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List of Acronyms

ACFTU	All-China Federation of Trade Unions
CPC	Communist Party of China
FDI	Foreign Direct Investment
GSCs	Global Supply Chains
JIT	Just-In-Time
LDAC	Labour Dispute Arbitration Committees
LSSB	Labour and Social Security Bureau
PPT	Political Process Theory
SEZs	Special Economic Zones
SME	Small and Medium Sized Enterprises
SOEs	State Owned Enterprises
TNCs	Transnational Corporations
TVEs	Township or Village Enterprises
WTO	World Trade Organization

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Abstract in English

China's Reform and Opening-up-Policy in 1980 was fundamental for the formation of one of the world's biggest labour markets, which accompanied by questions such as social upgrading of working classes. After 2008, with the far-reaching Labour Law was enacted, the nature of Chinese labour relations has shifted in a significant way. Chinese workers have been striking more offensively than before and have become more active on their demands. Different from previous literature that shown labour strikes in China as being largely passive in nature, in this paper, I argue that both labour movement and collective bargaining are increasing in China. By using a "political process" that suggests economic and political opportunities have increased the bargaining power of migrant workers, the dynamic development of workers in their demands will be explained. After a historical overview of the making of Chinese working class, the paper will analyse the sources of bargaining power by applying a power resources approach. With the analysing of different sources of bargaining power (associational power, structural power, institutional power), the contextual development of the Chinese labour market can be better understood. This paper also offers a perspective to further improve the efficiency of the bargaining processes among involved parties.

Abstract in German

Chinas Reform- und Öffnungspolitik im Jahr 1980 war von grundlegender Bedeutung für die Bildung eines der größten Arbeitsmärkte der Welt, der mit Fragen wie der sozialen Aufwertung der Arbeiterklasse einherging. Nachdem 2008 das weit reichende Arbeitsgesetz verabschiedet worden war, hat sich die Art der chinesischen Arbeitsbeziehungen erheblich verändert. Chinesische Arbeiter streiken deutlich offensiver als zuvor und sind aktiver betreffend ihre Forderungen geworden. Anders als in der früheren Literatur, in der Arbeiterstreiks in China als weitgehend passiv eingestuft wurden, wird von mir in dieser Arbeit argumentiert, dass sowohl die Arbeiterbewegung als auch die kollektiven Verhandlungen um Arbeitsbedingungen in China dynamischer zunehmen. Mittels eines "politischen Prozesses", der vermuten lässt, dass die Nutzung wirtschaftlicher und politische Chancen während der vergangenen vier Dekaden die Verhandlungsmacht von Wanderarbeitnehmern erhöht hat, wird die dynamische Entwicklung der Forderungen der Arbeitnehmer erklärt. Nach einem historischen Überblick über die Entstehung der chinesischen Arbeiterklasse werden die Quellen ihrer Verhandlungsmacht auf Basis der Analyse der Machtressourcen betrachtet. Mittels des Ansatzes der Quellenanalyse (Macht zum Zusammenschluss, Strukturelle Macht, Institutionelle Macht) kann die kontextuelle Entwicklung des chinesischen Arbeitsmarktes besser verstanden werden. Die vorliegende Arbeit bietet auch einen Ausblick, um die Effizienz der Verhandlungsprozesse zwischen den beteiligten Parteien weiter zu verbessern.

CHAPTER 1: INTRODUCTION

Currently, many companies conduct operations utilising Global Supply Chains (GSCs), which often constitutes growing outsourcing of production to countries with lower labour costs or better resource accessibility. A growing number of companies have become transnational through investing overseas, establishing corporations with suppliers, or taking part in other forms of joint ventures. These firms search for locations with lower production and assembly costs with the aim of transferring labour-intensive stages of the production process to developing countries where costs can be greatly reduced. Enterprises are thus able to take advantage of modern technological developments in transportation and communications. The production processes have generally been shifted from developed countries to developing countries in both Asia and Latin America, and greater globalisation has, especially over the past few decades, brought an additional two billion labourers into the world labour supply particularly from China, Russia, Eastern Europe, Brazil and Argentina. As a result, developing countries have become the primary manufacturers of a variety of products including automobiles, textiles, footwear, and electronics goods.

As China has continued to play an increasingly integral role in GSCs, it is essential to understand how GSCs and the Chinese working class have become interrelated especially over the past 20 years. China has become the ‘workshop of the world’ as Chinese labour costs have remained relatively low. International companies moved to China in search of cheap labour and China has attracted all manner of jobs from elementary assembly to high technology work and service employment. The rise of China as a “world workshop” indicates the surplus labour drawn from rural China that has greatly increased the worldwide labour pool, due to economic liberalisation and globalisation. From the early 1990s, a steady stream of transnational corporations (TNCs) moved to China. This process particularly progressed following the 2001 entry of China into the World Trade Organization and capital from the manufacturing industries, select high-tech sectors and financial institutions further flew into China. This has created a debate in Western countries that Chinese labourers are gradually removed jobs traditionally done by Western workers. China entered the WTO on 11th December 2001, following over ten years of negotiation. In 2002, China had already become the top of 80 commodities “including washing machines, cameras, refrigerators, air-conditioners, motorcy-

cles, microwave ovens, PC monitors, and bicycles”.¹ Since 2003, China has received the largest amount of foreign direct investment (FDI) worldwide and became the third largest trading state in 2005 just below the US and Germany. The Chinese economy leads as an export-oriented economy and in 2016 exported \$2.27T with imports at \$1.23T, leading to a positive balance of trade at \$1.04T.²

As the ‘world’s factory’, Chinese labour costs in 2003 stood at only 1/6th of those in Mexico and 1/40th of those in the US.³ This has been aided by the fact that China has absorbed cheap labourers from rural areas and failed to take the responsibility of providing this new workforce with minimal protections and rights. As such, Chinese internal migrants face multiple problems in the workplace including extended work hours, low pay, lack of extra pay for overtime, limited health insurance, dangerous health and safety conditions, discrimination and so on.⁴ China’s economic development has been accomplished through the exploitation of rural migrant workers in Special Economic Zones (SEZs) because the market economy has removed many of the employment guarantees and social welfare provided by the previously planned economy. Low wages and poor working conditions have led to Chinese workers pushing back, with labour related ‘mass incidents’ on the rise. Most observers agree that workers have steadily begun to react to workplace grievances through strike action over the last decade.⁵ Silver and Zhang indicate that “China is an emerging epicenter of world labour

¹ Pun, Ngai, Chris King Chi Chan, and Jenny Chan. "The Role of the State, Labour Policy and Migrant Workers' Struggles in Globalized China." (Global Labour Journal, 2010), 133.

² "OEC - China (CHN) Exports, Imports, And Trade Partners". *Atlas.Media.Mit.Edu*. <https://atlas.media.mit.edu/en/profile/country/chn/>. (2019).

³ Lee, Ching Kwan. ‘Made In China: Labor as a Political Force?’ Discussion Paper at Mansfield Conference, April 18-20, 2004. (The University of Montana, Missoula, 2004), 35.

⁴ Chan, Anita. *China's Workers Under Assault: Exploitation and Abuse in a Globalizing Economy: Exploitation and Abuse in a Globalizing Economy*. (Routledge, 2016), 65.

⁵ Lee, Ching Kwan. "Prevarication or Empowerment? Reflections on Recent Labor Unrest in China." *The Journal of Asian Studies* 75.2: 317-333, (2016), 321;
Pringle, Tim. Reflections on Labor in China: From a Moment to a Movement. (*South Atlantic Quarterly* 112(1): 191-202, (2013), 195;
Gray, Kevin. *Labour and Development in East Asia: Social Forces and Passive Revolution*. (Routledge, 2014), 54;
Cao, Xuebing, and Quan Meng. "Dockworkers' Resistance and Union Reform within China's Globalised Seaport Industry." *Globalizations* 14.2: 272-284, (2017), 275.

unrest”.⁶ The approaches used to declare their unrest are constructed through social networks and organising strategic unofficial strike action.

This paper is organised in the following way. Chapter 1 puts forward the issue, with the research aim and objectives and research questions to be addressed and provides an introduction for the research. Chapter 2 covers the literature review and theoretical framework; connecting the different concepts of global supply chains, Chinese rural migrant workers, worker bargaining power, which are the main topics of this research. It also focuses on analysing the different sources of the increasing bargaining power of rural migrant workers and examines the theoretical framework methodology applied in this paper as well as emphasising the significance of the research. Chapter 3 provides a historical background discussion relevant to the progress of migrant workers in China from the economic reforms of 1978 to the present. This overview details the relevant policies and regulations to support a firm background context for further discussion. Chapter 4 is a starting point of analysing sources of powers. The evaluation of associational power of the Chinese working class in terms of history, structure, legal status and effectiveness is important to understand the foundations of worker’s power. In Chapter 5, structural power is examined, in terms of both the marketplace and workplace bargaining power of Chinese migrant workers. It examines labour shortages as the main source of increasing bargaining power as well as utilising of workplace special positions to disrupt the production. Chapter 6 further analyses the institutional power that enables the increased collective bargaining power of rural migrant workers. Chapter 7 offers concluding observations on the employment situation of migrant workers and recent governmental policies in China.

1.1 Problem Statement

Global Supply Chains have brought workers the world over into severe competition with one another, and form the economic environment under which employers and the working class maintain relations. To maximize profits, transnational corporations frequently attempt to

⁶ Silver, B. J., & Zhang, L. China as an Emerging Epicenter of World Labor Unrest. In H.-F. Hung (Ed.), *China and the Transformation of Global Capitalism*. (Baltimore: Johns Hopkins University Press, 2009), 174.

place substantial pressures on workers' wages and working conditions. To minimise costs, transnational companies within the GSCs seek to frequently take advantage of global resources including the labour market and are often involved in human rights violations. GSCs have brought major problems for workers, even in countries with substantive legislation; worker rights are inevitably violated because of the lack any adequate remedies. Foreign manufacturing companies in host country are unlikely to take the responsibility because processes of administration or jurisdiction are very time-consuming, weak or corrupted. Meanwhile, companies are usually able to avoid any legal responsibility because they do not receive judicial punishment in origin or the host country.⁷

Labour scholars and activists pay attention to the ways that the integrated global labour market and divisions within the world's working class have brought a 'race to the bottom' in labour standards.⁸ Other scholars such as Silver argues that this process of globalization does not lead to a weakening of the working class and their bargaining power. For Silver, the labour movement originated in conflict inherent within the capitalist mode of production itself. Since capital causes employers to exploit and treat labour simply as a commodity, yet labour is a fictitious commodity, unlike other commodities "it is embodied in human beings who complain and resist if they are driven too long, too hard, or too fast. Struggles are common in the labour-capital relation".⁹ The movements and investments of capital to seek greater profit simply "relocates the social contradictions, including labour unrest, strong working classes, and finally does not lead to a pure race to the bottom in wages and working conditions".¹⁰ Conflicts between labour and capital follow the flows of money, which enables new working classes to form and eventually promotes powerful labour movements in new areas. As Silver put it, "while labour has weakened in the locations from which productive capital emigrated, new working classes have been created and strengthened in the favoured new sites of invest-

⁷ Berliner, D.; Greenleaf, A.R.; Lake, M.; Levi, M.; Noveck, J. "Governing Global Supply Chains: What We Know (And Don't) About Improving Labor Rights and Working Conditions", in *Annual Review of Law and Social Science*, Vol. 11: 193–209. (2015), 195.

⁸ Silver, Beverly J. *Forces of Labor: Workers' Movements and Globalization Since 1870*. (Cambridge University Press, 2003), 3-12.

⁹ *Ibid.*, 17.

¹⁰ *Ibid.*, 5.

ment”.¹¹ The example utilised in Silver’s study is that of the automobile industry, which saw large transfers from America to Western Europe in the 1960s and then again to Brazil and Korea in the 1980s. After the automobile industry transitioned to a new area, labour movements quickly arose.

There are growing fears among Non-governmental Organisations (NGOs) and academics about globalisation and labour conditions after the ‘reform and opening-up’ in China.¹² Globalisation and manufacturing tactics implemented by transnational companies prevented the upgrading of labour standards in China through early stage legal or institutional practices and employment relations.¹³ After 1978’s ‘reform and opening-up’ de-collectivization policies lead to a large surplus of labour in rural areas. Meanwhile, the central government accelerated the flux of internal rural-to-urban migration through relaxing controls over the household registration system (hukou). The 1978 reform shifted the Chinese economic output and lead to rapid industrialisation and urbanisation in China. China’s transition towards a market economy brought enormous increases in employment in private, foreign-owned, and joint-venture enterprises especially in the coastal regions of China such as Yangtze River Delta and Pearl Rive Delta. Most transnational corporations (TNCs) employ millions of migrant workers in the export-oriented Special Economic Zones (SEZs). Consequently, a huge influx of farmers moved into cities as workers and shaped a different working class made of migrant workers.¹⁴ Chinese migrant workers have played a significant role in stimulating the development of different industries of the national economy and have contributed greatly to the modernisation of China.

In 2017, there were around 287 million rural migrant workers in China, standing at just over 30 per cent of the entire labour force. “Migrant workers have been the engines of China’s spectacular economic growth over the last three decades but they remain marginalized and

¹¹ Ibid., 6.

¹² ‘Reform and opening-up’ refers to the economic reforms in the People's Republic of China (PRC) led by Deng Xiaoping started in December 1978.

¹³ Ngai, Pun. "Global Production, Company Codes of Conduct, and Labor Conditions in China: A Case Study of Two Factories." *The China Journal* 54: 101-113, (2005), 104.

¹⁴ Chan, Chris King-chi. *The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories*. (Routledge, 2010), 21.

subject to institutionalized discrimination.”¹⁵ The wages of migrant workers have not kept sync with the fast growth of the Chinese economy and the income inequality of migrant workers has attracted the attention of the Chinese government and the academic class. Chinese migrant labourers have started to push back, fighting for higher salaries and better working conditions. More and more evidence points towards the increasing numbers and scales of labour unrest, and both an optimistic labour market (through labour shortage) and more caring labour legislation (a sequence of laws starting with the Labour Contract Law) are contributing to a strengthening bargaining power for Chinese rural migrant workers.

1.2 Aim and Objectives of the Research

The aim of this paper is to examine the development of the Chinese rural migrant workers and their increasing collective bargaining power and analyse how these powers originate from. This research will make an assessment of the employment situation and labour market in China in a comprehensive manner influenced by the historical background of the drastic policy changes that have taken place in China in modern history, with a focus on the labour market and related regulations and laws in China since 1978. Migrant workers have played an important role in the economic development and urbanisation of the country and there is a strong demand for this labour not only in traditional manufacturing and construction but also more recently within the service industry. As the largest group of the Chinese working class and the most inclined to collective action, migrant workers are a group desperately in need of study. Consequently, this thesis focuses on rural migrant workers and on the enhancement of their bargaining power in the labour-capital relationship. Understanding the changing nature of migrant worker struggles in China is crucial for studying labour relations.

¹⁵ Ping, Han, Bahaudin G. Mujtaba, and Chen Xue. "Changes In The Bargaining Power Of Chinese Migrant Workers And The Factors Enhancing Laborers' Power." (Journal of Applied Business Research 30.1, 2014), 135.

1.3 Research Questions

Based on the above analysing research aims and dynamics, the following questions guided the research.

How do global supply chains influence labour standards in China?

What are the forming and developing of working class, especially rural migrant workers (nomingong) in China since 1978?

Do Chinese rural migrant workers have stronger bargaining power after 2008?

What are the sources of increasing power of Chinese migrant workers?

CHAPTER 2:

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.1 Literature Review

2.1.1 Global Supply Chains and Labour Conditions in Developing Countries

The question of labour conditions and labour rights development within the context of globalization has been broadly discussed by a number of scholars.¹⁶ Berliner et al, and Mosley & Uno pointed out the importance of fully understanding the correlation between economic globalisation and labour standards.¹⁷ In essence, globalization of the world economy has promoted the flows of goods, capital, and people, and this, together with other global economic factors, has had a direct impact on labour relations. Developing countries take advantage of their low cost of labour and use it as a strategy to attract investors, at the same time labour regulations are being deregulated and labour standards are being lowered, which is a known “race to the bottom” phenomenon. The corporate strategies of global supply chains (GSCs) focus on extending supply chains abroad through foreign direct investment and outsourcing, and Gereffi and Cattaneo et al. argued that such a strategy enables more efficiency, easier market access, and vertical integration of the local suppliers in the supply chain.¹⁸ Davies & Vadlamannati, Olney, and Chan argued that because developing countries are compet-

¹⁶ Berliner et al., ‘Governing Global Supply Chains’, 201; Ronconi, Lucas. "Globalization, Domestic Institutions, and Enforcement of Labor Law: Evidence from Latin America." *Industrial Relations: A Journal of Economy and Society* 51.1: 89-105, (2012), 90; Greenhill, Brian, Layna Mosley, and Aseem Prakash. "Trade-based Diffusion of Labor Rights: A Panel Study, 1986–2002." *American Political Science Review* 103.4: 669-690 (2009), 670.

¹⁷ Berliner et al., ‘Governing Global Supply Chains’, 210; Mosley, Layna, and Saika Uno. "Racing to the Bottom or Climbing to the Top? Economic Globalization and Collective Labor Rights." *Comparative Political Studies* 40.8: 923-948, (2007), 931.

¹⁸ Gereffi, Gary. "Global Value Chains in a Post-Washington Consensus World." *Review of international political economy* 21.1: 9-37, (2014), 17; Gereffi, Gary, O. Cattaneo, and S. Staritz. "Global Value Chains in a Post Crisis World: A Development Perspective." Washington: World Bank (2010), 16.

ing against each other for investors who are looking to deliberately increase their profits by lowering input costs, labour conditions are constantly being forced lower.¹⁹

Investigating the business behaviours of GSCs is crucial to the application and negotiation of labour standards, which can strongly influence the labour environment in developing countries on an aggregated level. Besides, Lee and Gereffi stated that it is important to understand under which conditions and settings a permanent social upgrade can be observed.²⁰

2.1.2 Chinese Working Class and Labour Unrest During the Early Stage (1978-2008)

With the Chinese economic reforms in 1978, the employment conditions in State Owned Enterprises (SOEs) dramatically changed. Park & Cai noted that, in 1978, SOEs accounted for 80% of employment in the city, but in 2005, this number had dropped to less than 30%.²¹ According to Pun & Chan's research, in 1997, there was a peak in job loss as a consequence of restructuring, with Chinese SOEs cutting around 13 million jobs and at the same time the income levels of urban households experiencing a drop of 39%.²² Blecher argued that at that time, those workers who previously trusted in being employed by the state found themselves dismissed after the reforms, and that this group of workers only realized that a severe change

¹⁹ Davies, Ronald B., and Krishna Chaitanya Vadlamannati. "A Race to the Bottom in Labor Standards? An Empirical Investigation." *Journal of Development Economics* 103: 1-14 (2013), 8; Olney, William W. "A Race to the Bottom? Employment Protection and Foreign Direct Investment." *Journal of International Economics* 91.2: 191-203, (2013), 197; Chan, Anita. "Racing to the Bottom: International Trade Without a Social Clause." (*Third world quarterly* 24.6: 1011-1028, (2003), 1017.

