From Detroit to Shanghai?
Globalization, Market Reform, and Dynamics of Labor Unrest in the Chinese Automobile Industry

by

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The rapid rise of China to become the world’s largest automobile producer and market (surpassing the United States) in the midst of global economic crisis made newspaper headlines at the end of 2009. Despite the extensive interest in the booming auto industry, little attention had been paid to the 1.7 million Chinese autoworkers who are “making” those headlines—until a strike wave by auto part workers at in May and June 2010 put the Chinese autoworkers in the national and international spotlight. The historic events unfolded when a two-week strike at the Honda transmission and engine parts plant in southern China shut down the company’s four assembly plants and many parts plants throughout China in late May. Striking auto workers demanded for higher wages, a better training system, and the right to democratically elect their factory’s union officers. The Honda strikes had produced one of the longest and most significant work stoppages—and wage gains—for Chinese workers in recent years. Moreover, the success of the autoworkers’ strikes in winning employers’ concession inspired a domino of strikes across sectors and regions as more Chinese workers seek for higher wages and better working conditions through concerted collective action.

Why did a robust strike wave emerge in China’s auto industry at this time? What are the labor-management relations like in the Chinese automobile factories? What are the nature
and extent of Chinese autoworkers’ grievances and bargaining power, and what types of hidden or open forms of resistances emerged on the shop floor? Are the recent strikes in the automotive industry the opening wave in a tide of labor unrest that will lead to a transformation of work and labor relations in China? Can we expect the Chinese autoworkers to play a historical role resonant with the previous autoworkers movements along with rapid industrial expansion, from the US in the 1930s to Western Europe in the 1960s, to Brazil, South Africa and South Korea in the 1970s and 1980s?¹

This article carries out an in-depth analysis of the transformation of the automobile industry in China in the reform era, with a particular emphasis on how shop-floor, national and global processes interact in complex ways to bring the dramatic changes in the composition of the labor force and industrial labor relations in order to answer these and the related questions. My central argument is that the dramatic industrial restructuring and growing competition around China’s WTO accession had driven the major automakers (both SOEs and JVs) to maximize profits and cut cost aggressively, including the use of a large number of temporary workers hired through labor dispatch agencies and student interns alongside formal workers on production lines. As a result, labor relations in the Chinese automobile industry were characterized by widespread labor force dualism. “Hegemonic relations” were established between management and formal contract workers based on high wages, generous benefits, and relatively secure employment; while “despotic labor control” characterized the conditions of temporary workers with lower wages, fewer benefits and little job security. Labor force dualism was implemented in an effort to solve the problem of

¹ On the dynamics of capital relocation and labor militancy in the world automobile industry, see Beverly Silver 2003. Forces of Labor: Workers’ Movements and Globalization since 1870, Chapter 2.
providing employers with flexibility in hiring/firing while at the same time obtaining cooperation/loyalty from the core (formal) workers. But it has had notable unintended consequences. Based on my fieldwork, I argue that labor force dualism has detached formal workers from temporary workers and has kept the former relatively quiet so far, despite their serious and growing grievances. However, the dualistic system has also radicalized a “new” generation of temporary agency workers and student interns who actively protest against discriminatory treatment.

Shop-floor dynamics are very much conditioned by global processes. Hegemonic relations with formal workers are premised on certain privileges in wages and job security; however, intense competitive pressures at a late stage of “product cycle” of the world automobile production has driven management to cut costs and reduce these privileges. As a result, the consent of formal workers with management based on material gains is declining. Shop-floor and global processes are themselves conditioned by national political processes. The bottom-up pressure of rising labor unrest since the 1990s in myriad industries has forced the central government to modify its relationship with labor and capital through pro-labor legislation—notably, the Labor Contract Law, which promises more job security and protection for Chinese workers. This state-led pro-labor legislation has, in turn, had direct impacts on labor-management relations on the automobile factory shop floor. The “unintended” consequences of the new labor laws in driving employers to entrench labor force dualism reveal the constant boundary-drawing strategy of the Party-state and employers among workers, and a relational and dynamic relationship between the Party-state, labor, and capital in reform China. Based on the empirical evidence, I conclude by discussing the
possible future scenarios of labor unrest in the Chinese automobile industry and some broader implications of this study for labor and labor movements within and outside China in an era of globalization.

**Case Selection and Data**

Data for the analysis of this chapter derived from 18 months of fieldwork by the author at seven major automobile assembly enterprises in six Chinese cities between 2004 and 2010.² I chose the seven case-study enterprises based on the following combined criteria of case significance and research feasibility.³ First, the seven selected enterprises were all large-scale assembly plants with high volume output and large numbers of employees. They held competitive market positions, and five of them were among the top six passenger carmakers in China in 2006. All of them receive strong government support and have substantial financial and organizational resources. The underlying logic of choosing stronger auto assembly enterprises lies in the fact that automobile enterprises of this type are usually

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³ I use the pseudonyms for the seven plants for the purpose of confidentiality (Earth, Jupiter, Mars, Mercury, Neptune, Uranus, and Venus). However, when publicly available information is quoted, the real names of the companies and plants have been used.
more capable to promise their employees’ job security and better treatment given their competitive market position and substantial resources. If we find that practices at the major auto enterprises do not live up to the promises of employment security, then it is even less likely that those firms with less resources and government support will do so. Second, the seven case-study enterprises represent the two major ownership types in China’s auto assembly sector: two state-owned enterprises (SOEs) and five joint ventures (JVs) with foreign partners from America, Germany, and Japan.\(^4\) Third, the seven cases are also located in distinct geographical regions, including three of the five main automobile production bases in China (Changchun, Shanghai, Guangzhou), as well as both Brownfield and Greenfield production bases. (See Table-1.) Finally, the choices of the case-study enterprises were also largely determined by my ability to gain access to the factories and to conduct fieldwork with minimal management interference.

