

## **Industrial Unrest in China: A Labor Movement in the Making?**

By Tim Pringle

*“What the hell have you come here for? We’ve got nothing here! The mines have shut down and those bastards in their offices are corrupt to the bone! We had a strike, but there’s no way of controlling them. It’s not like the USA where everyone’s rich and you’ve got democracy. Shulan Town? It’s a joke.”*

*“The system in our state-owned enterprise is different from your factories in America. The machinery we have imported from Germany and Belgium has boosted production and we are now the third largest brewery in China, but such modernization does not mean we will lay-off workers just to increase profits. [Large-scale] nationalized industry has to make money for sure, but we also have a responsibility to society and can’t just lay people off—though this is also changing.”*

These quotes provide two opposing views on the political backdrop against which the current wave of industrial unrest is unfolding in China. The angry comparison with America came from one of a group of laid-off workers sitting in the square in front of Shulan train station in the northeastern province of Jilin. The second view came from a trade union official in the state-owned Zhujiang Brewery in Guangzhou in answer to a question from a delegation of American students. This article tries to provide a brief analysis of current labor unrest in China and look beyond the figures to what is actually happening on the ground.

### **Bad Moon Rising**

Almost every week in Hong Kong and mainland China, newspapers bring reports of some kind of labor action: a demonstration demanding pensions; a railway line being blocked by angry, unpaid workers; or collective legal action

against illegal employer behavior, such as body searches or forced overtime.

The mere fact that the Chinese media is reporting selected cases of worker action is a testament to how widespread the phenomenon has become. The Public Security Bureau [police] reported that 198,000 labor disputes took place in 1999 and the state-controlled All China Federation of Trade Unions (ACFTU) has been training thousands of experts in labor law to deal with the increasing amount of litigation. The “union” also has a small army of enterprise-based officials to deal with disputes as they occur and prevent them from escalating into strikes.

Before looking closer at specific examples of labor unrest, it is worth mentioning the economic reforms that have contributed to the current wave of protest. Many commentators, both inside and outside China, put the unrest down to the shift away from a planned economy and the introduction of market forces and capitalist labor relations. Others point to at least six major outbreaks of unrest dating back to the 1950s as evidence that the Chinese working class has a tradition of militancy that makes little distinction between whether the boss wears a red star on his cap or an old school badge on his western suit.

History notwithstanding, there is little doubt that the practically universal attacks on working conditions that have accompanied the latest round of capitalist globalization have had their resonance in China. These attacks are directly related to the current explosion of labor unrest in China.

## Privatization

The World Bank estimates that up to half of China's gross national product is produced in the private sector, a substantial proportion of it with foreign capital and investment. While there is no doubt that this capital has provided millions of jobs for Chinese workers, there is a growing bank of research that howls accusations about the nature and dignity of these jobs. Prominent Sinologist Anita Chan recently published a book that describes Chinese workers as literally "under assault" by the forces of globalization. Independent Chinese trade unionist Han Dongfang has described the so-called civilizing arrival of foreign capital as "[A] double-edged sword. It brings jobs, but with these jobs come a mass of violations and working conditions that kill and maim tens of thousands of workers every year." In an interview with a newspaper published by China's Department of Labor and Social Security, Han Zhili, who runs a citizens rights center, does not mince his words.

Our labor relations are going back in time, back to the early days of the industrial revolution in 19th century Europe. Many of the enterprises set up with investment from Asian countries, along with privately owned Chinese enterprises, have reduced working conditions to a situation comparable to the initial period of capital accumulation that accompanied the appearance of capitalism. Forcing workers to labor long hours for very low wages and even workers signing 'life and death' contracts with employers. The problem [in China] is particularly serious in the south-east coastal regions and in Taiwanese- and South Korean-owned factories.

Though the "p" word is still taboo in official discourse around enterprise reforms in China, there is little doubt that the 1997 15th Party Congress gave the green light to various forms of privatization. This has come in various forms, including selling off enterprises to Chinese and/or foreign investors, *gufenzhi* i.e. transformation from state ownership to shareholder ownership, contracting out, and company mergers. Downsizing, closures, and bankruptcies have accompanied these changes, leading to a massive rise in unemployment. For urban workers who have managed to keep a job, the price has been new or revised contracts, reduced benefits, and a general increase in the rate of exploitation.

While there is no doubt that many Chinese workers welcome the reform process that has resulted in such spectacular economic growth over the past twenty years, many more—especially workers in the older state-owned industries—object to the fact that the working class has been largely excluded from its share of the benefits.