²⁰ Lee and Gereffi, "Global Value Chains, Rising Power Firms, and Economic and Social Upgrading", in *Critical Perspectives on International Business*, Vol. 11, No. 3/4: 319-339, (2015), 324; Nadvi, K. "Rising Powers' and Labour and Environmental Standards", in *Oxford Development Studies*, Vol. 42, No. 2: 137-150, (2014), 140.

²¹ Park, Albert, and Fang Cai. "The Informalization of the Chinese Labor Market." *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China* 17 (2011), 25.

²² Hassard, John, Jackie Sheehan, Meixiang Zhou, Jane Terpstra- Tong, and Jonathan Morris. *China's State Enterprise Reform: From Marx to the Market*. (New York: Routledge, 2007), 86-87; Pun, Ngai, Chris King Chi Chan, and Jenny Chan. "The Role of the State, Labour Policy and Migrant Workers' Struggles in Globalized China." (*Global Labour Journal*, 2010), 133.

had taken place during the late 1990s and early 2000s.²³ Chinese working class started to push back, defend their rights and fight against their low income-levels and poor working conditions.

On the other hand, although, with the reforms, the proportion of rural-urban migrant workers in the Chinese industrial workforce was rising, the labour unrest of these migrant workers was not subject to widespread academic attention. The ineffective state of labour unrest among rural-urban migrant workers was related to their poor level of organisation and the workers showing too much flexibility²⁴ in expressing their grievances during the early 1990s. Lee's research found that until the late 1990s, the organisation of rural-urban migrant workers was weak. Also, rural-urban migrant workers in the South of China acted mainly by sending complaint letters to the management level or the local Labour and Social Security Bureau (LSSB). In fact, even the more aggressive forms the rural-urban migrant workers used to express their discontent, unorganized work stoppages and legal procedures, followed this trend of weak organization and showing flexibility.²⁵

In general, the working class, both rural-urban migrants and SOE employees, in China, did not focus on large-scale structured actions in declaring their demands.²⁶ In addition, according to the research results from Lee, Lüthje, and Weston, labour actions, such as work stoppages, were limited in number. Nevertheless, the various actions depended on the nature of the workers (whether they were rural-urban migrants or SOE employees), regional differ-

²³ Blecher, Marc J. "Hegemony and Workers' Politics in China." *The China Quarterly* 170: 283-303, (2002), 286.

²⁴ Lee, Ching Kwan. "The Revenge of History' Collective Memories and Labor Protests in North-Eastern China." *Ethnography* 1.2: 217-237, (2000), 220.

²⁵ Lee, Ching Kwan. "From the Specter of Mao to the Spirit of the law: Labor insurgency in China." *Theory and Society* 31.2: 189-228, (2002), 210.

²⁶ Leung, W. Y. 'The Politics of Labour Rebellions in China: 1989-1994.' PhD thesis, University of Hong Kong (1998), 15.

ences, and differences in ownership status. In the early stages, most labour actions were classified as “defensive” in nature and mainly tried to protect their existing rights and benefits.²⁷

2.1.3 Political Process Theory (PPT) and Changing Nature of Labour Movement

The dynamic development of a strike and union movement follows a predictable path, as explained by the McAdams model, which is a commonly used clarification for the organisation of social movements that highlights “the role of political opportunities, mobilizing structures, and framing processes.”²⁸ The Political Process Theory (PPT) was initially formed to analyse the civil rights struggles in the US during the 1970s and 1980s. PPT emphasises the interrelations among the different actors of social movements within a broader economic and political context. The PPT is known as the principal theory of social movements and explains how these movements are mobilized. McAdam built on the concept of resource mobilization in developing the PPT model, which “analyses the rise and decline of the US Civil Rights Movement to be a direct result of three factors: political opportunities, organizational strength, and cognitive liberation”. Political opportunities originate from “any event or broad social process that serves to undermine the calculations and assumptions on which the political establishment is structured.”²⁹

²⁷ Lee, Ching Kwan. *Against the Law: Labor Protests in China’s Rustbelt and Sunbelt*. (University of California Press, 2007), 115;

Luthje, Boy. "Diverging Trajectories: Economic Rebalancing and Labor Policies in China." *East-West Center Working Paper No. 23*. (2012), 6. Available from URL:

<http://www.eastwestcenter.org/publications/diverging-trajectories-economic-rebalancing-and-labor-policies-china>;

Gries, Peter Hays, and Stanley Rosen. "The Iron Man Weeps: Joblessness and Political Legitimacy in the Chinese Rust Belt: Timothy B. Weston." *State and Society in 21st Century China*. (Routledge, 2004), 80-99.

²⁸ McAdam, Doug. *Political Process and the Development of Black Insurgency, 1930-1970*. (University of Chicago Press, 2010), 22.

²⁹ *Ibid.*, 41.

Scholars have suggested that labour unrest in China after the year 2000 became more active than in previous decades³⁰, even though, according to Tilly & Tarrow's definition, no "organized labour movement" or "social movement" had risen, or was in the process of rising, in China when this happened.³¹ Elfstrom and Kuruvilla applied McAdam's "political process" model to explain the development of collective bargaining in China and the shift in the Chinese workers' goals and actions without class organization. They argued that in China, the economic developments and political opportunities "have led to a new sense of possibilities and, therefore, a new assertiveness on the part of an oppressed group (the workers) via a process of 'continuous' change".³² Elfstrom and Kuruvilla identifies on the one hand, the labour shortage in recently years is the main economic factor has promoted the development of migrant workers' bargaining power, on the other hand, they regards government's changes to labour laws and responses to unrest as the major political factors. Success of labour movement legislation depends on China's position in supply Chain and its competitive position in the world economy: the higher position in global supply chain, the more stability in workplace. Since China has scale up to the higher position in global supply chain, workers rights and their purchasing power became more important.³³

2.1.4 Labour Shortage and Migrant Workers Pushing Back

Even there is still a limited amount of literature from before 2003 concerning collective bargaining on the part of Chinese rural-urban migrant workers; some literature indicates an in-

³⁰ Chan, Chris King-Chi, and Pun Ngai. "The Making of a New Working Class? A Study of Collective Actions of Migrant Workers in South China." *The China Quarterly* 198: 287-303, (2009), 290;
 Clarke, Simon, and Tim Pringle. "Can Party-led Trade Unions Represent Their Members?." *Post-Communist Economies* 21.1: 85-101, (2009), 90;
 Chan, Chris King-chi. *The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories*. (Routledge, 2010), 64;
 Butollo, Florian, and Tobias Ten Brink. "Challenging the Atomization of Discontent: Patterns of Migrant-worker Protest in China During the Series of Strikes in 2010." *Critical Asian Studies* 44.3: 419-440, (2012), 421.

³¹ Tarrow, Sidney, and Charles Tilly. "Contentious Politics and Social Movements." *The Oxford handbook of comparative politics*, (2007), 23.

³² Elfstrom, Manfred, and Sarosh Kuruvilla. "The Changing Nature of Labor Unrest in China." *ILR Review* 67.2: 453-480, (2014), 457.

³³ Amin, S., Arrighi, G., Frank, A., & Wallerstein, I. *Transforming the revolution*. (Delhi: AAKAR Books, 2006), 21.

crease in both frequency and scope of labour actions among Chinese migrant workers. Lee stated that, starting from the late 1990s, the Chinese central government and the Communist Party of China (CPC) have recognized labour problems as highly important as incidents involving worker unrest have become routine.³⁴ Consequently, “accelerated reforms have triggered both a proliferation and a deepening of labour activism.”³⁵

From 2004, news of labour shortages in Guangdong began to show online and in newspapers. The academic research papers by Cai & Wang, Du & Wang, and Garnaut & Huang posited that after 2004, China was already facing a situation in which the surplus of labour was virtually gone.³⁶ As a consequence, wages rose in the double-digit numbers, especially in the urban sectors of the industrialized coastal areas. It has also been noted in works from Du & Wang that unskilled migrant workers earned significantly more after 2000 than they did a decade before.³⁷ Cai argued that the aging of the working population, a long-term effect of China’s one child policy, had gradually boosted the severity of the labour shortage effect.³⁸

Since 2010, more detailed observations from Elfstrom & Kuruvilla reported a serious change in the working relationships of migrant workers with their employers. This change was shown in the labourers’ core demands: “Wages higher than the minimum wage (in some cases much higher), full payment of social insurance premiums, and improved representation.”³⁹ One of the most famous cases that have been studied by many scholars is that of the Honda auto parts plant in 2010, where a 17-day strike resulted in a pay raise of almost 30 percent,

³⁴ Lee, Ching Kwan. "Revisiting the South China Miracle." *Labor Studies Journal* 27.2: 61-64 (2002), 63.

³⁵ Chan, Chris King-Chi. "Class struggle in China: Case studies of migrant worker strikes in the Pearl River Delta." *South African Review of Sociology* 41.3: 61-80, (2010), 68.

³⁶ Cai, Fang, and Meiyang Wang. "Growth and Structural Changes in Employment in Transition China." *Journal of Comparative Economics* 38.1: 71-81 (2010), 75;
Du, Y., & Wang, Meiyang A Discussion on Potential Bias and Implications of Lewisian Turning Point. *China Economic Journal*, 3(2):121–136, (2010), 127;
Garnaut, Ross, & Huang, Yiping. Continued Rapid Growth and the Turning Point in China's Economic Development. In Ross Garnaut, & Song Ligang (Eds.), *the Turning Point in China's Economic Development*. (ANU E-press and Asia-Pacific Press, 2006), 32.

³⁷ Du and Wang, A Discussion on Potential Bias, 129.

³⁸ Fang, Cai. "Demographic Transition, Demographic Dividend, and Lewis Turning Point in China." *Economic Research Journal* 4: 4-13, (2010), 7.

which showed the growing bargaining power of the migrant workers and their ability to organize and succeed in achieving their demands.⁴⁰ According to Lee, Brown, and Wen, “the notable change since the strike wave of 2010 is that strikes tend not to be about rights but about interests.”⁴¹ The labour conflicts discussed by Chen & Tang include: disputes over “rights,” disputes over “interests,” and “pre-reform entitlement”.⁴² The collective interest-based resistance is embedded in the unequal wealth distribution conflicts of the market economy. “Migrant workers’ grievances are described as not being about unfulfilled promises from the past—coming from the countryside, these people were never given such promises—but rather institutional discrimination.”⁴³

2.1.5 Sources of Bargaining Power

Many observers miss the fact that collective bargaining and structural power that the Chinese workers applied was not converted into additional associational power. A more detailed view of this development will be given in the examination of the related works on the strikes in China. While most studies so far have presented enhanced details of the strike patterns in China, there is still a lack of general understanding of the factors shaping the workers’ bargaining power. In 2000, Wright analysed the sources of bargaining power for the Chinese working class and divided the sources into associational power and structural power, which “can lead to a positive class compromise with the management”.⁴⁴

Associational power means the various powers that are derived from the founding of a collective organisation of workers, such as a trade union. These collective organisations are not

³⁹ Elfstrom and Kuruvilla, the Changing Nature, 453.

⁴⁰ Lyddon, Dave, et al. "A strike of ‘Unorganised’ workers in a Chinese Car Factory: the Nanhai Honda Events of 2010." *Industrial Relations Journal* 46.2: 134-152 (2015), 140.

⁴¹ Lee, Chang-Hee, William Brown, and Xiaoyi Wen. "What Sort of Collective Bargaining Is Emerging in China?." *British Journal of Industrial Relations* 54.1: 214-236, (2016), 222.

⁴² Chen, Feng, and Mengxiao Tang. "Labor Conflicts in China: Typologies and Their Implications." *Asian Survey* 53.3: 559-583, (2013), 560.

⁴³ Pringle, Tim, and Quan Meng. "Taming Labor: Workers’ Struggles, Workplace Unionism, and Collective Bargaining on a Chinese Waterfront." (*ILR Review*, 2018), 134.

⁴⁴ Ibid., 129.

themselves the actual source of associational power as one might assume. Power is a specific ability—"an actor's capacity to alter the behaviour of another actor".⁴⁵ Unions, parties, and work councils are instead actors or vehicles for action. As a general pattern known in Western countries, labour unrest often leads to legislation to establish collective bargaining as the principal practice to deal with the workers' grievances. The Chinese approach to collective bargaining, however, varies considerably from that of other industrial countries. Collective bargaining is not so strong in modern day China and is not likely that too much of this will change in the foreseeable future. This issue will be further discussed in this chapter.

The concept of structural power is defined as "the capacity of workers to either withdraw from the labour market or disrupt the production process."⁴⁶ Structural power hence develops from workers' positions in the production cycle where the realistic option of withdrawal from or disruption to the value creation chain exists. As the strategic effectiveness of workers' structural power rises with the rightness of the timing with which it is applied, a hazardous limitation of the employees' strategic options result as a matter of fact. Therefore, the question arises, what are the requirements for imposing the needs and wishes of a genuinely underprivileged group on the employers and capital investors? One proper approach would be to first examine how workers might threaten the expected factors of capital to advance their rights and interest. Given that the ability to interrupt the production process is defined as structural power in the first step, a second step would lead to the creation of collective organizations, such as trade unions.⁴⁷

Institutional power is described as an outcome of struggles in which structural and associational power is used to effectively represent interests. Institutional power is a legalized acceptance by the de facto political powers. Such institutions serve as "a secondary form of power," which constitute "a coagulated form of the two other primary forms of power."⁴⁸

⁴⁵ Stillerman, Joel. "Explaining Strike Outcomes in Chile: Associational Power, Structural Power, and Spatial Strategies." *Latin American Politics and Society* 59.1: 96-118, (2017), 100.

⁴⁶ Silver, *Forces of Labour*, 14.

⁴⁷ Wright, Erik Olin. "Working-class Power, Capitalist-class Interests, and Class Compromise." *American Journal of Sociology* 105.4: 957-1002, (2000), 964.

⁴⁸ Agarwala, R., Chan, J., Gallas, A., Scully, B., Pampallis, K., Nowak, J., & O'Brien, R. The Power Resources Approach: Developments and Challenges. *Global Labour Journal*, 9(2), (2018), 121.

2.2 Definition of Concepts

Global Supply Chains

With the emergence of global supply chains (GSCs) as the latest method to manufacture, trade, and venture, our current knowledge on how the global economy functions and how nations, businesses and employees are incorporated into the worldwide sectors and improve their status is challenged.⁴⁹ GSCs relate to the “demand-supply relationships that arise from the fragmentation of production across borders, where different tasks of a production process are performed in two or more countries.”⁵⁰ Global supply chain emphasizes the related tendency regarding the splitting up and disseminating out of the different phases of manufacture both across the various structural divisions and also through various geographical locations. In GSCs, the manufacturing process is segmented into a limited set of tasks, which are disseminated across space and structure of numerous companies and plants traversing national boundaries. Nations and companies only participate in one segment of the whole value adding periods and sell transitional products across other nations for additional processing. Also, they are both expert in manufacturing various goods as well as various parts of items, wherein they focus on the style, assembly, advertising, and others.⁵¹ Through the transfer of manufacturing processes (i.e. research and development, model, style, manufacturing, packing, advertising, disseminating and selling) in various nations, the transnational corporations (TNCs) have a lead on the best possible manpower or physical assets in these nations. In this case, they aim to uphold the company’s competitiveness through the enhancement of its efficiency and reducing the expenses.⁵² In addition, GSCs caused governmental deregulation and free selling to the local market. For instance, the establishment of institutions like the General

⁴⁹ Lee, Joonkoo, Global Supply Chain Dynamics and Labour Governance: Implications for Social Upgrading (April 1, 2016). ILO Research Paper No. 14, Geneva: International Labour Office. Available at SSRN: <https://ssrn.com/abstract=2780512>.

⁵⁰ International Labour Organization (ILO). World Employment and Social Outlook: The changing nature of jobs (Geneva). (2015), 132.

⁵¹ ILO Research Paper No. 14 Global Supply Chain Dynamics and Labour Governance: Implications for Social Upgrading. Joonkoo Lee. (OECD, 2013; WTO and IDE-JETRO, 2011; Sturgeon and Gereffi, 2009).

⁵² Kate Macdonald, The Politics of Global Supply Chains: Power and Governance Beyond the State, Polity (Cambridge Press, 2014), 5.

Agreement on Tariffs and Trade (GATT), which, in 1995, became the World Trade Organization (WTO), supported free trade in the global economy and organized a worldwide economic policy. However, the denationalization and deregulation across the globe will mostly benefit the European and American multi-national companies, wherein they would enforce intense and lasting barriers on the democratic policy-making.

Rural Migrant Workers and Hukou System

Rural migrant workers, referred to as ‘nongmingong’ in China, are employees who live in the rural areas but are employed in the city. However, due to the rigidity of the household registration system in China, these people are recognized as rural migrants. In 1958, the Communist government first established the current household registration system called hukou. This system was initially founded to make sure that the rural population in China would remain in the urban areas and constantly offers food and other necessities of the urban citizens. Every town and city has employed its local hukou, which provided the residents an access to social welfare services that are stated in the policy. In short, citizens were largely identifies as either urban or rural according to their household address.⁵³ In the initial hukou system, citizens were obligated to list and provide their place of birth and current address to the local government. Therefore, residents from the rural areas were not permitted to transfer and work in the city for they would not obtain Hukou at their new workplace. Additionally, the hukou was passed on to the next generation. So, if the parents acquired a rural hukou, their child would receive the same despite of the child’s place of birth.

After 1978, even though this limitation was slowly reduced, there was still discrimination to the rural migrants if they look for jobs, legal securities, or public aids in the city. The Rural-urban migrant employees are, hence, considered as second class residents by the local government and deprived of employment, domestic educational privileges and social welfare aids in the city. The existing treatment to these citizens varies in different cities, which all rooted from the absence of hukou status.⁵⁴ Therefore, migrant workers are not essentially considered

⁵³ Chan, Anita. *China's Workers Under Assault: Exploitation and Abuse in a Globalizing Economy: Exploitation and Abuse in a Globalizing Economy*. (Routledge, 2016), 44.

⁵⁴ Keung Wong, D. F., Li, C. Y. and Song, H. X. Rural migrant workers in urban China: living a marginalised life. *International Journal of Social Welfare*, 16: 32-40. doi:[10.1111/j.1468-2397.2007.00475.x](https://doi.org/10.1111/j.1468-2397.2007.00475.x) (2007), 36.

as rural workers, since they can be regarded as citizens living in the city but possess a rural household registration. Also, they still depend on the support from their families back in the rural areas.

Collective Bargaining Power

Bargaining power is a fundamental principle when it comes to labour, since it is the major causal factor of the bargaining results that are associated with income and other employment situations. The impact of power is mostly observed in conditions wherein unions represent the workers, since unions can execute their force with the use formal method for negotiations. In addition, in the presence negotiations, it always comes with the warning of strike action or the like, despite the legality of strikes. Its legality differs in every country and even across various kinds of workers and work connections.⁵⁵

Collective bargaining is a type of negotiating with many employers, which is the opposite of sole employer or company negotiation. The association of employers at within the sector is as valuable in order to have successful negotiations within the sector, considering the presence of unions in the trade. Nations vary both on the legal assistance provided to collective negotiations and the profoundness of their support for the sector. In summary, these highlight the essential role of the government in managing the association between the company and company unions, either in the developed world or not.⁵⁶

2.3 Theoretical Framework

2.3.1 Political Process Approach

Chinese rural migrant workers are now gradually become more “offensive” to achieve progressive improvements in their payments and working conditions. To investigate the devel-

⁵⁵ Lee, Chang-Hee, William Brown, and Xiaoyi Wen. "What Sort of Collective Bargaining Is Emerging in China?." *British Journal of Industrial Relations* 54.1: 214-236, (2016), 217.

