

TONG XIN

Labor Unions in Enterprises

Proactive Actors, Taking the Operation of the Labor Union at B Corporation, a Sino-Foreign Joint Venture in Beijing, as an Example

Abstract: This study uses information concerning operation of the trade union at B Corporation, a Sino-foreign joint venture in Beijing, to analyze how trade unions are currently being run in enterprises, what goals the unions have, and their policies concerning action to be taken in reaching those goals. This analysis is used to explain how, during this period of transition and in the midst of numerous interest-laden relationships, the Communist Party organization in factories uses the trade union as its medium to gradually develop a cooperative labor-management relationship that is mainly cooperative.

B Corporation is the first joint venture in the Chinese auto industry. It is a joint venture of a manufacturing plant in Beijing and a large American automobile manufacturer that was established in 1984. By 2002, the ownership structure of the stock in the company was 42 percent for the multinational

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and 48 percent for the Chinese side. In 1995, the venture reached its peak profitability. After 1998, problems began to appear, particularly after 2002, when the venture began to sustain operational losses as it faced the challenges of the market. In 2003, the parties signed a new joint-venture agreement, which lent stability to the development of the venture and once again put it on the right track.

B Corporation is a typical example of a Chinese state-owned enterprise making the transition from the planned economy to the market economy, and this transition is characterized by the government's hope that with the aid of international capital and market-savvy managerial experience state-owned enterprises will swiftly adjust to international practices. B Corporation's trade union is also typical in that it was formed at the time when the joint venture came into existence, with the establishment of the trade union workers' representative council system and the collective contract system. It was prototypical of the new labor-management relationship under market conditions.

Members of the research team had been studying B Corporation in earlier research projects. Dr. Tong Xin devoted her dissertation research to this, including field work from late 1995 until July 1996, consisting of interviews and questionnaires (200 respondents) dealing with labor-management relations and the functions of the trade union in this company. At the time she interviewed the vice chairman of the trade union, the chief of the labor-management department, two technicians, and six laborers. Team members Feng Tongtian, Dai Jianzhong, and Anita Chan had also done research on several occasions at B Corporation. The team was formed in April 2002, and in August of that year the team went to B Corporation's facilities to do an in-depth study. Sixteen people were interviewed. They included nine labor union cadres with positions of chief of the union, small group leaders, the chairperson of the workshop union, a cadre from the union's women workers' department, the chairperson of the workers' labor protection oversight committee, the chairperson of the labor production committee, the vice chairperson of the company trade union, and the union chairperson. Also included were four workers, the human resources manager, the administrative office manager, and an engineer. At the same time the collective contracts and related documents were assembled. During this period the project group also went to the workers' residences to observe and carry out interviews. In November 2003, the team carried out another round of interviews with the administrative office manager and the original vice chairperson of the union. This article is based upon the aforementioned information.

While a study of B Corporation could be undertaken from many perspectives, this article is concerned with changes in the organizational culture of

the trade union under the impact of the market and foreign capital, with the main issues being as follows. First, what changes were there in the organizational structure of the original trade union in the state-owned enterprise? Second, what were the main goals of the trade union? Third, what were the principal factors that affected how the union functioned? And fourth, within the new kind of labor-management relationship, just what sort of relationship exists between the union and the Party, the union and the workers, and the union and the management? It is hoped that the answers to these questions will allow us to consider the feasibility of union participation in democratic management and the conditions necessary for implementation of this type of management.

Organizational Structure of the Labor Union

A High Degree of Overlap Between Party, State, and Labor

The interviews revealed that, while subject to the double effects of the market and foreign capital, B Corporation maintained a very strong union structure.

On the day it was established B Corporation formed a trade union in accordance with the provisions of the law and put into effect a union members' representative council system (there was no staff and workers' representative council). At the time of research in 2002, except for foreign personnel, all workers were union members, with a total membership of 3,348. Of these, 627 were women, giving a union participation rate of over 99 percent.

