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Employer-
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267

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Abstract

Purpose – Collective bargaining (CB) in China is perceived as inadequate, thanks to the lack of trade union independence and representation. However, CB of the sweater industry in Wenling, one of the world's largest manufacturing centre, shows another tendency. Using Wenling as the case, the purpose of this paper is to explore whether a new form of CB is emerging in China.

Design/methodology/approach – This paper uses a qualitative case study approach, and covers stakeholders, including the government, trade union, sweater association, workers and employers.

Findings – In China, trade unions are constrained by corporatism and therefore cannot become the effective agents of CB. However, the increased industrial conflicts could in effect push employers to become the engine of change. This paper finds that employers endeavour to use CB as a tool to stabilise employment relations and neutralise workers resistance. Consequently, a gradual transition in labour relations system is on the way, characterised by “disorderly resistance” to “orderly compliance” in the working class.

Research limitations/implications – The case industry may not be sufficient in drawing the details of CB in China, while it provides the trend of change.

Originality/value – Conventional wisdom on the Chinese labour relations and CB tends to ignore the employer's perspective. This paper partially fills in the gap by offering CB and change of employment relations from the aspect of employers.

Keywords Industrial relations, Labour, Collective bargaining, Trade unions, Management activities

Paper type Case study

Three models of collective bargaining (CB) in China

The concept of CB associates with labour-capital autonomy, or a political economic environment that tolerates the autonomy of capital and labour. The pre-condition of the economic and political functions of CB is that the two parties can undertake self-determinant activities. In their *Industrial Democracy*, Webb and Webb (1897) conceptualised CB as the third choice of employment-relations actors, after “individual bargaining” and “autonomous regulation”. Webb and Webb (1897) emphasised on the economic function of CB and regarded CB as the important method for the trade unions to improve the livelihoods of their members. Flanders (1970) discussed the political function of CB, and argued that CB was not only about the bargaining in the market, but dealt with the bargaining institution between labour and capital, so as to include a rule-making process that incorporated the representative organisations of both parties. Fox (1975), however, disagreed by arguing that CB did not necessarily reach any agreements, and thus it was unwise to assert that CB was a rule-making process. Rather, it was a power dynamic between the two organisations of labour and capital.



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The political function of CB expands the bargaining from labour-capital relations to the role of the government. In the beginning of the twentieth century, governments in many countries changed their anti-union attitudes and encouraged CB as a means to improve industrial peace and social stability. Certainly, different governments experienced different stages of economic development and consequently hold different perceptions towards CB. By comparing CB in six countries, Clegg (1976) found that the history of industrial management and the power structure of trade union organisations heavily influenced the coverage, structure, as well as effectiveness of CB and CB agreements. In general, there are two models of CB institutions in Western countries. CB in Canada and USA takes place at the enterprise level and is quite scattered; on the other hand Nordic and Western European countries encourage national and industrial CB (Marginson and Sisson, 2006).

However, despite the influence of the government, the ideal model of CB in Western countries is largely based on the autonomy between the workers and the employers. The Chinese case is different. CB in China is state centred. Neither the companies nor the trade unions can independently represent the interests of the employers or workers, and they have to obey the instructions from the state. Wage and other employment conditions are determined by the rules of the municipal governments at the local level. CB in China is not a result of the autonomous power bargaining between labour and capital. Instead, it reflects the will of the top-down administrative power. The government not only participates in but also dominates the CB process (Clarke *et al.*, 2004). This is related to the trade union system. On the one hand, all the trade union organisations are under the unitary leadership of All-China Federation of Trade Unions (ACFTU), which is supervised by the Chinese Communist Party (CCP). On the other hand, the majority of the enterprise trade unions depends on and is inferior to the company management. Many trade union chairpersons are company managers (Taylor and Li, 2007; Chan, 1998). Due to lack of independence and representation, the union cannot initiate CB as the representative of the workers.

But, for the purpose of dealing with the discontents of the workers and keeping social stability, the central government usually initiates top-down CB. Under the “state-driven CB” (Wu, 2012), CB is always listed as an item of the performance evaluation for the local governments. The upper-level government uses quantitative indicators to measure CB at the lower levels. Promotion of the relevant government officials and trade union cadres is tied with the performance evaluation. In order to push companies into signing collective agreements, the local governments at either the provincial or municipal levels mobilise all kinds of administrative methods. The employers face significant pressures from the government, while the commerce and taxation bureaus go after the companies that do not listen to the local governments (Wen, 2013). However, this top-down initiative of CB does not change the situation that the government is more willing to associate with capital. To fulfil the indicators and pass the performance evaluation, the provincial and municipal governments simply make CB as a ritualised gesture, whose purpose is to increase the number of collective agreements, rather than act as a mechanism to determine wage and working conditions. This dynamic reflects several characters: first, CB does not involve a genuine bargaining process and does not involve the workers. Second, the contents on collective agreements merely copy the minimum requirements of existing labour law. The wages on the collective agreements are always no higher than the local minimum wages. Third, collective agreements are not binding, although in reality there are few labour disputes concerned with collective agreements (Clarke *et al.*, 2004; Wu, 2012).

“State-driven CB” is the most commonly adopted model in China, because the local governments and trade unions have to accomplish the evaluation indicators set by the upper-level authorities represented by the upper-level CCP. The local governments do not really care about the actual effectiveness and are always likely to exaggerate the results of CB (Li, 2010).