⁵⁶ Katz, Harry C., Thomas A. Kochan, and Alexander Colvin. "The Role of the Economic, Technological, and Demographic Environments." (2015), 39.

opment of the Chinese working class and changes in the collective bargaining power of rural-urban migrant workers, McAdam's "political process approach" is often applied.⁵⁷ Chapter 3 further discusses the development of collective bargaining power in China.

Although the definition of "offensive" (as opposed to "competitive" or "reactive") is similar with that of the "proactive" in Tilly's outline of the different claims made by collective actors, but here it is most consistent with its definition in industrial relations literature.⁵⁸ The dynamic development of a strike and union movement follows a predictable path as explained by the McAdams model, which is also known as the political process theory (PPT). The PPT is the standard explanation for social movement mobilisation and emphasises "the role of political opportunities, mobilising structures, and framing processes" in analysing social movements.⁵⁹ The PPT focuses on the interaction between movement characteristics, such as the organisational structure, as well as the broader economic and political context.

2.3.2 Polanyi-Type and Marx-Type Labour Movements

Silver pointed out the role in Chinese labour movements of Polanyi-style resistance, which refers to:

*"The backlash resistance to the spread of a global self-regulating market, particularly by working classes that are being unmade by global economic transformations and by those workers who have benefitted from established social compacts that are being abandoned from above."*⁶⁰

Marx-type labour unrest refers to:

⁵⁷ Elfstrom, Manfred, and Sarosh Kuruvilla. "The Changing Nature of Labor Unrest in China." ILR Review 67.2: 453-480, (2014), 457.

⁵⁸ Tilly, C. From Mobilization to Revolution. Addison-Wesley, Reading, MA. (1978).

⁵⁹ McAdam, Doug. Political Process and the Development of Black Insurgency, 1930-1970. (University of Chicago Press, 2010), 65.

⁶⁰ Silver, Forces of Labour, 20.

“The struggles of newly emerging working class that are successively made and strengthened as an unintended outcome of the development of historical capitalism.”⁶¹

As Silver proposed, “the growing labour unrest in China to date has largely taken the form of Polanyi-type movements against the disruption of [workers] established ways of life and livelihood”, but there is “every reason to expect that Marx-type labour unrest will also emerge”.⁶² Silver pointed out the flexibility of capital investment and its relationship to challenging labour environments. New capital investment usually starts when the return on current investments peaks, but when increasing labour conflicts threaten the current capital invested, due to the workers defence of their interests and demands for more rights, investment will be most probably relocated to projects with higher (and more stable) returns compared to the “lost capital” spent on higher wages, better social security, and general worker welfare programs financed by the employer. But sooner or later, as Silver explained, the newly created working classes by the new capital investments will also start to demand for better working place benefits and conditions and, finally, a new era of protests may be expected.⁶³

Silver contrasted “Marx-type” strikes, where the “industries are growing and workers do not show a historic social contract context, with ‘Polanyi-style’ protests, where market expansion has weakened the protections for workers.” While Silver’s conception has been highly influential, its emphasis on structural power as the guiding framework for the settlement of both strikes and management disputes might limit the scientific roadmap to an overly small number of possibilities.

2.3.3 Sources of Bargaining Power

To analyse the sources of power labourers might have over employers, scholars frequently apply Erik Olin Wright’s theories of associational power and structural power.⁶⁴ Associa-

⁶¹ Ibid., 20.

⁶² Ibid., 106.

⁶³ Ibid., 50

⁶⁴ Wright, Erik Olin. "Working-class Power, Capitalist-class Interests, and Class Compromise." *American Journal of Sociology* 105.4: 957-1002. (2000), 964.

tional power suggests the power resulting from the collective organisation of the workers, for example trade unions and political parties. Structural power refers to the power that comes from the workers' ability to threaten the economic system based on their position in it. This distinction can assist in sorting the changing context within which members of the working class use their abilities to respond to and improve their positions in the production and accumulation processes. Furthermore, Silver was inclined to understanding capital investment as unrestricted in its capability "to relocate to avoid labour protest but does not consider the state's role in channelling investment in specific locations, establishing income policies, or setting the terms of workers' legal action."⁶⁵ This paper thus includes institutional power as another source of bargaining power for Chinese workers.

2.3.3.1 Associational Power

The associational power of labourers includes "the various forms of power that result from the formation of collective organisations of workers."⁶⁶ However, the collective organisations are not themselves the source of associational power as one might assume. Power is a specific ability – "an actor's capacity to alter the behaviour of another actor."⁶⁷ Unions, parties, and works councils are actors or vehicles for action. Associational power unites the primary power of the working class and can even compensate for insufficient structural power. But in contrast to structural power, associational power requires an organisational process to take place and for collective actors to emerge that are capable of making and implementing strategies.⁶⁸

The decline in the US and many European countries of trade unions was stated to be due to their declining associational power, with their reduction in membership, in particular, proving this claim. This decline has in return led to the shrinking of the trade unions' infrastructural resources. With the weakening of the traditional working class in countries such as the US,

⁶⁵ Webster, Edward. "Labour after Globalisation: Old and New Sources of Power." *Labour and transnational action in times of crisis*, (2015), 21.

⁶⁶ Silver, Forces of Labour, 25.

⁶⁷ Joel Stillerman. "Explaining Strike Outcomes in Chile: Associational Power, Structural Power, and Spatial Strategies", (Latin American Politics and Society, 2017), 31.

⁶⁸ Silver, Forces of Labour, 13.

France, Germany, and the UK, the internal consistency of these organisations was also weakened; many members were less willing to be active and become involved. The lower representation of groups, such as the vulnerable and female workers, in contrast to the major social trends has also contributed to this development. Only a few individual trade unions in industrial countries, such as Germany, have been able to resist this decline by changing their organisational structures and recruiting new member groups.⁶⁹ However, in some countries of the Global South (South Africa, Brazil, South Korea, South East Asia, etc.), new trade union movements have been emerging since the 1980s. This is mainly because of the growing industrial sectors in these countries, which has permitted them to recruit trade union members with a high degree of workplace bargaining power, who later also engaged in democratic movements (for instance, in Brazil and South Africa).⁷⁰

In China, the All China Federation of Trade Unions (ACFTU) is the only legal union, and the Communist Party of China (CPC) directly leads it. Associational power is not very strong in modern day China. Chapter Four will further analyse associational power in China and related policies.

2.3.3.2 Structural Power

Structural power is the capability of labourers to put pressure on employers due to the labourers' positions in the economic system and ability to threaten it.

“It is the power of workers as individuals that results directly from tight labor markets or from the strategic location of a particular group of workers within a key industrial sector would constitute instances of structural power.”

“Structural power is the capacity of workers to either withdraw from the labour market or disrupt the production process, damaging a firm’s operations not only at one site but also potentially along its entire production network.”⁷¹

⁶⁹ Schmalz, Stefan, and Marcel Thiel. "IG Metall's comeback: Trade union renewal in times of crisis." *Journal of Industrial Relations* 59.4: 465-486. (2017), 471.

⁷⁰ Silver, *Forces of Labour*, 58.

⁷¹ Wright, Erik Olin. *Working-class Power*, 962.

Structural power, the ability to threaten production, is a primary power resource, as it is available to workers and employees even without representation of their collective interests. It arises “out of the type of dependencies between the social parties at the place of work” in the labour market. Structural power depends on the power to cause disruption (disruptive power) and, as such, to interrupt or restrict the productivity of capital.⁷²

Following the steps of Wright, Silver (2003) further differed structural power into two sub-types: workplace bargaining power and marketplace bargaining power.

Marketplace Bargaining Power

“Marketplace bargaining power is the capacity of workers to influence employers because of tight labor markets, scarce skills, or the ability to withdraw from the labor market and survive on non-wage sources of income.”⁷³

The effects of the “labour shortage” on rural-urban migrant workers in China can be analysed as follows. It is evident that a single migrant worker may be presented with good choices between different job opportunities leading to a higher income. This opportunity may be regarded as a consolidated form of bargaining power with the additional long-term effect of a superior decision-making process leading to increased personal benefits and better workplace autonomy and conditions.

Marketplace bargaining power is the product of a tight labour market, the “possession of rare qualifications and skills demanded by employers, low unemployment,” and the “ability to fully withdraw from the labour market and to live off other sources of income.”⁷⁴ Employees can simply change their jobs without fear of unemployment when they have higher marketplace bargaining power—thereby producing extra training costs and a loss for the employers, for instance. To prevent this, higher wages are paid. Marketplace bargaining power varies depending on the structure of the labour market. China currently has relatively strong marketplace bargaining power, especially due to the labour shortage. Many reasons have caused

⁷² Ibid., 965.

⁷³ Silver, Forces of Labour, 13.

⁷⁴ Ibid., 13.

the labour shortage in rural-urban migrant workers. More details about structural power will be further discussed in Chapter 5.

Workplace Bargaining Power

The explanation of workplace bargaining power by Silver:

“Accrues to workers who are enmeshed in tightly integrated production processes, where a localized work stoppage in a key node can cause disruptions on a much wider scale than the stoppage itself.”⁷⁵

Enhanced bargaining power and its wider implications can only be fully understood if the strategic impact of location on industrial sectors is investigated. Due to the complex industrial relationships in the modern production process, it makes a clear difference if the targeted industry’s position is a bottleneck and if this bottleneck affects different high added value industrial layers; for example, where a localised work stoppage, or work stopping without prior planning, can cause much greater impacts elsewhere within the sector and beyond the sector. The introduction of the Ford-type assembly line work, for instance, meant that individual industrial workers could interrupt the production process virtually at the touch of a button. Relocations away from the centres of global capitalism have contributed to the emergence of new worker environments with a high degree of workplace bargaining power in some countries of the Global South (China, South East Asia, Mexico) and Eastern Europe.

These distinctions have enabled taking of a relatively nuanced approach to understanding the multiple points of friction between labour and capital. Workplace bargaining power depends on the status of the workers and employees in the production process. It is mobilised by a refusal to continue working. In addition to strikes and sit-ins, it can also include other forms of industrial conflict, such as sabotage or go-slows.⁷⁶ This means that workplace bargaining power can be exercised in a decentralised or spontaneous manner. By stopping work, wage earners can incur major costs for capitalists and force them to offer better payment or working conditions. Wage earners in sectors with high labour productivity, highly integrated pro-

⁷⁵ Silver, *Forces of Labour*, 14.

⁷⁶ Webster, E., Lambert, R., and Bezuidenhout, A. *Grounding Globalization: Labour in the Age of Insecurity*. (London: Blackwell, 2008), 27.

duction processes, or in important export branches have particularly high degrees of workplace bargaining power as local work stoppages have an impact that goes far beyond the loss of work of only those on strike.⁷⁷ Workplace bargaining power is contested because capital tries to restrict workplace bargaining power by relocating production sites, changing the way production is organised or through rationalisation measures. The 2010 Honda case is also good proof of how Chinese rural-urban migrant workers have started to use workplace bargaining power to successfully demand higher wages and better working conditions. More details on this issue are included in Chapter Five.

2.3.3.3 Institutional Power

This paper argues that Silver does not reflect the state's role in directing investment into certain locations, forming income policies, or regulations on the workers' legal actions.⁷⁸ "Institutional power is usually the result of struggles and a negotiation processes based on structural power and associational power."⁷⁹ Such institutions act as "a secondary form of power" that constitutes "a coagulated form of the two other primary forms of power."⁸⁰ Institutional power often results as a concession or even an attempt at cooperation on the part of capital investors towards the workforce. New institutions usually appear at the end of combative cycles of the labour movement as historical political breaks from the past (de-colonialization) occur or implemented when capital was dependent on the labour movement's willingness to cooperate.⁸¹

Institutional power has a two-fold nature—whilst from time to time, it may grant trade unions far reaching rights; at the same time, it restricts their power to act. The relationship between the strengthening and weakening of labour rights is always the product of a unique, one-off power balance between capital and labour that has been "solidified" in co-determinate institu-

⁷⁷ Silver, *Forces of Labour*, 13.

⁷⁸ Webster and Bezuidenhout, *Grounding Globalization*, 18.

⁷⁹ Agarwala et al., *The Power Resources Approach*, 121.

⁸⁰ *Ibid.*, 122

⁸¹ Schmalz, Stefan, and Nico Weinmann. "Between Power and Powerlessness: Labor Unrest in Western Europe in Times of Crisis." *Perspectives on Global Development and Technology* 15.5: 543-566 (2016), 549.

tions. There are different types of institutional power, such as legal guarantees (freedom of association, the right to strike etc.), legal institutional frameworks (labour courts, etc.), decision-making competences in individual policy fields (economics, labour market, etc.), and the collective bargaining system or workplace representation (co-determination, health, and safety etc.).⁸² Thus, the institutionalisation of class conflict goes hand in hand with its legal institutionalisation and the emergence of different levels of institutional power. The feature of institutional power is its gradual effects over time and it is rooted in the short-term political changes. In China, institutional power has an important influence on the bargaining power of the Chinese working class. The new labour law in 2008 and policy to increase domestic demand by increasing wages played an important role in increasing the bargaining power of Chinese rural migrant workers. (See Chapter 6)

Institutional power is an institutionalised form of solving conflicts by founding (new) institutions, such as working committees, work councils, and work commissions, but also refers to the institutional forms of social rules, such as labour laws, labour arbitration courts, work and state employment policies, and workplace rules. The period following a compromise after intense labour conflict will most likely result in a set of new laws in attempts to permanently create a durable, transparent, written, and hence institutionalised compromise. The concepts may even encompass direct negotiating forms of cooperation between employers and workers.⁸³ Institutional power can be found in the labour courts' decision-making competences, economics, labour market, and throughout the provisions of a collective bargaining system. At the level of workplace representation, the principles of co-determination, health and safety regulations can be additionally identified as the materialisation of institutional power. Thus, "the institutionalisation of class conflict goes hand in hand with its fixation in law and the emergence of different levels of institutional power."⁸⁴

The success of the claim and the settlement of the conflict hence do not depend on a single factor, such as structural power, but are the successful application of the strategies of all three

⁸² Smith, Chris. "The Double Indeterminacy of Labour Power: Labour Effort and Labour Mobility." *Work, Employment and Society* 20.2: 389-402, (2006), 391.

⁸³ Schmalz and Weinmann, *Between Power and Powerlessness*, 549.

⁸⁴ Agarwala, Rina, et al. "The Power Resources Approach: Developments and Challenges." In *Global Labour Journal*, 9(2):113-134, (2018), 121.

types of power: structural, associational, and institutional. The graph below is to sum up the sources of bargaining power.

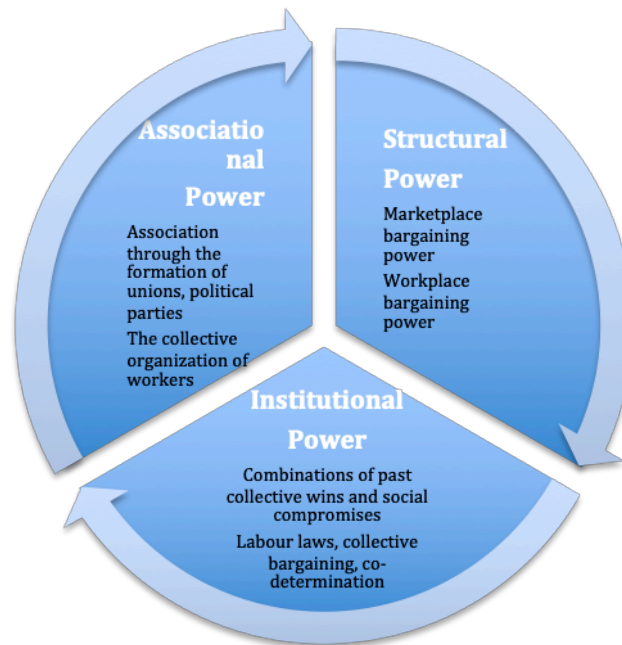


Figure 1: Sources of Bargaining Power

2.4 Research Methodology

This research underwent extensive course of development prior to the identification of the definite research topic. At the beginning, the process involved looking for the causes of the growing bargaining power of the rural migrant workers in China. Additional reflections on the aforementioned notion helped us identify that emergence of the collective bargaining power in China started after 2008. This is proven by the increasing income levels across the country. This is the turning point of the research to determine the link among three major factors: economic transition, changes of the labour market, and the rising bargaining power.

This study was conducted as a desk research in the archives of the University of Vienna, particularly from the Main University Library and the East Asian Studies Library. The data was obtained both from the libraries and the Internet. Hence, the research included the evaluation of several educational and non-academic papers on different topics: global supply chains, rural migrant workers in China, bargaining power, Chinese labour market, its link with the

increasing bargaining power, and the labour movements in China. Materials, including books, journals, online newspaper articles, and reports were utilized as references for this study.

Due to the lack of certified strike information, substitute estimates of strikes were utilized. The sources were obtained from the China Labour Bulletin, a Hong Kong based non-government organization that gathers data on the employees' rallies and strikes, which were mostly acquired from the news in Chinese newspapers and online blogs. Limitations: In case the Chinese data embodies a great underestimation of reality, first, it is likely that the source website have not fully accounted the definite number of occurrences of employee rallies and strikes. This is probably due to the fact that not all the incidents that happen every day are published in the newspapers caused by different reasons. Second, it is probable that only the huge strikes that affect the life outside of the factory, like the strikes of taxi, are narrated in the media. Lastly, it is possible that this website is just quantifying the stories instead of the actual strikes, which is also partly important. Nonetheless, in case there are no official data on these events, these will be the lone references, despite the significant understatement of the actual data. In spite of these drawbacks, the progress in the labour activities in China as well as its strike trends could be observed.

2.5 Significance of the Research

In the 21st century, China has become both a major power in the world and the world's second largest economy. There is huge debate over whether China will surpass the United States to become the world's leading economic power. Nevertheless, the reshaping of the Chinese working class is fundamental to the transformation and development of the Chinese economy and deserving of study. The greatest example of this reshaping is the "reform and opening up" policy's attraction of hundreds of millions of former peasants to the cities as migrant workers, creating a large number of cheap labourers in the city. This process began the formation of the new Chinese working class, who were mainly employed in the export-oriented companies that made China the new "workshop of the world."

Subsequent to the reform, Chinese rural-urban migrant workers were faced with low wages, bad working conditions, and discrimination in the city, meanwhile, they are not receiving their share of benefits from the fast growing Chinese economy. This social inequality has resulted in strengthened competition and social conflict. The Chinese working class has,

however, started to push back against the poor working conditions and poor benefits with their growing bargaining power. In recent years, several workplace labour strikes have attracted attention from all over the world. In 2010, 30,000 workers at Yue Yuen footwear in the southern industrial hub Dongguan joined this trend by striking. And earlier this year, coordinated Honda strikes occurred across the auto industry, in addition to the Foxconn computer pieces workers' suicide protests in Shenzhen. As a matter of fact, starting from the late 1990s, rural-urban migrant workers have been taking action to fight for higher wages and better conditions, but the problems and push back of these migrant workers did not attract enough attention from academics in China.