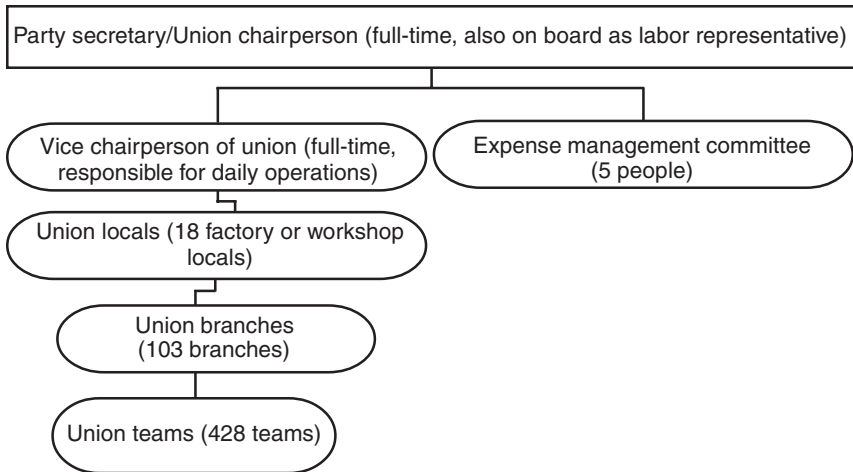
At the time research was carried out, eight specialized committees had been established under union aegis. These were the wage and benefits committee, the labor production committee, the labor protection monitoring committee, the recreation and sports committee, the finance committee, the workers' technical coordination committee, the women workers' committee, and the office for retired workers. The union committees entrusted with special tasks dealt with issues involving the relevant departments, participating in the administration of a variety of activities designed to uphold rights closely involving workers' interests. Examples include handling of salary-related issues by the wage and benefits committee and handling of issues involving reduction of personnel for economic reasons or human resources reform by the labor production committee. The labor protection monitoring committee's participation consisted mainly of carrying out the Beijing Municipal Laborers' Work-related Injury Insurance Regulations and the determination, implementation, inspection, and monitoring of labor laws involving labor hygiene, ensuring that workers handling hazardous materials underwent an annual

physical examination and that workers of other classifications underwent a physical examination every two years (see Figure 1).

Concerning the establishment of the union, the vice chairperson of the union in 2002 stated it clearly: "If you're in a joint-venture enterprise, you must follow the law. Whatever laws and regulations the nation has must be followed in practice, or else they (the managers) may not be able to carry out their tasks. Next, you have to follow international practice, and in other countries this sort of thing is handled by trade unions."

The most important characteristic of a tightly managed, hierarchical union organization like this is that the Party, the government, and labor exhibit a high degree of overlap.

First, there is a certain degree of overlap between B Corporation's union cadres and the Party system within the organization. The post of Party secretary and union chairperson is a case in point. Even though the Party secretary's primary duties were related to the Party committee, and day-to-day union operations are managed by the union vice chairperson, still the setting up of this kind of joint position makes clear how close the relationship between union and Party is. In the local chapters of the union nine of the local chairpersons are Party secretaries who also assumed the trade union chairperson's responsibilities. The union small group leaders, who operate at the most basic level, are Party small group leaders who also assumed the post of union team leaders. The fact that the entire Communist Party cadre and union cadre are virtually the same means that the union accepts the Party's leadership and that the union is an extension of the Party organization within the manufacturing plant. It also means that the Communist Party organization is able to work through the union to exist in the manufacturing plant. This is because when the joint venture was first set up, existence and development of the Party organization within an enterprise financed with foreign capital was problematic. Thus while the Party committee in B Corporation assumed a public identity, it also quietly depended upon the union organization to keep its basic-level Party organization intact. It was within this context that B Corporation set up a union organization based upon the Party organization, one that was sound in structure and up to the task of responding to management. The Party organization availed itself of the union to obtain its legitimate place within the enterprise to mediate in the labor-management relationship. At the time when interviews were carried out in 2002, the interlocking structure of union and Party was still intact, and a union organization system which ran through all levels, from small group all the way up to company level, was completely in place and operating effectively.

Figure 1 Organizational Structure of the Union

Second, B Corporation continued use of certain management systems from the traditional state-owned enterprises, one of which entailed a certain overlap between Party functions and administrative functions, resulting in a relatively high degree of commonality between the work experience of Party cadres, administrative cadres, and union cadres, and this, in turn, facilitated communication. A human resources manager who had represented management in collective bargaining said:

In our company Party posts and administrative posts overlap in some areas. As for my specific function in the Party—while I am human resources department manager, I also serve as Party secretary of the human resources department, which constitutes one area of overlap. Another area of overlap is that the person working under me is chief of the human resources management section while he is also assistant head of the Party's organizational department. In the special operational environment of joint ventures this sort of thing insures that the Party committee can perform its monitoring duty, and is also able to work closely with production operations.