In recent decades, another model of CB emerged in the Pearl River Delta. This model is the “workers-driven CB”, and follows what Hobsbawm (1968) described as “CB by riots”. Pearl River Delta has a long tradition of workers’ organising, with labour NGOs actively engaged in workers’ representation (Chan and Hui, 2012, 2014). This model is initiated on site, when wildcat strikes happen. In order to solve strikes, the local governments and trade unions need to negotiate with workers’ representatives, who are independently elected during the wildcat strikes. The workers go back to work, if negotiations reach agreements. The form is widely used in Guangdong Province, where wildcat strikes are common, and several local initiatives, such as the direct election of enterprise trade union committees, have sought to increase the representation of enterprise trade unions. The process of “workers-driven CB” is usually full of disputes, quarrels and breakups, with the representatives of the workers and employers striving for their respective interests. The collective agreements can only be reached, after several rounds of fierce counteractions. The results of CB are often in favour of the workers. Certainly, this model of CB still cannot be exempted from the influence of the state. The government controls the process of elections of workers’ representatives, and prevents radicals from being elected. When the parties cannot reach an agreement quickly, the government steps in and plays the role as the mediator and arbitrator to push for an agreement. “Workers-driven CB” is commonly accepted in Pearl River Delta, because the region is filled with foreign enterprises, which usually operate separately from the local governments. The local governments also feel obliged to safeguard some nationalist interests of the Chinese workers in the foreign companies (Gallagher, 2005).

Meanwhile, other academic studies (e.g. Liu, 2007; Pringle, 2011; Xu, 2004) focus on Yangtze River Delta, which is another economic developed region similar to Pearl River Delta. Unlike foreign-capital-dominant Pearl River Delta, Yangtze River Delta is a cluster of Chinese domestic private capital (Yao, 2005). The companies there are mostly family business and have strong inter-family connections, which is a unique characteristic different from other areas in China. The local economy shows three characters: first, economic activities are based on geographic blocks. Companies making the same products gather in the same county or village, which forms a larger economic network, based on the different local economies of scale. Second, the companies have tight connections with the local governments, and form local corporatism (Oi, 1992). Many enterprises actively approach the government and establish CCP committees and trade unions. The company owners encourage CCP and trade unions to recruit members among the workers. Building up CCP relationship is not only for protecting the private ownership, but also to mobilising political resources and to expand the private ownership. Third, Yangtze River Delta hosts a large number of trade associations. Since county-based companies are not large, trade associations are essential to avoid vicious competition and safeguard the reputations of the local brands. Yangtze River Delta is always the most popular region for Chinese trade associations (Yao, 2005).

On the global value production chain, Yangtze River Delta specialises in manufacturing and its value achievement is buyer driven (Henderson, 1998). The state

and local companies mobilise cheap labour and local natural resources, in order to participate in the global purchasing and OEM value chain management. Due to the low-entry barrier, a large number of manufacturing companies cluster and increase the competition among the companies. “Economic rent” of the global value chain decreases, and reduces the economic return of the manufacturing firms. The cutthroat competition among the companies can harm the interests of the state and local economy. For the purpose of sliding more interests from the global value chain, the state usually pushes for industrial upgrading, and encourages the companies to move into more value-added production and R&D. Meanwhile, the state allows the manufacturing employers to organise. By forming industrial associations and carrying out industrial standards, the companies can increase the entry barriers. As a by-product of the low value-added manufacturing, tension in labour-capital relations rises. Workers’ turnover increases. The employers struggle to attract skilled workers, and this situation can cause labour-capital conflicts. Industrial associations have to be involved in labour relations.

Trade associations in Yangtze River Delta are heavily involved in setting up sectoral CB. Sectoral CB takes place between sectoral trade associations and sectoral trade unions and this type of bargaining has seen rapid development in recent years (see Table I). This is an interesting phenomenon, as the Chinese trade union system is based upon local, rather than sectoral unionism. The CCP has concerns about the cross-regional coalition of trade unions and deliberately keeps industrial unions in a powerless position. As a result, industrial and sectoral trade unions merely exist on paper and hardly have any practical influences (Liu, 2007; Pringle, 2011). In spite of this, sectoral CB in Yangtze River Delta often takes place (Xu, 2004), and seems to break this institutional arrangement. In 2008, ACFTU even promoted the model of industrial and sectoral CB during a conference in Hangzhou, Zhejiang Province. Contrary to the hostile attitude held by foreign companies towards the trade unions, privately owned Chinese enterprises in Yangtze River Delta welcome the development of sectoral trade unions, as Table I illustrates the number of workers covered by sectoral CB agreements more than doubled from 10.5 million workers in 2005 to 27.9 million workers by 2011. The trade associations encourage the establishment of sectoral trade unions, and work with the unions to push for collective consultation. This model can be classified as “employer-initiated CB”.

From a historical perspective CB in many industries has been initiated not by trade unions but employers. Flanders points out that in their study, Webb and Webb did not consider the interests of employers in CB, seeing it only as a measure of the trade unions and thus ignoring the role of employers and employer associations in the development of CB (Flanders, 1970). From the perspective of employers, CB seeks stability, predictability and consistency, which are the preconditions of effective employer control of production while formal negotiation and bargaining process reduce the hostility of workers, thus hindering their mobilisation. It creates a “peace obligation” that hands the initiative to the management (Herding, 1972).

Table I.
Sectoral collective bargaining agreements in China

	2005	2006	2007	2008	2009	2010	2011
A. Sectoral agreements (millions of workers covered)	10.8	12.9	13.2	15.7	18.9	22.8	27.9
B. Sectoral wage agreements (millions of workers covered)	1.5	3.0	2.8	3.9	4.4	6.4	10.9

Source: Chinese Trade Unions Statistical Yearbook (2005-2011)

In particular, Burawoy (1979) has described the function of CB to employers, arguing that it displaced conflict between agents of production while restructured conflict in the framework of consultation. In the process of restructuring conflict, CB produces common interests between trade unions and companies based on the continued survival and development of the enterprises, negotiating on details that do not alter the fundamentals of industrial relations. However, the bargaining results in the loss of conscious resistance by workers, who are increasingly constructed as institutionalised industrial citizens with obligations (Burawoy, 1979; Tong, 2005). If the cases in the Western countries illustrate this tendency, does the Chinese sectoral CB in Yangtze River Delta follow the same logics of the employers?