The problem of migrant workers has appealed to the senses of companies, authorities, and even social organizations in China. Based on the theoretical viewpoint, the impact of Chinese migrant workers organizations originates from their distinct stand in the large scale manufacturing system in China. Furthermore, the vital role of Chinese migrant employees is based on its impact on the economic growth of China. Since, labour or manpower organize a group and form joint power, which is not just the total of every cooperative force but involves a compounding effect. This paper will examine the development of its collaborative effects and analyse the sources of bargaining power based on the changes to the economy and labour market as well as the related institutional changes made by the Chinese government.

CHAPTER 3: BACKGROUND OF CHINESE RURAL MIGRANT WORKERS AND GLOBALIZATION

3.1 Influence of Globalization on Labour Standards in Developing Countries

The emergence and rapid development of Global supply chains (GSCs) in the global economy over the last few decades has been accompanied by cheaper trade cost, advances in telecommunications and logistics, and greater liberalisation and deregulation of international trade and investment. The character of the global economy is trending towards greater international labour sharing and production. Thus corporations are constantly seeking cheaper foreign suppliers that may be organised through either direct investment in Joint Ventures or through outsourcing their resource planning.⁸⁵ This participation in global supply chains and their impacts on labour standards in one of the questions are to be addressed here.⁸⁶

In recent years, labour standards have regressed somewhat from the sole purview of public administrations to ordinary conversations and the public press. Labour standards refer to “wages, work hours, shop floor conditions, work intensity and occupational safety and health hazards”.⁸⁷ Moreover, they refer to social services and social protection, as a consequence of the employment contact. Because of the fierce competition in world labour markets, the ‘race to the bottom’ in labour standards is defined by the trade-off between being unemployed and having precarious working conditions. On the other hand, the emergence and changes in GSCs affects workers in developing countries and may also lead to ‘social upgrading.’⁸⁸ Social upgrading refers to the process of improvement for worker rights and the bargaining power to discuss qualities such as working conditions. The important quantitative factors are

⁸⁵ Gereffi, G. "Global Value Chains in a Post-Washington Consensus World", in *Review of International Political Economy*, Vol. 21, No. 1: 9–37, (2014), 11.

⁸⁶ Lee and Gereffi. "Global Value Chains, Rising Power Firms and Economic and Social Upgrading", in *critical perspectives on international business*, Vol. 11, No. 3/4, pp. 319–339, (2015), 325.

⁸⁷ Davies, R.B.; Vadlamannati, K.C. "A Race to the Bottom in Labor Standards? An Empirical Investigation", in *Journal of Development Economics*, Vol. 103:1–14, (2013), 3.

⁸⁸ Lee and Gereffi, *Global Value Chains*, 322.

the number of employed, wages, and working hours. Qualitative factors may include, for example, freedom of association and the right to collective bargaining.⁸⁹

Labour standards can be regarded as an output of GSC's governance and overall business structure. For the central and local governments in developing countries, the attraction of participating in GSCs is very high. As a consequence, Suppliers are promoted by prioritising in export growth at the cost of low working standards and labour rights' violations.⁹⁰ The Export Processing Zone (EPZ) has a long track record on working conditions and labour standards.⁹¹ EPZs have been established to attract as much foreign capital as possible by establishing exemptions to regulations, pushing unlimited export regulations and offering companies an attractive rate of tax.⁹² A weak regulatory environment may help the export sector have smooth business operations but leaves the labour issues unsolved.⁹³

Silver criticised the statement that globalization requires a weakening of bargaining power for workers.⁹⁴ Given this situation, capital will relocate production to regions that guarantee cheaper workforce and social conditions that would not shrink their return on investment. Growing capital forces nations to challenge each other at the expense of sacrificing wages and a natural wage growth development. As she put forward, "while labour has been weakened in the locations from which productive capital emigrated, new working classes have been created and strengthened in the favoured new sites of investment".⁹⁵ Conflicts between labour and capital follow capital, wherever it goes. Labour and capital are always in conflict.

⁸⁹ Barrientos, S. "Corporate Purchasing Practices in Global Production Networks: A Socially Contested Terrain", in *Geoforum*, Vol. 44: 44–51 (2013), 46.

⁹⁰ Arnold, D. "Workers' Agency and Power Relations in Cambodia's Garment Industry", in A. Rossi, A. Luinstra, and J. Pickles (eds): *Towards better work: Understanding labour in apparel global value chains*. Basingstoke, Palgrave Macmillan: 212–231, (2014), 215.

⁹¹ Milberg, W.; Amengual, M. *Economic Development and Working Conditions in Export Processing Zones: A survey of trends* (Geneva, ILO, 2008), 15.

⁹² *Ibid.*, 14.

⁹³ Arnold, *Workers' Agency and Power Relations*, 220.

⁹⁴ Silver, *Forces of Labour*, 9.

⁹⁵ *Ibid.*, 5.

When capital arrives somewhere, a new turn of outsourcing and social downgrading will start, and a new working class will arise leading to the promotion of a powerful labour movement.

Since the establishment of market amendments in 1978, China has transformed from a centralized to a more market-based economy, which led to fast economic and social growth. Also, the country's GDP growth is almost 10 percent yearly on the average—the hastiest maintained growth by a chief economy recorded in history—and has elevated greater than 800 million citizens from poverty. With 1.3 billion citizens, China is regarded as the second largest economy and is progressively performs a vital and power role in the progress of the worldwide economy. Lastly, China has been the biggest sole provider to world development since the worldwide financial calamity in 2008. Chinese firms already move up to controlling positions and start outsourcing their productions in other less developed countries.

3.2 Formation of a Chinese Working Class, flow of migrant workers Rural-urban migration in the context of China's development

After the founding of the People's Republic of China, China was under a system of a centrally controlled and planned economy. Under this system, working arrangements were set up for urban workers to allocate to job positions in the various state-owned enterprise (SOEs), and this form of employment was deemed as giving a worker an 'iron rice bowls'. Urban workers in China, especially those in the state sector, were given lifetime employment, more regular and stable wages, and a 'cradle-to-grave' welfare system, including housing, medical benefits, pensions, and various other social and entertainment provisions.⁹⁶ Until the 1980s, a free labour market and accompanying labour laws did not exist in China. With the Chinese economic reformation, the so-called 'Reform and Opening-up' policy of 1978, China adopted a market economy instead of the previously planned economy, which brought major changes for the Chinese working class. One of the most dramatic and dynamic features of China's reform was the commodification of Labour.⁹⁷

⁹⁶ Kuruvilla, Sarosh, Ching Kwan Lee, and Mary Elizabeth Gallagher. *From iron rice bowl to informalization: Markets, workers, and the state in a changing China*. (Cornell University Press, 2011), 20.

⁹⁷ Cooke, Fang Lee. *HRM, work and employment in China*. (Routledge, 2004), 44.

First, the globalisation process shattered the old socialist planned economy and the state-owned companies have constantly been under restructure from the mid-1990s.⁹⁸ Many state-controlled enterprises (SOEs) were shut down through a sequence of restructuring undertakings that shifted many SOEs into shareholding corporations. They were either sold or rented by private individuals, or directly went bankrupt.⁹⁹ Many SOEs employees lost their jobs because the state broke the previous social contract that had been provided for in the previous planned economy. The ‘iron rice bowl’ was smashed and the government forced workers into the open labour market.¹⁰⁰ In 1978, 80 per cent of urban workers were working in SOEs, by 2005 this stood at only 30 per cent. The restructuring of SOEs made many people lose their jobs in the late 1990s and early 2000s and even those still employed experienced a drop in their incomes.¹⁰¹

Furthermore, as the rural collective agricultural system was similarly demolished, Chinese rural migrant workers become an important component of the new Chinese working class. Before the ‘reform and opening-up’ policies, workers were not permitted to work in other places without official approval, with wages everywhere set by central government.¹⁰² Following the establishment of the Special Economic Zones (SEZs), a great inflow of foreign capital came into China and stimulated the fast growth of the export-oriented private sector.¹⁰³ Chinese economic policy put a strong emphasis on attracting FDI, and the economy came to depend more and more on foreign-investment. In this transition period, a market-lead

⁹⁸ Pun, N., Chan, C. K. C., & Chan, J. The Role of the State, Labour Policy and Migrant Workers' Struggles in Globalized China. *Global Labour Journal*. (2010), 20.

⁹⁹ Meng, Xin. *Labour Market Reform in China*. (Cambridge University Press, 2000), 65.

¹⁰⁰ A. Chan. ‘Globalization, China’s Free (read bonded) Labour Market, and the Chinese Trade Unions.’ In Rowley, C. and Benson, J. (eds.) *Globalization and Labour in the Asia Pacific Region*. London: Franck Cass: 260-281, (2000), 265.

¹⁰¹ Park, Albert, and Fang Cai. *The Informalization of the Chinese Labor Market*, 31.

¹⁰² Meng, *Labour Market Reform in China*, 15.

¹⁰³ Butollo, Florian, and Tobias ten Brink. Challenging the Atomization of Discontent. *Critical Asian Studies* 44(3): 419–440, (2012), 423.

labour relation was fundamentally created especially after the mid-1990s.¹⁰⁴ With the development of the Chinese economy, it was also noticeable that the government export policies, the drive for inward FDI, had possible negative influence on labour conditions. “It is characterized by “state-in” and “state-out” processes, where governments offer various concessions to foreign investors, but they withdraw or weaken existing social safety nets for workers”.¹⁰⁵ The economic reforms from the 1978 relaxed certain regulations of the ‘hukou’ system and lead to a great increase of labour migration from rural to urban areas. On the one hand, migrant workers who had a rural household registration status could apply for temporary residence permits to live and work in the city and became the major source of low-wage employees for the labour market. On the other hand, lack of urban Hukous make workers cheap. The following is a historical review of economic reform and the making of a working class in China.

1. 1979-1983 Economic Reform and Opening Up

In rural areas, the market economy was introduced by the household-based production contract system (家庭联产承包责任制), which offers farmers possibilities to be responsible for their assigned land and have more motivations for farm work. In the first five years of the reform, the per capita income of rural areas rose by 15 per cent on average annually in real terms.¹⁰⁶ From the early 1980s, China started to relax labour mobility restrictions gradually as part of the economic liberalisation reforms.¹⁰⁷ Farmers were permitted to move to town-village enterprises to find a job.

¹⁰⁴ Leung, W. Y. ‘The Politics of Labour Rebellions in China: 1989-1994.’ PhD thesis, University of Hong Kong, (1998), 32;
Taylor, B., Chang, K. and Li, Q. *Industrial Relations in China*. Cheltenham: Edward Elgar, 15;
Chang, Kai. *Lao Quan Lun: Dangdai Zhongguo Laodong Guanxi De Falu Tiaozheng Yanjiu* (The Theory of Workers’ Rights: Research on the Legal Regulation of Labour Relations in Contemporary China). Beijing: China Labour and Social Protection Press. [in Chinese], (2004), 18.

¹⁰⁵ Chan, J.; Pun, N.; Selden, M. "The Politics of Global Production: Apple, Foxconn and China's New Working Class", in *New Technology, Work and Employment*, Vol. 28, No. 2: 100–115, (2013), 105.

¹⁰⁶ Pun, Ngai. *Made in China: Women Factory Workers in a Global Workplace*. (Duke University Press, 2005), 72.

¹⁰⁷ Chan, Chris King-Chi. "Strike and Changing Workplace Relations in a Chinese Global Factory." *Industrial Relations Journal* 40.1: 60-77, (2009), 66.

In 1977, Deng Xiaoping toured areas of Guangdong province and decided to set up the Special Economic Zones (SEZs). In the cities, the ‘open’ economic restructuring was mainly implemented in the first four SEZs located at Guangdong and Fujian in 1979. This was further engaged in other coastal areas later. The local governments in these areas were permitted to legislate policies that will hasten the work entry to minor towns or cities.

The state-owned enterprises (SOEs), in 1981, contributed to almost three-quarters or 74.76 per cent of the country’s gross industrial output. On the other hand, the collective-owned companies, which took the role as affiliates of government companies, were responsible for the remaining 24.62 per cent.¹⁰⁸

2. 1984-1988 Urban Economic Reform and Flood of Migrant Workers in Township or Village Enterprises (TVEs)

In 1984, the city economic transformation officially started. During this time, Deng Xiao Ping first went to the SEZs and highly commended the framework of She Kou Industrial Zone. Subsequently, an eleven-point declaration was approved on the 12th Congress. On the declaration, the fifth article particularly stated that “the economic reform should focus on urban enterprises”, while the last point presented that the “open door is a basic national policy”. The expansion of the open door policy occurred from the SEZ zones to the 14 coastal cities. In the same year, a flexible income system was initiated for the SOEs.¹⁰⁹

The liberalised Townships or Village Enterprises (TVEs) were stimulated to grow and compete with SOEs. The booming TVEs absorbed a huge amount of the surplus labour from rural China from the middle of the 1980s. With around 130 million labourers flowing into production, and 70 per cent of them were transferred to TVEs nearby.¹¹⁰

¹⁰⁸ Lee, C.-K. *Against the Law: Labor Protests in China’s Rustbelt and Sunbelt*, Berkeley, CA: University of California Press. (2007), 4.

¹⁰⁹ Cooke, F. L, *Work and Employment in China*, 57.

¹¹⁰ Bai, N. S. and Song, H. Y. et al. *Huixiang Haishi Jingcheng? Zhongguo Nongcun Waichu Laodongli Huiliu Yanjiu. (Return Home or Entering a City? Research on the Return of Rural Migrant Labour Force in China)*. (Beijing: China Financial and Economic Press, 2002), 21.

3. 1992-1994 A Rapid Growth of Migrant Workers, ‘Tidal Wave of Migrant Workers’ (Mingong Chao)

Later, in 1992, Deng Xiaoping conducted a southern assessment tour and requested to hasten the amendment process. Deng even shared that the modifications and open policies should be maintained for a decade, and also created a new set of policies. This involved the privatization of small scale SOEs, the institutionalization of the labour negotiation system in 1993, the declaration of the Labour Law in 1994, as well as the initiation of the local government fiscal independence in 1995.

From 1991, the Foreign Direct Investment (FDI) of China increased tremendously. In that year, the FDI of 4.7 billion US dollars became 11.3 billion in 1992 and further increased to 26.0 billion in 1993.¹¹¹ Meanwhile, the struggles accompanying city life in inland provinces of China, including Sichuan and Guizhou, forced a greater number of labourers to transfer from the provinces towards Guangdong just to find work. Official statistics reported that total of city migrant workers was over 60 million in the year 1993.¹¹² Also, the sum of inter-provincial migrant labourers in the mid-1990s was approximated to be at the minimum 12.5 times higher as compared to the data in the early 1980s.¹¹³

4. 1995-2000 Privatisation of SOEs

Due to the amendment of SOEs in the late 1990s, millions of labourers lost their job.¹¹⁴ From 1996 to 2001, approximately 26 million or 40.5 per cent of the production jobs from SOEs were removed.¹¹⁵ Anti-privatization rallies ignited among the SOE labourers, particularly due

¹¹¹ Wang, S. G. ‘The Social and Political Implications of China’s WTO Membership.’ *Journal of Contemporary China* 9 (25): 373-405, (2000), 385.

¹¹² Li, Shi. "The Economic Situation of Rural Migrant Workers in China." *China Perspectives* 84, (2010), 4.

¹¹³ Chan, K. W. *Internal Migration in China: Trends, Geography and Policies. Population Distribution, Urbanization, Internal Migration and Development: An International Perspective*, (2011), 81.

¹¹⁴ Cooke, F. L., *HRM, Work and Employment in China*. (2005), 60.

¹¹⁵ Au, L. Y. ‘The Post MFA Era and the Rise of China.’ *Asian Labour Update*, 56. Hong Kong: Asia Monitor Research Centre, (2005), 14-19.

to payment and company ownership issues.¹¹⁶ The removal of labourers at the ‘Xia Gang’(下岗) even increased the number of labourers that contend for the employment chances offered by JVs, FIEs and POEs in the coastal cities. Due to the high unemployment rate in the cities, there was a huge number of returning (hui liu chao) migrant workers to their hometown. The labour market faced unexpected dual restraints: the capability to give jobs to the rural community and laid-off surplus workers from the cities, even though the development of rural income decreased.¹¹⁷

In 1996, 11,544 units of SOEs announced bankruptcy. Later, the national value of government-owned and government-controlled companies, based on the total industrial output, declined from 18.05 per cent to 10.53 per cent in 2001.¹¹⁸

5. 2001 Onward- China Joining the WTO

On the 11th of December 2001, China became a constituent of the World Trade Organization (WTO). Prior to the country’s admission to the WTO, an extended course of bargaining happened and obligated the government to employ substantial changes in the Chinese economy. This transformation indicated China’s profound incorporation into the global economy. With the WTO affiliation, China’s market became more open for international business and ventures, as well as provided a way for China to export products to the world economy. This paved way for a rise in Chinese exports, which led to greater economic development. In addition, the membership provided China an enhanced market entry to its 152 WTO trade partners.¹¹⁹ Also, the larger international market access produced an upsurge in the exportation of Chinese goods. From 2002 to 2007, the GDP of China from the net exports amplified from

¹¹⁶ Cai, Y. S. ‘The Resistance of Chinese Laid-off Workers in the Reform Period.’ *The China Quarterly*. 170: 327-344, (2002), 329;

Chen, F. ‘Privatization and Its Discontents in Chinese Factories.’ *The China Quarterly*. 185, (2006), 42-60;

Lee, C. K. *Against the Law: Labor Protests in China’s Rustbelt and Sunbelt*, (Berkeley: University of California Press, 2007), 31.

¹¹⁷ Bai and Song et al., *Return Home or Entering a City*, 21.

¹¹⁸ Lee, Ching Kwan. *"Pathways of Labour Insurgency."* Chinese Society. (Routledge, 2003), 89.

¹¹⁹ Bhattachali, Deepak, Shantong Li, and Will Martin. *China and the WTO: Accession, Policy Reform, and Poverty Reduction Strategies*. (Washington, DC: World Bank, 2004), 2.

2.6% to 7.7%, respectively.¹²⁰ Majority of China's export goods were labour-intensive produced items, since China have a huge number of cheap labourers. This shifted the attention of workers to the labour-intensive production jobs, wherein the labourers moved from the principal sector to the secondary. Furthermore, the proportion of people involved in agriculture declined from 50% in 2001 to 11.2% in 2010 (World Bank, 2011). Also, the per cent of GDP contribution of the principal sector declined from 23.5% in 1994 to 11.7% in 2006.¹²¹ Since there were an increasing number of labour-intensive goods that needs to be produced, there was also a larger demand for labour in order to proceed with production. The greater demand paved way for the increase in the actual incomes in China within different industries. From 2001 to 2006, the actual yearly income among industries increased two-fold from the standard 12,000 yuan to 24,000 yuan, based on the 2007 value of yuan.¹²² Fortuitously, the rise in actual income was not only for the Chinese upper class. This was also comprised by commonly low-income industries, like production and retail.

