Workers Struggles and Labour Regulations in Post-Crisis China

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Introduction

The development of China after its open up in 1978 has sparked debate over the capacity of the Chinese state. For many, they attribute the “success” of China to a strong state that is thought to be able to reshape its role in the new international division of labor through promoting domestic consumption and industry upgrading governed by somewhat coordinated and centralized effort. This “strong Chinese state” thesis has been criticized by some from the left. For example, Hart-landsberg and Burjett argue forcefully that the Chinese government’s “capacity to plan and direct economic activities” has in fact been undermined by its export-oriented economic model and heavy dependency on foreign investment in the age of global capitalism¹.

The global financial crisis broke out in 2008 has brought the world economy into a new stage. While the advanced capitalist countries suffered seriously and waves of protests around social welfare and government budget were triggered, China seems to stand out as one of the few countries that could resist the economic recession and sustain a high growth. This post-crisis development seems to support the “strong Chinese state” thesis. However, Hart-landsberg and Burjett continue to argue that the Chinese development model in the wake of the crisis is still largely hinged on the West, especially the U.S. market, and its economy has been developed at the expense of the well-being of its internal migrant workers. Although labor disputes and protests are rising in the country, Hart-landsberg and Burjett comment that “the Party’s determination to sustain the country’s export-oriented growth strategy means that it can do little to respond positively to popular discontent”².

Supporting Hart-landsberg’s and Burjett’s skepticism over the “strong Chinese state” thesis, the authors at the same time bring in one too often-neglected dimension—the role of workers’ struggles—to the discussion of China’s economic development and state policies in this paper, so that a more comprehensive picture in this regard could be painted. We argue that in China, at least in the Southern coastal area which is the powerhouse of the ‘global factory’, the ongoing class struggle between the global capital³ and internal migrant workers has been exerting remarkable impacts on the

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state’s policies and behaviors. Rather than only sympathizing with the Chinese migrant workers who have been severely victimized, we hold that their agency and subjectivity in influencing history and politics should be fully considered. Only by doing so could the true momentum—that is class struggles—for policy changes be revealed. Moreover, as China today has been highly integrated into the global capitalism and foreign investment could be seen in almost every part of China, we further contend that the structural antagonism between the global capital and internal migrant workers has been intensified around the issue of wage standards and labor regulations. To substantiate our arguments, this paper examines the (global) capital and (migrant) labor relations during and after the global economic crisis in 2008, with an intensive analysis on the Honda workers’ strike taken place in May 2010 that has attracted immense global attention. The central theme is that class struggle has been constantly shaping the Chinese state’s development and labor policies.

State, capital and labor during the global economic crisis
As a consequence of the economic crisis, China’s total export in 2009 dropped by 16% to USD $1,201,610 million when compared to the USD$ 1,430,690 million in 2008. To rise to the financial challenges, various strategies were deployed by the global capital in China. First, it lowered labor costs by slimming down the workforce. 20 million migrant workers were reckoned to be laid off in the wake of the economic crisis. And the official urban unemployment rate, which did not count the internal migrant workers, reached 4.3 percent by January 2009; though the real level as estimated by the Chinese Academy of Social Sciences was 9.4 percent. The second strategy deployed by the capital was to evade their legal responsibility. After the global economic meltdown, many factories in China shut down or scaled down without paying due compensation to workers; one such example was a Dongguan factory owing their workers severance payment which at the end had triggered labor protests in November 2008. Third, many factory owners pressured the government for assistance. For example, the Taiwanese business association strongly requested the governments in the Pearl River Delta (PRD) via Taiwanese politicians to waive employers’ contribution for workers’ social insurance, reduce taxes and land charges, as well as to put off the implementation of the Labor Contract Law.

Echoing Hart-landsberg’s observation, our research finds that the Chinese government responded promptly to the capital’s pressure by temporarily and selectively retreating from labor regulations. A testimony to this is the central state’s advice to the provincial governments in February 2009 to take provisional measures, including the reduction of social insurance rates and freezing the minimum wage rate,
to lower firms’ labor costs. As a result, the Guangdong Province government froze the minimum wage rate, put off wage consultations in enterprises and reduced enterprises’ contributions on social insurance; while the Shenzhen government removed the punitive clauses on wage arrears in the Regulations of the Shenzhen Municipality on the Wage Payment to Employees (Yuángōng gōng zì zhīfú tiáo lì) in October 2009 and altered the definition of wages and overtime work in ways that help reduce enterprises’ labor costs.

