat unique current situation of sustained rule by a Communist Party since 1949 accompanied by radical economic changes since 1978. General theories and concepts should be used not only to highlight how China differs from countries that incorporated labor unions very early or from countries that underwent political and economic transitions simultaneously in the 1980s or 1990s, but also to underscore how, despite these differences, some of the challenges that workers and labor unions face emanate from global processes of industrialization and economic competition. Although China is often set apart from other cases because of its lack of political transition, this treatment underscores the similarities that exist despite this difference. In addition to global pressures, China also shares some important postcommunist legacies with Eastern Europe, for example, ideological exhaustion and distrust of state-controlled institutions. China’s lack of political transition, however, and the continued rule of the Chinese Communist Party (CCP) also mean that Maoist institutions continue to influence directly China’s labor politics today.

Despite some important institutional similarities from the legacies of communism and similar economic pressures emanating from global economic trends, recent trends in Chinese labor politics also indicate the rising activism and contentiousness of a workforce with newfound political, economic, and social power. The instability, reflected in strike patterns and increased legal activism, has put pressure on the state to pass more protective and inclusive labor legislation, to enhance the power of the only legally sanctioned labor organization, the All-China Federation of Trade Unions (ACFTU), and to expand campaigns to unionize firms in the private and foreign sectors. In some ways, the Chinese labor movement’s situation holds more potential when compared to the declining union density and the beleaguered labor movements of many developed democracies. However, the potential future political role for labor is linked to the



instability endemic in contemporary Chinese society and the increasingly apparent unsustainability of China's developmental model (Gallagher 2014). The legacies discussed below help account for the success of China's transformation from a poor, isolated Communist country to the global powerhouse that it is today, but the relative stability of these legacies is in question, as the fundamentals that undergirded them are also in flux. Changing demographic trends in China are providing new opportunities for greater bargaining power and more political space. The regime's concerns about widening inequality provides elite support for public policies that support labor, such as increasing wages and better social welfare coverage. Finally, the next generation of migrant workers from the Chinese countryside is better educated, more technologically astute, and more demanding than earlier generations. All of these trends challenge the sustainability of the current development model, which relies on low-cost migrant labor and starkly unequal treatment of urban and rural citizens.

## **Transformation without Transition: The Role of Legacies**

In a book about the role of authoritarian legacies on post-transition labor politics, we must acknowledge that the Chinese case has continually defied predictions of political change, revolution, or breakup. China was one of the first socialist countries to experience widespread social mobilization in 1989 and only a few years later, it was one of only a few socialist regimes left standing. Unlike other cases presented in this book, authoritarian institutions in China are not "legacies" in the formal sense, as they are still functioning albeit alongside a transformed economy and society in terms of firm ownership, employment, personal life, and political socialization. For this reason, this chapter focuses on three legacies of the Maoist period, traces their transformation through the reform period, but ultimately shows how important continuities between these two periods exist despite the profound institutional and social changes that have also taken place.

Three key legacies of the socialist era on contemporary labor politics are the dualistic nature of China's labor market, the CCP's incorporation and control of worker representation via the official trade union, and the importance of vertical authority relations at the workplace. The structure of the labor market affects the distribution of employment across the population, the mechanisms used to manage employment flexibility and security, and the structure of compensation and benefits, both by individual employers and the state through legislation and institutions. The Communist Party's political control over the union is a critical factor for understanding how labor interests are or are not incorporated into the



political process, how representation of workers is or is not realized, and how collective worker organizations are or are not permitted to operate. Workplace authority relations constitute the workplace manifestation of these higher-level institutions, but they also reflect cultural and social practices, as the workplace is the most intimate reflection of power dynamics between employers and the employed. These power dynamics are not merely a reflection of the market for labor, but are mediated by political institutions, which place limits on the commodification of labor.

I argue that these legacies are critical to explain the relative stability and success of the economic model put into place in China after 1989 when political reform was taken off the table while economic reform sped up and deepened. This economic model was a mixture of East Asian developmental state policies (an activist state with reliance on export industrialization) and labor subordination via the Leninist system of party control over trade unions and the suppression of collective organizations outside this rubric. In addition to the maintenance of the older system of socialist “transmission belt” control, Western institutions have been selectively adopted, including individualized labor relations and contract labor relations via the revived legal system. Although China’s success has much to do with its initial conditions, especially the relative proportion of the population still in rural agriculture and left out of the socialist welfare state, China’s transformation from an autarkic, planned economy to an interdependent economy built on trade and foreign investment was smoothed by the stabilizing force of these legacies. The dualistic labor market facilitated China’s adoption of export-led industrialization by opening up untapped rural surplus labor for employment in coastal development zones. Rural migrant workers in the “workshop of the world” were not formally recognized as part of the working class by the state until 2003. Until then the state maintained an ideologically driven division between the urban working class and rural migrant workers. This division prevented migrant workers’ inclusion in the ACFTU and restricted ACFTU attempts to protect or organize migrants.<sup>1</sup> Exploitation and substandard working conditions were easier for a socialist state to tolerate when those working in the factories were not part of the working class. Reforming the economy via these new private and foreign sectors also insulated the state and collective sectors, which employed the vast majority of urban workers until twenty years after the onset of reform. The Leninist trade union system has closed off independent organizing and representation of workers. Activism outside this system is either spontaneous and fleeting or co-opted into the system so that the party can manage and curtail challenges to its authority. Finally, China’s reliance on legal individualism via the individual labor contract system reinforced and built on the strong hierarchical authority relations already in place at socialist workplaces. Managerial despotism in the