Below is a description of a collective bargaining session about the wage increase for the year 2000. From this one can see how the Party committee, the union, and the administrative departments worked in concert. The Party secretary who also served as union chairperson said:

Our first step was to reach a consensus in our thinking. The matter of increasing wages would be brought up by the union and also by the Chinese management. On my part, I approached the chairman of the board and the

general manager on the Chinese side about this. We talked it over. This way when the time came for the board meeting our ideas could be put into action.

The overlap between Party cadres, administrative cadres, and union cadres allowed the union to become deeply embedded in the multilayered relationship that existed between Party organization, administration, and foreign management. But even more importantly, despite the fact that the Party leaders were no longer among the decision makers in enterprise operations, their influence was not to be underestimated, since it was the Party's influence within the enterprise that allowed the union to assert its rights with relative efficacy.

Goals of the Union

In traditional state-owned enterprises a trade union's goals were somewhat complicated. The trade union was to implement production goals set at the national level while at the same time protecting workers' rights. This being the case, the union's participation in the process of production inadvertently made it become the tool of management (Zhang 2004, 63).

Research revealed that the goals of B Corporation's trade union today have evolved from the dual goals of production and rights protection found in traditional state-owned enterprises to a heading toward rights protection as the main goal, while establishing a "quasi" market-oriented goal for the union. In short, it has become a functional structure that has workers' welfare as its main goal and democracy as its secondary goal.

Strategy for Achieving the Welfare Goal—Starting Small

The union uses a variety of means to increase union members' level of benefits, including basic items such as compensation for actual work, retirement pension, various kinds of insurance, vacations, and so on, all things that trade unions fight for. Moreover, the union aims for concrete results. The B Corporation trade union's program of action includes striving to maximize members' benefits through collective bargaining and daily activities.

First, achievements that resulted from this striving for the maximization of union members' benefits include stabilization and increase of wages. It is clearly written in the collective contract that

Chinese workers in the company will receive wages by the month. The amount will be determined by the Board of Directors according to B

Corporation's economic situation and the regulations of the central government and the Beijing municipal government regarding joint ventures. The trade union will have the right to demand an increase in wages based on such factors as the company's production, the development of operations, and changes in the cost-of-living index. The company should give consideration to making such changes.

At the time of the fifth collective contract in 1999, there were some substantive changes in the text, although it remained the case that the workers' wages were to be determined by the Board.

The company will take "pay according to work" as its principle, when setting the company's wage system according to our actual situation and in compliance with the law, while also distributing various special allowances. . . . When the Board of Directors holds its discussion concerning the issue of wages, a union representative should participate. When the company is determining or changing the system for distribution of wages it should consult with the union in order to get the union's cooperation. The union should make a yearly proposal to the company concerning wages, based upon such factors as the consumer price index, changes in human resources, and the company's actual situation. The company shall provide relevant estimates and data to the union.

(See below for an analysis of wage increases.)

Second was the pursuit of workers' interests. Because of the slump in the company's business at the end of the nineties, management wanted to do away with the annual medical examination and recuperation for workers whose jobs involved hazardous materials. During the negotiations, the union tried its utmost to fight to maintain the benefits. For the fifth collective contract in 1999, the examination was reduced from once a year to once every two years. Article 30 of the collective contract reads: "The company shall, as stipulated, undertake to provide the opportunity for recuperation and cover the expenses of workers whose jobs involve hazardous materials." With regard to this, Chairman Li of the local union chapter said:

We had some workers whose work involved hazardous substances who are still in the process of recuperation, but this is something we worked out through consultation. We wanted to protect the workers' rights, but (the company) had already run out of money. So we negotiated about it, and negotiation in reality is the art of accommodation, where both sides have to give something up. With the company not being very profitable, the administrators were looking for ways to boost profit a little, but that didn't mean that they were going to keep workers from being able to recuperate. They thought that if benefits were better people would be more willing to

work. Finally, to cut down expenses a bit, we had the workers do their recuperation in the outskirts of Beijing rather than leaving the area, and that's how we settled it.