I spent at least 1.5 months at each of the seven selected enterprises, visiting production lines, collecting company files and employee newsletters/periodicals (yuangong qikan), and conducting in-depth interviews with a total of 92 formal contract workers, 88 temporary workers, 42 managers, 20 factory party and union leaders at and outside factories.\(^5\) In order

\(^4\) There are three ownership types in the Chinese automobile assembly sector: joint venture (JVs) by large state-owned enterprises and foreign car producers, state-owned enterprise (SOEs), and private enterprises (PEs). While SOEs and JVs are still the predominant ownership types, several private automobile assemblers have grown very fast in China in recent years. Due to lack of accessibility, I did not include private-owned automobile assemblers in the current study, but I will incorporate the PEs for comparison in the future research.

\(^5\) The interviews were conducted in a semi-structured manner, and on average, each interview lasted about 2-2.5
to examine the state’s role (Especially the law-making process and the impacts of the new labor laws), I interviewed 38 local labor bureau officials, trade union staff, labor dispute arbitrators at both municipal and district levels in five cities (Beijing, Shanghai, Guangzhou, Qingdao, Yantai). I also collected related archival and documentary data, including national and local statistical yearbooks, central and local government regulations and documents, company profile, employee newsletters and periodicals, as well as articles and reports from Chinese newspapers, journals, and Internet.

**Foreign Investment, Industrial Restructuring, and Changing Workplace in the Chinese Automobile Industry**

Over the past fifteen years, the Chinese automobile industry has grown dramatically. Production output increased almost twenty times from 0.71 million units in 1991 to 13.79 million in 2009. As one of the country’s “pillar industry” of “strategic importance,” the development of automobile industry in the reform era can be characterized as a state-led

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6 The auto industry was designated as one of the country’s seven “pillar industries” of strategic importance by the State Council in the seventh, Eighth and Ninth Five-Year Plans (1986-1990, 1991-1995, 1996-2000), and has been re-declared as a “leading industry” under the Tenth and Eleventh Five-Year Plan (2001-2005, 2006-2010).
“triple alliance” through the establishment of centrally sanctioned JVs between multinationals and large state-owned auto groups. There are two consistent objectives in the central government automotive industry policy: consolidating the auto sector by promoting large-scale enterprises of “national champions” that can compete globally; and encouraging large domestic automakers to build joint ventures (JVs) with foreign partners for quick technology upgrading, management skills learning, and independent R&D capacity advancement (Thun 2004, 2006). By the early 2000s all the world major automakers had built JVs with one or two Chinese partners to make and sell vehicles in China. The proportion of state-owned auto enterprises declined from 100 percent at the beginning of China’s market reform to less than one-third of total output in 2001, while JVs by large state-owned enterprises and foreign carmakers occupied 97 percent of China’s passenger-car production and market share in 2000. Joint ventures have had a major impact on the organization of production. They have imported advanced machinery and technology, global standards, as well as Taylorist and lean-production practices to maximize profits.

7 The original notion of “triple alliance” is from Peter Evans’ (1979) classic work on the alliance of multinational, state, and local capital in Brazil. Eric Thun (2004: 455) applied this term to describe the relationship between the central state, foreign and domestic capitals in the Chinese automobile industry. I use this term in the similar vein but emphasizing that it is a “state-led ‘triple alliance’”—the central state plays the dominant role in forging the alliances between FDI and large Chinese auto groups. See Zhang (2010), chapter 2 for more detailed discussion.

8 This domination has declined since 2004 as China’s indigenous automakers such as Chery, Geely, and Chang’an grew fast. But Sino-foreign JVs still occupied 74 percent of market share in 2008 (CATRC 2000-2007, Liu 2009).

9 Lean production system is also known as the Toyota Production System (TPS) in China.
Meanwhile, it is important to note that the Chinese government’s use of FDI in the auto sector was prudent: the creation of new assembly JVs must get approved by the central government, and foreign automakers are not allowed to build wholly-owned assembly plants, or are they able to own a majority stake in assembly JVs.\(^{10}\) Moreover, by controlling personnel decisions of senior (Chinese) management through cadre-manager personnel system at the joint ventures, the central government makes sure that those JVs carry out the economic, political, and social agenda concordant with the goals of the Party-state. Given the more interventionist role of the state in the auto assembly sector, it is no coincidence to find the resilience of some “SOE characteristics” at China’s leading auto JVs. Indeed, until the mid-1990s, the auto assembly sector was still a centrally-controlled and protected “monopolist” sector dominated by a few “pre-selected” JVs. Those JVs were able to enjoy extremely high profits thanks to the government protection with strict licensing requirements and heavy tariffs (ranging from 80 to 100 percent) on imported vehicles and components (Wang 2003). High-level profitability allowed large auto JVs and their state-owned Chinese partners to provide their workers with high wages, generous benefits, and stable employment (Harwit 1995, Chin 2003). Even less-profitable SOEs were able to provide their workers with guaranteed employment and a full coverage of social welfare provisions typical in large work units (danwei) under government protection and soft budget constraints.