The paper singles out CB within the sweater industry in Wenling Municipality as a typical case in analysis in that the “Wenling model” was highly concerned and recommended by Premier Wen Jiabao as a pragmatic approach of CB in the Chinese labour relations reality. Therefore, CB in the sweater industry in Wenling draws much academic attention. Pringle’s (2011) intensive and in-depth study of CB in Wenling, regarded this approach as an institutional response of the local government and trade union to handle labour unrest. After researching the CB in a neighbouring county of Xinhe County, Liu (2007) asserted that the industrial trade union could effectively avoid the employers’ interference of labour relations, so that many rounds of self-initiated CB could take place.

Nonetheless, by observing the whole picture of evolution of the CB mechanism in this area and interviewing the respondents involved, the paper argues that the driving force of the model is essentially the employer and its regional association which is contrast to the conclusions reached by other research (e.g. Friedman, 2014; Liu, 2007; Pringle, 2011; Xu, 2004; Wu, 2012), such as that this approach happened as a result of trade union reform. This model of CB has the following main characteristics. First, contrary to the widespread enterprise-level bargaining, this model is based on sectoral bargaining by multiple employers. Second, employer association is the driving force of this model of CB. CB helped the employer association resolve the problem of wage competition between employers. Third, as a key party in the CB, the establishment of the industrial association is still controlled by the local government from the top down. However, to some extent it allows the participation of workers, making some progress in terms of representation. Finally, the outcome of the bargaining did not achieve higher wage growth than workers would otherwise attain in the labour market. The largest benefit for workers is the disappearance of wage delay.

Research method

In 2007, the then Premier Wen Jiabao announced that the experience of employer-initiated CB in Wenling of Yangtze River Delta should be studied, its lessons learned and the Wenling model emulated across the country. It was followed by union campaigns to promote CB and agreements. Since then, the Wenling model has come up frequently in public discourse about CB as a positive example that successfully raised workers’ wages and reduced labour disputes. This makes the case of Wenling particularly interesting to study closely, not only because what happened in Wenling but also the strategy of the state.

The research for this case study is based on the authors’ field research in Wenling and extensive Chinese-language newspaper reports on Wenling. The fieldwork consists of two fieldtrips to Wenling in April and May 2009. The first trip was organised in April 2009. Interviews were conducted with 45 respondents, including two officials

from the Municipal Labour Bureau, the chairman of the Xinhe Woolen Sweater Trade Association, a core member of the trade association, two factory owners, seven officials from the Wenling Municipal Trade Union, the chairman of the Xinhe Woolen Sweater Sectoral Union, five members of the sectoral union committee and five labour representatives. The author made a second trip to Wenling in early May 2009 conducted interviews with 20 workers, who have been working in the woollen sweater sector for over ten years and are regarded as the skilled technicians in the workplace. The study also made use of articles from a range of newspapers, journals, and internal government statistics that provide useful information and details about the development of CB in Wenling.

Actors of the woollen sweater industry in Wenling, China

This research used Xinhe County as the case to study the employer-initiated CB. Xinhe County is located in Wenling City, Zhejiang Province, and is ten kilometres from the city centre of Wenling. It has a population of around 120,000 and an administrative region of 71.4 square kilometres. The woollen sweater industry is the dominant industry in the county. Sweater factories concentrate to nine villages in Changyu District of Xinhe County. The industry emerged in the 1980s, when there were only three to four factories that were family workshops processing the materials for foreign business. In the early of 1990s, the number of factories tripled and began to form an industrial cluster combining with material selection, spinning, weaving and knitting, as well as sales. In 2003, the number of sweater enterprises reached 113, with the annual output value of USD 167 million. Over 12,000 workers are employed in this industry, with around 90 per cent of them being rural migrant workers. Xinhe County has become the main woollen sweater production base in Yangtze River Delta (Pringle, 2011, p. 123).

Employer

Nearly all the enterprise owners in Xinhe County are local rural residents. When one farmer starts a woollen sweater company, the neighbours and relatives follow suit. These companies are mainly family workshops, of which only 12 are larger and have annual outputs above USD 850,000. There is no “star firm”. “Weak capital” is significant.

The production of sweaters is highly seasonal. There is little factory production between January and April, followed by low season from April to August. It is only in September and October that the industry assumes full production. The seasonality of production also causes the seasonal mobility of the labour force. But when it comes to busy production season, the labour shortage can reach to 25 per cent of the total workforce. The profit-making or even survival of sweater enterprises is dependent on the output of these few months. Whether there are enough skilled workers has thus become the key to competition. In order to recruit workers, employers promise very high piece-rate-based salary, resulting in workers frequently changing jobs.

In order to resolve the problem of disorderly competition between the employers, the employers began to seek to establish mechanisms for industry self-regulation. In late 1999, several large sweater enterprises initiated a round of consultation on wage level for the first time between themselves, producing internally unified documents on wage level and piece-rates for various jobs (Pringle, 2011). However, in the process of implementing the internal contract, these large enterprises came under enormous

pressure from more than 100 sweater enterprises, which still drive up wage levels and poach workers from them. Employers began to realise that self-regulation has to cover the entire industry to form an employers' cartel so as to resolve the issue of vicious competition within the industry. So in 2000, Xinhe County Sweater Trade Association was established. Subsequently, Wenling Municipal Sweater Trade Association was founded in 2002. The primary reason for setting up such associations is to demand the whole sweater industry in the entire region to have a unified wage rates.