The export market of the country also gained due to the increase in foreign direct investment (FDI) influxes upon WTO membership. In the start of 1990s, the FDI inflow in China were already huge, but was idled in the last part of the decade. The unproductivity was due to the limitations on FDI, corruption of authorities, and unproductive government-owned firms.¹²³ However, upon accessing the WTO, the limitations on the FDI of China was reduced, which led to the rise of FDI inflows to the country. From 2001 to 2002, the FDI inflows rose by 30% (Fung, 2006).¹²⁴ With the development of FDI, the country's exportation also flourished. This was due to the better access of international markets for the country's export goods, as well as the increase in FDI inflows from the WTO membership. There is no doubt that the WTO accession greatly helped the economy of China.

¹²⁰ Chen, Chunlai. *China's Integration with the Global Economy: WTO Accession, Foreign Direct Investment, and International Trade*. (Cheltenham, UK: Edward Elgar Pub, 2009), 3.

¹²¹ Boden, Graham '13 "China's Accession to the WTO: Economic Benefits," *The Park Place Economist*: Vol. 20 Available at: <http://digitalcommons.iwu.edu/parkplace/vol20/iss1/8>. (2012), 14.

¹²² *Ibid.*, 15.

¹²³ Chen, Chunlai. *China's Integration with the Global Economy: WTO Accession, Foreign Direct Investment, and International Trade*. (Cheltenham, UK: Edward Elgar Pub, 2009), 5.

¹²⁴ Fung, Hung-gay, Changhong Pei, and Kevin H. Zhang. *China and the Challenge of Economic Globalization: the Impact of WTO Membership*. (Armonk, NY: M.E. Sharpe, 2006), 12.

6. Better Regulations to Protect Farmers and Migrant Workers from 2003

In 2003, given the increase in tax income from the provinces, the central government also provided documents to offer improved policies in order to secure the farmers and migrant workers. During this trend, several authorities from the urban areas started to desert agricultural taxes or even proposed agricultural aids. By 2006, this platform was expanded country wide, for the main government's call for creating new socialist city areas.¹²⁵ This initiative enticed several older migrant labourers to go back to their hometown. However, the drastic modification in the urban and rural areas of China paved way for the media-reported occurrence of scarcity of workers (Mingong Huang) in the costal regions, at the end of 2003, which was opposite to the huge number of labourers (Mingong Chao) in the start of 1990s.

3.3 Working Conditions in the Early Stage (1978-2008) - the Challenges and Problems Faced by Rural Migrant Workers

Although migrant workers from rural areas made important contribution to Chinese exports, it is still hard for most of them to reach social protection because of governmental policies (the 'hukou' system) that rejected their full access to the social welfare systems available in the cities.¹²⁶ The local governments focused on economic growth policies and capital accumulation and failed to protect the workers rights. Since migrant workers lacked and in many cases continue to lack the legal right to become part of urban populations due to the 'hukou' system, many companies discriminate against them and they are often regarded socially as a "second class" in urban society. They are facing problems in the workplace, for instance, extended working hours, low pay, and no extra pay for overtime and limited health insurance, dangerous jobs lacking in health and safety precautions, discrimination and so on. Migrant workers are still excluded from many social insurance schemes and suffer from limited social

¹²⁵ Ngai, Pun. "The Making of a Global Dormitory Labour Regime." *Labour Migration and Social Development in Contemporary China* (2008), 154.

¹²⁶ Cooke, Fang Lee. "Labour Market Regulations and Informal Employment in China: To What Extent are Workers Protected?" *Journal of Chinese human resources management* 2.2: 100-116, (2011), 105.

protections.¹²⁷ Private enterprises producing components for the world market have not bound to state rules on working hours, protective labour laws and social security systems. The state hence accepted the fact that some employers of the private sector exploited their workers.¹²⁸ Even with the hard life of the city, rural people still came to the cities because earning enough money was even more difficult in the countryside. Since there were vast numbers of labours coming to the cities, it made it easy for enterprises to continue recruiting even despite the harsh working conditions and low pay.

1) The initial struggle encountered by the rural migrant labourers was little wage and job uncertainty. Since many rural workers were transferring into the cities, the urban labour market for low-skilled employees mostly comprised of rural migrant labourers, which produced a hard situation and a problem for those who are looking for jobs. Hence, the income rate was maintained low from the late 1980s to 1990s.¹²⁹ Due to their low income and substantial wage disparity for the migrant labourers, job uncertainty even caused greater difficulty. Before 2003, and prior to the personal intervention of Premier Wen Jiabao in an issue regarding the income arrears for the migrant labourers in Sichuan Province, it was usual for the labourers not to obtain their salary even when due. This could be attributed to the absence of enough protection for the migrant employees' rights. When the government recognized that salary arrears could result to social uncertainty, in 2003, they performed several measures to resolve this problem.¹³⁰ Fortunately, the condition was developed later. Although the salary arrear issue was lessened, it was not fully removed.

One survey conducted by the Labour and Social Security Ministry was conducted in forty cities across China in 2004. Among the 120 million migrant workers from the countryside,

¹²⁷ Ibid., 110.

¹²⁸ Komlosy, Andrea, Von der verlängerten Werkbank zum Global Player. China auf dem Weg zu einem Zentrum der Weltwirtschaft, in: Egger Georg u.a. (Hg.), *Arbeitskämpfe in China. Berichte von der Werkbank der Welt*. (Wien, 2013), 37.

¹²⁹ Chan, Anita. *China's Workers Under Assault: Exploitation and Abuse in a Globalizing Economy: Exploitation and Abuse in a Globalizing Economy*. (Routledge, 2016), 44.

¹³⁰ It was reported that in the first six months of 2005, the governments helped rural migrant workers claim unpaid wages amounting to 3.24 billion yuan. It was estimated that this represented only a small proportion of over-due wages. The amount of delayed wages was estimated at 3 billion in the construction sector in Beijing alone at the end of 2004. (<http://www.southcn.com/news/community/shzt/nmggq/zyjs/200511290363.htm>).

only 48 per cent were paid regularly, and more than half forces reported periodically late or occasionally missing payments.¹³¹

2) Another constraint is that most of the migrant labourers have lengthier working periods as compared to the local urban employees, and also more work days every week. In 2002, statistics presented that more than 80 percent of the rural migrant employees worked every day of the week, and only 7 percent worked for five days based on the official policy on the maximum work threshold for the local urban workers. In addition, approximately 68 per cent of the migrant employees do not have rest days every week, or even in a month.¹³² Furthermore, the data also indicate that migrant workers had longer working hours per day. Besides this, the number of migrant workers who never received overtime wages as obligatory obliged by law accounted for 54 per cent and most (76 %) never received legally entitled holiday overtime wages.¹³³

3) Also, a local urban employee with an urban Hukou is eligible to acquire social security aids including pension, unemployment and medical insurance, as well as subsidy for public housing. The absence of enough social security for the rural migrant labourers were mostly due to the organizations' discriminating actions against the migrant employees, which failed to enforce employers to offer social securities for migrant workers. According to the Ministry of Human Resources and Social Security, by the end of 2011, the coverage of the four mandatory types of social insurance is shown as following table. Migrant workers do not receive independent apartment, no school for their children, no public social protection, and they still rely on home village where they have hukou and family.

¹³¹ China Ministry of Labor and Social Security. China labor and social security yearbook. (Beijing: China Labor, 2004), 11.

¹³² Gallagher, Mary Elizabeth. Contagious capitalism: Globalization and the politics of labor in China. (Princeton University Press, 2011), 23.

¹³³ Ibid., 24.

Table 1: Coverage of the Four Mandatory Types of Social Insurance By the End of 2011

	Medical (%)	Pension (%)	Working Injury (%)	Unemployment (%)
Urban Workers	60	52.8	39.9	49.3
Migrant Workers	16.4	18.4	9.5	27

Sources: Ministry of Human Resources and Social Security

3.4 Increasing Labour Unrest and the Changing Nature of Labour Unrest

Official data on either the occurrence or scale of strikes in China is not publicly available, however based on traditional and social media, labour movements independent of the trade union ACFTU had a significant rising tendency in “strikes and other forms of collective labour protest”.¹³⁴ Chinese government terms labour unrest as “mass incidents” (*quntixing shijian*), to apply for larger strikes, protests and demonstrations since these are legal rights of Chinese citizens.

Strikes have developed to be an important response to workplace complains over the last decade.¹³⁵ Moreover, in contrast to previous work, which characterised strikes as mostly defensive, recent literature is reflecting the changing nature of labour movement in China since 2008. “Chinese workers have been striking offensively for more money, better working conditions and more respect from employers and usually successes with the collective bargaining”.¹³⁶ After the 2008 financial crisis, to compete with other industrial nations, Chinese government focus on more domestic consumption growth instead of export oriented growth, thus, the internal demand and increasing wages of migrant workers become important.

¹³⁴ Elfstrom and Kuruvilla, *The Changing Nature of Labour Unrest*, 463.

¹³⁵ Lee, Ching Kwan. "Precarization or empowerment? Reflections on recent labor unrest in China." *The Journal of Asian Studies* 75.2: 317-333 (2016), 321;
Pringle, Tim. "Reflections on labor in China: From a moment to a movement." *South Atlantic Quarterly* 112.1: 191-202 (2013), 198.

Stearns (1974) categorized strike demands in a sophisticated way. According to Stearns, “the lowest level consists of strictly defensive wage strikes; next comes strikes over personal issues; next, defensive strikes over conditions and intermediate wages and hours strikes; next, genuinely offensive wage strikes, the often related demands for reduction of hours, and on occasion union and solidarity issues”.¹³⁷ Silver points out Marx-type labour unrest in her work as “the struggles of newly emerging working class that are successively made and strengthened as an unintended outcome of the development of historical capitalism”.¹³⁸ The movement of capital into China has created a new and increasingly active working class, with low wages and poor working conditions forcing Chinese workers to push back.

3.4.1 Strike Rates and Distribution

The following two strike maps are from 2011.8-2012.8 and 2017.8-2018.8 from China Labour Bulletins.



Figure 2: 2011 August-2012 August Strikes Maps

¹³⁶ Elfstrom and Kuruville, *The Changing Nature*, 453.

¹³⁷ Stearns, Peter N. *Measuring the Evolution of Strike Movements*. *International Review of Social History* 19(1):1–27, (1974), 24.

¹³⁸ Silver, *Forces of Labour*, 20.

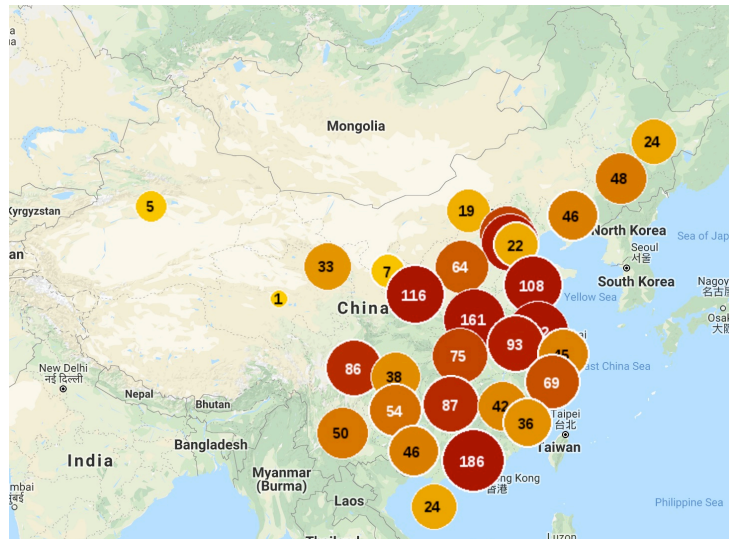


Figure 3: 2017 August-2018 August Strikes Maps

Source: CLB, see <https://maps.clb.org.hk/strikes/en>

These Strike Maps are not an absolute record of all strikes in China as Hong-Kong based advocacy group, China Labour Bulletin, can only record those incidents that are within the public domain, usually gathered from Chinese social media but sometimes from official media as well. However, these maps still show a general increase in strikes over the past decade. Furthermore, while strikes and protests are reported most with certain frequency along the Pearl River Delta, labour unrest has arisen throughout China. In the first strikes map from August 2011 to August 2012, strikes are mainly concentrated in the factories in the Pearl and Yangtze River Deltas, but now the strikes have already spread across the bigger part of the country. Geographically, strikes and protests are spreading out from the coastal areas of the Pearl River Delta and Yangtze River Delta and into inland provinces since in the past years more companies move to inland cities which have relatively cheaper labourers and recourses. Working related strikes, protests, and riots continue spread across the country, from before only cities like Shanghai and Beijing to cities like Chongqing and even to small interior towns in Yunnan.

Collective action is now not only widespread but becoming increasingly normalised. From the report by China Labour Bulletin, during year 2015 to 2017, there has been a clear proliferation of collective action not only geographically but also across industrial sectors. See Figure 4 below.

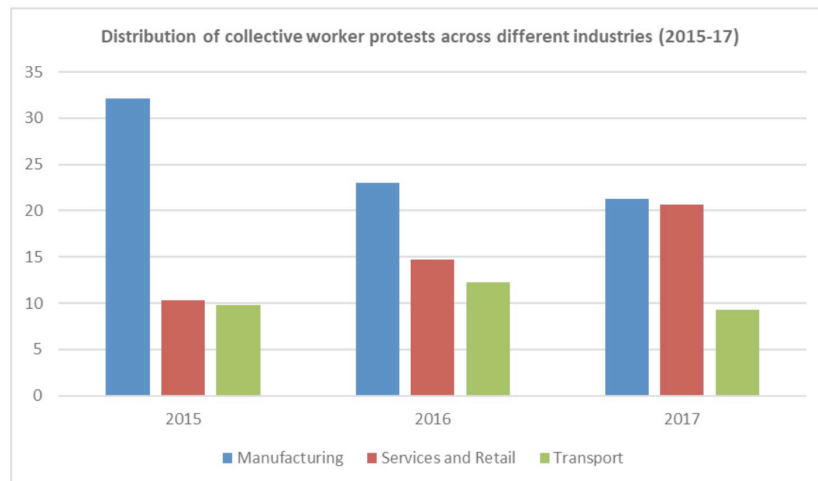


Figure 4: Distribution of Collective Worker Protests Across Different Industries (2015-2017)

Source: CLB, see <https://clb.org.hk/content/identifying-trends-workers%E2%80%99-collective-action-2015-17>

From the perspective of industrial sectors, collective actions in China have jumped from the traditional manufacturing industry into the more recently developed service and retail sectors, with a drop seen in the proportion of collective action undertaken by factory workers and a rise in strikes and protests by workers from a broad range of new industries such as couriers, food delivery and other online service providers. With the continuing structural adjustment of the Chinese economy, traditional industries such as mining, iron and steel and manufacturing have declined while new service industries have expanded rapidly. As more workers have become absorbed into the services sector, a lack of formal labour contracts, unreasonably low wages, insufficient social insurance and poor benefits have followed. These persistent violations in worker rights often leave workers with little option but to take collective action.

3.4.2 New Generations of Migrant Workers

The new generation of migrant workers is different from previous generations. They are not farmers and do not subscribe to their imposed identities as peasants. They look forward to and wish to live city lives. They have hopes, dreams and realize their own potentials instead of solely existing to take responsibilities for the family unit. This younger generation of migrant workers are better educated, have long had access to the Internet and social media and find adjusting to city life much easier than their predecessors. Many know about their rights and would be more likely to participate in labour movements to improve their wages and

fight for their rights.¹³⁹ They tend to be more assertive and aggressively demand better wages, working conditions and treatment. Aside from restricting the group of existing and forthcoming workers, the one-child policy was declared—in combination with the generally growing wealth—in order to produce a generation of migrant workers who are variably differs from the prior generation in a lot of ways.

More significantly, the next generation of migrant workers are more knowledgeable of their basic rights as well as on the economic and social condition of the place they live in in comparison to the prior set of workers. Hence, they will most probably be more assertive in asking for their demands. At the start of the 21st century, the city labour market of China rose as a definite intergenerational substitute, wherein the migrant workers born in the 1950s and the 1960s are slowly going away from the city labour market while the new set of migrant workers born after 1980s are slowly turning as the major component of the urban labour market. The new set of migrant workers from the rural regions, who were born from the 1980s onwards and around 16 to 28 years old, started working or creating firms in the urban areas in the end of 1990s and the start of 2000s. Countless are arriving in the city as workers with advanced educational attainment, almost no farming knowledge, single, and they were primarily escaping the social life and struggles in the rural zones and created warmer ties to the city's way of life.¹⁴⁰ This new generation are also different from their parents in terms of education, life experiences, morals, and future anticipations, also when it comes to the older-generation of migrant employees' hard-working features, and the probability to return to the rural areas upon old age.¹⁴¹ Yet, the new group of migrant workers are consumer-driven, love the city life and not keen to submissively agree on low income since they have greater aspirations in job settings and circumstances.

¹³⁹ Kuruvilla, Sarosh, Ching Kwan Lee, and Mary Elizabeth Gallagher. *From iron rice bowl to informalization: Markets, workers, and the state in a changing China*. (Cornell University Press, 2011), 190.

¹⁴⁰ Pun, Ngai, and Jenny Chan. "The spatial politics of labor in China: Life, labor, and a new generation of migrant workers." *South Atlantic Quarterly* 112.1: 179-190, (2013), 181.

¹⁴¹ He, Shenjing, and Kun Wang. "China's new generation migrant workers' urban experience and well-being." *Mobility, sociability and well-being of urban living*. Springer, Berlin, Heidelberg, :67-91, (2016). 75.

3.4.3 Main Reasons for the New Features of Chinese Labour Movement

The reasons accounting for the vast changes in the Chinese working class mentality and the bargaining power of rural migrant workers in recent years are due to economic and political factors, namely this bargaining power results from a growing labour shortage, new labour laws, and new migrant labour generations. To explain the development of collective bargaining in China, this section applies McAdam's political process theory (PPT) to analyse economic developments and political openings that promote such development. There are no increasing organized labour movements by official trade union in China. This paper will explain the shift in aims and actions of modern Chinese workers without the unifying force of a trade union; it is a "class struggle without class organization".¹⁴²

By applying McAdam's (1999) "political process" model to explain the development of collective bargaining in China, it may be correspondingly observed that economic developments and political openings "lead to a new sense of possibility and therefore a new assertiveness on the part of the oppressed groups by means of a process of 'continuous' change". More detailed analysis of growing labour shortage in China is pointed out as the key economic factor stimulating increased worker activism will be present in Chapter 5.1, marketplace bargaining power. Furthermore, the political openings of the government's changing labour laws and internal market policies are shown in Chapter 6 on institutional power.

¹⁴² Chan, Chris King-chi. *The challenge of labour in China: Strikes and the changing labour regime in global factories*. (Routledge, 2010), 64.

CHAPTER 4: SOURCES OF LABOUR BARGAINING POWER: ASSOCIATIONAL POWER

To analyse the power of different classes, we should first understand that “power” refers to the ability of “an actor’s capacity to alter the behaviour of another actor”, “individuals and organisations to realise class interests”.¹⁴³ As the interests of workers and capitalists oppose one another, the powers of workers to fulfil their class interests are influenced by their powers to counter the control of capitalists.