Since the mid-1990s, however, the broader structural change in the Chinese system—including the deepening of SOE and labor reforms in the urban areas and the

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\(^{10}\) The only exception was Guangzhou Honda, in which Honda had 50% share. That was primarily because Honda promised to export its Chinese JV-assembled models to Honda’s European markets.
government industrial policy change to prepare the automobile industry to meet the challenge of China’s WTO accession—led to a large-scale restructuring of inefficient state-owned enterprises and layoffs in the auto assembly sector. The 1994 automotive industrial policy called for the consolidation and rationalization of the auto assembly sectors through mergers and reorganization (jianbing chongzu) with “large ones taking over smaller ones.” Between 1994 and 2000, the major domestic auto groups carried out a series of enterprise restructuring through streamlining organizations, shifting main products and markets, layoffs, and building new joint ventures with foreign partners to bring labor productivity in line with the standards set by “international market rule” (Treece 1997). More dramatic enterprise restructuring came along with growing competition. The loosening of entry barriers in the auto sector under China’s WTO agreement and the fast growing domestic private auto markets, invited another round of massive foreign investment, as well as new domestic entrants in the late 1990s and early 2000s. It was estimated that the average profit margin of a Chinese passenger carmaker dropped from about 11-12% in 2000, to merely 3-4% in 2005. Clearly, the days of “windfall profits” in the China’s auto assembly sector had gone. China “had suddenly become the toughest market in the world” (Dyer 2005).

To cope with the “tougher” new environment, the major Chinese automakers quickly

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11 It was widely held among government officials and management that only SOEs that enter joint ventures with foreign firms or private national capital are expected to be able to survive the intense competition in the post-WTO world. Speech by Ma Xiaohe (the Director of the National Development and Reform Committee, Industry Research Institute) at the “Forum of Chinese Auto General Managers”, June 7, 2004. Cited in Sina Financial Report. Retrieved August 12, 2004 (www.sina.com).

12 Interview No.31, Shanghai, March 2007.
moved towards a leaner and meaner workplace with new strategies to maximize profits and minimize production costs. In organization of production, there was a convergence among major Chinese automakers in combining lean production and Fordist/Taylorist mass production techniques, such as the “just-in-time” (JIT) inventory and delivery system, visual control system, and quality circles, with a labor-intensive strategy by employing a large number of semi-skilled young workers working in two or three shifts nonstop on mass assembly lines. In labor and employment policy, automakers have generally reduced employment security and sought more labor flexibility in hiring and firing as we will detail in the next section.

The results of the industrial restructuring were impressive. The total output increased by almost 1 million vehicles, from 1.4 million vehicles in 1994 to over 2.3 million vehicles in 2001, and it more than tripled in the next five years and reached 7.3 million vehicles in 2006. At the same time, the total numbers of employees in the automobile industry (including parts and accessories) declined from almost 2 million in 1994 to 1.5 million in 2001, and only slightly increased to 1.65 million in 2006 (CATRC 2002-2007). (See Figure-1.)

This unique “Chinese pattern” of fast expansion and modernization of automobile industry without significant increase in employment, reflected the fact that the full take-off of the Chinese automobile industry was a simultaneous process of “leaning out” of inefficient

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13 The China case is different from other cases of fast expansion of automobile industry such as Brazil, South Africa, and South Korea in the late 1970s and 1980s. In those cases, the fast expansion of automobile industry went hand-in-hand with a rapid expansion in the number of workers employed in both the automobile industry and in manufacturing more generally. See (Humphrey 1982, Seidman 1994, Koo 2001, Silver 2003).
SOEs and the unmaking of the old generation of state workers, along with the fast expansion of JVs and the making of the new generation of industrial workforce. As the result, although the numerical change of employment in the automobile industry was not that dramatic the composition of production workforce had been largely transformed after the restructuring.

**The Transformation of Production Labor Force in the Chinese Automobile Industry**

The transformation of the production workforce in the Chinese automobile industry involved two processes: (1) the replacement of permanent, long-term state workers with “new” urban-bred, young formal contract workers under short-term renewable labor contracts; and (2) the introduction of labor force dualism by tapping a large number of rural and urban youths as temporary workers through labor dispatch agency firms.

The replacement of permanent state workers was carried out relatively smoothly through early retirement, reassignment, and buyouts, and did not cause overt labor unrest. My fieldwork suggested that three main factors could explain the relatively “smooth downsizing” in the first round of restructuring in the automobile industry. First, most state-owned automobile assemblers had substantial financial and organizational resources accumulated in the pre-reform era, which allowed them to pay the redundant workers more generous early retirement benefits and severance compensation, or to transfer some of the redundant workers to other (less well-paid) jobs in service firms spun off from the main enterprise, thus softening the direct blow of downsizing.\(^\text{14}\) Second, at many old state-owned enterprises, management

\(\text{\footnotesize\textsuperscript{14}}\) The description here was based on the author’s interviews with workers and managers at Earth in the summer of 2004.
relied on the trade union and party factory committee, which in turn relied on the accumulated good will and political commitment of older workers, to convince those who were to become redundant that the reform was in the collective interest, and that they should therefore step aside without making a major fuss. Third, the central and local governments were more interventionist in monitoring the restructuring process at large automobile SOEs and JVs of “strategic importance.” My interviews with managers and local government officials suggested that in the auto assembly sector, enterprise restructuring proposals often had to be approved by the central and local governments. And one of the important considerations was whether redundant workers were properly settled. When restructuring was proposed through setting up new JVs, there were often requirements for the new JVs to absorb redundant workers from their Chinese partners.

At the same time, China’s leading automobile enterprises, especially those newly built joint ventures, have kept hiring new workers directly from colleges and vocational schools with short-term (one to two years) renewable labor contracts. The replacement of veteran workers with young, short-term contract workers led to a dramatic drop in the average age and seniority of production workers. For instance, after restructuring, Earth managed to reduce the total number of its employees from 4,600 to 3,000, and lowered the average age of production workers to 29, meanwhile increased output by more than fifty percent.\footnote{Certainly, there were other measures contributing to the improvement of productivity, such as automation, speedup, performance-based wage and bonus system, etc. The author’s field note, June 2004.}

\textit{Labor Force Dualism}
The second aspect of workforce restructuring was the adoption of labor force dualism by using a large number of temporary workers alongside formal contract workers on production lines. Formal contract workers enjoyed high wages, generous benefits, and more secure employment under renewable labor contracts. By contrast, temporary workers were paid one half to two thirds of the wages of formal contract workers for the same or similar work, with very few benefits and little job security. Among the seven major automobile factories studied, four adopted labor force dualism with a large number of temporary workers (See Table-2.). By the early 2000s, labor force dualism had become a widespread practice at China’s leading automobile factories.