reform era took advantage of an atomized and fragmented workforce that had long ago learned to cultivate vertical relations with party and managerial leaders in the absence of meaningful collective institutions such as the trade union and worker assemblies (Walder 1986).

## **Labor Market Institutions: The Ongoing Role of Dualism**

The most critical legacy inherited from the prereform period is the dualistic nature of China's labor market. In the Maoist period, when a labor market did not exist in a formal sense, administrative dualism was strictly enforced by the *hukou* system, a system of household registration that denied rural citizens the ability to migrate or leave the agricultural sector, and the administrative system of job assignment, which strictly limited labor mobility even among urban workers (Wang 2005; Chan and Buckingham 2008). These legacies have been partially reformed over the past thirty years of reform. First, the state has relinquished its administrative role in employment. Local labor bureaus no longer match graduates to employment positions; in most cases labor markets function for employment searches. The household registration system has also been relaxed to allow rural residents the right to reside temporarily in urban areas for employment. Rural to urban migration has exploded and labor mobility has increased dramatically. Labor market dualism persists, however, as does persistent urban bias in social policy (Meng 2012; Cai and Chan 2000). Moreover, the widespread growth of labor subcontracting may also indicate a new, more pernicious type of labor market dualism that continues the urban bias in Chinese state policy despite new urbanization policies that allow for some degree of social and educational mobility through hukou reform and more inclusive social welfare policies.

The household registration system (hereafter "hukou") was put into place during the high socialist era of the late 1950s though it has corollaries in the imperial and republican periods (Wang 2005; Solinger 1999; Cheng and Selden 1994). It continues to have a large impact on the life chances of Chinese. This system creates an identity and a place for each individual citizen in the country. It divides people by locality (where they are from) and by identity (whether that place is rural or urban). For example, a person born in an outlying rural district of Chongqing (a provincial-level city in western China) would be designated by the place (Chongqing) and the district (rural). Children of migrant parents inherit their status even when they are born in urban areas. Since the 1950s, the hukou has been extremely critical in dictating the benefits and entitlements doled out by the state, dividing rural and urban citizens into two separate and

unequal welfare systems. Even though the hukou system has been significantly relaxed and amended over the reform period, it remains the single most important institution affecting labor mobility and employment.

The hukou system's genesis in the late 1950s is connected to China's economic transformation to a planned economy focused on heavy industry and fueled by investment surplus from the agricultural sector. The Chinese population, at that time overwhelmingly rural, was cut into two. The urban population was absorbed into the planned economy, built on state and collective enterprises with extensive social welfare obligations. Rural citizens were included in the rural commune system with much fewer welfare entitlements except access to rural land (Cheng and Selden 1994). Although this change had immediate catastrophic impact on rural citizens during the famine that followed the ill-fated Great Leap Forward (1958–60), it also had long-term negative impacts on rural citizens' mobility and their access to employment and social insurance in the reform era. The hukou system was gradually relaxed in the 1980s and 1990s to tolerate large-scale migration of rural residents to cities for employment in labor-intensive industry, low-level services, and construction. However, the hukou has remained in place as a barrier to full and legal permanent migration of most rural residents. In other words, rural Chinese may live for long periods of their life working in cities with little hope of ever becoming a permanent resident in an urban area.

Urban bias in employment and social insurance policies in China has existed since the 1950s when the incoming Communist regime turned its back on its supporters in the peasantry in order to strive for rapid industrialization. Investment in agriculture was reduced while that sector was squeezed to provide greater investment for heavy industry and cheap food to urban residents (Cai and Chan 2000). Social security and welfare were basically granted for the 20 percent of the population that lived in urban areas while rural areas were pushed into relative self-sufficiency and reliance on central government transfers for poorer regions. These differences were further strengthened by the restrictions on mobility and migration. Any normal rural-to-urban migration that might have occurred in the course of normal development was suspended from the late 1950s to the 1980s (Wang 2005; Cheng and Selden 1994).

The gradual relaxation of the hukou system opened the low end of the labor market to rural migrants. In most cities, preferential policies were adopted to close out certain types of jobs and certain types of workplaces, reserving them exclusively for local hukou holders. Rural migrants were allowed to become temporary residents of the cities in which they worked, but the labor market remained segmented in important ways to protect urban workers from direct competition (Solinger 1999). Rural migrants also took jobs that urban residents no longer found desirable. As cities began to compete for high-skilled and highly educated

labor, many cities also developed policies that facilitated greater labor mobility at the top of the labor market, especially for college graduates, with far more restrictions on permanent migration of low-skilled rural migrants (Meng 2012).