The Chinese state’s pro-capital initiative has induced massive workers’ resistance which appeared in two major forms. First, workers sought help from the legal system. The Supreme People’s Court reported that the total number of labor disputes in the country went up drastically by 30 percent in the first half of 2009. And a 41.63 percent, 50.32 percent and 159.61 percent increase have been recorded in the Guangdong, Jiangsu and Zhejing provinces respectively. Second, workers resorted to collective protests, especially when litigation is time consuming and complicated for them. The state run Liaowang magazine said labor protests in the first 10 months of 2008 increased 93.52 percent when compared with the same period of the previous year. Even more dramatically, a 300 percent increase in workers protests has been recorded in Beijing. And the total number of “mass incidents”, an official term for popular protests, jumped from 90,000 in 2006 to 120,000 in 2008.

To avoid social and political instability, the Chinese state responded swiftly to the waves of workers’ protests during the economic crisis. For instance, the Shenzhen government gave 500 Yuan to the employees of a factory whose owner suddenly disappeared in December 2008; the Guangzhou government offered 300 Yuan to 900 workers of a Taiwanese factory that was shut down. This government practice is in tune with what Louis Rocca has observed in China: “in many cities social stability is ‘bought’ by localities through money given to protesters”. More importantly, these show that the Chinese state is not, as some orthodox Marxists theories would suggest, a simple instrument of the capital that merely serves the latter’s needs. Instead, it is a field of class struggle and its policies are simultaneously shaped by the capital and labor.

Class relations during economic recovery
China has managed to stay more or less immune from the world economic crisis. It set a target of 8% growth for the year 2009 while the actual growth surpassed expectation and reached 8.7%. In 2010, the growth rate returned to doubt digit and jumped to
10.3% Concomitant with the economic revival was the re-emergence of labor shortage. Newspaper reports that a total number of 2 million workers were needed in the PRD in early 2010 and some production lines were suspended due to labor shortage. This specific labor shortage was caused by the central government’s attempt to direct the surplus migrant workers in urban cities to rural areas during the economic crisis, as well as the increasing emphasis given to the development of inner cities that has attracted more factories to the Northern and Western China. Both of these factors have lowered the labor supply in the urban cities.

Labor shortage means that the “marketplace bargaining power” of Chinese workers has been enhanced, which has great implications for the balance of forces between the capital and the labor in the post-crisis period. First, endeavoring to cope with the labor shortage, the capital took initiatives to improve workers’ wages and working conditions so as to stabilize the labor supply. For instance, many factories raised workers’ wages, extended the age limit from 25 to 40, employed more male workers and lowered the educational qualification requirement. Second, many local governments started to adjust the legal minimum wage rate, which helped wring greater economic concession from the capital to the labor. In April 2010, the Guangdong Province government announced an upward adjustment, with a maximum of 21 % increase in some cities. This again illustrates that the state does not simply serve the capital; rather its policies are products of class struggles.

Enhanced marketplace bargaining power has heightened migrant workers’ confidence and thus their “workplace bargaining power” to resist capitalist exploitation. Many workers we interviewed before the crisis indicated that the appalling working conditions in their factories made them frustrated and they would move to other factories if circumstances permitted. Knowing that it is not difficult to get a job in the time of labor shortage, now more workers voice out their discontent by quitting their jobs. In other words, labor shortage is not simply a result of state policies as explicate above; it is at the same time a manifestation of workers’ anger towards the aggravating alienation and exploitation, which has been intensified during the global economic recession when the labor was under serious assaults.

Stronger marketplace bargaining power has also emboldened migrant workers to take offensive actions at the workplace level to advance their interests; this explains why waves of protests took place in different industries and in many parts of the country in 2010 to demand higher wages. In the next section, the case of Honda workers’ strike is examined to illustrate the changing workplace bargaining power of workers and the dynamics between the capital, the labor and the state subsequent to the world
economic crisis.