According to the interviewed managers, the main reasons for using temporary workers were to contain labor costs and increase labor flexibility. The Human Resource managers at Neptune and Jupiter estimated that for the cost of hiring a formal contract worker, adding all the social insurances and benefits together, they could hire at least three or four temporary workers. Management desire for increasing staff flexibility was more emphasized by those automakers built relatively earlier and that therefore had a large number of non-fixed or long-term contract employees. For instance, Jupiter had nearly 10,000 formal employees in 2006, and about half of these workers had non-fixed or long-term labor contracts (three years or longer). The factory started using temporary agency workers in direct production in 1996. By 2003, the number of agency workers had reached 3,000. When Jupiter encountered a market downturn in 2004, it dismissed about 1,000 agency workers without laying off its own formal contract workers. When the markets started recovering in 2005, the plant quickly
rehired 500 agency workers to catch up with the increasing production demand.\textsuperscript{16}

What makes this labor force dualism unique, is that unlike the conventional core-periphery model (Atkinson 1987) or the “flexible firm” formula (Kalleberg 2001, 2003)--under which segmentation between the core and periphery workers is correspondent to functional and numerical flexibilities--the Chinese automakers deployed both formal and temporary workers on assembly lines performing identical tasks while subjecting them to different treatment. Why would automakers keep a segment of expensive and privileged formal contract workers whose work can be performed by temporary workers, rather than simply use temporary workers or apply short-term labor contracts to all production workers?

My interviews with managers indicated that an implicit motivation for adopting labor force dualism was to use temporary workers as a buffer to contain potential conflicts and labor disputes that would have been caused by laying off formal contract workers. As a manager at Neptune frankly admitted, the company would rather use frequent rotated agency workers to gain flexibility than deal with the trouble that was likely to be caused by laying off their own formal contract workers. In his opinion, layoffs of the company’s own formal employees could “harm the harmonious labor relations and the good publicity of the company as one of China’s ‘most-respected’ model joint ventures.”\textsuperscript{17} This may also explain why those newly-built Greenfield plants did not bother to use labor force dualism. Without the burden of a large number of veteran state workers, they simply recruited young workers directly from China’s burgeoning vocational schools with one- or two-years labor contracts. For instance, as

\textsuperscript{16} Interview F15, Changchun, October 2006.

\textsuperscript{17} Interviewee S13, Shanghai, November 2006.
of 2005, the average age of production workers at Mercury and Uranus was about 23, with an average of two years of seniority.

Therefore, the current labor force dualism adopted by major automakers in China is indeed a transitional *modus vivendi* for large SOEs that are moving away from the old *danwei* system of permanent employment to a more flexible labor system. It is thus not surprising to find continuing declines in job security of the young generation of formal contract workers at China’s major automakers. (See Table-2.) This is distinct from the Japanese dualist model that offers real employment security to a core labor force in exchange for cooperation and loyalty based on a large buffer of low-cost and flexible workforce in the low-rungs of supply network (Sako and Sato 1997, Chalmers 1989). As such, the Chinese version of dualism has inherent contradictions and limits in soliciting commitment and consent from the “core” segment of formal contract workers as we shall discuss in the next section.

**The Social Composition of the new Generation of Chinese Autoworkers**

After restructuring, production workers accounted for 60-80 percent of the total formal contract employees. The remaining were white-collar managerial and technical staff.18 Among the formal production workers, except for a small portion of skilled veteran workers

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18 The crucial yardstick to determine one’s status as staff or worker is his educational credentials. Most newly recruited staff have a minimum of a Bachelor’s degree, and they usually sign two- to five-year labor contracts initially. Staff have different pay schemes, career tracks, and statuses from blue-collar workers in the factory hierarchy. This chapter focuses on the labor force dualism among production workers, but it is important to note that the sharp division between staff and workers within the formal contract workforce is another main source of workers’ discontents.
(most in their 30s and 40s) with long-term labor contracts, the majority were semi-skilled/unskilled, urban-bred youths in their early 20s with one- to two year renewable labor contracts. The young generation of formal contract workers had relatively high educational qualifications, given that all the studied automobile factories required a minimum of 12-years of education for the newly hired formal production workers. More than half of the interviewed formal production workers had vocational high school training or junior college education (14 years education). About 90 percent of the interviewed formal workers had at least middle-level skill qualifications (equivalent to semi-skilled) through national vocational technique qualification exams. As a HR managerial staff at Venus emphasized, “We have a very strict screening process when hiring new workers to ensure the quality of our workforce. We believe that only high-quality workers can make high-quality cars.”\(^\text{19}\) Despite their relatively high qualifications, about 70 to 80 percent of formal production workers were working at repetitive line-operating positions that required just some basic training of a day or two. Only about 20 to 30 percent of production workers were maintenance workers, technicians, and team leaders who were defined by management as the “real” skilled core production workforce. The mismatch between formal workers’ educational qualifications and work contents reflected the contradictory impacts of changing production organization on labor. On the one hand, continuous automation and standardization reduced the required skill levels for many line-operating positions. On the other hand, the integrated JIT production system and flows of assembly production required “disciplined and committed workers capable of

\(^{19}\) Interview M1, Shanghai, January 2005.
working cooperatively.” In the other words, management needs “workers who are technically unskilled or semiskilled, but behaviorally highly skilled” (Sayer and Walker 1992: 187). The specific labor requirements had mixed impacts on the prospect of job security and bargaining power of autoworkers as we shall discuss in the next section.