Third, was the pursuit of workers' benefits in daily life. The issue of eating is an important one, and so beginning with the very first round of collective bargaining the union insisted that the company provide workers with a workplace meal, and this was passed. In several succeeding rounds of negotiation, however, management tried to rescind this benefit, it being the American managers' view that eating was purely an individual concern. The union explained Chinese culture and the state enterprise tradition of the company dining hall to the foreign party, and although the foreign managers did not understand this, they conceded, and the workplace meal benefit, which consisted of a daily allowance of six yuan for twenty-five working days each month, was put into place. The union set up a special committee in charge of meals, with a representative from each workshop, to monitor how the workplace meal program was being run and provide input from the workers. In this way workers' benefits in daily life became more secure.

The union is also striving for workers' rights in relation to conditions for early retirement.

System Building and Establishing Union Democracy

The union's goal of becoming democratic principally involved giving the workers a voice in enterprise administration that would find expression through the right to participate in setting up systems involving workers' issues, such as work assignments, overtime, handling of punishments and appeals, work safety, and so on. This was a system that would encourage worker participation in enterprise administration. It works toward a goal of setting up a procedural system. In B Corporation the union's goal of democracy was expressed through putting a series of systems in place, and it was through these various systems that the worker's voice in plant management was protected and encouraged.

In order to secure job stability and the various interests of labor, when the joint enterprise was first formed the union established the collective contract system. Chairperson Liang, who was serving as union vice chairperson at this time, said:

In 1984 the Sino-Foreign Joint Enterprise Law had not yet been promulgated, nor had the Labor Law, so we put together a collective contract in a very primitive legal environment. At the time we were looking hard to find a way to deal properly with labor-management relations in a joint enter-

prise. Later on we referred to the International Labor Organization's tripartite declaration of 1976 regarding transnational companies, which, to be specific, was called the "Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy."

This was how the system of collective bargaining and collective contracts was established. Over the last twenty-odd years B Corporation has gone through the collective discussion and negotiation process five times, with the first contract being concluded in 1984, the second in 1986, the third in 1995, the fourth in 1995, and the fifth in 1999.

In these collective contracts issues relevant to the democratic system were clarified. Those issues include:

1. The establishment of a system under which the union was the final gatekeeper. "Whenever the company puts in place regulations and procedures that affect the workers' vital interests or examines major issues relevant to workers' interests, this should always be done according to the provisions of the collective contract with a union representative participating, in a way that takes the viewpoint of the union into consideration and obtains the cooperation of the union." Concerning workforce reduction:

In the formulation or revision of standardized contracts for individual workers, the company should take the views of the union into consideration. The union has the right to monitor the implementation of these individual contracts. When the company rescinds or terminates a worker's contract and the union feels that this is inappropriate, it has the right to present its view. If the company reduces the workforce because of changing conditions of production, it must adhere to the Labor Law and other relevant legislation, rules, and procedures, and must explain the company's situation and its program for workforce reduction to the union thirty days in advance, putting the plan into action only after it has gotten agreement from the union.

It is especially important in cases where workforce reduction reaches 10 percent that the union's views are solicited.

2. Setting up a work-safety system, developing the union's work-monitoring network, and protecting the physical health of the workers: The union at B Corporation put into action a job-safety record-card system and a three-level safety-management system. Each year it would hold a competition for a safety health trophy and carry out Safety Month activities, also using the union's labor-monitoring committee to look for hidden safety hazards on a periodic basis. Each September the

union would organize activities to promote heat isolation, and each April it would begin inspections of facilities for temperature reduction. It would report any problems that were discovered to the responsible departments and would monitor the implementation of corrective measures. This provided a relatively safe working environment. Along with the evaluation of work-related injuries and working with the insurance for these injuries, they also organized a yearly physical examination for workers whose tasks might cause pneumoconiosis, and also provided for their recuperation.

3. Concerning wages: When the company discusses wages a union member must participate, and the union has the right to present demands for wage increases each year.

4. The union has established a two-level labor dispute–mediation organization to implement the requirements of the law concerning labor disputes. The company-level organization, called the Labor Mediation Committee, uses the “three-times-three” system: Three people from the union side participate—the union vice chairman, a director of labor management work, and a person in charge of labor supervision. The three participants from the administrative side are the chief of the human resources section, a labor manager mainly responsible for issues relating to labor contracts, and an industrial safety manager. The three worker representatives who participate are a production-line worker representative, an auxiliary worker representative, and an engineering technology personnel representative. These nine persons constitute the mediation committee. They carry out their work in accordance with the system and procedures established for the company’s labor dispute–mediation committee work. At the grassroots there is also a labor mediation team that functions mainly on the shop floor or at the lowest level of offices.