In the late 1990s and early 2000s, rural-to-urban migration increased rapidly as China's export sectors enjoyed rapid growth, especially after China's accession to the World Trade Organization in 2001 (Meng 2012). During this period, significant reform of the urban state and collective sectors was also completed, resulting in massive layoffs in the state sector and a sharp overall decline in public employment. This smashing of the "iron rice bowl" also affected the socialist system of social insurance, which had tied social welfare benefits for most urban residents to their workplace. Almost concurrent with the restructuring of the state sector, the central government also began to reconstruct social insurance programs that relied on social pooling rather than the direct supply of welfare from the workplace. However, China's pension and medical insurance programs were still tied to formal employment as the programs are funded by joint contributions of employers and employees. These programs were also set up to exclude rural migrants, although in more recent years (since 2006) there has been a push by the central government to develop social insurance programs that cover all workers, including rural migrants, and that are also more portable so as to encourage greater labor mobility between different localities. Despite these recent changes, gaps in social welfare between urban residents and rural migrants remain stark. In the 2010 China Urban Labor Force Survey, less than a quarter of migrant respondents reported receiving social insurance benefits, such as pensions and medical insurance, while over 85 percent of urban respondents received such benefits (Gallagher et al. 2014).

In the early reform era, the marked urban bias of the PRC government shifted as migration was permitted to fill new job opportunities in cities, particularly in the growing private and foreign sectors. Differences in benefits and employment security between the state and nonstate sectors made urban residents reluctant to give up their secure state jobs for posts in these new sectors that employed labor contracts and did not necessarily provide the same level of security. The segmentation of the urban labor market became entrenched. Although subsequent reform of the urban public sectors at the end of the 1990s and early 2000s reduced the security of urban workers overall, urban residents continued to enjoy preferential policies for employment and benefits. In many cases, urban laid-off workers preferred to remain unemployed (or semi-employed in the informal sector) rather than take a formal job in the new private sectors and risk losing the benefits of their former state positions (Gallagher 2009).

Labor market dualism reinforces inequality of job opportunities and social welfare benefits. It also reinforces divisions between workers even within the

same skill or educational level. This division among Chinese workers is also one factor in explaining the lack of unity and class consciousness of migrant workers in particular, as they were not even formally considered to be members of China's working class until 2003 (Pringle 2011). This designation also prevented migrants from joining the ACFTU, and ACFTU policies and advocacy were restricted to urban workers' issues until the central government approved a new definition of workers to include rural migrants in 2003. Even though dualism and large informal sectors exist in many developing and developed economies, in China the hukou policy made barriers between the two labor markets more rigid and long lasting. In recent years the central government has been more invested in breaking down hukou restrictions to boost interregional labor mobility and reduce inequality. However, local government policies have kept these divisions in place during the 1990s and 2000s to insulate urban workers (somewhat) from the pain of restructuring and reform and to restrict the amount of local funds that would be spent on public goods for nonlocal residents even when migrant workers had lived for several years or decades in the same locality.

Alongside the hukou-related divisions of the Chinese workforce, new divisions and stratification have occurred with the rise of labor subcontracting. Employment via an employment agency with reduced salary, welfare, and security burdens became very popular after the passage of the 2008 Labor Contract Law as one means to evade the new law's protections for formal workers (Gallagher and Dong 2011). Although labor subcontracting is not necessarily replacing hukou-related dualism, it is gradually becoming the more acceptable way for companies to reduce labor costs and retain flexibility (Zhang 2011). As hukou-based differences in policy and law become less acceptable, hiring of lower-level workers via labor dispatch allows dualism to persist. Of course as rural migrants also face disadvantages in educational attainment and social status, it is not surprising that many agency workers are also nonlocal residents. Although there is not one reliable data source for the number of subcontracted workers, government agencies estimate that it may be as low as twenty-seven million or as high as sixty million (Wang 2012).

In 2013 the new administration of Xi Jinping announced ambitious plans for rapid urbanization of millions of rural citizens, including existing migrants and rural and suburban residents. From 2014 to 2020, the CCP aspires to transform one hundred million rural migrant workers into permanent urban citizens.<sup>2</sup> They also hope to extend social welfare, education, employment, and housing benefits to urbanizing citizens as rapidly as possible. If successful, these changes will greatly impact labor markets and reduce segmentation. More inclusive policies are also likely to exacerbate tensions over scarce resources between new and old urban residents.