Most of the 113 member enterprises of the trade association are family workshops. The several large sweater enterprises, which organised the trade association, together made up only about 20 per cent of all the output value of the entire county. The low market concentration has led to the absence of strong enterprises that in turn caused the lack of an authoritarian management approach and of punitive mechanisms in the trade association. At the same time, almost all of the member enterprises produced products for international brands as part of the international production chain. What they need is not to satisfy the diverse needs of consumers but to engage in large-scale production in order to fill orders. It is also impossible to rely on enterprises themselves to provide accurate information to the trade association because of all kinds of information frauds existing inside the association. Before the establishment of industry association, member enterprises were intent to and did drive up the wage rates. After its establishment, the motivation for cheating is even stronger. Overall, the self-regulatory mechanism of the trade association is not successful. As one employer noted:

I think our biggest problem that the products are so similar. Everyone is making the same model. The one offering the lowest price always wins the order. It is impossible for us to coordinate and organise. [...] But when every member hopes that everyone else will have uniform wage rates while it itself will decide wage rates according to specific circumstances, and when some enterprises believe violation of the rules will benefit themselves, they will explicitly or covertly adopt actions that betrays the contract of self-regulation and quickly cause the domino effect that starts a new round of wage war. As a result, self-regulation on wage rates in the industry became a game of prison dilemma and brought the disintegration and collapse of the employers' cartel.

Under the global production chain, high-end business accounts for 90-95 per cent of the total profit of the product and the low-end part only takes 5-10 per cent, while many Chinese textile and garment manufacturing factories get 2.7-4.7 per cent of the total profit of the product (Gao, 2013). It has to be recognised that these private enterprises are small in capital scale, low in technological level, poor in factors of production and are struggling for survival under multiple pressures. Faced with the low-entry barrier, intense competition and low-price strategy of the industry, enterprises cannot significantly raise wages even though they desperately need an appropriate labour force. The shortage of migrant workers helps convey a sense of frustration by private capital under excessive competition. Therefore, labour relations in these enterprises are characterised by "the contradiction of relatively weak capital and absolutely weak labour" (Yao, 2005). In order to survive, enterprises have to keep the costs down and transfer the loss to still weaker workers.

Labour

Among the 12,000 workers in the sweater industry, the majority were female rural migrant workers from Sichuan and Hunan Provinces. Wenling is not well situated geographically, so it has to offer higher wages compared to Dongguan city. As one

local government official noted: "One frontline skilled female worker can get 250 dollars per month, but in Dongguan of Guangdong Province, she can only get 115 to 135 dollars per month for the same job". On the one hand, to prevent the loss of their workers employers adopted the method of delaying payment of wages and withholding margin, paying workers wages earned during busy season in slow season. It is a common practice to pay workers every six months. Workers who leave will not be paid. On the other hand, the promise of high salary is not often fulfilled. Workers are often deceived and only receive 70 per cent of the promised wages.

Within this context arguably an outbreak of labour-capital conflict is inevitable. Since 2001, there were invariably strikes and petitions during August and September. Information from the Bureau of Labour and Social Security in Xinhe County suggests that from 27 August to 6 September 2002 there were 168 workers from eight enterprises petitioned about the non-payment of their wages, including an incident in which 40 workers from a single enterprise hired a car to petition. The Bureau received 147 petitioning workers alone in the latter half of 2003, half of which were from the sweater industry focusing on the wage issue.

Noticeably, the workers in the sweater industry were mainly skilled workers, who worked as machinists, cloth-quality-inspectors, cloth-cutters, rollers and packers. These jobs need skills, instead of simply manual labour. Thus, the skilled workers had stronger bargaining power, and were good at organising and coordinating. Meanwhile, the apprentices were brought by the skilled workers from their hometowns, so the apprentices always followed the instructions of the skilled workers. This increased the power of solidarity, a point noted by one of the textile workers:

Why cannot they [employers] keep their promises? They are not reasonable. Why do we still work hard for them? Of course, stop working [...] We have a lot of fellow-townsmen. You don't pay one person. Many fellow-townsmen will stand for the worker. Although we are not from the same factory, we all live in this small county, see each other and chat with each other everyday. If you are in trouble, people stand by you [...] We are not afraid. We have work skills. Everyone needs us.

The State

Local government is often active in adjusting labour relations. Compared to other regions of China, where the local state is powerful, Yangtze River Delta hosts more influential local employers, who can exert great influences over the local government. First, civic industrial associations are quite developed. These employers' associations can not only push for the self-regulation of the member companies, but also act as an interest group to participate in local politics. Ironically, the freedom of association among the employers was achieved, without the counter-balancing from workers' organising, which is still under the strict control of the Chinese state and government-affiliated trade union. This gives the employers' associations more influences in the local labour relations policies. Second, the grassroots governance structure offers more room for the employers to raise their voice within the local government. The employers take a large percentage of seats in the local people's congresses, or the local parliaments. In Xinhe County, the factory owners crowded into the County People's Congress. Moreover, the local government in Wenling has started the "democratic deliberation" system since 1999. The system requires the local government officials to periodically meet with the local people's representatives, or members of the local parliaments, and to solve their concerns. Meanwhile, the local people's representatives

also monitor the local government's decision-making process and policy implementation. The "democratic deliberation" system expands the power of the local people's congress. In practice, the employers of the Wenling sweater industry first raised their concerns about non-unified labour price and recruitment difficulty through the "democratic deliberation" meeting. Lastly, there is a strong kinship tie between the sweater factory owners and local government officials. The relatives of many officials and even some officials were the company owners. The head of the sweater association was Deputy CCP Secretary of the industrial district of Xinhe County. Ironically, this person oversaw the local taxation bureau and was in charge of "deciding taxation rates" for the local enterprises, many of which were the members of the sweater association. This institutional arrangement illustrated the "officials-businessmen coalition" about the local governance. In the local decision-making process, the employers had an obvious call and sometimes even dominated the decisions.

