

Regimes of production and industrial relations in China

Boy Lüthje

Institute of Social Research, Frankfurt (Germany)

Visiting professor

School of Government

International Center for Labor Research

Guangzhou (P.R. China)

吕博艺

德国法兰克福社会研究所

The
Economist

JULY 31ST - AUGUST 8TH 2010

Economist.com

BP and the rewards of failure

Europe's stressed banks

Lawyers go global

How to cut poverty

The invention of Scott-land

The rising power of China's workers

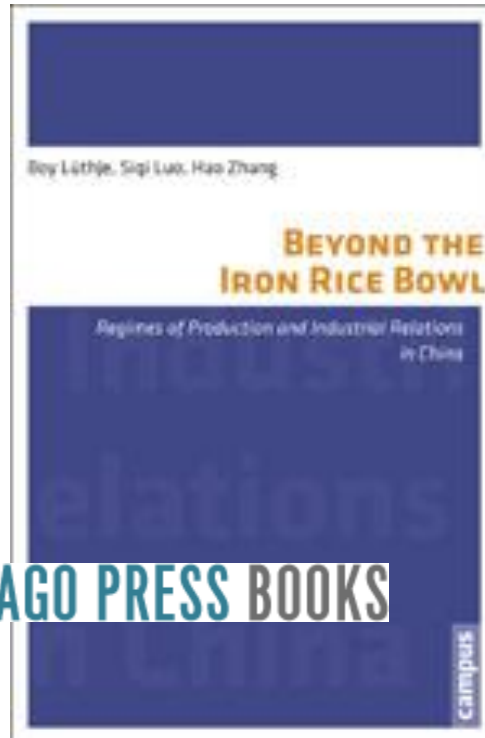
Why it's good for
the world



我们工人要什么？更多钱！
什么时候要？现在！

Outline

- (1) Reform of labor policies: a core piece of „harmonious society“**
- (2) The growing diversity of labor regimes in Chinese factories**
- (3) Labor conflicts and social stability**