The reforms have come with a price tag. Some of the major items on the price tag that workers are currently questioning through daily protests and demonstrations include:

### 1. Wage Arrears

These are most serious in China's older industries, such as textiles and mining. While the government, Chinese capitalists, and foreign multinationals have invested in the more advanced state-owned enterprises, whole areas and towns have been more or less abandoned by the central government. Jishu, in the northeastern province of Jilin, is one such town where workers recently fought back.

In mid-July last year, as many as 5,000 (some reports say 10,000) miners and office workers from Jishu Mine Bureau blocked the main Jilin-Harbin railway line for at least three days. Some of the workers had not been paid for as long as 30 months and many suspected corruption was a reason for the arrears.

Allegations of corruption notwithstanding, other reasons behind the miners' plight include an inability to sell the high ash-content coal (due to competition from higher quality coal produced elsewhere) and a consequent decline in re-investment resources. The strike/protest took place in a town long dominated by coal production and although Jishu's mines have been in decline for a number of years, there is still little prospect of alternative work or government intervention. A few of the remaining shafts have been contracted out to private production, and a wine factory with the promise of 400 jobs is being built. Some locals have found work on a new road being built from Jilin to Harbin, but otherwise there is little new industry. According to a local mining bureau official, the mine bureau has laid off 7,500 miners and has 23,300 still officially working—albeit paid irregularly and working erratic shifts. The bureau is apparently unable to pay social or health insurance for workers. A sense of pessimism hangs over the town, aptly summed up by an official working at the mine bureau's re-employment centre, "We want foreign investment here. But there's no chance of that. There isn't much hope for Jishu." A laid off accountant at the mine pointed out that the three-day strike had at least forced the local government to come up with funds to cover a month's wages, with promises of more, but he did not

think that there would be any future strikes as there is “no way out.”

## 2. Failure to Pay Labor Insurance

Secure employment and access to adequate welfare—known in China as the “iron rice bowl”—was meant to symbolize the superiority of socialist China over other countries. In reality, the benefits of the iron rice bowl were always restricted to a numerically small number of state-owned enterprise (SOE) workers—whereas the vast majority of Chinese workers and peasants have never enjoyed guaranteed access to welfare. Still, one of the targets of the reforms has been to destroy old-fashioned notions of secure employment and welfare and substitute them with labor markets and pay-as-you-earn social security insurance. In the eyes of the World Bank and various neo-liberal economists, one of the great achievements of the Deng era was to lay the groundwork for an economy that operated on the principles of the trickle-down theory, as opposed to notions of the right to work and the right to basic welfare.

Insurance schemes have thus been introduced to cover five basic work-related welfare areas: medical care, pensions, unemployment, industrial injury, and maternity benefits. True enough, one of the stated aims of this socialization of welfare (i.e. when responsibility for welfare is shifted away from the enterprise and onto society), is to increase the number of people covered. But the reality of smashing the so-called iron rice bowl has been a set of complex, underfunded, and erratic reforms that have so far failed to increase the number of people genuinely covered, while simultaneously attacking working conditions.

The widespread abuses in this process have included mismanagement and embezzlement of labor insurance funds by company managers, causing great anger among workers. Some enterprises’ unwillingness or inability to pay labor insurance premiums has led to protests by laid off and retired workers—many of the latter have been forced into early retirement and are far short of the official retirement age of 55, some even as young as 35.

One response to the welfare chaos came on July 6, 2001 when over 1,000 workers from a sugar factory in the Inner Mongolian city, Linhe, gathered outside the local communist party offices of the city’s Lake Bayan district. They were protesting against the company’s failure to pay labor insurance premiums and demanding that the government fulfil its duty to provide workers with livelihood guarantees. Some workers telephoned the Hong Kong-based China Labour Bulletin (CLB) for advice. When CLB contacted the local labor bureau for an explanation, it was told that the workers wanted “an unconditional guarantee on the right to receive social security. However, to get unemployment or pension rights, their employer must have paid into social security funds over a long period but the employers had suspended payments into social security funds years ago. According to government regulations, this means that their claims to unemployment payments are invalid...”

CLB was also informed that the head of the Inner Mongolia Autonomous Region had issued a directive to the police to trace the workers’ leaders—and local officials appeared to be in no mood to negotiate.