Labour-capital conflicts, including the difficulty of recruiting workers, directly influenced the interests of the local authority and employers. The trade union in Xinhe County was thus elevated to the front stage, charged with the responsibility of "building harmonious labour relations". Xinhe County General Trade Union was under the direct supervision of the local county government. The trade union chairman was a standing member of the CCP committee of the county, which ordered the executive vice chairman of the county trade union to propose a solution and to solve the labour-capital conflict. But the union was in the same situation as every other Chinese trade union, which cannot simply ignore workers' demands nor can it openly express support for workers' struggles. Article 25 of the Chinese Trade Union Law (2001) regulates that:

If an enterprise is subject to stop work or slow down measures, the trade union shall, in conjunction with the enterprise's administrative authority or other relevant authorities, negotiate a resolution of demands raised by the workers which are found to be reasonable and able to be resolved so as to enable the normal production process to be resumed as quickly as possible.

The role of the union is to moderate the intense situation created by workers' protesting actions (Chen, 2003). Xinhe County union first approached the sweater trade association to consult how to deal with the current situation. It came to realise that the main reason for labour-capital conflict was excessive competition between employers, and the key point of discussion was therefore focused on how to achieve uniform wage rates that was failed by employers' association.

The union believed that the failure of self-regulating wage rates was to be found in the failure to establish constraining and punitive mechanism for the employers. It must seek an independent agent other than the employers to monitor the implementation of uniform wage rates, replacing self-regulation with monitoring mechanism. The government and workers were naturally the most suitable monitoring agents, since the government issues regulations and the workers can express their discontents by voting with their feet. The demand of monitoring agents was the key to the success of monitoring mechanism. The government hoped that capital and labour were harmonious. But the workers hoped that the wage rates would grow, otherwise it was meaningless to have uniform wage rates that the workers did not accept. So the best solution was for the trade association and workers to negotiate on wage rates, to reach uniform wage standards acceptable to both parties and to sign it into a legally binding contract. The execution of the contract would be monitored by the county government and union. This was the collective wage bargaining.

The proposal of “one stone, three birds” received the support of county government and trade association. The trade association provided the basic information on wage rates, and the government organised meetings for employers, propagated the significance of collective wage bargaining and collected information on the actual wage rates of various enterprises in order to form a rudimentary standards of job classification, work procedure and wage rates. Xinhe County General Trade Union discussed with several board members of the trade association and divided the sweater production into five job professions and fifty-nine procedures. The discussion reached an agreement on the general prices of different work divisions. The trade association then visited nearby counties, such as Tongxiang, Jiaojiang and Linhai, and studied the local wages, before coming up with the preliminary wage guidance. Meanwhile, the trade union consulted with the municipal bureau of human resources and social security, which checked whether the wage offers were legal or not.

The county government and union were faced with the dilemma of how workers’ representatives should be chosen for CB. On the one hand, if the workers’ representatives are not truly representative, it will affect the implementation of the contract. On the other hand, if they are truly elected by workers themselves, this mobilisation might maximally facilitate the collective pursuit of interests by and solidarity among workers. Furthermore, it may result in workers taking necessary actions to advance collective goals and group interests in the process of bargaining with employers and turn CB into workers’ collective action. After considering the pros and cons, eventually the county government only mandated three conditions for workers’ representatives: workers from outside the county, skilled workers with more than two years of experience and relatively high level of education. But the most important right of selection was handed to the employers of several large enterprises. A cadre from the county trade union described the process of the election of the workers’ representatives:

It is definitely impossible to make workers vote for themselves. You can never control the election result. This will give rise to bigger conflicts. Because the workers usually come from the same place, the election will turn into a “hometown-fellows” association” [...] So, we work with the enterprises. Of course, the enterprises need to be representative. So, we set up three rules for workers’ representatives, and then ask the enterprises to nominate the candidates. We evaluate. [...] In the best cases, these workers’ representatives were elected as the chairpersons of the enterprise trade unions.

Wage CB

On 13 June 2003, the consultative meeting on workers’ wages in the sweater industry was held in Xinhe County. In total, 13 workers’ representatives joined with eight enterprise managers to “sit down and discuss wage rates” with officials from the municipal labour department and the county trade union were also present to “help, coordinate and guide”. The discussion was about the wage offers of the five job professions and 59 work procedures given by the sweater industrial trade association. At the beginning, the entire bargaining process lacked quarrels or confrontations arising from division of interests, and the workers kept to themselves in the presence of their bosses and even dared not to speak. With the support of county trade union, the workers’ representatives proposed demands on wage rise based on their own experience. They calculated wage rates on the basis of daily incomes. To take an example, for equipment supervisors, the daily income is set at no less than RMB 60, or USD 9.52. And if the quota for an eight-hour day is six pieces, the minimal piece rate is RMB 10, or USD 1.59. The wage rates proposed by

employers were based on their economic power, competitive price and profitability. The two sides formed the upper and lower limits of range of uncertainties in the classic theory of wage bargaining. Between the upper and lower limits of wage rates, after a series of proposal, compromise and counter-proposal, workers would gradually lower their expectation on wage rates, and similar employers would also gradually raise the wage rates they are willing to pay.

For example, one worker representative suggested that “An equipment supervisor is the first step in the procedure, which is highly demanding and physically exhausting. We think it should be raised to RMB 10.5 (USD 1.67) per piece”. However, the trade association representative disagreed suggesting that “Recently, the price of raw materials has been rising. For this job, RMB 9.35 (USD 1.48) per piece is already very reasonable”. Within this context the trade union representative argued that “Based on trade union’s investigation, most workers responded that the piece rate is low and hoped the enterprises could reasonably increase the rate”.

After the first round of negotiation, all parties went back for urgent discussions. Immediately afterwards, the second round of negotiation began. The worker representative brought this piece rate standard down to RMB 10.2, or USD 1.62 per piece, while the trade association representative increased it to RMB 9.8, or USD 1.56 per piece. The demands of both parties became closer and this was followed by a third round of negotiation. Through the mediation of the trade union, all parties reached a compromise by accepting the rate of RMB 10, or USD 1.59 per piece as the standard.