5. The collective contract clearly states that “the chairperson of the union shall participate in the enterprise decision-making process as a board member representing workers.” The union chairperson had the following to say about this:

We set up meetings between the union chairperson and the general managers and assistant general managers of both the Chinese and foreign sides. We would sit down together at regular or irregular intervals to discuss issues that had arisen, or, when there were no special issues, just exchange views. For example, next week I set something up with the foreign general manager. Because he just came, we gave him a month’s vacation. We’d like

him to hear workers' opinions, and then, through this type of channel, we could have a mutual exchange of views which would include workers' demands and our unions' opinions. This is the way I've done things as the board member representing workers these last few years.

Another important aspect of the democratic goal of the union is for union members to participate in the setting up of the system. Talking to workers revealed that they have a strong sense of democratic participation, and this sense of participation principally manifests itself in the attention workers pay to information concerning the enterprise. Since B Corporation is in the midst of a process of change, any decision made in the enterprise may directly affect workers' interests. Because of this, much attention is paid to information involving issues such as whether the contract with the foreign partner will be signed, production of a new car model, the issue of localization in production, investment in a new assembly line, relocation of the enterprise, and so on, which have a direct bearing on the worker's "rice bowl." In response to this situation, the workshop-level union organization set up a regular monthly meeting at which changes within the enterprise are reported. These meetings are attended by union representatives (constituting roughly 10 percent of the total number of workers) who transmit the news to the workers.

In summary, the goals of B Corporation's union are directed toward benefits and also include democracy, the former involving union members' wage levels and various other forms of compensation, and the latter involving union members' rights and the establishment of a democratic system. From the standpoint of actual union operations, the goal of democracy has top priority. In the words of the union chairperson, "Only what is given its proper place can do its proper work." With the setting up of the system the union, not the workers, obtained a higher placement, and through the activities of the union the workers gained the right to know what was going on, as well as increases in wages, worker safety, and various other benefits.

Union Activities

Wage Negotiations

The Union Encounters the Difficulties of the Efficiency Contract

What sort of capabilities does B Corporation's union have when it engages in collective bargaining? This can be illustrated by how it negotiates wages. Wage negotiations entail the union and employers reaching some sort of accommodation and equilibrium in the area of profit distribution. Western la-

bor economists believe that unions face “efficiency constraints”: this means the collective contract requires employer and laborer to be able to work together peacefully, and that the product be able to attain success in the markets, and be able to acquire stable profits. This being the case, unions cannot merely push for increases in compensation for workers, because this will cause the employers to replace labor with capital or reduce production and downsize the workforce. As unions demand increases in wages they must necessarily face a downward-sloping demand curve for labor. This is what constitutes a constraint on unions when they engage in collective bargaining: the difficult trade-off between demand for labor and level of wages. This sort of predicament has, as it has with other unions, confronted the union at B Corporation.

So how were daily wages determined during the first round of collective bargaining in 1984? Mr. Liang (who was serving as human resources manager for B Corporation during the 2002 interviews, was also past vice chairperson of the union, and is relatively familiar with how the collective contract came into being) described it as follows:

How much were the workers’ daily wages to be? At that time the Party committee, the union, and the enterprise all got together to discuss this. In those days we still hadn’t set up the tripartite structure. The result of that talk was that hourly wages could probably not exceed fifty American cents. This was a time when we still hadn’t had any experience. We were just trying to keep the employees from getting a bad deal.

Afterward, the enterprise encountered a variety of challenges from the market. This can be seen from the changes in staffing: 4,100 workers in 1984, 5,200 workers in 1993, and, after 1995, peaking at over 8,000 workers. After that, profitability became problematic, and three rounds of large-scale downsizing took place; by early 2001, there were 4,000 workers left. In the interim, small reductions took place, including over 150 cadres in the management section and over 100 workers. By the beginning of 2002, there were approximately 3,300 workers left, and by early September of that year the number of workers in the enterprise was down to around 3,000. Notwithstanding, in 2000, during a business slump when downsizing was taking place, the enterprise went through the collective bargaining process and gave employees a 9 percent wage increase.