THE UNIVERSITY OF CHICAGO PRESS BOOKS

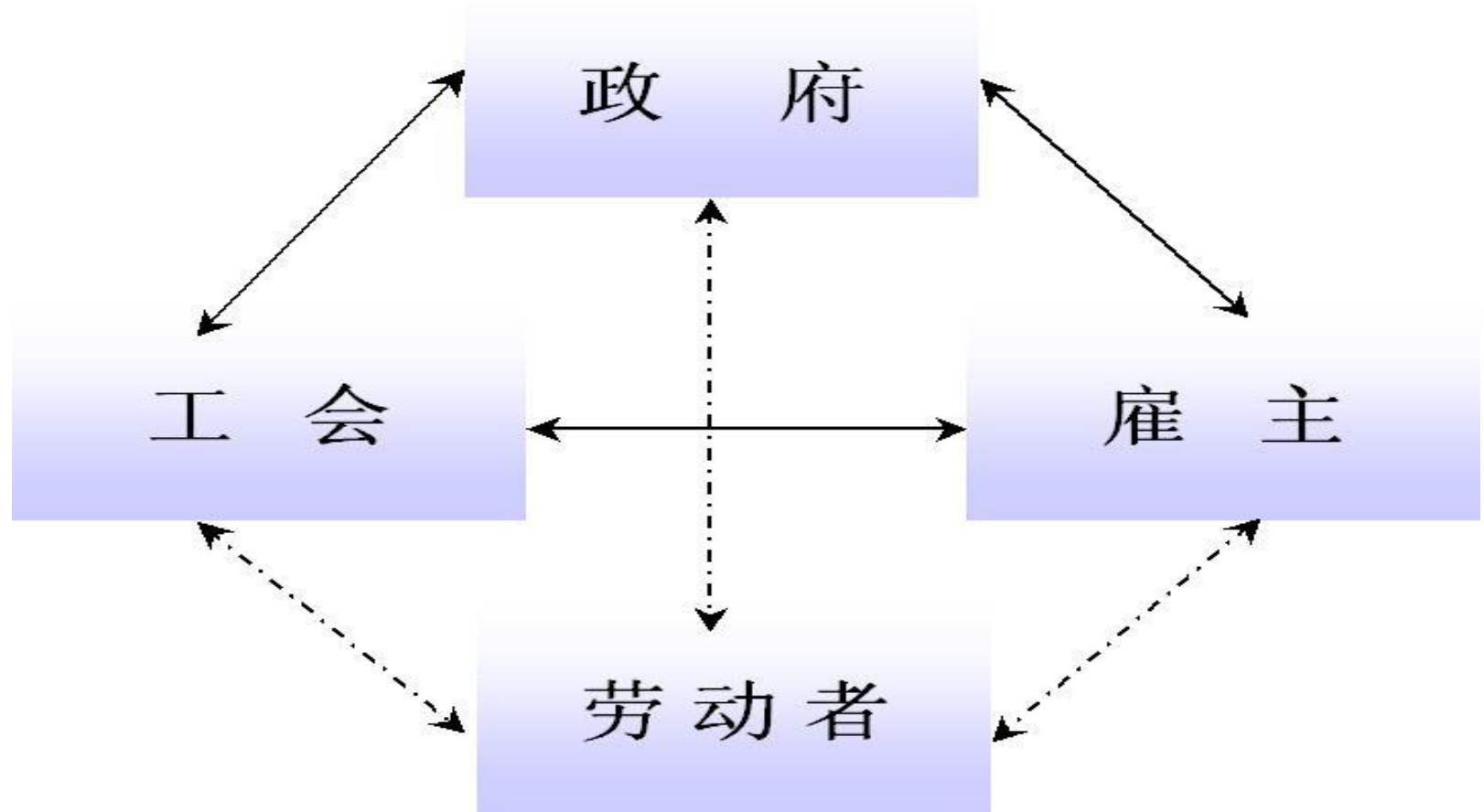
campus

Frankfurt. New York

1. Reform of labor policies

Management, trade unions and government

Where do workers fit in?



“Fragmented representation”

Behind the storefront of centralized labor relations:

- Different forms of ownership (SOE, FIE, Joint Ventures, Chinese private and hybrid companies, Overseas Chinese)
- New models of production and work
- Foreign models of HR management and industrial relations (US, EU, Japan)
- Institutional fragmentation of state policies (national and local governments, “disorganized despotism”)
- No civil society or “hegemonic state” to mediate conflicts between workers, management and government
- **The challenge: understanding the relationship between shop-floor conflict/workers’ social movements and institutional change**

Hard rules, soft rules, no rules

Hard

Laws
Govt regulations
Collect contract procedures

Labor contract
Work time, OT
Basic OSH
Temp Labor
Minimum wage

Soft

Collective contract content
Wage agreements
Govt guidelines

Wage adjustment
Payment of bonuses
Benefits
Employee consultation

No

Hourly and monthly wages and salaries
Wage system/hierarchy
Performance/work intensity
Work organization
Seniority
Collective bargaining and coll labor conflicts

Types of production regimes

Type	Production	Work/HR	Labor Relations
State-bureaucratic	Integrated Med to high tech Brandname	Stable after restructurg Urban workers High wages Low base, allowances	Stable TU, party, gov relats Collective contract Weak collective bargaining Few labor conflicts
Corporate bureaucratic	Integrated High tech Strong brand Market control	Stable employment Urban workers, skilled High wages, benefits High base pay Career incentives	TU, cooperative Mostly collective contract Weak collective bargaining Labor conflict few collective, often individual
Corporate high performance	Integrated High tech Strong brand High flexibility	Flexible employmt Urban workers High wages, benfits Low base, high variable and OT	Weak or no TU Employee involvement Often no collective contract No collective bargaining Occasional labor confl
Flexible mass production	Integrated Med to high tech No brandname High flexibility	Flexible employment Rural workers Neo Taylorism Low wages, benef Very long working hrs	Mostly non-union No collectvie contracts Occasional labor conflicts, sometimes militant Violations of legal stdrds
Low wage classic	Low integration Low tech No or weak brand High flexibility	Flexible employment Rural workers Low wages, benefit Personalized control Very long working hours	Mostly non-union No collective contracts Frequent violations of legal standards