## Party Incorporation and China's Legacy Union

The concept of labor incorporation applied to the relationship between the ACFTU and the ruling Communist Party reveals the major facets of the union's power and its weaknesses. The concept of labor incorporation was developed most extensively by Collier and Collier's (1991) comparative historical analysis of Latin America. Their period of study is that of "initial incorporation" from "repression to institutionalization, from exclusion to incorporation." In all cases the end result was the "institutionalization and legalization of an organized labor movement controlled and regulated by the state." Studies of state socialist labor movements and post-transition labor reforms acknowledge that the type of labor incorporation in state socialist regimes is the most extreme and, as such, is not captured in any of the Latin American cases studied in *Shaping the Political Arena* (Collier and Collier 1991). As the introduction to this volume argues, unions in Communist regimes pursued *state paternalist* policies of labor incorporation, which placed the labor movement under a single umbrella and subordinated the leadership and the goals of the labor movement to those of the Communist Party. Although the Chinese labor movement was an active participant in the revolution, after its success the trade union lost political autonomy; it faced no competition; and its role as worker representative was exchanged for one of worker control.

The experience of trade unions in socialist countries is initial incorporation by the Communist Party and mobilization of the trade union for revolutionary goals prior to socialist revolution and state-building goals after the revolution. In China, as in other socialist regimes, the labor movement was demobilized during the postrevolutionary period while political repression became more important in the subordination of labor activism that departed from the party's own agenda, which was at the time usually one of heavy industrialization, economic development, and labor peace (see Perry's discussion of the fate of Lai Ruoyu, a trade union activist in the 1950s, in Perry 1994). In China, the incorporated labor movement, which covered workers in the urban state and collective sectors, exchanged independent political power for political access and elevated social and economic status, which included lifetime employment security, stable (but low) wages, extensive welfare benefits, and preferential employment and educational opportunities for their children (Walder 1986). The most typical shorthand expression for this Leninist institution is the "transmission belt model." The union acts as a link between the party and workers, but in a subordinate relationship vis-à-vis the party, which inhibits any independent role of the union as the representative of workers (Ashwin and Clarke 2002; Chen and Sil 2006).

Out of the three legacies discussed in this paper, this institution is the most unreformed, but in the context of China's current economy, with vast labor market changes and marked labor unrest, the ACFTU's position vis-à-vis the party and the state accords it significant "within-system" power. The CCP's early incorporation of the ACFTU typifies the mixture of control, mobilization, and populism that Communist parties have used to tame labor and to enact policies that benefit certain strata of the working population over others. During China's reform era, populism and mobilization have shifted and, even at times, waned. At the most critical junctures, during large-scale strikes and periods of labor unrest, the ACFTU is least effective, underlining its anachronistic identity.<sup>3</sup> As I detail below, however, it continues to serve critical political functions in the service of the Communist Party and political stability.

Studies of the ACFTU have shown its subordinate position, its close connection to the Chinese government, and its inability to adequately represent workers especially at the enterprise level. The failures of the ACFTU have become only more pressing and obvious as the "transmission belt" machinations of the ACFTU continue despite clear signs of labor unrest, including wildcat strike waves, increasing labor disputes, and scandals involving sweatshop labor, forced labor, and copycat worker suicides. The transmission belt model has survived even while the flip side of the agreement—a labor aristocracy for state-sector workers and the "iron rice bowl of urban workers—were eliminated in the late 1990s. Unlike other transmission belt unions that met the challenges of political transition and economic reform simultaneously, the ACFTU has continued its dominance and legally mandated monopoly on organized labor despite massive economic changes (Taylor and Li 2007).

A widely disseminated photograph of local trade union officials in fisticuffs with striking Chinese workers at a Honda factory in 2010 aptly captured the problems of China's anachronistic trade union. Recent articles on the ACFTU detail the challenges of a "fake" union pretending to do real union work. Bill Taylor and Li Qi take up the question of authenticity directly, asking, "Is the ACFTU a real union?" They conclude that the ACFTU is not a real trade union, but rather a bureaucratic arm of the party-state. However, given the importance of international trade unions' engagement in China and with Chinese labor issues, they advise that international trade unionists should treat the ACFTU "as if" it were a real union in the spirit of engagement and in the hope of some future political opening (Taylor and Li 2007). Feng has examined the capability of the ACFTU in legal mobilization and in settling strikes (2003, 2010). Although not dismissing the mostly middleman functions that the ACFTU takes in strike settlement, Chen notes that the ACFTU has no role in organizing workers to strike and, in fact, acts most assiduously in getting workers back to work as soon as possible. In

transmission belt style adjusted to a marketized economy, the trade union plays an important middleman role between the state, the employer, and the workers (Chen 2004, 2010). Jude Howell examines the struggle to make the ACFTU more democratic with enterprise-level elections for trade union officials. She finds that despite good intentions from top ACFTU and party leaders, democratic reforms of the ACFTU at the local level have been thwarted by institutional and interest-based inertia (Howell 2008). Most trade union officials at the enterprise level are not directly elected despite regulations and laws that so specify. Worker trust in and satisfaction toward the enterprise union remains low and the trade union's role at the enterprise level is usually minimal. In studies of the recent campaigns to conduct collective bargaining and sign collective contracts, researchers have tended to agree that these agreements are formalistic, completed in a top-down manner with little worker input, and often do not go beyond the legal minimums mandated by center and local regulations (Ngok 2008).