**Honda workers’ strikes in 2010 and its impact**

The increase of minimum wage in early 2010 could not pacify the aggrieved workers, that was why a new wave of strikes to demand higher wages had been sparked off in mid-2010 in China\textsuperscript{xxv}. One of the strikes that attracted nation-wide as well as international attention was staged by workers in the Honda Auto Parts Manufacturing Co., Ltd (CHAM) in the Foshan city of the Guangdong province in May 2010. As will be elucidated, CHAM workers’ strong organization and persistence did not only compel the state and its official trade unions to intervene, it has also been shaping the state’s broader labor regulations.

The CHAM workers strike was well organized; it involved over 1800 workers and lasted for 17 days. It caused disruption of the production not only in that particular factory, but also in three other Honda factories in other parts of China and led to a daily loss of 240 million yuan for the enterprise\textsuperscript{xxvi}. The strikers had clear and specific demands which include: 1. a wage increase of 800 yuan, 2. seniority subsidy 3. a better promotion system, 4. a democratic reform of the enterprise trade union.

Since its establishment, most workers in CHAM have been recruited from a number of technical schools \textit{(jixiao)} through an internship system. As a normal practice, the final year students of these technical schools in their three-year programme have to do one-year internship in an industrial organization. CHAM will offer some interns formal employment status after their graduation. At the time of the strike, workers said about 80\% of the workforce were interns and the other 20\% were formal employees.

When we conducted fieldwork in workers’ dormitories on 30\textsuperscript{th} May 2010, we were told that the company had escalated its pressure on workers first by pushing student interns to sign a document undertaking that they would not lead, organize or participate in any strikes\textsuperscript{xxvii} and second by mobilizing their technical school teachers to come to the factory and persuade the intern to return to work. As a consequence, many workers resumed work on the 1\textsuperscript{st} June. However, about 40 workers refused to work and assembled in the playground of the factory premises. In the afternoon, about 200 people wearing district and town level trade union membership cards entered the factory complex and persuaded workers to return to work. After their request was turned down, a physical confrontation took place between the strikers and the trade union officers. A few of the strikers were hurt and sent to hospital. Official sources did not declare where the 200 ‘trade unionists’ came from, but according to a reliable
information they were actually mobilized by the local government. It is thus evident that at the initial stage of the strike, the local state was on the side of the capital.

The whole-factory strike continued on the next day. As workers became too furious to talk to the Japanese management, Zeng Qing Hong, the CEO of Guangqi Honda Automobile-cum-a national people’s congress member, intervened and communicated with the strikers on the factory playground. Workers at first did not trust Zeng and even threw his name cards on the ground. However, after Zeng revealed his identity as a national people’s congress member, workers started to take him more seriously. With the intervention of Zeng, the Nanhai District Federation of Trade Unions (NDFTU) and Shishan Town Federation of Trade Unions (STFTU) issued a letter of apology to all CHAM’s workers, but still hinted at the faults of workers who insisted on striking.

Endeavoring to gain wider public support and call for stronger solidarity among workers, strikers’ representatives issued an open letter to all CHAM workers and the public on 3rd June\textsuperscript{xxviii}. It clearly illustrated that their activism was against the capital and pointing towards wider class solidarity; it said in the open letter that

“We urge the company to start serious negotiation with us and accede to our reasonable requests. It earns over 1,000 million yuan every year and this is the fruit of our hard work...we should remain united and be aware of the divisive tactics of the management...our struggle is not only for the sake of 1800 workers in our factory, it is also for the wider interest of workers in our country. We want to be an exemplary case of workers safeguarding their rights”\textsuperscript{xxix}

The incident of ‘trade union punching strikers’ served as a turning point, after which the government, as represented by Zeng, started to tilt towards the workers, rather than remaining on the side of the Japanese capital. Also, the company had came under greater pressure afterward and sought to resolve the dispute with stronger initiatives, including initiating a departmental-based workers’ representatives election and collective bargaining with the formers on the 4\textsuperscript{th} June 2010. At the end, both parties reached an agreement of raising workers’ wages to 2044 yuan with a 32.4 % increase and intern students’ wages to around 1500 yuan with an increase of 70%. This strike case illuminates that although the Chinese state has a tendency to defend the capital’s interests, the labor still has potential to influence the state’s position and the capital’s
attitude when their solidarity and coordination peaks.