In 2000, while negotiating a wage increase with the enterprise, the union encountered the issue of the efficiency contract. The current Party committee secretary-cum-union chairperson describes it as follows:

We had the following reasons for proposing a wage increase in 2000: The first was that after 1995 the enterprise’s economic situation was declining, and, probably beginning with 1997, losses began to appear. By 2001 we

hadn't had a wage increase in four years. If you begin calculations with 1995, then we had gone six years without a wage raise. The second was that, once losses began, workers weren't able to collect 100 percent of their wages, and there were no longer performance wages or bonuses. As they worked less their earnings went down. The third reason was that prices were still rising. Even though in those years there was comparatively less inflation, prices were still increasing 1, 2, or 3 percent. So comparatively speaking, workers' incomes had definitely gone down.

At that time the foreign partners were very hard-nosed because we were having losses, so raises were impossible. Otherwise, if they agreed to wage increases, we would have to cut our workforce. The money they saved through the cuts could be used to provide raises. I agreed with that. Next, the amount of the raise couldn't be too large. When we had studied the situation we proposed a 12 percent increase, and that was after we had taken all relevant factors into account, such as prices, and the fact that joint ventures in Beijing had, on the average, given their workers a 12 percent wage increase during the year. The foreign general manager insisted that the raise could only be 4 percent. Since there was such a large gap between the two positions, we had many rounds of discussion. On the union side we considered that there would have to be give and take. If we kept insisting on 12 percent there might be a stalemate. Then both sides began to negotiate conditions, and finally we settled on 9 percent. We made some concessions on workforce reduction, and that's how we went through the "breaking-in" process.

Actually, the foreign partners were very firm all along on the issue of workforce reduction. I've had to work through a lot of tough problems, but the most difficult has been cutting the workforce. To tell the truth, it really was very difficult. But since the foreign partners were so clear about it, that if business was bad the first thing you could do was cut staff and the second thing you could do was close the factory, the choice was simple. This year in March, Chrysler cut a thousand workers from its staff in one night. Their compensation for those workers was better than ours, generous, in fact, but the way they did it was much worse than what we did. They just gave their people twenty minutes to pack up and leave.

Balancing wage raises against workforce reductions, the union had no choice but to make concessions about staff cuts in order to get wage increases. These staff cuts, however, were done with a strategy, in the Chinese way. The union chairperson said:

We thought of many different ways to cope with workforce reduction, and the first was workshops to engage in "outside business." We call them "outside business" workshops to differentiate them from "main processing" workshops, which do basic assembly, painting, welding, and stamping. "Outside busi-

ness” workshops refer to such things as die shops. We encouraged the workshops to reorient themselves toward the market in a way that could provide some of their workers with a livelihood. In this way there would be fewer people on the company roster. And we got these people settled.

Operation of the “Second-level Efficiency Contract”

In Western labor economics theory union members are viewed as having a commonality of interests. In B Corporation, however, 99 percent of the workers are union members; their interests are differentiated according to group. This article applies the concept of the “second-level efficiency contract” to the relationship between the different types of workers and the wage levels; that is, in order to raise the level of efficiency in the enterprise, certain categories of workers will receive relatively higher levels of pay. Depending on the situation in the labor market, union members can be divided into at least four different categories. The first category is technical personnel; the second is managerial personnel; the third is high-level technical workers; and the fourth includes technical workers and semi-technical workers. (After several rounds of structural adjustment, around the year 2000 workers in B Corporation were basically all technical workers.) How, then, was the 9 percent wage raise to be distributed? There was agreement at every level in the company that, considering B Corporation’s developmental needs, there was a shortage of personnel in the first and third categories, and an oversupply in the fourth. As for the second category, its situation was rather complicated. The company was in need of top-level managers but at the same time the administrative level was still seriously overstaffed. In reality, the 9 percent rise in wages became the initial investment to reform the human resources department, and by using the “second-level efficiency contract” the wage gap between different groups of union members was widened. In reality the wage rise was used to reform the employment system within the company. Before this rise in wages, the human resources department had been known by the old title it used as a state-owned enterprise, that of “labor wages office.” But from this time on, this office was renamed the “human resources department” and its function was no longer simply that of taking charge of wage-related issues, but that of managing and developing human resources within the enterprise. The current head of that department commented:

In the last five years we have lost over 300 technically skilled personnel, people with excellent qualifications who had mastered the core technology of our enterprise. We promote a people-centered management style here, but more importantly we have widened the gap between different pay grades

in order to provide incentive. Because of this, when the wage rises came in 2000 we changed our wage structure by creating a system of variable wages so we would be in synchrony with the market. Wages are structured according to several factors, one of which is compliance with the law dealing with the protection of basic livelihood, that is, wages cannot be lower than the legally defined minimum wage, which is called the basic cost of living. Another is the comparatively higher wage given to technically qualified personnel beginning in May 2001, which solved our problem of losing qualified people. The results have been very good; since then outflow of technical personnel has slowed down a great deal.

This plan for wage increases was approved by the Party and the union. The Party secretary-cum-union chairperson commented:

If the company wanted to keep moving forward, my own view was that, first of all, we needed a lot of skilled people. B Corporation could no longer keep up with the trend. That's why during administrative activities and at human resources meetings I often said that carrying out reform in human resources was something that enterprises today, no matter what kind of enterprise we're talking about, were going to bear the brunt of. If the company wanted to attract skilled people, our current wage level won't attract anyone. Next, we had to dismantle our wage system. We have to use a new wage structure to motivate people to commit themselves to the survival and development of our company. Of course, there are other reasons as well. We were determined to put through a wage rise and carry out a reform.

In fact, the plan for this wage increase was undertaken with the Party committee, the administration, and the union acting in concert, and through this plan technicians were given a rather large raise, and key managerial personnel had wage increases as well. First-line technical workers' basic wage was not increased, leaving workers' wage structure as follows: minimum legal wage + rank wages (workers were divided into four ranks according to skill levels) + efficiency wages, with the amount of efficiency wages being flexible and dependent upon the company's efficiency. If business was bad for the company, workers' wages might actually decline. This proposal was also accepted by the workers. Mr. Liu, who is a worker (technical worker, team leader) made the following comment:

I don't think the workers will complain, because all workers have the same wage level, and if the company does better we get a bit more money, and if it does worse we get less. Still efficiency wages encourage everybody to

put some effort into their work. It's hard to say whether wages have gone up or down this time when the company made some adjustments. I got quite a bit.

Everyone has gone through bad times in the company. We saw with our own eyes cars that couldn't be sold piling up in inventory. And if we couldn't get paid we wouldn't make trouble.

Interviews revealed that workers had already widely accepted the concept of human capital in a market economy, and, furthermore, with B Corporation having experienced losses in the past, workers had realistic expectations about there being no big increases in wages, their expectation being more that they would have job stability. The wage increase this time provides yet another instance in which "efficiency" is used as the rationale for making distinctions between different categories of workers within the union.

Conclusions and Theoretical Discussion

The main items of discussion in this section will be the characteristics of the new labor-management relations in Chinese factories during this period of transition, the nature of unions, and the relationship between the Party, the government, and the enterprise.

First of all, the labor-management relationship in B Corporation already has characteristics appropriate to a market economy in that it is a cooperative relationship based on a kind of tripartite system of negotiation. In countries with a market economy, a labor-management relationship with three-sided negotiations between government, capital [management], and trade unions is very much part of the system. In B Corporation's operations the government is always "present," with relevant government departments directing the operations of the Party committee and union. It also draws up various laws and regulations to regulate labor-management relations. A collective bargaining and collective contract system that involves the union and managers who represent the interests of the enterprise (such as the human resources department and so on) has been established and made operational. The term "cooperative labor-management relationship" is used in contradistinction to "adversarial labor-management relationships." This is because at the inception of the joint venture, when confronted with the "American strict management style," part of the workforce adopted a "struggle mentality." Mr. Liu, who was vice chairman of the union in 1984, recalls:

When the joint venture began, the workers were in a somewhat ambivalent state of mind, a combination of joy and worry. On the one hand they felt that

the American company had a lot of resources at its disposal, so they were proud of being joined to it through this venture and thought that not only could they borrow and learn the newest technology to develop their own auto industry, they could also enjoy wages and benefits that, by the standards of the time, were well above average. But they were also worried that the “big noses”^{*} might ride roughshod over the Chinese, and they retained the traditional guarded attitude toward Americans. During the time of state-owned enterprises the workers were masters, but after the joint venture began, the masters became employees. This was really a tremendous change. This stirred up quite a reaction within the company, since the workers were having a hard time accepting the change. At that time the interests of the Chinese side always had to be seen as most important. In addition, the cultural gap with the Americans and their strict management style led some workers to become quite disaffected.