The social composition of temporary workers in the automobile industry changed as well. In the early 1990s, most temporary workers were peasant workers hired directly by automobile factories in relatively small numbers to cope with seasonal production change. They were often recruited from the nearby countryside or townships in cooperation with local labor bureaus as a type of “rural redundant laborer export” with three-months to one-year contracts. Peasant workers earned about 50-70 percent of the wages of formal contract workers for doing the same work, and they were ineligible for the pensions and social security benefits entitled to urban workers because of their rural household registration status (hukou). At this stage, the boundary between formal contract and temporary workers was relatively easier to maintain based on the rural-urban household registration system (hukou) that has long relegated rural residents to second-class citizens and limited their access to good jobs in the urban areas (see, e.g., Solinger 1999).

Since the mid-1990s, labor dispatch (laowu paiqian) as a more “flexible” and

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20 Interview F2, Changchun, August 2004.

21 The use of temporary workers by state enterprises can be traced back to the pre-reform era when urban enterprises hired peasants as temporaries to adjust for seasonal fluctuations of production (Blecher 1983). In the 1980s, the hiring of peasant labor in state firms became legitimate employment practice, as the state recognized that it was necessary to have cheap and flexible hands in certain urban sectors. (Li and Hu 1991: 340). Thus, the scale of using temporary workers in reform era became far larger and the procedures were more regularized than pre-reform era (Solinger 1995).
employer “worry-free” type of employment expanded rapidly in almost every sector in China.22 The major automakers started using agency workers on a large scale. Labor dispatch is a typical triangular employment that separates the legal contract employment relationship (between labor dispatch agencies and agency employees) from the workplace management relationship (between client firms and agency employees). Unlike peasant workers, agency workers sign labor contracts with labor dispatch agencies and are sent to work at the client automobile factories under short-term service agreements (renewable). Agency workers are not employees of the automobile factories where they work, and they can be “returned” (dismissed) to the labor dispatch agencies without severance pay. There is no job security for agency workers at all. By using agency workers, automakers can reduce their responsibilities for temporary workers to the minimum. As of 2006, it was estimated that over 80 percent temporary workers in China’s auto assembly sector were agency workers. The remaining were some previously-hired peasant workers, and a growing number of student interns who worked as full-time temporary workers.23

Unlike peasant workers, the agency workers consisted of both rural and urban youths.

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22 There are different terms referring to “labor dispatch” (劳务派遣), such as agency employment, labor subcontracting, co-employment, triangular employment. This chapter uses the terms of labor dispatch and agency employment to refer to this type of irregular employment.

23 This estimation is based on piecemeal data collected by the author from the four automobile factories currently using temporary workers. No official statistics on temporary workers in the automobile industry have been available so far. By definition, student apprentices are “trainees” rather than full-time workers—although they indeed work as full-time production workers. There is a chance that student apprentices may be hired as formal contract workers by the factories upon graduation. But auto employers tended to use student apprentices as temps on a yearly basis rather than offering formal contract employment.
About 70 percent of agency workers were local rural youths from the surrounding suburbs and countryside close to the automobile factories; about 20 percent were student agency workers recruited through vocational-school-type labor dispatch agencies from all over the country, and the remaining were local urban youths who were unable to find formal employment. Most agency workers were under 23 and had an average of 9 to 12 years education. The major criteria demarcated temporary workers from formal contract workers were both the rural-urban residency status and education qualifications among urban youths.

In sum, the evidence presented above shows a clear move towards informalization of labor in the Chinese automobile industry since the mid-1990s. The fact that 1/3-1/2 of production workforce at China’s leading automobile enterprises (the key enterprises in a pillar industry with strong state intervention) were temporary workers indicates the scale and depth of informalization of labor in China as the market reforms deepened since the mid-1990s.

Countermovement from Below: Workers’ Resistance and Contradictions of Labor Force Dualism

24 Many today’s vocational schools in China run labor dispatch services. They “introduce” their students to work at client firms, and charge 25-30% percentage of student workers’ monthly wages as commission fees. Student agency workers differ from student apprentices in that the former have labor contracts with their “schools” and are hired as full-time agency workers. There is little chance for student agency workers to become formal contract employees at client firms.

25 My fieldwork in steel and white goods manufacturing sectors found the similar trend. For instance, at one of the largest iron and steel complexes in China, more than half of production workers were temporary agency workers in 2006. Agency workers had three months service contracts and their wages were only 1/4 of those of formal workers. The author’s factory visits, March 2007.
The movement toward informalization of labor in the automobile industry, however, encountered resistance from both formal and temporary workers. On the one hand, there was growing discontent among the young formal contract workers about their declining job security and stagnant wages. On the other hand, labor force dualism radicalized the new generation of temporary workers to push back against unequal treatment and management arbitrary labor control. To understand this shopfloor contention, it is necessary to examine the nature and extent of the bargaining power and the grievances of formal contract workers and temporary workers respectively.

**Growing Discontent among Formal Contract Workers**

**Bargaining Power and Grievances**

The scale and concentration of automobile production in the twentieth century has recurrently allowed autoworkers to achieve effective workplace bargaining power. This power derives from workers enmeshed in tightly integrated production processes, where a localized stoppage in one node can cause disruptions on a much wider scale than the stoppage itself (Silver 2003, chs. 1 and 2). The increased scale and concentration of automobile production in China over the past decade has also increased the potential workplace bargaining power of Chinese autoworkers. For one thing, Chinese autoworkers are concentrated in factories of enormous size. The Volkswagen plant in Shanghai has approximately 15,000 employees. More impressive still is the concentration of around 100,000 autoworkers employed by the FAW Auto Group in its various factories within the “FAW auto city,” a 12-square-kilometer district in the city of Changchun, where over 300,000 FAW employees and their families work
and live.

