

China apparently has more trade union members than the rest of the world put together. But as **David Metcalf** and **Jianwei Li** have found, Chinese unions function very differently from unions in the West.

Trade unions in China

Trade unions in China have many members: 137 million according to the official figure from the All China Federation of Trade Unions (ACFTU) as indicated in Figure 1. But they are virtually impotent when it comes to representing workers.

Because the Chinese party-state recognises that such frailty may lead to instability, it has passed labour laws promoting collective contracts and established tripartite institutions to mediate in individual disputes. But while these new laws and institutions are welcome, they are largely hollow. Collective contracts are very different from collective bargaining and the incidence of cases dealt with by tripartite institutions is tiny.

Although China does not have properly functioning unions, it is worth remembering that the whole notion of a 'labour market' is only a decade or so old, reflecting the previous Marxist aversion to exchanging labour for money.

Since the 1994 Labour Law, which introduced labour contracts, the labour market has become firmly established in China. But there is no evidence whatsoever of a parallel development in

functioning unions. The inability of workers to develop proper representation for their common interests, coupled with the rapid spread and deepening of the market mechanisms, implies that despite their huge membership, unions are likely to remain largely nugatory in Chinese labour relations.

In detailed case studies conducted in 2004 and 2005, we looked at three companies in Hainan Province: a joint venture producing tinplate; the largest coconut juice producer in the world; and a listed pig farm conglomerate. In all three companies, unions are a sideshow in terms of 'voice' and dispute resolution. At Tinplate, for example, voice arrangements are entirely via frequent direct meetings between management and workers, and the union chair is the top sales manager. We were told the union 'is only for show... irrelevant... just organises sport and entertainment... will soon fade away'.

At Coconut Palm, which is employee-owned, it is the shareholders committee that filters management decisions. These are then validated by the workers congress, a sort of works council and a hangover from when the company was state-owned. The union 'just plays a welfare role'.

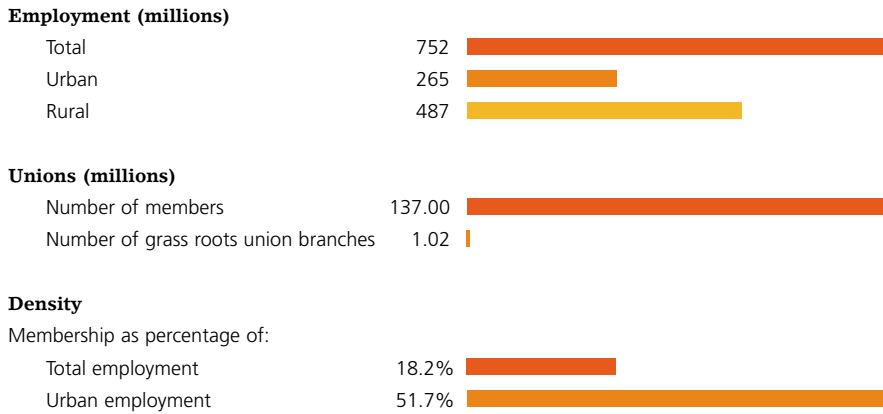
In the West, a major role for unions is

to negotiate collective contracts and to be involved in the detail of payment systems. By contrast, the unions in our three cases played, at best, a peripheral role in such matters.

Chinese labour law now encourages unions to sign and perhaps bargain collectively to negotiate collective contracts. Both Pig Farm and Coconut Palm said that they do have such collective contracts but not as a result of negotiation with the grass roots union branch. Rather, the contracts set out the minimum standards in matters like minimum wages, working time and safety as required by national and local law. Such collective contracts were referred to derisively by management at Coconut Palm as simply setting out 'themes' but having no real content. Tinplate simply dismissed the notion of collective contracts.

Instead, all three companies emphasised the importance of individual contracts. Pig Farm uses the model individual contract issued by the labour bureau in Haikou City (the capital of Hainan Province) but with its own amendments. This contract is re-signed every five years. At Tinplate, the individual contract is for one year. We were told that this short duration is a deliberate stick to elicit effort: 'we could provide three- or

Figure 1:
Employment, union membership and
union density in China, 2004



Chinese unions have many members but are virtually impotent when it comes to representing workers



two-year contracts but the one-year contract yields more discipline'.

The reason that individual contracts are paramount is not hard to find. All three companies have powerful versions of performance-related pay. Our evidence mirrors the remarkable change from the traditional system of an egalitarian, non-performance related pay system towards company, team and individual performance pay with a low base component. In the three companies, these systems were devised and implemented by management with no real input from unions or workers.