Associational power is defined by the different powers that are derived from the funding of a collective organisation of workers, such as a trade union; however, the collective organisations are not themselves the source of associational power as one might assume. Whilst unions, parties and work councils act as agents to initiate the action demonstrating power. As a general pattern observed in western countries, labour unrest can cause the authority to establish collective bargaining as the principal practice to solve with workers’ complaints.¹⁴⁴ The Chinese approach to collective bargain differs considerably from other industrial countries. It is not so strong in China nowadays and not many changes to this situation can be foreseen. This chapter will elaborate on the issue of associational power of Chinese migrant workers.

4.1 Official Trade Union – All China Federation of Trade Unions and Its General Principles

The Freedom of Association is generally accepted as a fundamental right and guaranteed in many state constitutions; collective bargaining is built on this right and workers can choose to participate in unions. By contrast, all workers in China are obligatory members of an official trade union called the ACFTU (All-China Federation of Trade Unions), which was established in 1953 and is the only legal union associated with Communist Party of China

¹⁴³ Stillerman, "Explaining Strike Outcomes in Chile", 2017, 98.

¹⁴⁴ Pun, Ngai, Chris King Chi Chan, and Jenny Chan. "The Role of the State, Labour Policy and Migrant Workers' Struggles in Globalized China." *Global Labour Journal* (2010), 35.

(CPC).¹⁴⁵ ACFTU promotes its goals and the way it operates in its General Principles of ACFTU as follow:

*“The Chinese trade unions are mass organizations of the Chinese working class under the leadership of the Communist Party of China and formed by the workers of their own free will. They serve as a bridge and link between the Party and workers and an important social pillar of the state power and represent the interests of the trade union members and workers. [...]. The Chinese trade unions safeguard the socialist state power of the people’s democratic dictatorship led by the working class and based on the worker-peasant alliance, assist the People’s Government to carry out its work and give play to the role of democratic participation and social supervision in accordance with the law.”*¹⁴⁶

Under the predefined structure, the ACFTU, as expected, is the largest trade union in the world with over 280 million members, 31 regional federations and 10 national industrial unions. Chinese laws do not allow the founding of independent trade unions.¹⁴⁷ The official purpose of state-led union is to set up more subdivisions in the workplace and to get more involved in mediating labour disputes. Therefore, the duties of union officials include promoting of the rule of law and coordinate relationships between employers and employees in the union.¹⁴⁸

4.2 Analysing Associational Power of Workers in China

In the past time, one of the main feature of most trade unions in socialist countries are “their dual functions of delivering the state’s instructions from the authority to workers and mobilis-

¹⁴⁵ Elfstrom and Kuruvilla, *The Changing Nature of Labour Unrest*, 456.

¹⁴⁶ Constitution of the All-China Federation of Trade Unions (Amendment); Adopted on 21 October 2008 at the 15th National Congress of Chinese Trade Unions, from ACFTU website.

¹⁴⁷ QI, Dongtao, and Jingyang HUANG. "Chinese Trade Unions: Development and Dilemmas." *GOVERNING SOCIETY IN CONTEMPORARY CHINA*. 75-90, (2017), 78.

¹⁴⁸ Traub-Merz, R. "The Automotive Sector in Emerging Economies: Industrial Policies, Market Dynamics, and Trade Unions: Trends & Perspectives in Brazil, China, India, Mexico, and Russia." (2017), 60.

ing workers for production”; these are done in exchange to protect workers’ welfare and interests.¹⁴⁹ China is one of the best examples where such a concept bears in inherent dualism, which is hard to balance over time. The position of a socialist trade union is more likely to be a ‘transmission belt’ connecting workers to Communist Party of China (CPC) top party leaders, whilst simultaneously being an effective instrument that grants CPC the direct, fast and complete communication of desired policies.

Although ACFTU is the only trade union in the name of Chinese workers, a lot of the members do not have much confidence in the ACFTU to be a fair representative, whilst others are not even aware of being represented.¹⁵⁰ Since ‘the reform and opening up’ which transformed China to a more market-oriented economy, conflicts between employees and employers have risen drastically with a widespread abuse of workers’ rights and interests.¹⁵¹ Some scholars criticised that ACFTU is simply a “state machine” whose significance is only in assisting the government to achieve its objectives of sustainable social stability and keeping political legitimacy and authority. Instead, it should defend workers’ rights.¹⁵² The ACFTU is fully embedded in industrial unions as part of the formal structure but does not have substantial executable rights. To start a workplace union in a local workplace solely depends on the individual worker’s initiative and the affiliation with ACFTU is a legal obligation. It goes without saying that, memberships in the ACFTU require them to follow a set of rules and instructions as part of the binding procedure.

One of the most important factors that influence the relations between management and the workforce is the legal organisational business framework of companies. A conflict of interests, caused by the unions’ financial dependency, leads to the incapability of a significant representation of workers in the ACFTU. The enterprise-level trade unions in China financially depend on companies, and therefore they would not challenge employers on many oc-

¹⁴⁹ Traub-Merz, R. "The Automotive Sector in Emerging Economies, 63.

¹⁵⁰ Elfstrom, and Kuruvilla, "The Changing Nature of Labor Unrest", 461.

¹⁵¹ Chan, Anita. *China's Workers Under Assault: Exploitation and Abuse in a Globalizing Economy: Exploitation and Abuse in a Globalizing Economy*. (Routledge, 2016), 21.

¹⁵² Chen, Feng. "Between the state and labour: The conflict of Chinese trade unions' double identity in market reform." *The China Quarterly* 176: 1006-1028, (2003), 1010.

casions when they should have to.¹⁵³ In addition, the CPC reserves the right to select appropriate candidates to represent the trade union in companies, resulting in some cases where the company's top management representatives may also hold the position of union chairperson. The overall agenda can be summed up as the following statement: The union is expected to bargain with management over wages and benefits on behalf of workers rather than to cooperate with management to promote production and control workers. The reform period during the 1980's showed the build-up of a more investor-friendly environment. As a consequence of taking economic development into greater consideration, the ACFTU has played less of a role in representing workers' rights and interests as it focused on other political aims that allowed quicker economic development.

Although associational power usually helps support labour movement, it seems that Chinese trade unions do not make full use their support to assist in this role compared to trade unions in other countries. According to the General Principles, the ACFTU is to

*“participate in the coordination of labour relations and social interest relations, strive to build up harmonious labour relations, promote the economic development and the long-term social stability and make contributions to the all-round construction of a comparatively well-off society and a harmonious socialist society”.*¹⁵⁴

Unlike in some western countries, strikes do not belong to the catalogue of fundamental rights in China. However, a lot of workers have not faced any negative consequences after they participated in labour actions that are considered as illegal activities. The right to strike was removed from China's Constitution in 1982.¹⁵⁵ Article 27 in Trade Union Law provides details on remediation proceedings that will occur once an action for workers takes place; however, the word “strike (bagong) cannot be found and is conceptually replaced by ‘work-stoppage’ (tinggong) and “go slows” (daigong):

¹⁵³ Ibid., 1015.

¹⁵⁴ Constitution of the All-China Federation of Trade Unions (Amendment); Adopted on 21 October 2008 at the 15th National Congress of Chinese Trade Unions, from ACFTU website.

¹⁵⁵ Chang, Kai, and Fang Lee Cooke. "Legislating the Right to Strike in China: Historical Development and Prospects." *Journal of Industrial Relations* 57.3: 440-455, (2015), 445.

*“In case of a work stoppage or a go-slow in an enterprise, the trade union shall represent staff and workers in consultation with the enterprise, institution or relevant party, and shall reflect the opinions and demands of staff and workers as well as raise solutions. The enterprise or institution shall strive for a settlement with the reasonable requests made by the staff and workers”*¹⁵⁶.

In China, there is an indication that not much structural power has been converted to associational power and that enterprise trade unions are not operating effectively. Elfstrom and Kuruvilla argue that the absence of alternative private trade unions has been hard to form “a coherent strike narrative to the ACFTU, something that simply was not going to happen under existing conditions”.¹⁵⁷ Employers are still the more dominant element in the relationships with state-controlled trade unions. The extent of the limitations of the trade unions is equivalent to the strength of the employers¹⁵⁸. It is not surprising that the existence of unions in the private sector is merely a result of a political agreement between the company’s management and high-level representatives of trade unions. Consequently, more regarded trade unions are looking to make adequate deals to fulfil the targets for the creation of new ACFTU branches. The final outcome is a higher degree of unions per economic target area, the so-called “union density”.¹⁵⁹ Hui and Chan point out that it is evident that such measures would not strengthen the development of associational power; and also the attempts to appoint worker’s as representatives by organising adequate voting processes may be regarded as counterproductive.¹⁶⁰

¹⁵⁶ Elfstrom and Kuruvilla, *The Changing Nature of Labor Unrest*, 454.

¹⁵⁷ *Ibid.*, 458.

¹⁵⁸ Pringle, Tim, and Simon Clarke. *The challenge of transition: Trade unions in Russia, China and Vietnam*. (Springer, 2010), 16.

Friedman, Eli, and Sarosh Kuruvilla. "Experimentation and Decentralization in China's labor relations." *Human Relations* 68.2: 181-195, (2015), 187.

¹⁵⁹ Chen, Feng, *Between the State and Labour*, 1011.

¹⁶⁰ Hui, Elaine and Chris Chan. *Beyond the Union-centred Approach: A Critical Evaluation of Recent Trade Union Elections in China*, 53(3): 601-627, (2015), 612.

4.3 Walmart Case

Walmart prohibited ACFTU authorities to infiltrate its outlets within its first decade of operation in China. Also, they considered China's unions the same as how they treat other unions anywhere in the world.¹⁶¹

Nonetheless, in China, the *Trade Union Law* states that a company with more than 25 employees should sign a letter that requires a union representative; hence, employers should meet the demand. In July 2006, Ke Yulong, a 29-year old meat packer and two other work-mates who are laborers in the Quanzhou store located at Fujian, asked the local district union regarding how to organize a union. Furthermore, they even arranged undisclosed committees that would ultimately create the legal foundation for store-level union groups. Seventeen stores did the same in July and August 2006. In six weeks, Walmart had no choice but to agree. The ACFTU aided in laborers' bargaining and made the signed letters to Walmart China. They were able to launch trade unions in the infamously anti-union Walmart.

Walmart was questioned why it agreed to permit the trade unions into its China branch in 2006 even through they greatly opposed the establishment of unions in other nations. Jonathan Dong, the spokesperson of Walmart China stated that the union of workers in China were different from others since its aim is to cooperate with the employees and not to cause conflict.¹⁶² Even the president of Walmart Asia, Joe Hatfield, mentioned that he completely expect to work harmoniously with the leaders of the ACFTU and the union groups at all ranks in order to produce an ideal working rapport.¹⁶³

Although ACFTU efforts have benefited the migrant workers, since it remains as a Party-led mass group, it restricts migrant laborers from implementing globally accepted working rights, such as the right to create autonomous unions. Since it is the only legally acknowledged labor alliance in China, the ACFTU manages all the domestic union divisions and aligns laborer

¹⁶¹ Chan, Anita. "Organizing Wal-Mart: The Chinese Trade Union at a Crossroads." *The Asia-Pacific Journal, Japan Focus Volume 4.9* (2006), 7.

¹⁶² Chan, Anita. "Organizing Wal-Mart in China: Two Steps Forward, One Step Back for China's Unions." *New Labor Forum*. Vol. 16. No. 2. Sage Publications Ltd., (2007), 86.

¹⁶³ Watts, J. Wal-Mart Backs Down and Allows Chinese Workers to Join Union. (2006). Accessed: June 20, 2018. Retrieved from <https://www.theguardian.com/business/2006/aug/11/china.supermarkets>.

and union events with the government and Party policies. The ACFTU was pressured to undergo amendment. In the previous 20 years, it has started to investigate with joint discussion and unionization of the private industries. The Walmart issue, for instance, was commenced by the employees but assisted by the ACFTU. However, it was proven to be just moving to oppose the international firms instead of a sincere aspiration to alter the condition of the less paid and greatly uncertain job situation of Walmart employees. Finally, the efforts were regarded as half-hearted and unsuccessful. They were not successful in strengthening the laborer's joint welfares or in making the ACFTU more significant to the Chinese migrant laborers.

4.4 Recent Policies over the Developments of Trade Unions and Response to ACFTU Weakness

While a market economy with Chinese characteristics contributed massively to the country's remarkable economic wealth, excessive corruption in the industrial, public and defence sector caused new resentments by a vast portion of the working class. President Xi Jinping consequently proclaimed an anti-corruption initiative¹⁶⁴ to investigate high-level officials and local civil servants. This led to officers being removed from office and facing accusations of bribery and abuse of power. Chinese workers broadly appreciated the effective campaign.

In 2015, China's President Xi Jinping ordered the ACFTU to reform and be a greater representation of workers from a workplace level.¹⁶⁵ The existing inequalities, especially those affecting the Chinese migrant workers, are subject to these planned reforms. An important issue could be the political need to substantially raise the income of hundreds of millions of workers to support China's internal demand. In chapter 6 more details on domestic consumption and the structural level of wages, which play a crucial role in economic development, will be investigated. The 19th Communist Party Congress held in October 2017, seemed to be the initiation of reviewed trade union proceedings, changing the hierarchy structure of the union as it became more represented by the working class. By improving the source of revenue of the working class, including migrant workers, the CPC has begun the first step to a

¹⁶⁴ For example, 'Encircling' Zhou Yongkang, some regional inspections, second regional rounds and Shanxi "political earthquake", the fall of the "Four Big Tigers".

¹⁶⁵ Chan, Anita. "Trade Union Reform in One-Party States.", 32.

transformation. The ACFTU shall refine it compromises, in favour of the working class, with the management of each company it is involved with. It is still in question, whether the level of pressure placed on companies is high enough to be effective.¹⁶⁶

The lack of authentic union representation and collective bargaining often pushes workers towards self-directed labour movement and other forms of grassroots resistance to obtain better pay and working conditions. The most effective and often applied strategy by Chinese workers has been wildcat strikes, which are the strikes organised independently from the trade union ACFTU. Since the official union, ACFTU, has not won substantial credibility from the working class, wildcat strikes continue to be the most widely applied methods of solving workers grievances.¹⁶⁷ As observed by Friedman and Pringle, the short wildcat strikes organised by migrant workers appear to have been more successful, partly as a result of increasing marketplace power due to labour shortages and increased workplace bargaining power, especially for those working in supply chain critical industries such as port and auto workers from 2010.¹⁶⁸

¹⁶⁶ Batke, Jessica. "What's The Takeaway From The 19Th Party Congress?". October 27, 2017, Chinafile. Accessed: <http://www.chinafile.com/conversation/whats-takeaway-19th-party-congress>.

¹⁶⁷ Friedman, Eli D. "Economic Development and Sectoral Unions in China." *ILR Review* 67.2: 481-503, (2014), 485.

¹⁶⁸ Friedman, Eli. Insurgency and Institutionalization: the Polanyian Countermovement and Chinese Labor Politics. *Theory and Society* 42(3): 295–327, (2013), 311; Pringle, Reflections on Labor in China, 197.

CHAPTER 5: SOURCES OF LABOUR BARGAINING POWER: STRUCTURAL POWER

The concept of structural power is defined “by the capacity of workers to either withdraw from the labour market or disrupt the production process”¹⁶⁹. Structural power hence develops from the position of workers in a production cycle, where the realistic option of withdrawal of labour and subsequent disruption to the value chain exists. An approach to study workers demand for their rights would be first to examine how workers might threaten the expected factors of capital in order to claim their rights and interests. Given structural power is the ability to interrupt the production process in the first step and a second step would lead to the creation of collective organizations such as trade unions.¹⁷⁰

5.1 Marketplace Bargaining Power

Silver further divided structural power into marketplace bargaining power and workplace bargaining power. Marketplace bargaining power is the capacity of workers able to successfully bargain with employers because of “tight labour markets (low unemployment), scarce skills, or the ability to withdraw from the labour market and survive on non-wage sources of income.”¹⁷¹

Academic research papers show that after 2004 China was already facing a situation where a surplus of labour was virtually non-existent.¹⁷² The local labour shortage of earlier decades has grown into a general labour shortage across the country. As mentioned in Chapter 3.3 with McAdam’s model, the changing labour market plays an important role in growing the bargaining power of labour.

¹⁶⁹ Silver, Forces of Labour, 13.

¹⁷⁰ Wright, Erik Olin. "A Framework of Class Analysis in the Marxist Tradition." *Alternative Foundations of Class Analysis*: 6-40, (2002), 13.

¹⁷¹ Silver, Forces of Labour, 13.

¹⁷² See note 34.

The "Lewis Turning Point" is an economic growth point that must inevitably be passed through for countries seeking to overcome human labour as the main input sold at an extremely advantageous price to investors.¹⁷³ Essentially the initial reserve of industrial workers seems to be endless in size, but after passing the turning point it is extremely tightened. Conversely, Chan has argued that China has not yet passed such a point.¹⁷⁴ International Monetary Fund economists speculated China would not hit any Lewis Turning Point until 2020-2025.¹⁷⁵

China is now looking at other strategic options by moving the economy from labour intensive, input-driven growth toward a service focused economy with a significant upgrade in productivity and greater domestic consumption to outweigh the inherent risks with an export-driven economy related to labour-intensive production. This shortage has already prompted increasing labour actions, as bargaining power, presented especially by increasing wages, is now undoubtedly now in favour of industrial workers. The labour shortage had increased the certainty of the Chinese migrant workers, as workers can easily get another job soon after they protest their former companies. Although wages generally rise after strikes, worker dissatisfaction with employers may not so easily be removed.

The two measurements of labour are quantity and quality, with marketplace bargaining power depending on both the size and the skill of the labour force. The quantity of labour in the labour market is influenced by the size of the total working-age population and by the extent of rural-to-urban migration. The "labour shortage" phenomenon of migrant workers increases job opportunities and enhances their bargaining power with employers as migrant workers have more options and independence in the job market.

¹⁷³ Minami, Ryoshin, and Xinxin Ma. "The Lewis Turning Point of Chinese economy: Comparison with Japanese Experience." *China Economic Journal* 3.2:163-179, (2010), 169.

¹⁷⁴ Chan, Chris King-chi. *The Challenge of Labour in China: Strikes and the Changing Labour Regime in Global Factories*. (Routledge, 2010), 18.

¹⁷⁵ Das, Mitali, and Mr Papa M. N'Diaye. *Chronicle of a Decline Foretold: Has China reached the Lewis turning point?*. No. 13-26. (International Monetary Fund, 2013), 18.

5.1.1 Changing Quantity of Migrant Workers

According to the annual survey of migrant workers conducted by the National Bureau of Statistics (NBS), 281.7 million rural labourers worked in Chinese cities in 2015, making up about 35 percent of China's total workforce of around 807 million.¹⁷⁶ The graphs below show the growth and population of migrant workers in China. The annual rate of growth has declined noticeably from 4.4 percent in 2011 to just 1.3 percent in 2015 (Figure 5).