Moreover, the widely adopted “just-in-time” techniques in the Chinese automobile production have indeed increased the vulnerability of production to any interruptions in the flow of parts to the assembly line by eliminating the buffers built into the traditional Fordist system, and thus boosted the potential workplace bargaining power of Chinese autoworkers. For instance, at one of the studied automobile assemblers, management introduced “just-in-time” production methods despite a very poor labor-management relationship, reflected among other things in the widespread acts of petty sabotage by workers. In the end, in order to keep production flowing smoothly, management felt obliged to eliminate its experiment with “just-in-time” production methods, and return to a system with greater built-in supply buffers.26

The increasing workplace bargaining power of Chinese autoworkers goes hand-in-hand with growing workplace grievances rooted in the grueling nature of the lean and labor-intensive mass production paradigm as discussed in the previous section. Working conditions at the major Chinese automobile factories are characterized by repetitive and tedium work, heavy workloads, intense work pace, and long working hours, albeit physical working environments are generally good. At the studied auto assembly plants, production lines usually operate in two shifts of ten hours each, except for those machine maintenance workers and repairmen who work three shifts of eight hours each. During the peak seasons, many plants run two shifts of twelve hours each. That makes most workers feel exhausted.

26 The author’s fieldwork notes, Tianjin, January 2008.
About 89 percent of interviewed workers considered the current production pace\footnote{Production pace refers to the certain amount of time (seconds) needed to assemble a sedan unit based on certain line speed.} “very intense.” More than 85 percent of the interviewed workers in their 20s did not think they could sustain the current production pace for such long working hours when they reached their 40s. (See Table-3.)

\textless \textbf{T A B L E - 3 A B O U T H E R E} \textgreater

Moreover, lean production created a more demanding and stressful workplace that required workers to work longer, harder, and faster, with more pressure and responsibility but little real empowerment and autonomy over their own work. For instance, after the implementation of \textit{kaizen} (continuous improvement) activities one line of the body shop of Jupiter increased its line speed from 85 seconds per sedan to 75 seconds between August-October 2006. Together with overtime, production output more than doubled while the number of workers was reduced from 121 to 105 (the 16 workers were transferred to a newly built assembly plant of Jupiter).\footnote{The author’s field notes, Changchun, October 2006.}

To be sure, physical working environments are generally good at China’s leading auto assemblers, especially at those large joint ventures. Workshops are clean, bright, and air-conditioned. Flexible devices were installed to help workers choose comfortable postures at work. But there are still particular parts of automobile production that are dirty, strenuous, and damaging to workers’ physical health. For example, workers at body shops, the most unfavorable place where car bodies are welded together, complained about the bad air quality,
unbearable welding heat, and the noises that damage their hearing.29

Wages and Job Security

Chinese autoworkers, especially those working at large automobile assemblers are known for their high wages and generous benefits compared to other manufacturing workers in China. Chin (2003) argued that high wages were one of the main factors accounting for the “hegemonic consent” between management and autoworkers. However, a close examination of the wage and employment security of formal contract workers suggests a mixed picture. First, my field data indicated that autoworkers at the major assembly factories did earn significantly higher wages than other manufacturing workers in the same localities; but their wages declined or remained stagnant since 2004, meanwhile the local average wages grew steadily.

<TABLE-4 ABOUT HERE>

Indeed, more than three fourths of the interviewed formal workers (60 out of 77) felt they were underpaid given the rapid growth in output and sales of their companies, and the heavy work load, intense work pace, long working hours, and grueling nature of their daily work. Workers were more indignant about the increasingly enlarged wage differences between workers and managerial staff. For instance, position wages at Earth were divided into 10 grades and 36 scales with the highest being 10 times of the lowest, and the highest position wage for a worker could only reach the 3rd grade. Moreover, since the bonus wages were linked to position wages, the monthly income difference between management and workers

29 Interviews F6, F7, Changchun, August 2004.
could be even larger. Workers felt they were squeezed and their work did not receive fair reward and recognition they deserved. As a formal worker at Mars resentfully commented,

It is not just about money; it is how you feel about how you are treated by the company! You feel they [the company] really do not care about you as a worker. They [managers] promised to increase our wages when the company becomes more profitable. But after all these years of fast growth, the pay checks and bonuses of managers and salesmen have got bigger and bigger. We workers still earn that little! It is us, we front-line workers who make the cars, do the heaviest work, and generate the profits for the company! But we are the least paid and cared for here! That is not the right way to treat employees!30

This strong frustration of “relative deprivation” was evident in the major waves of autoworkers’ struggles in Brazil and South Korea.31 There is thus no reason to assume high wages in and of themselves can guarantee workers’ consent and commitment.

The new formal contract workers with short-term labor contracts were also concerned about their job security. As discussed in the previous section, despite the variations in labor contract terms by individual factories, most newly hired formal contract workers can only sign 1-2 year renewable labor contracts. As a formal worker who had 1-year labor contract at Earth commented,

There’s no job security nowadays as long as you work for others. They [managers] can let me go simply by not renewing your contracts. You have to plan for yourself; do your own business.32

31 For instance, in Brazil and South Korea, prior to large-scale autoworker protests, autoworker wages were significantly high. Yet workers also experienced strong feelings of “relative deprivation,” as the rapid expansion of the auto industry in the two countries had been largely achieved at their expense, with rising productivity and profitability accompanied by stagnant or declining wages. For the struggles of South Korean autoworkers in the 1980s, see Koo (2001). For the Brazilian autoworker struggles in the 1970s, see Humphrey (1982).
32 Interviewee, Q11, Qingdao, June, 2004.
Certainly, in market economies anywhere, employment security depends first and foremost on whether any given economic sector is in strategic ascent or decline and the performance of individual enterprises. The Chinese automobile industry has been expanding over the past fifteen years, and there haven’t been large-scale layoffs since the first round of industrial restructuring as previously discussed. Most formal contract workers had renewed their labor contracts with their employers over the past several years. Especially at those firms adopting labor force dualism, the buffer provided by a large (and demarcated) temporary workforce provided formal workers with a greater sense of job security. That may explain the relatively quiescence among formal contract workers in the automobile industry.