Distribution of regimes of production

Steel	State bureaucratic (SOE classic)
Chemical	State bureaucratic, Corp bureaucratic Corp high performance
Auto	Corporate bureaucratic
IT/electr	Corp high performance, flexible mass production, low-wage classic
Text/garm	Flexible mass production, low wage classic

2. Shop-floor labor relations

5 Core industries

Total Employment 总就业 Non-SOE 非国企

Auto 汽车	2,57 Mio.	1,61
Chemical 化工	3,09 Mio	2,33
Steel 钢铁	1,88 Mio.	1,12
Electronics/IT 电子信息	4,26 Mio.	3,85
Textile/Garment 纺织/服装	4,83 Mio.	4,22

Example # 1: Corporate bureaucratic



- Oldest auto JV in China
- Core factory 12.000 employees
- Euro-style lean production with less automation
- Stable workforce, but massive productivity pressures
- 35% productivity increase by modular production 2005-2007
- New high performance factories in greenfield sites



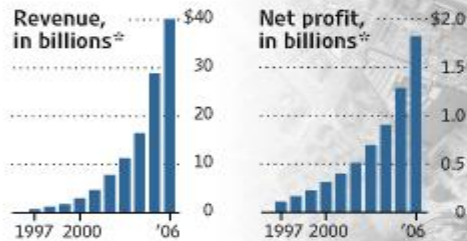
„Corporate bureaucratic“

Production Model	<p>Degree of market control med</p> <p>Vertical integration at company and factory level high</p> <p>Product technology (relative to industry standard) high</p> <p>Manufacturing technology high</p> <p>Stability of production flow med</p>
Work and working conditions	<p>Specialized and skilled labor med</p> <p>Segmentation of work med</p> <p>Proportion of migrant, women and temporary workers low</p> <p>Workforce stability med</p> <p>Wages and benefits high</p> <p>Flexible pay (performance, OT, piecework) med</p> <p>Teamwork and employee involvement med</p> <p>Wage hierarchies low-med</p>
Labor relations	<p>Trade union presence and stability strong</p> <p>Collective contract (yes, no, history) yes, since 1980s</p> <p>Contract regulation of wages, work hours, work condit low-med</p> <p>OSH standards med</p> <p>Individual labor conflicts low</p> <p>Collective labor conflicts low</p>

Example # 2: Flexible mass production

High-Tech Complex

Hon Hai Precision Industry Co. turns out electronics for names such as Nokia, Apple and Dell, with about 270,000 workers at its sprawling complex in Shenzhen, China. A look at the factory, and Hon Hai by the numbers:



²Converted from Taiwanese dollars at the current rate
Sources: the company; Google Earth (satellite image); photos by Jason Dean/WSJ

„Flexible mass production“

Production Model	Degree of market control med Vertical integration at company and factory level high Product technology (relative to industry standard) high Manufacturing technology high Stability of production flow med
Work and working conditions	Specialized and skilled labor med Segmentation of work high Proportion of migrant, women and temporary workers high Workforce stability low Wages and benefits low Flexible pay (performance, OT, piecework) high Teamwork and employee involvement low Wage hierarchies high
Labor relations	Trade union presence and stability med, since 2007 Collective contract (yes, no, history) no Contract regulation of wages, work hours, work condit low OSH standards med Individual labor conflicts med Collective labor conflicts low



Personalized control



Edmond Tang/China Daily

Example # 3: Low wage classic

„Dragon Cable Assembly“

Cable assemblies, chargers etc. for mobile phones

**Establ. 2000 in South China, mother company in
Hong Kong**

**„Assembly license firm“ – processing material,
import/export through HK**

Third-tier subcontractor to multinational GPN

1200 workers before 2008, now 300

Became China registered FEI in 2009

No substantial upgrading after global crisis

„Low wage classic“

Production Model	<p>Degree of market control low</p> <p>Vertical integration at company and factory level low</p> <p>Product technology (relative to industry standard) low</p> <p>Manufacturing technology low</p> <p>Stability of production flow low</p>
Work and working conditions	<p>Specialized and skilled labor low</p> <p>Segmentation of work high</p> <p>Proportion of migrant, women and temporary workers high</p> <p>Workforce stability low</p> <p>Wages and benefits low</p> <p>Flexible pay (performance, OT, piecework) high</p> <p>Teamwork and employee involvement low</p> <p>Wage hierarchies high</p>
Labor relations	<p>Trade union presence and stability no</p> <p>Collective contract (yes, no, history) no</p> <p>Contract regulation of wages, work hours, work condit no</p> <p>OSH standards low</p> <p>Individual labor conflicts high</p> <p>Collective labor conflicts high</p>