Pig Farm sets team-level production targets with severe penalties for missing the target and generous rewards for exceeding it. Tinplate has a company-wide performance-based system such that, on average, production workers' pay is composed of a base amount of 40% and an output-related amount of 60%. More importantly, there is an 'inverse tournament': each worker is given a rigorous annual performance appraisal and the worker with the lowest rating is automatically dismissed.

At Coconut Palm, the performance pay system uses salary, bonus, dividends and fines. Quality control is achieved by teams monitoring the output quality of the previous team on the assembly line. A defective can would, for example, result in a fine of more than one day's pay. Managers and union officials emphasised that when this system was introduced in the 1990s, many workers left because they could not cope with the risk sharing and extra effort required.

In her stunning family history *Wild Swans*, Jung Chan notes that during the famine (1959-61), 'telling fantasies to oneself as well as others, and believing them, was practised to an incredible degree... "self-deception while deceiving others" gripped the nation'. If we turn the clock forward almost half a century, unions inhabit a similar dream world.

The plain fact is that Chinese unions are feeble. Thriving unions need, initially at least, some common interest among workers to flower. This has not developed, and is unlikely to evolve for a number of reasons:

- First, the basic union unit is the workplace or enterprise, which makes it difficult to develop the rallying cry of

western unions for much of the late nineteenth and twentieth century – ‘the rate for the job’ or ‘common rule’.

- Second, the party-state does not recognise any conflict between capital and labour.
- Third, even if class consciousness is enhanced – by, for example, the dreadful and worsening safety record (in 2002, workplace accidents caused 140,000 deaths and 250,000 workers lost body parts and suffered other injuries), growing wage and income inequality and the exploitation of workers, particularly by foreign-invested firms – any manifestations of common interests are likely to be suppressed by the party-state.
- Fourth, even the ACFTU’s top officials consider the members to be entirely separate from ‘the union’. ACFTU chairman Wang Zhaoguo has said that Chinese unions must ‘forge closer links with workers’ and ‘consistently keep close ties with the masses of workers as the lifeline of trade union work’. Such statements confirm that members’ interests are presently a low priority.

Furthermore, the spread of the market mechanism to product and labour markets means that, whatever the law says, many firms do not wish to treat with unions. Under the market system, unions can thrive either if they can impose costs on the employer or if they can demonstrably provide benefits by boosting the efficiency of the enterprise. Unions are incapable of imposing costs and all the evidence suggests that managers in the growing non-state-owned segment of the economy believe that the efficiency of the enterprise depends on their actions, utterly independent of any unions’ role.

Thus, collective contracts and tripartite institutions are treated with a shrug of the shoulders – implemented because it is the law but not embraced. And all the while employees have a low priority. A 2004 survey of over 3,000 private sector enterprises asked: ‘If you want to be a good employer in the private sector, which kind of good things would you like to do?’ There were six items and the employer could answer ‘yes’ to as many as s/he liked. Only 29% said ‘yes’ to ‘treating workers well’.

Unions will remain nugatory while they rest content as a transmission belt

such that they convey government policies to workers and enforce labour discipline to promote those policies, as opposed to representing workers in dealing with employers and the government.

Real wages have trebled in China in the last 20 years. But collective action by unions is utterly irrelevant to this huge advance in workers’ well-being, which simply mirrors the very rapid growth of productivity. On the other hand, representation, voice, greater safety and a tempering of exploitation surely do require both collective action and autonomous organisation.

If the Chinese government wants the unions to provide an effective safety valve, then it has to allow them a degree of independence and permit, if not encourage, them to play a representative role. But the 2003 ACFTU Congress marked a major setback for progressive union developments, with the installation of a more conservative leadership.

The need for more effective collective representation is recognised by far-seeing albeit cautious ACFTU officials. Their 2004 report for the World Bank concluded with what is, in effect, a manifesto for reform, including the need to help workers develop their collective interests because unions are ‘the weakest ring’ in the labour market; autonomous negotiations and the right to strike; and a much stronger labour inspectorate, to cover social security payments, labour contracts and collective agreements (though not safety). But such reasonable reforms do seem a long way off.

Many Chinese companies now use powerful versions of performance-related pay

This article summarises ‘Chinese Unions: Nugatory or Transforming? An *Alice* Analysis’ by David Metcalf and Jianwei Li, CEP Discussion Paper No. 708 (<http://cep.lse.ac.uk/pubs/download/dp0708.pdf>) and forthcoming in *Advances in Industrial and Labor Relations*.

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