With the increasing competition and the shrinking of profit margins in the automobile sector in China since early 2000s, however, there was a general expectation among the interviewed Chinese managers that additional cost-cutting measures and another round of restructuring and downsizing were likely to occur in the near future. Moreover, as mentioned in the previous section, the required skill levels for many line operators had been reduced due to automation, which made it feasible for management to staff those positions with temporary workers. Indeed, according to the annual survey conducted by the Chinese Automotive Manufacturer Association in 2005, managers at the major Chinese automobile assemblies expected to increase unskilled line operators by 50 percent, while reducing the skilled line workers by 60 percent from their current production labor force. (See Table 5.) Meanwhile, there was a growing demand for maintenance workers and technicians to keep the machines

33 On this point, John Price (1997) provides detailed comparisons on the different labor-management relations in the sectors of strategic ascent or decline in postwar Japan.
running properly. The changing demand for the levels and types of skilled workers in the Chinese auto assembly sector accorded with the general trend in the world automobile production, as the progressively mechanized assembly line has reduced workers’ tasks to “baby-sitting” machines and responding to machine problems (Ishida 1997).

As such, while there was a certain portion of formal production workers having growing marketplace bargaining power based on employer demand for their specific skills, the skill-based marketplace bargaining power of most line operators was weak. There were growing feelings of insecurity and lack of commitments among the interviewed formal production workers with short-term labor contracts. For example, during the market downturn in 2004 and 2005, Neptune shut down several lines, cut work shifts and operation hours, and laid off over 2000 agency workers. Although most formal workers were able to stay in their jobs thanks to the buffer of temporary workers, 90 percent of production workers experienced significant wage cuts, and many formal workers experienced anxiety about the possibility of not being able to renew their labor contracts. As a formal worker at Neptune recalled,

No one really knew what would have happened if the company had not been able to come back on track after laying off all the agency workers. Many of us were worried it would eventually come to our turns of ‘letting go’ if things did not get better. Especially for those whose labor contracts were to expire, people got worried if their labor contracts can be renewed. Fortunately, we came through it. But after that difficult time, many of us realized that we could not count on the company, no matter how well it is doing now and how long we have worked here. It is a market economy. Profitability and efficiency come first. No renqing (human feeling), no security nowadays.34

Lacking a sense of job security, many formal contract workers took night classes and other training programs after work to stay competitive in the job markets and to prepare for

34 Interviewee S19, Shanghai, November 2006.
the uncertain future. As a line operator at Venus explained to me:

For the past three years, I’ve seen many people around come and go. It is true that almost everyone here can renew his contract if he wants because the company has been doing pretty well. But you never know. The markets change so fast nowadays and there are no guarantees for us with one-year contracts. So I’m taking night classes for the advanced-skills qualification test and office automatic management. Hopefully, I can pass the test and get the certificate this year so that I can become more competitive in the job markets. Many of my colleagues are taking the similar classes. You know, competition is very high nowadays. You have to rely on yourself and prepare for your own future in advance.35

As their wages and job security declined, formal workers became increasingly discontent and less committed to their employers. The interviewed managers complained about lack of loyalty and deteriorating workplace morale among the young generation of formal production workers. Especially when economic incentives were cut back, there were immediate withdrawals of formal workers’ cooperation. For example, a shop manager at Venus mentioned that when the factory reduced its annual bonus in 2005, workers complained fervently and there was a 30-percent higher redo rates during the first quarter of production.36 Given that more cost-cutting measures and possibly another round of restructuring were widely expected among the interviewed managers by the time of interview, it is likely that the protection and privileges of formal contract workers in China’s auto assembly sector will continue declining. As such, it is hard to say how long management can still maintain a relatively quiescent formal workforce.

**Temporary Workers Pushed Back**

Temporary workers, who are often perceived as weak, vulnerable and docile to


36 Interviewee M14, Shanghai, November 2006.
management control due to lack of job security, took management by surprise with their feisty resistance to the unequal treatment and management despotism under labor force dualism. Temporary workers pushed back through small-scale, less-open, but highly disruptive forms of everyday resistance, such as sabotage, slowdowns, absenteeism, quitting jobs collectively, and in the extreme case, strikes. For example, in June 2004, over 300 agency workers at the assembly shop of Earth stayed in their dorms and refused to go to work to protest the delay of their monthly wages. The whole assembly line stopped for 15 hours before workers went back to work after the problem was solved. In March 2005, some 200 agency workers at Mars walked out during a morning shift to protest the excessive compulsory overtime and to request a wage increase. In February 2006, on the first work day after the Chinese New Year holiday, more than 300 temporary workers at Mars did not return to work all together, and management had to send staff to work on the shop floor temporarily before the factory could find enough replacements. In fact, at Mars, about 20 percent of assembly line workers quit every year, and most of them were temporaries, especially interns and student agency workers. In October 2006, more than 300 agency workers at Earth went on strike again to protest a wage raise exclusively for formal contract workers and demanded an equal raise.37

The rising resistance by temporary workers first had to do with their growing workplace bargaining power, derived from the growing numbers and concentration of temporary workers working alongside formal workers on assembly lines. For instance, at Saturn and Jupiter, about half to 2/3 of the production workforce were temporary workers. As the following quotes from a temporary worker at Jupiter indicated,

In our work team, there are 21 workers, and 12 of us are laowu gong [agency workers]. The whole assembly shop has 500 workers, and almost half are now laowu gong. If we [agency workers] stop working together, the whole lines will have to stop.\(^{38}\)

Furthermore, a growing number of temporary workers who had worked at the automobile factories for long tenures became the backbone of the production workforce. Some even became team leaders after working at automobile factories for more than five years.\(^{39}\) Thus, in both numerical and functional terms, temporary workers had gained growing workplace bargaining power which gave them the potential ability to shut down the entire workplace by acting suddenly and collectively at the point of production.