## 3. Illegal Working Conditions and Management Methods

The Kai Mao Zhi Pin Factory in Shenzhen is a fairly representative example of working conditions in the low-tech manufacturing factories that litter the landscape of south China’s Pearl River Delta. According to one investigation in 2000, overtime was both compulsory and excessive. Factory rules legitimized sexist pay rates that awarded male workers Rmb 14.5 (US\$1 = Rmb 8.3) per day and female workers Rmb 14. Overtime was a flat rate of Rmb 1.6 per hour and Rmb 5.6 per day was deducted directly from wages for board and lodging. Working hours were from 8am until 6pm with overtime starting at 8pm and frequently continuing until 1am. Two workers had fainted while working during a recent rush to meet orders. Many workers earned less than the legal minimum of Rmb 300 per month and one worker reported that he picked up just Rmb 500 in total after working 200 hours overtime in a single month.

If such “investor friendly” environments are not bad enough, some workers also have to put up with humiliating and antisocial behavior from management. Migrant workers at the Baoyang Industrial Corporation in the Shenzhen SEZ in south China were subjected to illegal body searches on July 30, 2001. Once they had recovered from the shock of the ordeal, the reaction of the workers was both swift and, given the restrictions on protest and independent action in China, courageous. They marched to the local township courthouse in the Longgang district of Shenzhen and staged a 24-hour protest, demanding that the managers involved in the searches be punished for violating the labor law. They also demanded compensation. Management responded by sacking

them. In the court case that followed, Baoyang management was ordered to issue an apology to the workers and pay compensation for the sackings. According to the Chen Weiguang, chairperson of the Guangzhou Federation of Trade Unions, each worker received Rmb 5,000 in compensation. While this can be seen as partial victory resulting from a combination of legal and direct action, there are still unanswered questions over the sackings—the women do not appear to have gotten their jobs back—and the managers who ordered the search seem to remain unpunished.

These are the major problems that surround labor relations in China. Other factors contributing to the rise in disputes include poor safety, work injury compensation (especially in the mining and construction sectors), wages and bonuses, technical training, dismissal, and difficulties with arbitration officials.

## Collective Protest and Individual Complaints

The overall figures for labor disputes certainly indicate that the Chinese working class is not taking labor violations lying down. According to the Ministry of Labor and Social Security, there were increases in labor disputes in all types of enterprises in 2000 (the latest year for which figures are available). Of the 327,152 disputes officially recorded, 24.2% were in SOEs, 20% in so-called collectively owned enterprises, 15.5% in foreign-invested enterprises, and 14% in private, Chinese-owned companies. These statistics represent the continuation of a spectacular increase in disputes that began in the early 1990s.

However, although the figures reflect widespread dissatisfaction and an

increase in rights awareness among workers, they do not tell the whole story. The vast majority of cases in these figures are individual disputes that are settled via China's rapidly evolving dispute settlement procedures. The framework includes settlement committees inside enterprises, tri-partite arbitration committees set up at all administrative levels of government (known as Labor Disputes Arbitration Committees) and the courts. Worth mentioning too is the use of China's notorious "re-education through labor" system as a way of dealing with determined labor activists and strike leaders. A worker can find him or herself in front of a Labor Re-education Administrative Committee on the recommendation of their employer. With no trial and only a superficial appeals process, those who "have a job but for a long time refuse to labor or destroy labor discipline, who ceaselessly and unreasonably make trouble, and who disturb the order of production or work" can be sentenced to up to three years in a labor camp.

## Strikes

Aside from the increase in individual labor disputes and litigation, it is the steady, though less dramatic, increase in collective disputes that require organization, unity, and class consciousness that is more significant to those of us who support efforts to build a national, independent labor movement in China.

Strikes are a sensitive issue. While they are not expressly forbidden in Chinese law, the right to strike was removed from the Chinese constitution in 1982 and, as already mentioned, strike leaders can be legally detained and sent to labor camps for re-education. But there are signs of a change for the better. China recently

ratified the International Covenant on Economic, Social and Cultural Rights, which guarantees workers the right to strike. While China entered a reservation on the Covenant's clause concerning the right to join a trade union "of his [sic] choice," there was no objection to the clause on the right to strike, indicating that the government is considering a legal clarification at the very least. In fact even the reformist wing of the ACFTU has been lobbying for this reform and the Hong Kong press has recently carried reports that such a move is in the cards.