Not only did the meeting stipulate a uniform minimum rate for every work procedure, it also stipulated that workers cannot receive less than RMB 27, or USD 4.29 for an eight-hour workday and the minimum monthly salary cannot be lower than RMB 800, or USD 126.98. In order to prevent another oral promise by employers, under strong demands by the workers it stipulated that wage has to be distributed between 25 and 28 in the following month after production output is calculated for the previous month. If workers’ wages can be distributed monthly, then the risk associated with their income would decrease considerably. “Voting with one’s feet” would be a practical mechanism to supervise the wage rates offered by the employers.

CB increased the transparency of wages, so that the workers were clearer about their incomes. Before CB started, there were two types of wages: the recruitment wage, by which the employers used to attract workers, and the actual wage, the actual salaries the workers received. There was a large gap between the two wages. During the busy season of production, the employers increased the recruitment wages to a skyrocketing level. Once the workers entered the enterprises, the employers would use all kinds of methods to deceive the workers and hide the real wage system from them. Naturally, the employers’ association hoped to have a uniform recruitment wage. Different recruitment wages caused heavy flows of workers and affected production stability in the industry. The recruitment competition among the employers left a huge gap between the recruitment wage and the actual wage, and led to fierce workers’ resistance. The CB mechanism aimed at unifying the recruitment and actual wages. The actual wage of CB would be the recruitment wage, so as to make sure the employers’ promises during recruitment would be implemented. If the mechanism guaranteed that the workers got what they were promised, the employers could not offer “ridiculous” and “fake” recruitment wages. The disorderly competition among the employers could be reached.

However, just when an agreement on wage, recruitment wage and actual wage was about to be made, the opinions of employers towards CB began to become divided. For large enterprises faced with the problems of worker turnover and labour-capital conflict, they believed that CB could bring stable labour market, reduce cost related to disruption of production and facilitate enterprise development. In contrast to the cost, the benefit is obvious. But for small enterprises with small-scale production, low-quality products and high proportion of labour costs, the increase in wage rate brought about by CB is unbearable and could even threaten their survival. The enterprises, which had the biggest gap between the actual wages and recruitment wages, often pointed their fingers at large enterprises as the conspirators behind CB. It seems to be an inevitable process whereby free competitive capitalism gives away to monopoly capitalism after large-scale and brutal competition and elimination, and the uniform labour cost brought about by CB becomes a method by industrial leaders to seize market share, eliminate competitors and increase centralisation of production. An owner of a small enterprise even cursed the chairman of the sweater industrial trade association, and criticised that CB was a tool for the big enterprise owners to compete with and strike against small businessmen.

Although many owners of small enterprises still resisted signing during the ceremony, it was fruitless. Under China's authoritarian regime, local governments aimed at fostering "strong capital" not only decide the provision of resource and policy vital to the survival of enterprise, it also does not tolerate any event that challenges government authority. After two hours of persuasion, under the warning of government that "if not signed, we can make sure you will not be able to recruit any worker", owners of small enterprises obediently signed. On 8 August, Xinhe County Trade Union and the Sweater Industry Association which represent workers and enterprises respectively signed the "Collective Agreement on Sweater Industry Employee Wage for the second half of 2003".

Building sectoral trade unions and conducting sectoral wage CB

In the early stage of CB, the government and union did not widely mobilise workers but only sought individual workers' feedback on the wage rate. The selection of employee representatives is based more on the concerns of the enterprise and the individual's situation than on representativeness. The workers only knew wage negotiation until the wage standard was posted on the County's notice board. However, to the surprise of the employers, the open and uniformed wage did not eliminate wildcat strikes. In the second half of August 2004, a wildcat strike happened in the largest sweater enterprise in Xinhe County. This enterprise completely followed the wage agreement. The strike gave huge impacts among the employers of the trade association. If the workers' activities could not be integrated into the CB system, CB could not restrict the workers. As the Chairperson of the trade association recognised:

The bosses of course will be constrained by the agreement otherwise they cannot recruit enough workers. The current question is that if we all comply with the agreement workers would go on strikes and quit to work in other factories whenever they want. All attention is focused on the boss, who is going to regulate the workers? Workers do not understand bosses. Sweater enterprises in Changyu gave their workers a monthly wage of more than 1000RMB. We thought this was already very high. But the workers continued to bargain, and the wage rate would rise during every busy season. This made us feel anxious. The workers say what they are earning is "blood and sweat" money. But they do not understand that enterprise owners mainly contribute brainpower and effort, and are also earning "blood and sweat" money. There will be intervention if workers' wages are low. But if our enterprises made a loss, who is going to intervene?

Therefore, within the framework of CB, a mechanism of worker control needs to be established. It would act both as a channel to express workers' interests and to make workers to comply with some kind of rules and regulations in order to centrally coordinate and control workers collective actions. The trade union should be the ideal product of this mechanism. Hyman (1975) maintains that the trade union differs from other management organisation in its establishment of a two-way control system whereby the trade union is controlled by membership from the bottom up and represents membership interests but is also bestowed with leadership and right of punishment from the top down to exercise control over membership. However, it is unrealistic to expect the Xinhe County trade union to exercise control over and coordinate workers. Because of the bureaucratisation from top to bottom, local trade unions in China have become the horizontal extension of the ruling party's departmentalised organisational network. But the grassroots-level trade unions that are linked with workers are cut off from resource provision and policy and institutional support to the point of paralysis. It objectively led to a chasm in union organisation which inhibits or blocks the democratic control from the bottom up (Pringle, 2011). There are few trade unions established by enterprise in Xinhe County. When there are unions, they are "bosses' union", lacking in representing workers' interest and thus unable to effectively exercise control over workers. Thus, a new organisation that represents workers has to be established. So the day after the signing of wage agreement, Xinhe Sweater Trade-wide Union was founded. This is the first trade-wide union for non-state-owned enterprises since the founding of the People's Republic. The Trade-wide Union Committee is made up by nine members. Beside the deputy head of the country trade union who acts as the chairperson, the other eight members are all production workers selected from the employee representatives who participated in the wage negotiation.