In comparative studies of trade unions, it is not hard to find unions that are co-opted, bureaucratic, and politically reliant on a stronger and wealthier political party or ruling regime, as the chapters in this volume demonstrate. The ACFTU might lie on the extreme side of measures of dependency and lack of autonomy, but it is not unique historically. Unlike many state-socialist unions in Eastern Europe, which were brought in "on the backs of the Red Army" (Ost, this volume), however, the CCP and the ACFTU are also tied by their shared revolutionary legacy. Lack of independence and autonomy should be analyzed separately from analysis of power or influence. In the paragraphs below, I focus on three aspects of ACFTU power: bureaucratic, policymaking, and symbolic. These powers are related and interconnected. Bureaucratic power comes from its position within the CCP and vis-à-vis other government or nongovernment actors that seek influence on labor issues. The ACFTU's superior bureaucratic position bequeaths it significant and exclusive rights to certain types of policymaking. Its policymaking power affects the direction of China's labor legislation, which affects workers across the board even if the union has little role at the enterprise level. Finally, and especially at the grassroots level where the union is most ineffective, the union has significant symbolic power. This symbolic power crowds out other actors. Rather than using sheer repression to keep out independent labor activists, the existence of the ACFTU at the enterprise level creates the appearance of a union. It is "as if" a union was present, even though in a functional sense no union exists.

The ACFTU's bureaucratic power is a function of its incorporation into the Communist party-state. Collier and Collier's (1991) distinction between party and state incorporation at the initial period of labor incorporation is helpful to underscore how *Communist* Party incorporation, while combining aspects

of both types of incorporation, was often a result of political competition and contestation for support. As part of a revolutionary struggle, it emphasized mobilization over control. State incorporation, related to the need to accommodate strong oligarchic elites, emphasizes control over mobilization. None of the Latin American cases in their study experienced a full socialist revolution as was the case in China, Cuba, and the Soviet Union. As with other state-socialist cases in this volume, the ACFTU's incorporation by the party left open the possibility of state-sanctioned labor mobilization. In the early years of Communist state-building, however, the state emphasized co-optation of the urban working class through the "iron rice bowl." The urban working class was also protected through the state's strict control over internal migration, which effectively stopped rural to urban migration from the 1950s to the 1980s.

The power of a transmission belt union comes from its connections to both state and party. Following the Colliers' method of distinguishing party from state control, I emphasize here the importance of CCP dominance (that is, *party* dominance) over the ACFTU. Although most studies of the ACFTU have linked its bureaucratic power to its function as part of the government bureaucracy, it is important to distinguish analytically whether the ACFTU's bureaucratic power emanates from the CCP or from the government. The ACFTU's role and responsibilities in governance and policymaking are bequeathed by its subordinate relationship to the Organization Department of the central CCP. This party bureaucracy controls the appointment system of the government, state-owned enterprises, and mass organizations like the ACFTU, the Communist Youth League, and the Women's Federation. The relative power and influence of individual trade union officials are the result of their positions within the party in which they almost always serve concurrently (Chen 2010).

As a bureaucracy tied to the party, the ACFTU enjoys privileged access to positions of power. As China's labor problems have grown more complex during the reform period, the CCP has attempted to empower the union as a balance against local governments fixated on growth. The two key mechanisms it has used are (1) placing ACFTU officials high up in the legislative bodies at all levels and (2) allowing the ACFTU to pursue unionization of foreign and private firms and extending membership to rural migrant workers. The CCP uses the power of the appointment system to place ACFTU officials in key government offices. These appointments have increased and grown more systematic during the later reform era. High-ranking ACFTU officials now usually have high-ranking party positions as well as concurrent positions in other bureaucracies in the government. Most often these concurrent government positions are within the legislative bodies (Chen 2010). As capitalist development and ownership diversity grew in China over the later reform period (as did social unrest and labor instability),

the party has moved to balance out the political system by granting the ACFTU more power against other more powerful bureaucracies at the center and against local governments focused almost exclusively on rapid growth. Although this has not done much to improve the individual status of company-level trade unions, which remain captive to management, the strengthening of the trade union in recent years has had effects elsewhere, most markedly in policymaking and legislation (Liu 2008).

Since the 1990s, the ACFTU has played a central role in the passage of new legislation, especially the 2008 Labor Contract Law (Gallagher and Dong 2011). No other institution that purports to represent the interests of either labor or capital was granted a formal seat in the legislative process. Input from the interests of capital or employers was done either by local governments worried about the employment effects of more stringent labor protections, government units such as the Ministry of Human Resources and Social Security, or outside commentary and lobbying by companies and business associations. Although their influence was not inconsequential as the final version of the law did weaken many of the protections pushed by the ACFTU, the ACFTU's ability to put these other actors on the defensive came from its exclusive position as the representative of labor interests during the legislative process (Ngok 2008). This power is strongest at the central level because the ACFTU is less constrained by the pressures of economic development and investment felt by local governments, but as the provincial and lower-level unions have also been granted concurrent positions within legislatures at the same level, their role in local lawmaking has also expanded (Cho 2006). In addition to this important role in the formal lawmaking process, the ACFTU was also a powerful player in the thirty-day period of public comment for the draft Labor Contract Law. This law received more than 191,000 public comments, vastly exceeding the level of public attention garnered by other recent laws, even controversial laws such as the draft Property Law. However, many of these public comments were mobilized via the ACFTU bureaucracy, as higher-level unions solicited comments from grassroots units (Gallagher and Dong 2011). This ability to mobilize public opinion is another important aspect of ACFTU's bureaucratic power.