Meanwhile workers have been striking anyway, despite the risks. While there is no independent union to lead strikes or collect essential information on production days lost, arrested strike leaders and picket line injuries etc., there are basic statistics available. In 1998 there were 6,767 collective actions (usually strikes or go-slows with a minimum of three people taking part) involving 251,268 people, an increase of 900% on the figure for 1992. In 2000, this figure jumped to 8,247 collective actions involving 259,445 workers. In 1998, 24% of these actions occurred in SOEs, although not all can be counted as strikes because many were incidents of laid off workers protesting at not being issued livelihood allowances—i.e. they are not actually withdrawing their labor. Their actions usually involved a march to the local labor bureau or government offices to demand intervention, or blocking a road or railway line.

While these actions at times result in clashes with the police, the central authorities have issued orders to local governments not to exacerbate the situation by using force to disperse workers. The fact that the workers' demands are often very moderate and

confined to calling on SOEs to fulfil their legal obligations is probably a factor in the widespread sympathy that these SOE workers receive from fellow citizens, many of whom face a similar situation. The case of the miners from Jishu town cited above was overwhelmingly supported by the local populations of Jishu and nearby Shulan city, despite the fact that miners blocked the railway line for four days, no doubt causing considerable inconvenience. In the words of the manageress of a re-employment agency in Shulan, “The miners are facing terrible hardship and have very bleak prospects. There was no violence or arrests and the workers are talking reason. Nearly everyone is sympathetic.”

Shi Tanjing of the Chinese Academy of Social Sciences argues that another reason behind the increase in strikes is a potent mixture of dictatorial management methods and/or corruption. Especially prevalent in SOEs, or newly privatized enterprises, this can include dereliction of duty, side-stepping worker-management consultation committees, and embezzlement for private gain. Workers languishing in poverty are faced with the sight of corrupt and incompetent managers riding around in fast cars and eating in expensive restaurants. A recent dispute at the Beijing Measuring and Cutting Tools Factory provides a vivid example of such a situation leading to a dispute. In this case, hundreds of workers are set to lose their jobs in a privatization process they are denouncing as corrupt to the core. At a 250-strong picket organized by the workers on August 14, 2001, one worker pointed to the widespread sense of being abandoned: “No one is representing our interests. Even our so-called labor union is in their hands. Meanwhile, they’re using state

property to buy cars, penthouses, and trips overseas.”

The company, which has approximately 1,250 workers on the books, recently sold off land and is about to move hundreds of miles to neighboring Hebei province. Employees unwilling to move have been offered Rmb 2,500 in compensation for every year worked at the plant, but the scandal of corruption was foremost on the minds of the pickets. Workers strung a banner across the factory gates saying, “Sell your houses and limousines and give us the means to live. Rmb 150 million in state assets—where has it gone?” The strikers heckled the factory’s “union” chairperson, Zhang Guoliang, as he crossed the picket line, calling him a “collaborator.” Zhang was quick to point out the pressures facing the enterprise telling a reporter that “[T]his is the road China must go down as we convert state-owned enterprises to stockholding companies. We’re just doing what you in the West have urged us to do.”

## Union Independence the Key

During late September and early October 2001, hundreds of workers gathered outside Daqing city government offices demanding that the mayor come out and intervene in a long unresolved redundancy dispute with the Daqing Blanket Factory. There were clashes with paramilitary police while workers played cassette recordings of the Internationale. As this and the other examples and statistics in this article demonstrate, there are thousands of workers involved in labor unrest and many voice a growing sense of having nothing to lose. A direct result of the unrest has been the reappearance of politically motivated labor organizers,

labor lawyers, and even the resurgence of a reformist wing in the ACFTU, an organization soundly purged after it offered lukewarm support to the students during the 1989 Democracy Movement.

China’s workers are fighting back. What is so obviously lacking is an independent workers’ organization or trade union that can link up the myriad disputes, negotiate with employers, and put the interests of its members before those of the government, employers, or Party. The struggle to establish such an organization continues, but it is still recovering from the brutal repression of the Workers’ Autonomous Federations in 1989, and the Chinese state continues to imprison independent trade unionists and labor activists. Yet there does appear to be an underlying trend in both official and dissident circles, driven by the labor unrest, which points to change. Like South Africa and Poland, the ruling class knows that sooner or later, if it is to avoid being toppled from power in a violent explosion of pent-up anger, it must allow workers some space to organize. For people concerned with labor rights in China, our job is to do everything possible to support the strikes and protests and make that space available as soon as possible.

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## Who's Who in the Bush Administration

<http://www.fpif.org/republicanrule/index.html>

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