Against the background of economic revival, labor shortage, rising marketplace bargaining power and confidence of workers, the knock-on effect of CHAM workers’ strike on the car industry and other industries was palpable. According to a Guangzhou Federation of Trade Union official, strikes were taken place from 20th June to early July in four automobile spare factories in the Nansha district of the Guangzhou city where CHAM is located. One of them occurred in a Honda supplier factory. Workers wrote in a ‘letter to promote strike’ (ba gong changyi shu):

“Colleagues, watch around us, Foxconn, Honda in Foshan, Toyota in Tianjin, [we] believe that the result is good as long as we can unite till the last moment…”

Their demands included a wage increase of 800 yuan and democratic trade union reform, which highly resembled to that of the CHAM workers in Foshan. On 25th June, 4 days after the strike started, a written agreement was reached between representatives of the workers and the management. Workers’ monthly wages was to increase by 550 yuan (400 yuan of basic wage and 150 of subsidy) and a bonus equivalent to 4 months of salary was granted. Almost at the same time, workers from another Honda supplier factory in Zhongshan, a city next to Foshan, also staged a strike requesting similar wage increase and enterprise trade union reform. It was also reported that workers from a Hyundai supplier factory in Beijing launched a strike to demand higher wages. Adding to this, workers from two Toyota factories in Tianjin, Atsumitec Co (a supplier to Honda) and Ormon (a supplier to Honda, Ford and BMW), followed the example of their counterparts and were on strike in June. The linkage of these strike cases is confirmed by that fact that a leader of the Zhongshan Honda supplier strike had contacted worker representatives in the Foshan factory and tried to seek their advice.

This chain of strikes is different from those occurred in the earlier period in at least three manners. First, its scale and degree of organization was exceptional, if not unprecedented. It was well organized, involved over 1800 workers and lasted for 17 days. Second, while previous tides of strikes were concentrated in a specific geographic area (mostly in the PRD), the strike waves since May 2010 took place all over the country, including Beijing, Tianjin, Jiangsu, Henan, Yunan, Chongqing. Third, the demand for a ‘real’ workplace trade union has become more clearly and consistently articulated by workers. These differences manifest that the Chinese
workers has gained some workplace bargaining power by carrying out collective actions and they started to concern the right of forming associations of their own. They also mean that the balance of forces between the capital and the labor in China is changing, albeit slowly and slightly, which in turns have significant implication on the making of state’s policies, as will be elaborated in the next section.

**Wage negotiation and trade union reform as concessions?**

Shortly after the CHAM workers’ strike, Wangyang, the Chinese Communist Party secretary of the Guangdong province, emphasized that when handling collective labor grievances, workplace trade unions should position themselves as workers’ representatives and help safeguard workers’ rights according to legal regulations\textsuperscript{xxxvi}. Besides, the vice president of the Guangdong Provincial Federation of Trade Unions (GDFTU), Mr. Kong Xiang Hong, confirmed that the democratization of Chinese trade unions would be sped up so that members could elect their own president in the near future. He also announced that a pilot scheme of democratic election of workplace trade unions and the relevant training would be carried out in 10 factories, including the Honda factory in Foshan\textsuperscript{xxxvii}.

Although CHAM workers’ pressure was immense enough to push forward some changes in the company, a once and for all democratic trade union reform was still far-fetched given the relatively feeble power of the labor vis-a-vis the capital and the state at the moment. Trade union elections organized from the department level to the factory level took place in CHAM from September to November 2010 with the GDFTU’s active intervention. However, the GDFTU delegates ruled out the call of workers’ representatives to remove the existing trade union president who was on the side of the management during the strike, as they thought he should be given “a chance to correct himself” (gaizheng de jihui). Moreover, by manipulating the candidateship and isolating active workers’ representatives who had close contact with the civil society during the strike, most union committee members elected are from the managerial or supervisory level. While the union Chair remains unchanged, two Deputy Chairs were elected in February 2011. According to workers, one of them is a department head while the other the vice-head. CHAM’s trade union election in the wake of the strike demonstrates that the party-state, along with the Japanese management, is still determined and inclined to manipulate workplace class organizations even though it is under some bottom-up pressure from workers. However, in exchange for their grip on working class organizations, the state and the capital have to pacify workers by wringing material concession in the form of significant wage increase. From 25\textsuperscript{th} February to 1\textsuperscript{st} March 2011, almost a year after
the strike, wage negotiation took place between the trade union and the management in CHAM. The plant union demanded a wage rise of RMB880 for production line workers in 2011, a 46.1% increase according to the management. Rejecting the trade union’s demand, the management proposed a 27.7% increase of RMB531, saying that the union’s demand was too aggressive. In the end, both parties agreed to a pay rise of RMB611. According to the media report, Mr. Kong Xianghong, who has been deeply involving in the Honda workplace issues in the capacity of the Vice President of GDFTU after the strike in 2010, played a key role in driving both parties to reach the final agreement.

