Transforming Employment Relations in China: Market Reform and the Choice of Labor Policies

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The Analytical Framework

• From state to market
  – state intervention
  – corporatist model
  – pluralistic model

• Social and economic diversity
  – Regional & geographical differences
  – Different stages of economic development
  – Diverse racial & ethnic groups

• Employment relations:
  What kind of relationships are developing between employers, labor and the state?

• What are the available choices for labor policy?
Characteristics of China’s Employment Relations System

• Tradeoff: Political stability vs. economic development
• Employment relations system is a labor administration system
• Monopolistic trade unionism (ACFTU)
  – CCP-directed workplace democracy
  – Government supervised collective bargaining
• Dual structure of employment relations
  – State-owned enterprise
  – Private & foreign-owned enterprise
Transitions in the Employment Relations System

- Traditional guarantees of employment, wages and welfare have eroded.
- Enterprise instead of state now is responsible for economic management and financial solvency, as well as for employment relations.
- Firms are experimenting with new management practices.
- The mindset and institutions of state control remain embedded in the system.
Status of Employment Relations – Labor dispute as example

- Contradictions between institutions and markets.
  - Legal & contractual regulation of labor relations.
  - Workplace consultation between employer and the trade union.
- But institutional arrangement is diluted by the force of market competition.
- Industrial disputes have increased as a result of this discrepancy.
Demographics Aspects of Industrial Disputes

• Total number of disputes is increasing.
  – The number of workers involved increased from 77,794 in 1994 to 800,000 in 2003
• The number of collective disputes is increasing and exceeds the percentage of individual disputes.
  – More than 60% of disputes are collective
  – Money-related disputes: 50%
  – Labor protection disputes 14%
  – Labor contract disputes 25%
• Arbitration settlement increased
• Settlements increasingly favor labor’s demands.
• More confrontation between labor and management
Labor’s Collective Incidents

• Definition: Workers’ collective actions in support of demands they cannot achieve through legal channels.

• Causes of collective incidents:
  – Money demands related restructuring and ownership reorganizing of state-owned firms
  – Mass layoffs by state-owned firms
  – Delays in wage payments
  – Payment of wages lower than standard wage
  – Poor working conditions in private & foreign firms
  – New employers that do not fulfill contractual obligations
Forms of Collective Action

• Primitive mode:
  – Committee suicide, hunger strikes, detaining and killing the employer
• Work stoppage and strike (wildcat)
• Protest, rally, petition, sit-in, appeal to authorities
• Floor jumping, stoppage of rail and highway transportation, bridge blockage
• Firm protection action by employee assembly
• Alliance and united strikes
Problems of China’s ER system

• State-dominated trade union cannot represent workers’ interests
  – Multiple roles of the union leader
  – Obligation first to the state, then the firm, then to the worker
  – Leaders appointed by the party, not chosen from and among union members
  – Collective bargaining must fulfill the orders of the state, not respond to a voluntary labor-management process
  – A lack of real workers’ participation system in the restructuring process—complies with the CCP instruction

• Institutional residual effects on modern concept of labor protection

• Labor policy is subordinated to industrial policy

• Different HR/ER strategy adopted by different firms produce different employment relations outcomes.
Conclusion

• What are the choices of labor policy and institution?
  – Pluralistic model
  – Corporatist model
• A balance between efficiency and equity
• Can a “voice” model supplement the process and establish a stable balance?
Research Agenda

- Comparative study of MNC ER strategy and practice
- Regional ER regulations and its impact on ER
- Sector-based study on ER strategy and practices
- New forms of workplace ER practice and its impact on firm
- ER and the impact on firm performance
- Market-based initiatives on ER
  - Corporate social responsibility programs