Unlike the administrative trade unions, the newly established sectoral trade union focused on the workshop level, so the workers could feel the existence of the union. The workers knew whom the union represented. When CB took place every year, the workers brought their concerns to the union. More importantly, trade-wide union has the right of CB that is recognised by the employers. It is conferred with the absolute status of representation within the region. Employers publicly announced that the negotiation partner of the trade association should be the trade-wide union, and the industry wage agreement should be signed by the trade association and trade-wide union. By continuously making concession to trade-wide union on part of the management profits (the average annual wage increase after CB is between 5-12 per cent), employers have received more support from workers. The betterment of workers' welfare has drawn considerable attention to trade-wide union. Workers have also become accustomed to expressing their demands to the trade-wide union, though the Chinese government and ACFTU still constrain the democratic election of worker representatives. Under the cooperation of the trade association, the number of employee representatives has increased from 13 to 38, covering all the big enterprises in the county. The booties of the yearly wage negotiation naturally become the much-boosted indicators of performance. The representativeness of trade-wide union has therefore become strengthened both vertically and horizontally.

Meanwhile, trade-wide union's employee representatives became the target of co-option and control by employers. Their wages normally would have relatively big rises, and most of them were appointed to managerial positions like heads of department. By establishing good personal relationships with employee representatives, employers are intentionally or unintentionally improving the functions and reputations of these representatives.

They have also become stars among workers, and focus of media. In this invisible process, a stratified system was developing within the working class and a clear interest was evolving which separated itself from the collective interests of ordinary members. It was increasingly far from the spirit of democracy and practice (Hinton, 1973). For the trade-wide union and employee representatives, on the one hand they are the products of the different interests between labour and capital and their conflicts and are fundamentally the representatives of working class. On the other hand, the external power sponsored by employers is the pre-condition for it to acquire the right of workers' leadership. As a rational agent, the trade-wide union not only has to survive and develop but also needs to return favours for employers' support and expectation. Therefore, the pursuit of orderly industrial relations naturally became the optimal choice. During the process, the employers expand the channel of labour relations management, which incorporates the trade-wide union to work for the consensus between the workers and employers. Every year, before CB, the trade-wide union will negotiate with the trade association about the percentage of wage increases. After signing the collective agreement, the trade-wide union will keep a close contact with the workers. The employee representatives will talk with the workers and make the workers understand and cherish the results of the agreement.

Under this arrangement, the workers can have their wages increased modestly every year. On 30 August 2014, the sweater industry experienced its twelfth round of CB. The situation of wage increase via CB can be seen in Table II.

CB also assists the local government in maintaining social stability, as the information provided by the local labour bureau shows that after the collective wage bargaining in 2003, the number of workers' petitioning and demonstrations in front of the local government decreased to 17 with 120 people involved. In 2004, it was further reduced to three with three people involved. And in 2005, there was only one petitioning with three people involved. From 2006 until now, there has not been one case of petitioning. For the purpose of stabilising labour relations in this area, the regional government also combined CB mechanism with Workers and Staff Congress at the sectoral level. Since 2011, the sectoral wage CB run parallel to Workers and Staff Congress at which a number of things were declared, in particular the implementation of wage CB in sweater industry. Meanwhile, the collective agreement was signed with the industrial association at the spot.

As wages became standardised, however, workers did not seem to care enough about CB. There are three main reasons. First, CB did not achieve higher growth rate than allowed by the labour market. It merely reflected the average growth rate of local wages. Second, workers still lacked organisational power. The trade association existed only during the brief period of bargaining, and did not function as an organisation outside bargaining. Third, workers' turnover remained very high because the enterprises were small and sweater production was highly seasonal. As a result, workers only concerned about wages, and would choose to

Table II.
The average increase
of workers' wage in
sweater industry

2003-2007 (%)	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
5-10	12	5	8	8	10	15	6

Source: *The Journal of Wenling Labour Movement* (2003-2014)

leave if wages were not acceptable. A typical comment from one worker captured this situation:

Our relationship with the enterprise is contractual. It contracts out work to me. It would provide a wage standard this year, and it is up to me to decide whether I will accept it. In the past, maybe we leave for another enterprise every few months. Now that the wages are standard, we still move but only once a year. Of course we move to another place instead of staying in Wenling [...] the benefit collective bargaining brings is the disappearance of wage delay. It guarantees our rights. If we are given the promise, we will not petition or cause trouble.

The municipal government of Wenling recognised the effectiveness of CB in the sweater industry and promoted this model in other counties. First, the government establishes the trade-wide unions in the counties with industrial clusters. Second, the trade-wide unions work under the supervision of the county general trade unions, so the chairpersons of the trade-wide unions are always the cadres from the county unions. Then, a certain number of employee representatives will be included in the trade-wide unions. Last, the trade-wide unions and trade associations hold periodical CB and sign collective agreements (see Table III). In 2008, Zhejiang Province introduced this model. In 2009, ACFTU issued a document and pushed forward sectoral CB throughout China. Sectoral CB has become one theme of CB in the country (Clarke *et al.*, 2004; Liu, 2007).

Conclusion

Although the case study of this paper supports the viewpoint that the self-initiated CB in Wenling was a policy response to labour unrest and labour market shifts, it is argued that this policy response should not be regarded as a result of a reform of the trade union, which lacked of incentives and capacities to start the sectoral CB.