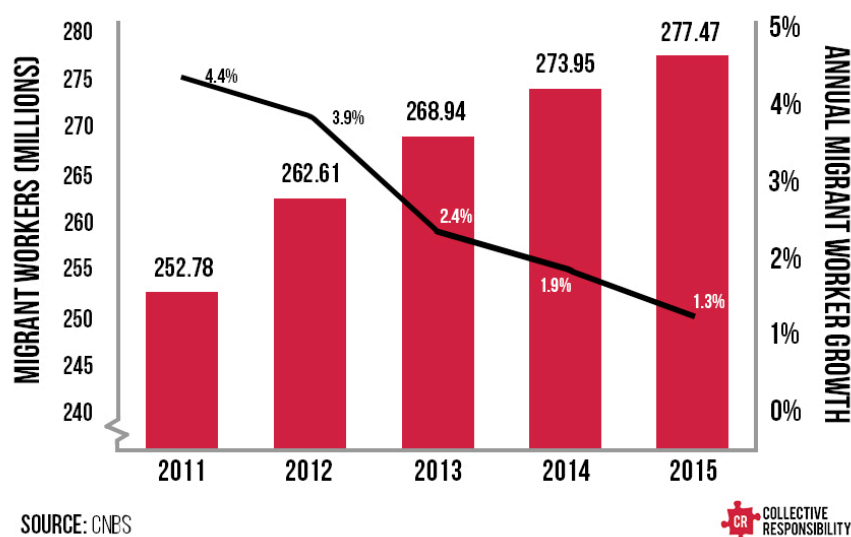


Figure 5: Total Scale and Growth of Migrant Workers in China

Sources: CNBS, <https://www.coresponsibility.com/shanghai-shortage-migrant-workers/>

The reasons behind this decreasing trend and lower annual migrant worker growth are multifaceted. I will begin by analysing the demographic changes of migrant workers that account for the decrease growth rate of migrant workers.

5.1.2 Demographic Changes and the Problem of Aging Migrant Workers

One of the most significant demographic changes in China has been a long-term result of

¹⁷⁶ National Bureau of Statistics National Bureau of Statistics. 2015 nian nongmingong jiance diaocha baogao (Investigative report on the monitoring of rural migrant workers in 2015). (2016). Retrieved from http://www.stats.gov.cn/tjsj/zxfb/201604/t20160428_1349713.html, 5.

China's one-child policy that contributed to a sharp decline in the labour supply due to significantly lower population growth. The Chinese fertility rate is currently 1.6 children per woman, down from more than 6 in the 1950s and 2.5 in the 1980s.¹⁷⁷ According to the United Nations 2017 predict, current (2017) population is around 1.38 billion people and is projected to stabilise at about 1.46 billion by 2030. It will decline to 1.13 billion in 2050; the working-age population will begin to shrink after peaking at 1,014 million in 2015.¹⁷⁸

The impact of these demographic changes has not only affected the quantity but also the age structure of labour. Figure 7 shows the decreasing percentage of migrant workers aged from 21 to 30. The number of labourers' aged 20–24 is estimated to decline from 125 million people in 2010 to around 80 million in 2020.¹⁷⁹

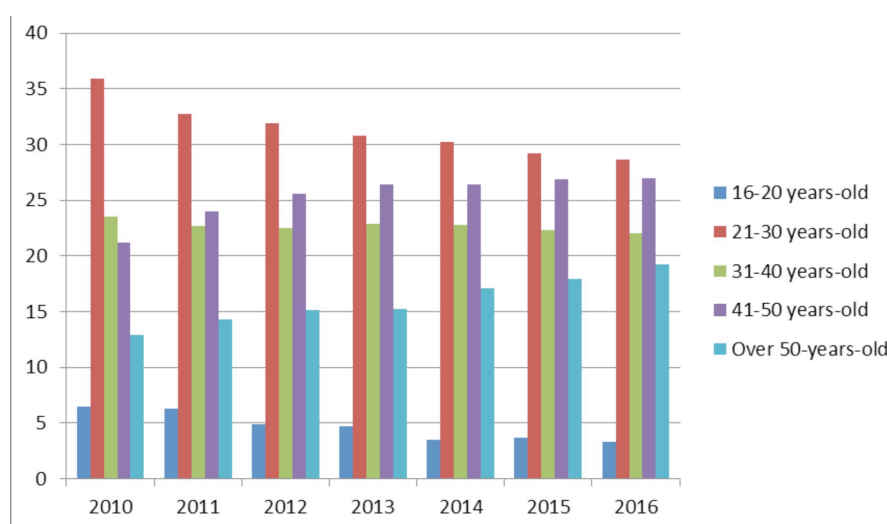


Figure 6: Age distribution of migrant workers 2010-2016 (%)

Source: CLB, <https://clb.org.hk/content/migrant-workers-and-their-children>.

¹⁷⁷ Feeney, Griffith, and Wang Feng. "Parity Progression and Birth Intervals in China: The Influence of Policy in Hastening Fertility Decline." *Population and Development Review*: 61-101, (1993), 76.

¹⁷⁸ Toossi, Mitra. "Labor Force Projections to 2020: A More Slowly Growing Workforce." *Monthly Lab. Rev.* 135, (2012), 43.

¹⁷⁹ Cai, Fang, and Meiyan Wang. "Labour Market Changes, Labour Disputes and Social Cohesion in China." (2012), 15.

5.1.3 Quality of Migrant Workers, Education and Skill Levels of Migrant Workers

Education and level of skill also influences the bargaining power of migrant workers but continues to be considered as low even in modern-China. While a shortage of labour can improve the wage and working conditions in a short time, it will not provide an answer to the question of structural skill level and how worker skill can be improved over time. It goes without saying that an improvement in worker skill may alter the position of individuals in the bargaining process.

Even though the newer generation of migrant workers is more knowledgeable as compared to their parents, their working skills remains comparatively low and job-training potentials are deficient. Labourers from the rural areas are mostly hired in the production and building sectors. Due to the lack of other job opportunities, they acquire low salary conditions and little social certainty, which were mainly because of the limited access to a prescribed skills training. Thereby, it reduces any chance to move upward. The situation remains true to most of the migrant workers that possess a middle school educational attainment, wherein only 26.4 per cent have higher education and about 9.4 per cent with college education. Also, based on statistics, only 33% of the migrant labourers have acquired formal training, while barely 9% have occupational or practical certification. China requires nine years of obligatory education, which includes five and four years of primary and middle school, respectively. Still, about 14 per cent of the existing population of migrant employees even failed to finish their middle school education.¹⁸⁰ Skilled workers have an incredibly strong marketplace bargaining power since they can easily change jobs and enjoyed increased competition among employers regarding compensation.

5.1.4 Willingness of Rural Migrant Workers to Continue Working in Urban Areas

Over recent decades, migrant workers are no longer strongly attracted by large cities for employment when they can achieve equal or better results working small cities closer to home or stay in the rural area. The Hukou (household registration) system has hindered migrant work-

¹⁸⁰ Choy, Susan. "Students Whose Parents Did Not Go to College: Postsecondary Access, Persistence, and Attainment. (Findings from the Condition of Education, 2001), 4.

ers from fully integrating into the city because they are unable to utilise local childcare, education, housing, medical, or unemployment benefits from the cities.

Based on the studies of United Nations and Chinese, the living expenses are primarily two folds greater in coastal city areas as compared to the inner regions of China.¹⁸¹ These studies also presented that the salary of factory workers are usually only 50 per cent greater in coastal cities (excluding the compulsory overtime pay), which is not enough to counteract the increasing cost of living. The salary to living expenses ratio, together with the insufficient legal security, makes it very hard to stay and be employed in the coastal cities for a long period of time. This is actually true for the migrant workers who aspire to transfer their families to the expensive cities with the hopes of attaining a better life.

5.2 Workplace Bargaining Power:

Workplace bargaining power comes from the tactical position of a certain group of workers within a vital industrial section. A work stoppage in a pivotal part can lead to a much more extensive interference than the strike itself. This source of bargaining power has been verified that a strike in one important sector of the production line can shut down the entire assembly lines especially since the modern 'just-in-time' delivery of parts.¹⁸² So we can assume that bargaining power results in the power of workers to really hurt the production system. Bargaining power hence relies on the capacity to cause considerable costs for the factory owners.

It goes without saying that workers employing structural power must have a comprehensive knowledge of the firms' capacity to accumulate losses without seriously ruining the production facilities. From the worker's point of view, success or failure is strongly connected to the right timing and knowledge. The risk of loss to the capital side means the gain of a strong

¹⁸¹ Keung Wong, Daniel Fu, Chang Ying Li, and He Xue Song. "Rural migrant workers in urban China: living a marginalised life." *International Journal of Social Welfare* 16.1: 32-40, (2007), 35.

¹⁸² Silver, *Forces of Labour*, 13.

negotiating position for employees. A key factor for worker success is not only targeting a factory but also its complete production network.¹⁸³

Throughout Chinese car industry, automotive workers have stronger position and means to put pressure on the management. As a result, this specific group of industrial workers account for many of the considerable victories that have been gained across the broader labour movement. The strategic advantage of workers in this industrial sector is evident. The monotony of the assembly line and the fast pace of production has also become the biggest weakness of the company in effectively defending their interests. If workers stop only a few machines the whole production schedule must then be altered and thus the power of such disruption shows its full scope.¹⁸⁴ Furthermore, Chinese autoworkers are employed mainly in large industrial entities (as an example the 22,000 employees in the Shanghai Volkswagen factory or the 120,000 employees of the FAW Auto Group). The high concentration of automotive industry is evident and hence makes plants vulnerable. Just-in-time (JIT) techniques make production fast and cheap but are a key factor of vulnerability due to the elimination of time buffers. Once these complex interdependencies are fully understood by workers, workplace bargaining power is largely increased.¹⁸⁵ A risky strategy turns out to start a just-in-time production in a factory without assuring the stability of labour relationships. Management will thus quickly surrender to worker demands.¹⁸⁶

5.2.1 The Honda Case

A key example of workplace bargaining power is the 2010 Honda case. Workers of two production lines at Honda plants in Nanhai began a labour movement by pressing the emergency red button usually used to shut down production in case of problems of quality. Worker activists had secretly prepared gatherings and planned to partake in industrial action a few weeks

¹⁸³ Wright, Erik Olin. "Working-class Power, Capitalist-class Interests, and Class Compromise." *American Journal of Sociology* 105.4: 957-1002, (2000), 962.

¹⁸⁴ Silver, *Forces of Labour*, 23.

¹⁸⁵ Zhang, Lu. "Globalisation, Market Reform, and Changing Labour Politics in China's Automobile Industry." *International Journal of Automotive Technology and Management* 6.4: 440-454, (2006), 450.

¹⁸⁶ Silver, *Forces of Labour*, 54.

prior to the strike.¹⁸⁷ On the first day of action, only 50 workers out of a total workforce of 1,800 followed and joined the action, however, these workers were from critical positions within the supply chain, which were the gearbox assembly line and were important enough to cease production at the Nanhai factory and shut down general operations.¹⁸⁸ One of the requirements is a professional network with specialist and bargaining team to negotiate with the executives. Successful demands needs to be prepared carefully, with detailed planning and a knowledge of managements flexibility on hard negotiations¹⁸⁹ The strike suddenly jumped to 20 other Honda factories, chiefly located in Guangzhou and Wuhan.¹⁹⁰

The accumulated losses of Honda amounted to around 240 million RMB per day. As the result of this action, the real wage of workers gained average monthly increases of 500 RMB (in Honda Nanhai plant) and 800 RMB (in Honda Nansha plant).¹⁹¹ Another conclusion is that successful strikes would not appear as stand-alone, more likely these are followed by secondary strike waves with a multiplication effect. Furthermore, as a response to this strike and over 100 secondary strikes, local governments were forced to increase the monthly minimum wage by up to 40 per cent.¹⁹² The workers use mobile phones to set a group on the platform “QQ” (a social network platform similar to the “WhatsApp”) connected around 600 workers shared their experiences together.¹⁹³ The 2010 Honda strike tide was well-known not only for its unprecedented range but also for the offensive requests for wage increases and union democracy, thereby implying the nascent development of Chinese working class consciousness amongst the migrant workers. Whereas in the past, strikes and protests could easily dissipate, workers now have the will and ability to engage in sustained collective action

¹⁸⁷ IHLO [ITUC/GUF Hong Kong Liaison Office]. A Political Economic Analysis of the Strike in Honda and the Auto Parts Industry in China. (2010). Accessed at <http://www.ihlo.org/LRC/W/000710.pdf>, 15.

¹⁸⁸ Butollo, Florian, and Tobias Ten Brink. "Challenging the Atomization of Discontent: Patterns of Migrant-worker Protest in China During the Series of Strikes in 2010." *Critical Asian Studies* 44.3: 419-440, (2012), 420.

¹⁸⁹ Ibid., 425.

¹⁹⁰ IHLO, A Political Economic Analysis, 16.

¹⁹¹ Butollo and Brink, Challenging the Atomization of Discontent, 427.

¹⁹² Ibid., 431.

¹⁹³ Ibis., 432.

and bring about positive results through bargaining. This example illustrates how workers have been able to strategically use the workplace bargaining power as leverage to against capital and take advantage of social networks to contact and organize with each other and inform the media to report and put pressures on the enterprise.

To sum up, the new feature of the labour movement is that workers are better at taking advantage of workplace bargaining power to fight for better wages and working conditions, and actions become more strategically organized to push companies into more disadvantageous position than before. After 2010, the workers also tend to be more consolidated and manage to participate in collective actions, especially in larger size companies, workers with one team often have the same salaries and working conditions, which brings them to have identical grievances. The working environment becomes homogeneous so are motivated more easily to push for higher wages and better working conditions.¹⁹⁴ The workers' movement entered a new phase of being more organized and purposefully collective in action, with workers utilising the latest internet and telecommunications technology to more effectively pursue their objectives.

5.2.2 The Lide Case

In 2015, five years after the Honda case, workers at the Lide Shoe factory in Guangzhou's Panyu district went on strike demanding compensation for factory relocation. During this collective action, workers exhibited more rational behaviour. In over four months of collective action split into two stages, the workers maintained a calm and self-restrained attitude. "During both the strike action and factory occupation, workers never damaged company property nor took to the streets in protest. Before taking collective action, workers had completed a multi-layered democratic process of organising, electing their representatives, establishing media liaison teams, a solidarity fund administrative team as well as a security team."¹⁹⁵ This helped move collective action away from an unstructured, fragmented and chaotic amalgam into a unified, organised and action-ready state. During the Lide Shoe factory dispute discussed above, workers went on strike, bargained with management, went on

¹⁹⁴ Pringle, Tim. "Strikes and Labour Relations in China." *Workers of the World* 1.8: 122-142, (2016), 130.

¹⁹⁵ Xu, Hui, and Stefan Schmalz. "Socializing Labour Protest: New Forms of Coalition Building in South China." *Development and Change* 48.5: 1031-1051, (2017), 1040.

strike again to continue exerting pressure, and then sat at the bargaining table to achieve a mutually acceptable resolution.¹⁹⁶ This is an exemplary case that illustrates how Chinese workers have developed a measured, rational and strategic approach to solve labour dispute and organised labour movements towards the next level. The Chinese government has realised that there are essential difference between “mass incidents” (the official term to describe collective protests in China) and collective work actions: the latter seeks to resolve through problems with negotiation and compromise rather than the simple expressing angry without clearly defined goals.¹⁹⁷ In this context, the Lide case can be seen as an important pattern in the development of China’s future collective bargaining system.

¹⁹⁶ Dong-hong, X. I. E. "The Effcet of Left-Behind Experience on Job Mobility of New Generation of Migrant Workers: A Survey in Beijing in 2015." *South China Population* 3: 001, (2016), 1.

¹⁹⁷ CLB, The Lide Shoe Factory Workers’ Campaign for Relocation Compensation, Accessed: June 17th, (2018). <https://clb.org.hk/en/content/trying-hit-moving-target-lide-shoe-factory-workers%C3%A2%E2%82%AC%E2%84%A2-campaign-relocation-compensation>.

CHAPTER 6: SOURCES OF LABOUR BARGAINING POWER: INSTITUTIONAL POWER

As analysed in the previous chapters, different forms of powers (structural power, workplace bargaining power, and associational power) form the backbone of labour movements and hence support the interests of the workers. Institutional power addresses the institutionalized forms of solving conflicts as found in (new) institutions, such as working committees, work councils, and work commissions, but also refers to the institutional forms of social rules, such as labour laws, labour arbitration courts, work and state employment policies, and workplace rules. The period following a compromise after intense labour conflict most likely shows a set of new laws that finally create a durable, transparent, written, and hence institutionalized compromise; the concepts may even encompass directed negotiated forms of cooperation between employers and workers.¹⁹⁸ Institutional power can be found in the labour courts' decision-making competences, economics, the labour market, and throughout the provisions of a collective bargaining system. At the level of workplace representation, the principles of co-determination as well as health and safety regulations can be additionally identified as materializations of institutional power. Thus, "the institutionalisation of class conflict goes hand in hand with its fixation in law and the emergence of different levels of institutional power."¹⁹⁹

One important point of institutional power is the freedom of association or the right to take labour actions for the improvement of one's living conditions ("right to strike"). The Chinese institutional legal system does not encompass this right; the right to strike was removed from China's Constitution in 1982.²⁰⁰ However, China's development since the reform of the 1980s brought strong economic growth and the experiences of working class exploitation and strikes strengthened the workers' collective bargaining power. Most commentators agree that

¹⁹⁸ Schmalz, S. and N. Weinmann Between Power and Powerlessness: Labor Unrest in Western Europe in Times of Crisis. *Perspectives on Global Development and Technology*, 15(3): 543–566, (2016), 549.

¹⁹⁹ Agarwala, R., Chan, J., Gallas, A., Scully, B., Pampallis, K., Nowak, J., & O'Brien, R. The Power Resources Approach: Developments and Challenges. *Global Labour Journal*, 9(2), (2018), 121.

the strikes emerged as an important response to workplace grievances over the last decade.²⁰¹ Institutional bargaining power peaked with the new labour law of 2008. Since the new labour law of 2008, migrant workers have shown an accelerated ability to organize in a better way and to take the appropriate actions to improve their working conditions. Labour right violations have often been responded to by strikes as a manifestation of structural power in key industries. The new Chinese internal market policy of increasing domestic demand by raising wages has been an important determinant of the bargaining power of workers.

6.1 Legal Guarantees of Institutional Power: Labour Laws

Problems of the Labour Law of 1995

The shifting of the economic system after 1978 has fundamentally changed the character of employment in China. The Chinese government made the first attempt in 1993 to relieve some pressure from the demand controlled labour market. As Chinese provinces differ considerably in terms of their per capita income and production output, a centralized settlement of minimum wages would be a solution. Instead, a decentralized approach was combined with a newly codified national labour law effective January 1st, 1995, which tackled the problems of labour rights and established a new legal framework for collective negotiations and collective legal binding contracts.²⁰²

However, it was problematic to enforce the law from the beginning, especially for migrant workers who were not offered a written contract signed by both parties. Migrant workers

²⁰⁰ Chang, Kai, and Fang Lee Cooke. "Legislating the Right to Strike in China: Historical Development and Prospects." *Journal of Industrial Relations* 57.3: 440-455, (2015), 445.

²⁰¹ Pringle, Tim. "Reflections on Labor in China: From a Moment to a Movement." *South Atlantic Quarterly* 112.1: 191-202, (2013), 197.