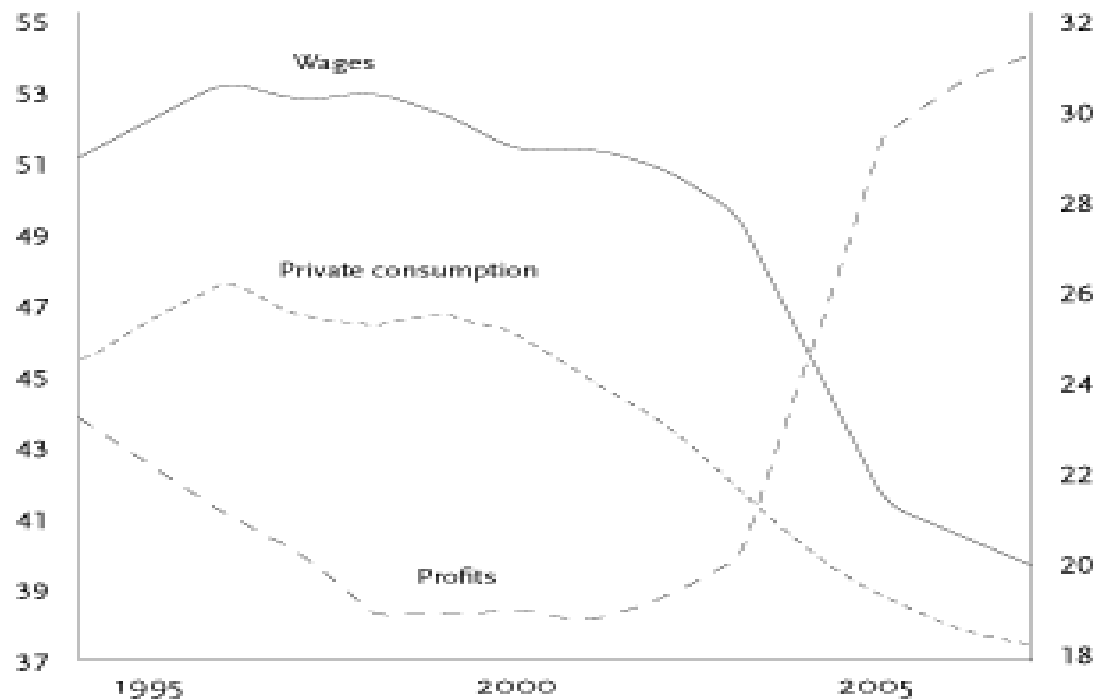
3. Perspectives and problems

No New Deal for Chinese Workers

- Low base wages and high variable pay (allowance, bonuses, OT) incentive for extensive overtime work
- Strong wage hierarchies vs. „equal pay for equal work“
- Almost complete lack of seniority-based workplace regulations
- Lack of employee control over speed and intensity of work
- High degree of employment flexibility and insecurity (in spite of labor contract law)
- China cannot raise domestic demand without stabilizing wages and labor standards under contractual arrangements

A regime of underconsumption (Hung 2009)

FIGURE 7. *Wages, profits and private consumption as a percentage of GDP*



Left scale: wage and compensation levels; right scale: profit levels.
Source: China Statistical Yearbook.

New dynamics of labor conflict

劳动冲突的新动态

- **Integration of migrant workers into production systems drives labor conflicts** 农民工整合进生产系统引起劳动冲突
- **Increasing segmentation between urban and rural workers „along the chain “, with regional and company differences**
城市工人和农民工之间加剧的分化（沿产业链、地区和企业差异）
- **Industry-wide labor standards?**
产业范围的劳动标准？





Guangdong 's labor reforms: making corporatism work?

广东省的劳动改革：让组合主义运行起来？



Thank you !

非常感谢!