This section shows that CHAM workers’ increasingly sophisticated organizing strategy and growing class consciousness have enabled them to negotiate a higher wage level. Without compromising its grip on workers’ freedom of association, the party-state in return has to concede to workers’ strong demand by pressuring the global capital to raise its wage standard. Moreover, it attempts to pre-empt labor protests by introducing an institutional mechanism for wage bargaining, which however has been met with strong opposition from the global capital, as will be elaborated in the next section.

**Collective bargaining legislation shaped by class struggles**

Shortly before the CHAM workers’ strike ended, the Xinhua agency, the official press, highlighted that it is of great urgency to push forward collective wage consultation in enterprises, so as to further safeguard workers’ legal rights and promote harmonious labor relations. And afterwards, the central and local governments have sought to introduce a legal framework for workplace collective consultation. The Guangdong provincial government debated the second draft of the Regulations on the Democratic Management of Enterprises in August 2010 after a suspension of almost two years, while the Shenzhen Collective Consultation Ordinance (amended draft) that had also been suspended since the world economic crisis was under public consultation at around the same period. Alongside this, 13 provinces have issued documents in the name of the CCP branch committee or the local governments to promote the collective wage consultation, according to a media report.

Although the introduction of workplace collective consultation system has seemingly come to top of the government’s agenda, in reality it is undetermined and its attempt to build up a collective interest based legal framework had been halted by the capital pressure. It is reported that many overseas business chambers were strongly against the legislation on collective negotiation. In Hong Kong, over 40 business associations
have published their petition in newspapers while some of their representatives have paid official visit to the Guangdong government to reflect their concern. As a consequence, the Regulations on the Democratic Management of Enterprises and the Shenzhen Collective Consultation Ordinance have been put off until recently.

Due to the legacy of state socialism, various bureaucracies and elite politicians were said to have strong influence on labor legislations. In recent years, however, the global capital and its agencies, including the commercial chambers, have become more active in lobbying the Chinese legislators, as evidenced in the case of the Labor Contract Law legislation in 2008. After the strike wave in 2010, when the Chinese government takes workplace collective bargaining in the global factories more serious than any other time since the reform in 1978, again the global capital, who has structural conflict of interest with the migrant workers, opposes the initiative vigorously.

**Conclusion: Class struggle and labour politics in China**

The central argument of this article is that the “strong Chinese state” thesis is not adequate to explain the Chinese state’s behavior; instead the role of workers’ struggles have to be brought into the picture in order to better apprehend how class struggles between the capital and labor has been shaping the state’s policies. Clark insists that the development of the state and capitalist social relations have to be seen as the object and effect brought about by class struggle; and the theory of state has to be located in the context of the development of class struggle. Seen in this light, the Chinese state does not stand above the society or the antagonistic class relations; instead it is an arena of class struggles. To make an analogy, it is a pendulum that has an inborn tendency to swing towards the side of the capital; yet when the balance of forces between the capital and labor changes, it will roll towards the side of labor. In other words, the degree of oscillation of this pendulum is influenced by the ongoing class struggles.