The ability to mobilize public opinion in favor of protective labor legislation has been aided by the second mechanism expanding the bureaucratic power of the ACFTU. Since 2003, the ACFTU has been given the go-ahead to represent the interests of rural migrant workers and to organize grassroots trade union organizations in the foreign and private sectors. A more inclusive ACFTU has reversed the decline in trade union density that followed the restructuring of the state-owned sector from 1998 to 2001. By 2008, the ACFTU had more than 212 million members and an overall union density of 65 percent.<sup>4</sup> It is the largest

trade union in the world, with more members than all other trade unions combined (Qi 2010). Even though numerical strength does not equate with increased autonomy or militancy, the large and growing presence of the ACFTU crowds out other actors who sporadically attempt to address workers' grievances.

Finally, the ACFTU's presence as the only legal trade union in China requires that whenever a trade union is needed to play a role normally expected of a trade union, the ACFTU steps in. It is inconsequential whether it accomplishes this role well or badly. It is simply important that it does it and, by doing so, takes up space that cannot be taken up by other actors. This applies to union activities such as organizing workers, collective bargaining, and crisis management during strikes and disputes. This symbolic power is the power of being present. Public opinion and worker sentiments are often full of ridicule and mockery for the official trade union. This symbolic power does not grant the ACFTU domestic legitimacy nor does it constitute hegemonic power over workers; it simply exists and closes down opportunities. Compared to brute repression and suppression of unions totally, this is a far superior method. Moreover, the ACFTU gains some degree of international legitimacy by its presence, particularly if international actors do not fully understand the political constraints on the union and its incentives as a bureaucracy within the larger party-state.

The symbolic power of the ACFTU as the existing and only trade union in China is all the more critical in the contemporary economy because, unlike the previous period in which different interests between workers, managers, and the state could not be recognized, contradictions and conflicts between labor and capital are no longer denied. But despite this importance and the critical need for new institutions to manage labor-capital conflict in China, such as collective bargaining, legal aid, and dispute resolution, it is striking that most evaluations of the ACFTU work in this regard are negative. Negativity about the union's work seems to follow a pattern showing that the ACFTU is most highly regarded for its work on new legislation (the most abstract) and less regarded for the formalistic signing of collective bargaining agreements (the most concrete) and other work that constitutes direct representation of workers' interests vis-à-vis an employer.

My emphasis on the importance of the "as if" presence of the ACFTU draws from Wedeen's analysis of authoritarian Syria under the Hafez al-Assad regime (Wedeen 1999). Her analysis of the symbolic power of useless or ridiculous ideology is drawn in part from Václav Havel's depiction of compliance in state socialism. Of course the Chinese trade union is, first and foremost, a typical state-socialist institution that professes to an ideological role that it does not fulfill. Even more so, in a market economy with a vibrant private sector, the trade union falls short and the gap between professed role and real function is more glaring. Wedeen's analysis is useful for the ACFTU because it is an institution

that similarly garners little or no respect and little legitimacy. Yet it exists; it plays an important political role; and it crowds out other would-be organizations that might more effectively do the work of a trade union. Its presence at the workplace and then at every level of government serves as a forceful reminder that “representation” and “organization” of workers in China is already complete. Even though the trade union does not do either adequately, its existence closes out other options. (See the co-optation and absorption of NGOs in Guangdong in Cheng, Ngok, and Zhuang 2010.) As with the institutions analyzed by Wedeen and by Havel, the presence of the ACFTU achieves compliance by thwarting the development of independent trade unions but it fails to garner legitimacy.

The ability of the ACFTU to enjoy symbolic power without fulfilling its own ostensible goals, as delineated in the 2001 Trade Union Law, is under threat as labor activists, NGOs, and “rights-defending” lawyers have filled the need for more adequate representation of Chinese workers. In a 2014 strike by Lenovo workers in southern China, for example, the local ACFTU stepped in to negotiate a settlement only after a law firm had helped to organize the workers and begin an informal collective bargaining process (Ruwitch 2014). The ACFTU has realized the importance of the “game of numbers” (Qi 2010) by building its membership rolls, but it has not solved the dilemma of representation.