Sector	Date of trade-wide union establishment	Number of enterprises covered	Number of workers	Date of the first sectoral collective bargaining	Number of the rounds of collective bargaining
Sweater industry in Xinhe	9.8.2003	116	10,200	9.8.2003	5
Hat industry in Xinhe	18.6.2004	129	6,000	18.7.2004	1
Water-pump industry in Zeguo	1.8.2004	25	2,200	3.11.2004	4
Bearing industry in Zeguo	1.6.2005	25	1,800	1.6.2005	3
Plastic-injection industry in Daxi	24.12.2004	228	1,253	25.10.2006	2
Shipbuilding industry in Songmen	8.3.2005	16	10,000	1.12.2005	2
Shoemaking industry in Xiajiang	29.11.2005	26	688	15.12.2005	1

Source: Wenling Labour Relations Report, 2008

Table III.
Collective bargaining
in Wenling city
since 2007

First, the reform of the trade union depends on the union representation of the workers. In this field, Pringle (2011) has acknowledged that the industrial trade union did not really represent the workers and the Chinese union did not go through bottom-up workers' election. Instead, the employers could appoint the representatives of CB (Pringle, 2011). The employers allowed the industrial trade union and CB representatives to have some "legitimacy", which was not "representation". Second, the county-level trade union can hardly have the power or resources to undertake reforms. The county-level trade union is the weakest of the Chinese trade union system. Xinhe County Trade Union did not have any full-time trade union cadres. The chairman of the union was a re-employed retired cadre. Lastly, the county-level trade union lacked knowledge on unionisation and union works. The sectoral CB in Wenling was "self" explored and did not receive guidance or instructions from the upper-level trade unions (Pringle, 2011; Xu, 2004). As a result, Xinhe County Trade Union did not have the basic knowledge about the Chinese labour relations, along with trade union development. Otherwise, it would not have declared its sweater sectoral union as the first sectoral trade union in China.

Under the Chinese labour relations, the employer has the overwhelming power at the workplace. Any institutional arrangement of labour relations has to get the support from the employers. Actually, the employers established many components of the Chinese labour relations institution. Even the introduction of the direct trade union election depends on the employers', rather than the workers or trade unions, to arrange and decide. Similarly, the employers initiated the sectoral CB in Wenling. The role of the local trade union was passive, and this reflected the general picture of the Chinese trade union.

Yangtze River Delta used cheap labour to successfully engage in the global production chain system, and conducted low-profit-margin, local technology and low value-added assembly works. This increased the competition among the enterprises, as well as labour struggle. First, the private economic sector in China is characterised by "small, scattered, weak and many" often has its beginning with enterprises based on family workshops. They are centred on increasing quantities, and vicious competition is the norm. Many external public goods like collective reputation, competitive order and industry information are bound to fail to be delivered within the system. Second, when the tension in demand-supply is intensified, it often manifests in the ferocious conflicts between labour and capital. With migrant workers' awakening of rights awareness, the conflict has transformed into deep antagonism and ferocious opposition between "relatively weak capital" and "absolutely weak labour". Third, to protect their own self-interests, government and employers have to find a way outside the system to compensate for the failures of market and to coordinate workers' struggle. CB between labour and capital could place restrictions on both employers' and workers' actions. Fourth, in order to absorb wildcat strikes into the CB mechanism, the employers establish trade-wide unions and undertake sectoral CB. The employers could still eradicate the threat posed to management by the solidarity of the workers, succeed to confine labour-capital relations within the economic realm and ultimately make workers to move from "disorderly resistance" to "orderly compliance".

The local government still keeps its dominant position in the local labour relations system. While the enterprises always transfer the costs of market competition to the workers, and causes increasing labour-capital conflict, along with social instability, the interests of the local government and its officials are negatively affected, on account that social stability including labour peace is the top priority of the local government and its officials. The demand for a new system of labour relations governance emerges.

The employers also push for the hastening of the implementation of the system. On the one hand, disorderly vicious competition harms employers' interests. On the other hand, employers' interests are hurt by labour-capital conflicts, and the employers call for the local government to support a system that guarantees the local economic growth and social stability. Therefore, the CB institution between trade associations and trade-wide unions is established, and acts as both a labour relations governance system and a sectoral regulatory mechanism.

Certainly, the employers show great interest in sectoral CB, because the large employers of the trade associations can use wage increase as a way to knock out smaller competitors and dominate the market. Moreover, the trade-wide unions can also be part of the "management control system" for the employers (Hyman, 1975). Workers' solidarity needs disciplined organisation, which is exploited by government and employers to maintain the stability of the system. The trade union could at least partially and easily be transformed into an organisation that controls members and realises external interests, and gradually become part of the system of managerial control (Hyman, 1975). The aim of the control is to use a trade union that is potentially dependent on employers to actively transform workers' collective resistance into compliance with the rules of the system in order to restructure labour-capital conflicts within the framework of negotiation to form a stable and orderly internal state that conceals exploitative relations. In fact, after the implementation of the employer-initiated CB in 2004, there were very few strikes in Xinhe County. Workers have long become accustomed to focusing on the negotiation between trade-wide union and employers' association, and often are satisfied with small and gradual increase in wage rates, as is shown by the declining strikes and workers' petitioning towards the local government. In the process of institutionalisation by CB mechanism, what workers merely concerned about was the increase of their own wages rather than realising the procedure of CB. And the similar issue can be seen in other places where CB had been implemented (Friedman, 2014). The attainment of satisfaction is a basic survival ethics. As long as the exploitation is not life-threatening, the focus of workers is often "how much is left" rather than "how much bosses have taken".

Finally, the paper concludes with a discussion of the promotion of the Wenling model of sectoral bargaining by the ACFTU. First, sectoral bargaining has the benefit of wide coverage. It is able to cover most enterprises and workers within a region, and is therefore consistent with the ACFTU's strategy of widely establishing unions and widely conducting CB. Second, it is also consistent with the role of the union in stabilising the workforce. For the Party-state, the union not only represent the interests of workers, but also helps stabilise labour relations and social stability. The fact that sectoral bargaining has reduced labour conflicts appeals to the ACFTU, hence its promotion of the Wenling model. Finally, and most importantly, the most serious problem for CB in China is to implement bargaining for employers without mobilising workers. So the employer-initiated bargaining has been well received by the ACFTU.

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