Our article elucidates that many global businesses pressured the government’s policies to the direction of protecting their interests after the global economic downturn; the state pendulum thus swayed towards the capital. However, the capital’s attack on Chinese labor has sown the seeds of workers’ discontent and indignation towards the worsening of labor rights; therefore once China’s economy shows sign of recovery and labor shortage re-emerges, migrant workers’ struggles have turned from on the defensive to on the offensive, as attested by the CHAM workers’ strike. A new wave of strikes has been booming in many parts of the country demanding higher wages,
better working conditions and in some cases democratic election of trade unions. Workers activism has pushed the state pendulum to the opposite side and led to more pro-labor policies of the state. In the Honda case, the provincial government and trade unions initiated a pilot project of trade union reform and wage negotiation. However, this state pendulum has a tendency to slide back to the capital. Although it pressured the Japanese boss to make economic concession in the form of pay rise, its grip on the workers’ organizations has not been loosen. And its attempt to build up a legal framework for collective bargaining was easily halted by the capital who does not want to be subjected to so much legal constraints.

The implication drawn from my analysis is that the agency of migrant workers should be given due attention when examining the Chinese development strategy and its limitation. The political bedrock of China’s labor intensive and export-led development model is the unorganized working class. For this reason, when workers start to better organize themselves and articulate their demands by means of collective actions, the Chinese government has to find ways to address them and make concessions. However, these concessions have always been met with opposition from the global capital; and Hart-Landsberg and Burjett has rightly highlighted the leverage of global capital to undermine the Chinese government’s capacity to plan and direct economic activities. The development strategy of the Chinese state is not separated from the class struggle in the country. The main form of class struggle in China today is between internal migrant workers and global capital around the issues of wage standards and labor regulations.

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iii This paper highlights the class antagonism between the global capital and the migrant workers, due to the fact that most of the labor intensive and export-orientated industries are owned by oversea investors. However, the authors do not intent to dismiss the exploitative role of local Chinese capital.

iv The data in this article was primarily collected from the authors’ intensive fieldwork starting from 2005 in China, through participation observation in the work of labor-NGO-run workers’ service centers and interviews with workers during their strikes. For the Honda workers’ strike to be elaborated, the authors paid three visits to Honda workers’ dormitories during the strike and maintain contact with their key representatives. More than 40 individual or group-based interviews with workers were conducted.


Ching Kwan Lee, “Is labor a political force in China?” in Perry, Elizabeth J. and Goldman, Merle (eds.) Grassroots Political Reform in Contemporary China, Cambridge, Massachusetts: Harvard University Press (2008), 228-252, 244.


There had been a shortage of labor reported in China before the financial crisis, from 2004 to 2007, see Nanfangribao, 10 February 2004 and Nanfangzhouno, 15 July 2007. [Newspapers in China]

Chendu Commercial Daily, 22nd February 2010 [Newspaper in China]


Eric Wright has categorized workers’ powers as marketplace bargaining power, workplace bargaining power and association power. See Wright ‘Working-class power, capitalist-interests, and class compromise’, American Journal of Sociology, 105, no4 (2000): 957-02. Wright’s concepts have been used by Silver to analyze the pattern of strikes and

xxiii *Chengdu Commercial Daily*, 22nd February 2010


xxv See e.g. *Asian Weekly* (Yazhouzhoukan), 23th Volume, 2010 [Hong Kong magazine]; *Economist*, 31stJuly-6thAugust 2010; *The Observer*, 4th July 2010

xxvi *Jingjiguancabao*, 28th May 2010 [newspaper in China]

xxvii *Takungpao*, 1st June 2010 [newspaper in Hong Kong]

xxviii *Cai Xin Net*, 4th June 2010 [online media in China]

xxix The authors’ translation.

xxx Interview on 12th August 2010.

xxxi *Cai Xin Net*, 23rd June 2010 [online media in China]

xxv Pattern and characteristics of strikes in China has been studied in detail by C. K.C. Chan (2010).


xxxv See media reports, e.g. *Asian Weekly*, 23th Volume, 2010; *Economist*, July 31st-August 6th 2010

xxxvi *Yangchengwanbao*, 13th June 2010 [newspaper in China]

xxxvii *Takungpao*, 14th June 2010 [newspaper in Hong Kong]

xxxviii *Southern Metropolitan Daily*, 13th March 2011. [newspaper in China]

xxxix *Takungpao*, 2nd June 2010


xli *China News Net*, 9th June 2010

xlii *Singtao News*, 27th September 2010 [newspaper in Hong Kong]

xliii *Wenweipao*, 18th September 2010 [newspaper in Hong Kong]


xlvii See Clarke, *The State Debate*.