## **Workplace Authority Relations: From Vertical Authority to Legal Individualism**

The third legacy is the atomized and fragmented nature of the Chinese workforce at the workplace. The atomization of the workforce is usually attributed to the regime’s postreform emphasis on legal individualism and the individual labor contract system as the key mechanism governing industrial relations. Although legal individualism and neglect of collective organizations and collective mechanisms to regulate labor is a trend globally, China’s adoption of this trend has been particularly successful, especially for a regime that professes to socialist ideology. I argue here that there is a strong connection to the current legal individualism and the system of “vertical authority relations” as described by Walder in his depiction of the Maoist workplace, with individual workers relying on patron-client ties and activist networks to be successful. The emphasis on individual legal rights and the consistent downgrading of collective organization and collective rights has its foundation in the legacy of vertical authority, which also limited horizontal connections between workers, emphasized the power of individual managers over worker welfare, and reduced the likelihood of collective challenges from workers below.

As mentioned earlier in the discussion about labor market institutions, not all past institutions become legacies. In addition to ending the state's administration of employment, the Chinese state also destroyed the "organized dependency" of lifetime state employment and "the iron rice bowl" of welfare benefits. With the rise of labor markets and contract employment, there has been a commensurate increase in employment insecurity but also much greater flexibility, mobility, and reward, especially for workers with skills and education (Meng 2012). This difference is important for the legacies that persist because they do not operate in the same environment alongside other institutions that were complementary and often reinforcing. After describing the basic contours of this social institution during the Maoist period, I then turn to its reinvention in the current era.

Walder (1983, 1986) argues that vertical dependency via patron-client networks was fostered by a workplace of near total importance for each worker. With extremely limited labor mobility and an enterprise welfare system that provided, at its maximum, employment, medical care, retirement funds, child care, housing, and key basic necessities during times of shortages, the Chinese urban worker was nearly entirely dependent on his workplace for survival. (However, it is also true that he could not be terminated except in very exceptional cases.) In addition to supplying the workers' material conditions, the workplace was the key basic social unit aside from the family (and in some extreme times, replacing the family); workers' political and social lives were also monitored and managed there. The lack of mobility and the extreme degree of worker reliance on the workplace for income, housing, and key goods like medical care created a system of "organized dependency" that tied workers to managers. Workers were encouraged to form patron-client ties to higher levels of authority in order to cultivate good relations. The reward and compensation system was extremely subjective and granted individual managers much discretion in awarding bonuses, special benefits, and other perks such as housing. Managers not only rewarded workers for their efficiency and workplace contributions but also for their political behavior and attitude. During much of the Maoist era, political goals and attitude were more important than technical skill or production. This increased the discretion and control that individual managers retained over the workforce. In Walder's interpretation, traditional Chinese values such as connections, human relations, and emotional ties were strengthened and reinforced by the institutions of communism, leading to "neo-traditional" authority relations at the workplace. In this way, the Chinese socialist workplace was a function of the institutions that it borrowed from the Soviet Union, but these institutions gave rise to behavior that could be identified with traditional Chinese culture, such as the cultivation of network relationships and the importance of hierarchy.

When urban reforms began in the early 1980s, the socialist institutions of the workplace began to change, but at varying paces and degrees. Perhaps most important, privatization of state and collective firms was not initially pursued. Instead, the government focused on changing the internal practices of the workplace first. Managers were allowed to keep profits over a contractually agreed-upon amount that had to be turned in to the state; enterprises were given more autonomy in setting wage levels and bonuses; and finally, new workers in the system signed term employment contracts instead of entering the previous system of lifetime employment. Although turnover initially remained low, the introduction of the contract system signaled an eventual end to the iron rice bowl. In addition to internal reforms in the public sector, the government also allowed the entry of new firms, both domestic private firms and foreign-invested firms. These firms were regulated separately from the existing public sectors. Over time, competition and institutional friction between the sectors created more pressure on the public sectors to reform to enhance their ability to compete with the new market-based sectors (Gallagher 2005).

During this critical period of gradual, yet unrelenting, reform of the socialist workplace, workers' dependency on the enterprise declined over time. Workers were released from the stricture of lifetime employment. The opening up of the new private and foreign sectors created more and better employment opportunities, especially for those with skills and education. However, managerial discretion and control over workers increased during this period. In terms of nearly every aspect of the workplace, managers had more power, not less, to decide key issues as higher-level government units granted them more room to raise efficiency and profits, what Ching Kwan Lee (1999) called "disorganized despotism" as she traced the decline of state paternalism in state-owned enterprises in the 1990s. As the labor contract system was extended to the entire workforce in 1994, managers were then given the right to negotiate individually with each worker the terms of the employment arrangement. The atomization of the Maoist era that was predicated on socialist control moved almost seamlessly into a new realm of legalistic labor relations based on the individual labor contract. Even though the creation of labor markets and the related expansion in labor mobility also increased the range of choices for workers, their bargaining power was not significantly enhanced given the macro environment of significant surplus labor. Urban surplus labor was exacerbated by the even larger amount of rural surplus labor that existed in the countryside, waiting for an opportunity to get city jobs.