²⁰² Taylor, Bill, Kai Chang, and Qi Li. *Industrial Relations in China*. Edward Elgar Publishing, (2003), 54;
Clarke, Simon, Chang-Hee Lee, and Qi Li. "Collective Consultation and Industrial Relations in China." *British journal of industrial relations* 42.2: 235-254, (2004), 240.

were not informed enough about their rights and companies generally were more concerned with business projects rather than applying the law to improve the contractual rights of underprivileged migrant workers.²⁰³ Most of the migrant workers in China experienced poor treatment from their employers. Also, numerous firms did not offer job contracts to millions without the urban “hukou.” Moreover, they neither provided migrant workers with the rightfully obligatory social aids, nor respected the other legal rights of the workers. They disregarded payments for the social insurance of the workers, since this could help them save around 20% to 30% of the labour expenses.²⁰⁴ Also, giving the migrants and other low-income labourers lower than their rightful salary or mandatory overtime payment further increased the companies’ profit. In the absence of a written agreement, the labourers find it difficult to file a case for labour disputes in order to resolve the issue with the management. Hence, many labourers opted to organize strikes and public protests.

More than 10 years after the 1995 Labour Law stated employers were obligated to offer written contracts, the coverage rate is still disappointing. An official brief from the National People's Congress in 2007 showed that only about half of the companies have signed contracts with employees in general.²⁰⁵ For migrant workers, the situation is even worse. According to the State Council Research, in 2006, only 12.5 per cent of migrant workers were provided with signed working contracts.²⁰⁶

Besides the low contract coverage rate, other obstacles to more effective application of the labour law like arbitration financing by workers currently remain unresolved. The average migrant worker can hardly afford the cost of the legal process for a labour dispute. Gaining access to the legal system is a difficult barrier for migrant workers to overcome. The average labour lawsuit takes up to several months and the defendants are entrepreneurs who usually

²⁰³ Friedman, E., & Lee, C. K. Remaking the World of Chinese Labour: A 30-year Retrospective. *British Journal of Industrial Relations*, 48(3): 507–533, (2010), 521.

²⁰⁴ Lee, C. K. *Against the Law: Labour Protests in China's Rustbelt and Sunbelt*, (University of California Press; 2007), 87;
Anita, Chan., *China's Workers Under Assault*, 31.

²⁰⁵ ITUC. Proposed New Draft Contract Law Fails to Guarantee Fundamental Rights: Letter From the ITUC to President Hu Jintao. Accessed: February 13, 2018. Available at: <http://ihlo.org/IS/250507.html>. (2007).

²⁰⁶ Chan, Jenny. "„Meaningful Progress or Illusory Reform." *New Labor Forum*. Vol. 18. No. 2: 43-51, (2009), 47.

have more resources and structured legal advice, which makes it possible for them to appeal more frequently as a method to place pressure on the prosecuting party. The effect of postponing a final sentencing put the migrant workers who seek timely solutions in a weak position.²⁰⁷

New Labour Law in 2008:

In 2007, the state issued three new national labour laws:

- Labour Contract Law
- Labour Dispute Mediation and Arbitration Law
- Employment Promotion Law

The Labour Contract Law, effective on January 1, 2008, is an important reformatory labour law. It goes without saying that employers were against the new labour law because of the new multilevel obligations placed on companies. Nonetheless, the Chinese Government finally promulgated this law.

After investigating the details of the new law, the legal position of workers has been elevated considerably as the provisions require mandatory labour contracts for new employees for all 144 kinds of relations of employment.²⁰⁸ Reports on the effectiveness and coverage of written labour contracts were not uniform. With a huge population of 281 million migrant workers, recent contract coverage statistics even show a worrying trend in that until 2016, there were only 35.1 percent covered by written contracts compared to 42.8% in 2009. China's National Bureau of Statistics noted that this figure was a year on year decrease of 1.1 percent.²⁰⁹

²⁰⁷ Fu, Hualing. "Bringing Politics Back in: Access to Justice and Labor Dispute Resolution in China." *Justice: The China Experience* (2016), 18.

²⁰⁸ Wang, Haiyan, et al. "China's New Labour Contract Law: is China Moving Towards Increased Power for Workers?." *Third World Quarterly* 30.3: 485-501, (2009), 490.

²⁰⁹ Hu, Qiuyin. *Perspectives on the Regulation of Working Conditions in Times of Globalization*. Diss. (2018), 13.

Majority of Chinese Migrant Workers Still Unprotected by Labor Contracts

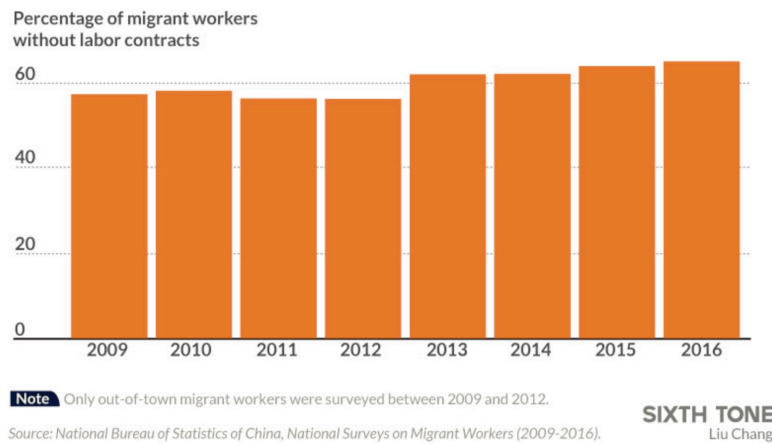


Figure 7: Percentage of Migrant Workers Without Labour Contracts

Source: National Bureau of China National Surveys on Migrant Workers (2009-2016)

6.2 Collective Bargaining and Reconciliation: Using the New Labour Law to Defend Labour Rights

China's labour dispute resolution system was effectively established in 1993, when the government promulgated its *Regulations on Handling Labour Disputes in Enterprises* (企业劳动争议处理条例). The *Regulations*, together with the *Labour Law* (劳动法), which was enacted in 1994, created a four stage framework that begins with an informal "consultation" between the two parties. After the consultation in the beginning, a mediation plan can be followed. Depending on the individual case, the next step could be a direct formalized arbitration. A negative arbitration result does not yet mean the end of the process as the workers still may enter claim in the civil courts.²¹⁰ At this time, China had yet to decide that social conflicts should be treated in a different way and disputes must be dealt with in a standardized forum fulfilling the requirement of legitimacy.²¹¹

²¹⁰ Shen, Jie. "The Labour Dispute Arbitration System in China." *Employee Relations* 29.5: 520-539, (2007), 527.

²¹¹ Becker, Jeffrey, and Manfred Elfstrom. "The Impact of China's Labor Contract Law on Workers." (International Labour Rights Forum, 2010), 4.

The publication of the new law in 2008 strongly raised the awareness of Chinese workers. A new understanding of the new Labour Law was clearly focused on the effective usability of the law by applying new strategies to better defend individual labour rights. In 2008, there were around 623,000 cases that were settled by Labour Dispute Arbitration Committees (LDAC) compared to 340, 000 in 2007. In 2016, the yearly total had increased to 828,000 cases, with nearly half (389,737 cases) settled through mediation.²¹² China's judicial system seems to be more open to a mediation outcome than a complete trial that would cost an extensive amount of time and resources. The possibility of worker-friendly arbitration was extensively used after the implementation of 2008's *Labour Contract Law* and *Labour Dispute Mediation and Arbitration Law*.

From a formal perspective, institutionalisation, stabilization, and settlement of labour conflicts through collective reconciliation seem to be well developed in China. Nevertheless, not all results of a formal dispute resolution process were as successful. One of the severest threats of dispute resolution process is delayed case resolution. It seems most workers' actions followed by a rather opaque and informal bargaining.²¹³ In a formal settlement process, all steps, including the mediation, arbitration, and litigation, are followed. But the LDAC and even the courts have shown behaviours clearly in favour of a mediated deal. Although the majority of labour disputes in China are collective in nature (grievances or claims by a group of employees against the same employer), labour dispute arbitration committees and the courts are often reluctant to take on collective cases. Of the 715,163 cases accepted by LDACs in 2014, only 8,041 were collective cases, which featured 267,165 workers in total (around 30 workers on average per collective case).²¹⁴

²¹² Gallagher, Mary. *Authoritarian Legality in China: Law, Workers, and the State*. (Cambridge University Press, 2017), 39.

²¹³ *Ibid.*, 54.

²¹⁴ Liu, Mingwei, and Sarosh Kuruvilla. "The State, the Unions, and Collective Bargaining in China: The Good, the Bad, and the Ugly." *Comp. Lab. L. & Pol'y J.* 38, (2016): 187.

6.3 Wage Raise and Policies on Increasing Domestic Consumption:

The political goal of raising and arranging wages in China was realized through an institutional approach where the framework was altered step by step with gradually increasing institutional power. The Chinese government's strategy now concentrates on how to create sustainable domestic consumption by increasing wages. Nevertheless, rising wages are not only a result of governmental initiatives but also an economic consequence of a shortage in labour. The academic research papers from Cai & Wang, Du & Wang, and Garnaut & Huang presented that after 2004, China was already facing a situation in which the surplus supply of labour was virtually gone.²¹⁵ As a consequence, wages have been rising by double-digit numbers, especially in the industrialized coastal areas in the urban sector. It has also been noted in works by Du and Wang that unskilled migrant workers earned significantly more after 2000 than a decade before.

The rising wage strategy described so far was additionally fostered by minimum wages, which were effectively implemented in March 2004. In China, minimum wages are the result of a local or provincial settlement process in which the monthly minimum wages (full-time) and hourly minimum wages (part-time) are applied. The figures on the development of minimum wages clearly show an upward sloping trend since the beginning: the minimum wage from 2008 to 2018 in China. The numbers reach an all-time high of 2,420 CNY/month in 2018 and a record low of 690 CNY/month in 2006. See the graph below:

²¹⁵ See note 34



Figure 8: China Minimum Wages 2008-2018

Source: Ministry of Human Resources and Social Security, Tradingeconomic.com

The on-going economic reform requires a working mechanism of collective bargaining, a responsibility assigned to ACFTU. Supporting growth requires a combination of policies aiming to enhance domestic demand and a modernization of infrastructure.²¹⁶ In the periods when transnational companies need access to labour and markers, emerging economies rely on investment and exports, before shifting to consumption-driven models as they mature. In order to achieve future development, China needs to move from labour-intensive ‘workshop’ to more technology-intensive high value-added service industry leaving the world economy periphery behind. China must create an internal market for all kinds of products that requires higher wages. The demand of the internal market is an important strategy as it will be still too hard for China to become the leader of value creating industries which control the hole product cycle from design, production till marketing.²¹⁷

Recent figures show that domestic consumption is the dominant factor of GDP growth. In 2016 China’s domestic consumption contributed 64.6 percent to growth in GDP, dipping 1.8 percentage points from a year ago, compared to 50 percent GDP growth from 2012 to

²¹⁶ Butollo, Florian, and Tobias Ten Brink. "Challenging The Atomization of Discontent: Patterns of Migrant-worker Protest in China During the Series of Strikes in 2010." *Critical Asian Studies* 44.3: 419-440, (2012), 436.

²¹⁷ Komlosy, Von der verlängerten Werkbank zum Global Player, 40.

2014.²¹⁸ The growth in consumer spending is solid. Relatively new sectors as online shopping are growing fast in China.



Figure 9: China Disposable Income Per Capita

Source: National Bureau of Statistics of China

Already between 2007 and 2017, the aggregate size of Chinese household consumption rose from a mere 13 per cent of US levels to 34 per cent. See following graph.

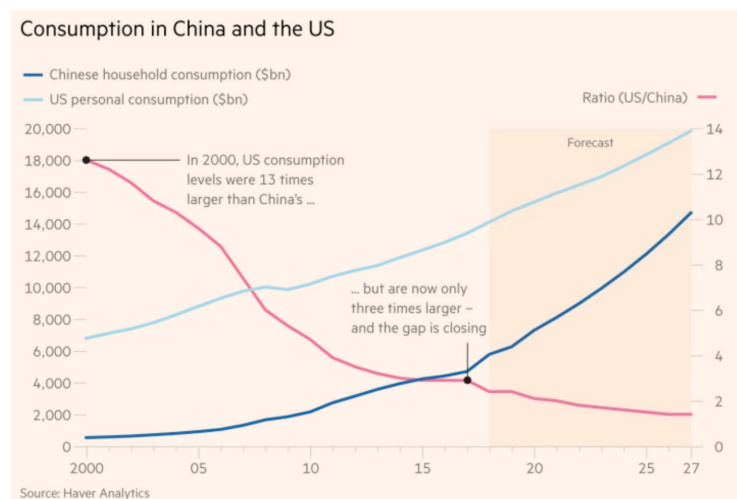


Figure 10: Consumption in China and the US

Source: Haver Analytics, <https://www.ft.com/content/627ab75c-4256-11e8-97ce-ea0c2bf34a0b>

²¹⁸ Wolf, M. Consumption to replace investment as key to China growth | Financial Times. Accessed: September 20, 2018. Retrieved from <https://www.ft.com/content/627ab75c-4256-11e8-97ce-ea0c2bf34a0b>. (2018).

China account for 25% of the world population, but only compose of only 4% of the total world consumption.²¹⁹ The consumption- and service-driven model of Chinese economy is the key element to sustainable development over the next decade. President Xi Jinping promotes the quality driven technology focused approach as the new development for China. After 19th congress of the Chinese Communist Party in the Chinese government has made it clear that a new approach will reorganize the economy in the following way: the economic model of Chinese ongoing transit will now focus on internal demand stimulated by Chinese households consumption. A parallel effort must be undertaken for all issues belonging to the social welfare, a question of enormous political weight at it is directly connected to the social stability program. The job creation through Chinese small and medium sized enterprises (SME) may guarantee a maximum of job creation and employment and will also foster China's transit to future service-oriented society. With the creation of better-paid jobs, the consumer's share of the national income is key determinant of China's future economic framework.

²¹⁹ Komlosy, Andrea. From Contract Manufacture to Global Player. Is China Moving to the Global Core? IROWS Working Paper #94 available at <http://irows.ucr.edu/papers/irows94/irows94.htm>, (2015), 352

Chapter 7: Conclusion

In the 21st century, China has become both a major power in the world and the world's second largest economy behind US. The economic reforms consequently attracted a constant flow of transnational corporations (TNCs) moving to China since the early 1990s and particularly progressed following the 2001 entry of China into the World Trade Organization. The special Chinese economic development path led by the "reform and opening up" mobilised hundreds of millions of former peasants to the cities as migrant workers, creating a large number of cheap labourers in the city. The surplus of labour was drawn from rural China, which became integrated in a system of globalisation through economic liberalisation and privatization of former state-owned companies. Although migrant workers from rural areas made important contribution for Chinese exports, social protection remained out of reach for the majority of them because of governmental policies (the 'hukou' system) that rejected their full access to the social welfare systems available in the cities. As such, Chinese internal migrants face multiple problems in the workplace including extended work hours, low pay, lack of overtime pay, limited health insurance, dangerous health and safety conditions, discrimination and also server fines for common workplace errors.

Transnational companies will only relocate production to regions that guarantee cheaper workforce and social conditions that would not shrink their return on investment. A growing capital forces nations to challenge each other at the expense of sacrificing the development of wages. The wages of migrant workers have not kept sync with the fast growth of the Chinese economy and the income inequality of migrant workers has attracted the attention of the Chinese migrant labourers have started to push back, fighting for higher salaries and better working conditions which leads to an increasing number of labour unrest. Even without the existence of effective trade unions or a general national social movement the development of collective bargaining in China and the shift in the worker aims and actions could be explained. In the 1990s the CPC have recognized labour problems as highly important since incidents involving worker unrest have become routine. Since the 21st century, scholars have begun paying attention to this problem as the pattern of Chinese workers as more passive defending their basic rights. As a matter of fact, rural-urban migrant workers have being taking action to fight for higher wages and better conditions. This paper analysed the reasons behind increasing bargaining power of migrant workers by investigating the structures of associational power, structural power and institutional power. Chinese special economic position and polit-

ical policies has promoted the bargaining power of Chinese migrant workers. China starts to move to higher position of global supply chain instead of simply providing cheap labourers and being the 'workshop of the world'.

Associational power refers to the power. In China, ACFTU is the only legal union and it is led by the Communist Party of China. The associational power resulting from the collective organisation of the workers is not very strong in China nowadays and not many changes to this situation can be foreseen. Some scholars criticised that ACFTU is simply a "state machine" whose significance is only in assisting the government to achieve its objectives of sustainable social stability and keeping political legitimacy and authority.

Structural power signifies the power that comes from the workers' ability to threaten the economic system based on their position in it. China's economic success is based on the surplus of labour supply. But the labour shortage after 2000 led to the consequence that wages were rising especially in the industrialized coastal areas. The structural power is the real source of power for labour movements and it does not rely on union representation. It is the capability of labourers to put pressure on employers due to the labourers' positions in the economic system and ability to threaten it. Structural power are divided into two subtypes: workplace bargaining power and marketplace bargaining power, which are important because they provides the details of migrant workers' power distinguishing between the struggle inside companies and the underlying macroeconomic situation. Marketplace bargaining power is the product of a tight labour market, where shortage of labour supply turned out to be real in Chinese market (Lewis Turning Point). China currently has relatively strong marketplace bargaining power and a number of researches confirm a further shortage of labour throughout the whole country. The effectiveness of workplace action was demonstrated by the Honda case in 2010 and 2015 Lide case. Both cases show that workers' movement entered a new phase of being more organized and purposefully collective in action, with workers utilising the latest internet and telecommunications technology to more effectively pursue their objectives. These cases show how Chinese workers have developed a measured, rational and strategic approach to labour dispute resolution and lead labour movements towards the next level.

The bargaining power of workers is institutionalised and goes hand in hand with its fixation in law and the emergence of different levels of institutional power. After the issue of 1995 Labour Law, it was problematic to enforce the law from the beginning. Migrant workers were not informed enough about their rights and companies generally were more concerned with

projects rather than applying the law to improve the contractual rights of underprivileged migrant workers. Since the new labour law of 2008, migrant workers have shown an accelerated ability to organize in a better way and to take the appropriate actions to improve their working conditions. Labour right violations have often been responded by strikes in some industries. The publication of the new law in 2008 strongly raised the awareness of Chinese migrant workers. A new understanding of the new Labour Law was clearly focused on the effective usability of the law by applying new strategies to better defend individual labour rights. Institutional bargaining power peaked with the new labour law of 2008.

The new Chinese internal market policy of increasing domestic demand by raising wages has been an important determinant of the bargaining power of workers. It goes hand in hand with Chinese FDI and outsourcing into lower wage countries. The One Belt One Road Initiative is to connect Chinese economy to more world market and outsourcing its productions to other less developed countries since global supply chains require wage differences. Generally, emerging economies rely on investment and exports, before shifting to consumption-driven models as they mature. In order to achieve future development, China needs to move from labour-intensive ‘workshop’ to more technology-intensive high value-added service industry leaving the world economy periphery behind. China must create an internal market for all kinds of products that requires higher wages. The political goal of raising and arranging wages in China was realized through an institutional approach where the framework was altered step by step with gradually increasing institutional power. The Chinese government’s strategy now concentrates on how to create sustainable domestic consumption by increasing wages. After 19th congress of the Chinese Communist Party, the Chinese government promotes a new approach that the economic model of Chinese ongoing transit will now focus on internal demand stimulated by Chinese household consumption.

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