When the joint venture began in 1984, the American managers (initially seven, later expanded to thirteen) tried to bring their management system into the company as quickly as possible. This management system assumed, first of all, that the workers were people with a modern sense of discipline, and because of this the American side set up a labor discipline enforcement committee to enforce rules concerning sleeping on the job and degradation of workplace hygiene, penalizing violators. This created ill-feeling among the workers. Given these circumstances, the trade union on the Chinese side, under Party leadership, made sustained efforts to keep all workers thinking along the same lines and made it clear that a “joint venture” entailed learning advanced management methods, and only if each party derived benefit from the other could the enterprise move forward. In addition, as the American managers confronted a sense of resistance from the Chinese workers, they also reconsidered and slowed down the pace of introducing strict management practices. In the process they recognized the function of the Party committee and union in putting things into action. They began to trust the union. The person who served as Party secretary-cum-union chairperson at the time commented:

Management viewed the union as something to be taken fairly seriously. The different general managers in succession took the union rather seriously and had a fairly good relationship. And when they left the post, they became good friends. Even though I frequently argued with the last general manager, there were some questions about which we easily reached agreement. Often as we worked on him, we made him see our point of

^{*}A derogatory reference to Caucasians—Trans.

view. I always asked him where he should stand. I told him he should take B Corporation's vantage point. Because he was our general manager, he should not take the standpoint of the American parent company, because even though they were the ones who had sent him over, his responsibility was the success or failure of our enterprise. If you stirred him up a bit that way he'd listen to you. Sometimes he would have a proposal that he would want to get my ideas on.

Throughout the company a labor-management relationship based upon a commonality of interests gained widespread acceptance.

Second, scholars who study the nature of the trade union in China differ in their views. Some consider it as a corporatist model (Unger and Chan 1995); some, an intermediary model; and others, the urban social model (Perry 1995). It would seem, then, that there has not yet been adequate discussion of how to view our enterprise unions. B Corporation's union has some of the characteristics of the intermediary model. The intermediary model holds that during the Maoist era the Party and the national government stripped the unions of their mass character and autonomy which degenerated into their becoming a surrogate mechanism for the administration (Zhang 1997a). Zhang Yunqiu's research in Qingdao city indicates that China needed intermediary-model unions in view of two objective factors. The first was that as a gap develops between the national government and society during the transition to a marketized system there is a need to close this gap. The second was that a divergence of interests between the enterprise (the managerial elite) and the workers appears during this transition, and the Chinese workers look to the unions to protect their interests. Union organizations at the grass-roots level enjoy more autonomy than union organizations at the municipal level, and, as the Party organizations within the enterprises gradually lose their authority, these grass-roots unions not only become more autonomous but also begin to play the role of intermediary (Zhang 1997b).

Different from the above three positions is the view that B Corporation's union is a "proactive actor." With a labor-management relationship that is formalized and cooperative, it is easy for the union's function to be given further clarification. For this reason, pursuit of the benefits goal and the democratic goal of the union are both legal and functional in nature. Compared to the period of the planned economy, the union function of protecting workers' interests has expanded but channels for participation in enterprise management have decreased. More frequently than before, the union represents the "union organization" or "all employees," but not "the workers." The expression "proactive actors" refers to the fact that the union has an ability to act like a person, that is, it is relatively independent within the enterprise in terms of position, interests, and ability to act, and so for the sake of its own

survival and development it can both represent workers' interests while at the same time compromising itself by working with other interest groups. In terms of its role it is the spokesperson for workers' interests, but it can take the initiative in expanding this role.

The main reason for the union being able to become a "proactive actor" is that there are close ties between the Communist Party and the union in the factory. In the market-economy environment the Party, on the one hand, can become a "proactive actor" and avail itself of the union's strength to survive and develop in a factory that is responding to the market economy, while the union, on the other hand, can proactively make use of the Party organization's resources and network inside the factory to expand its capabilities. In this way, the Party and union can effectively preserve the Communist Party's "turf" in the factory.

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