Legal individualism, in the context of widespread employment insecurity and surplus labor, reinforced worker alienation and reduced the capacity for collective mobilization. Despite the radical transformation of the Chinese workplace in a relatively short period of time, from the early 1990s to the early 2000s, labor

protest was sporadic and concentrated, never leading to cross-regional strikes or general protest, though some regions experienced significant and large-scale labor protests. The largest and most consequential protests were laid-off workers of the restructured public sectors, but in the end thirty million public-sector workers were let go and employment in the public sector declined dramatically. The two most aggrieved sectors of the workforce, laid-off state-sector workers and rural migrant workers, remained confined in their own repertoires of protest and in their own different articulations of their class character and their relationship to the state as well as the state's obligations to them (Lee 2007).

Higher-level state and legal institutions have reinforced this emphasis on legal individualism through policies and tactics that break down collective grievances into individual ones. Although collective handling of a grievance might more effectively tackle a problem that is systematic—for example, if an employer fails to pay overtime or social insurance for his entire workforce—individual handling of these disputes reduces the likelihood of collective action. Given their dual roles as legal and political (party-controlled) institutions, Chinese courts must pay more attention to the threat of social instability when dealing with collective grievances. Collective grievances are routinely broken down into individual disputes (Su and He 2010; Chen and Xu 2012). This is a tactic at every level of the dispute process, including more informal processes of mediation and the more formal channels of arbitration and litigation (Gallagher 2006).

The rise of legal individualism in China's labor relations is part of a broader trend. Anthropologist Yunxiang Yan argues that the "individualization of society" is a consequence of the state's single-minded quest for modernity (Yan 2010). Individualization ironically began during the high tide of Maoist socialism as the party-state attempted to strip people of their previous connections to family, village, or clan. These connections were to be replaced by an individual's connection to the party-state and their absorption into state-directed organizations, such as the mass organizations, the work unit, the commune, and the neighborhood committee. As many of these organizations have decayed or been transformed in the market economy, the individual now finds him or herself in an even more extreme situation of individualization via the market and privatization. Yan argues that this process is both liberating and terrifying; for example, it can be socially empowering to youth who are released from the strictures of traditional family obligations, but economically devastating for those who do not have the skills, education, or connections to succeed in the new economy. Although his account mostly focuses on the unfettering of labor markets through the reforms of the socialist institutions of the Maoist period (the freeing up of individuals), we should also not ignore the state's very active construction of *individualizing institutions*: the new institutions of the legal system, the individual labor contract, and the

system of labor dispute resolution, which overwhelmingly emphasizes individual cases over collective ones. These institutions are not accidental, but are important policy choices made by the reformist state. Legitimate and effective collective labor organizations and feasible collective bargaining reforms have not been put into place, though they exist formally within the ACFTU.

## Conclusion

The legacies of the Maoist period discussed above have been important in smoothing China's transformation from an autarkic, planned economy to a globally consequential economic superpower. Although the state has not totally retreated, retaining dominant positions in strategic sectors via state ownership and maintaining its central role in labor control and subordination, markets have become vastly more important in dictating employment opportunities. Individuals now have more opportunities, but they also face increased employment insecurity and bear a greater burden of the provision of social insurance. Labor markets, while still dualistic, are becoming more competitive, particularly at the lower end of the labor market (Meng 2012). Labor shortages in many regions have been reflected in rapidly rising wages for migrant workers and increased labor conflict, including legal disputes and strikes (Gallagher et al. 2014). In 2010, copycat strikes in the automotive industry forced Honda to shut down its entire production in China before it reached a collective agreement with workers on wages and other issues. This "strike wave" of 2010 underlined the lacuna in effective institutions for collective representation and bargaining. Although there have been calls for enhanced collective institutions (and even some regional experiments), the state has been reluctant to radically reform the current approach, which relies on the subordinate trade union to act with the local party-state in mediating and "harmonizing" large collective disputes (Su and He 2010; Chen 2012). The state prefers to put out fires as they occur, not to prevent their occurrence, because prevention requires institutional reforms that might empower workers outside the strictures of the transmission belt.

As the other chapters in this book show, the global challenges that labor faces are more difficult in the context of strong authoritarian legacies, particularly the legacy of a controlled and co-opted union. The fewer democratic legacies that exist, the less likely will labor be able to adjust to a new global situation that is adverse to collective labor mobilization. As with Russia and Poland, China's authoritarian corporatism is likely to have lasting effects, encouraging worker distrust in the organized labor movement (see Ost and Crowley, this volume). The legal system's overreliance on individualized labor relations has already and



will continue to contribute to an institutional vacuum for collective bargaining and negotiation, including interest-based bargaining. As Caraway (this volume) shows for Indonesia, however, these weaknesses do not necessarily lead to labor quiescence. Perhaps a “post-transition China” would be quite similar to its current situation, following a path common to postauthoritarian regimes of weak collective organizations, spontaneous labor unrest via wildcat strikes, and individualized labor relations through the legal system.