Second, temporary workers had a keener sense of injustice and resentment for being treated as second-class workers. During the interviews, agency workers often used the words “injustice” (bu gongzheng), “unfair” (bu gongping), and the legitimate claim “equal pay for equal work” to denounce labor force dualism and agency employment. A dismissed agency worker described his bitter experience as a laowugong (agency worker),

I used to work on the P assembly line. In 2004, P model did not sell well. So starting in 2005, the managers asked those formal workers on our [P] line to either stay at home or transfer to other lines. But even those formal workers staying at home could comfortably earn 2000-3000 yuan per month. We agency workers were not that lucky. Most of us were simply kicked out with a compensation of one-month wage for each year of work here. I contributed three years of my youth and energy to the company, but got almost nothing at the end! I think this dual system is so wrong! It is unfair!\(^{40}\)

The changing social composition of temporary workers also contributed to their rising resistance. As discussed above, the new generation of temporary workers (mainly agency

\(^{38}\) Interviewee F14, Changchun, October, 2006.

\(^{39}\) Among the 73 temporary workers I interviewed, two had become group leaders heading small production work groups of 10-15 line operators respectively.

\(^{40}\) Interviewee S20, Shanghai, November 2006.
workers) in the automobile sector consisted of both local rural youth and city-bred young graduates with better education and qualification than the average of temporary agency workers. In fact, I found the background of the temporary agency workers was similar to the new generation of formal contract workers, except that the latter were all urban residents with a minimum of 12 years education; while the former was a mixed body of rural and urban youths with an average of 9 to 12 years education.

Most have a strong desire to reside in the city, and they long for economic and social advancement as well as workplace dignity. For instance, several interviewed agency workers mentioned that they appreciated the opportunity of being able to work at the “well-known,” “modern,” and “advanced” automobile factories for “learning and self-advancement” rather than just for earning money. But the harsh reality of being treated as “second-class” workers, the lack of training opportunities, and the slim chance of becoming formal contract workers made agency workers feel frustrated and resentful.

The dormitory residential pattern of temporary workers also facilitated their collective

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41 According to a survey conducted by the Shanghai Federal Trade Union in 2004, the average educational level of agency workers in Shanghai was less than nine years formal schooling, while the average education level of agency workers in the auto sector was 9 to 12 years (Tu 2007, 14-22). My interviews with managers at Neptune and Jupiter found that the leading automobile assemblers had strict recruitment requirements for agency workers, including, among other things: youth (under 23 years old), a minimum of nine years of education, good health, physical strength (Author’s field note, 2006).

42 At most of the studied automobile factories, temporary agency workers had no chance to become formal contract workers. Only Neptune granted 65 (out of 5,000) agency workers the status of formal contract workers for the first time on January 1, 2005. But later that year, due to the dramatic market downturn, Neptune laid off 2000 agency workers and closed the door for temporary workers to become formal contract workers.
mobilization. Most temporary workers live in the factory-subsidized dormitory residences adjacent to the production complex.\textsuperscript{43} The concentrated dormitory residence of temporary workers of similar backgrounds and workplace experiences enabled workers to stay connected and mobilize effectively. The two wildcat strikes by temporary workers at Earth were both initiated and organized around workers’ dormitory residence, with over several hundred temporary workers staying at their dorms and collectively refusing to go to work.

Moreover, the ambiguous triangular employment relations and the lack of regulation in agency employment before the 2007 labor contract law often led to the fraud in agency workers’ pensions and social insurance as both labor dispatch agencies and client firms tried to evade their responsibilities for agency workers. Agency workers’ grievances were thus derived from being “doubly exploited,” and their protests were often explosive and morally-based. My piecemeal data from Shanghai and Guangzhou suggested that labor dispute cases brought by agency workers were often filed collectively when agency workers were laid off from the client firms while both the labor dispatch agencies and the client auto firms failed to pay for their social insurance.\textsuperscript{44} For example, in November 2004, more than 300 dismissed agency workers at Jupiter filed a collective labor dispute case against the automobile factory and the labor dispatch agency for their unpaid pensions and social insurances after being laid off. Although

\textsuperscript{43} Formal workers and temporary workers lived separately in different dormitory residences. Formal workers had better living conditions than temporary workers. The unequal living condition of temporary workers was another big complaint (Author’s field notes).

\textsuperscript{44} District LDMAC officials and arbitrators. September 2006, Guangzhou; February 2007, Shanghai. Interviews by the author. So far, there have been no nationwide systematic statistics on the number of labor dispute cases related to agency employment available in China.
the interviewed agency workers were cynical about the effectiveness of the labor dispute resolutions handled by local officials, they had developed a good sense and strategies to leverage the aspects of the law that could be used to their advantage. An agency worker who participated in filing the collective labor dispute case against Jupiter commented:

We know that the law often does not work the way it says. But even if that does not work, it is good to have the labor laws on our side—we can at least file dispute cases against them [employers] when they violate the law! We have nothing more to lose since we have already lost our jobs. But the companies, especially those famous large ones, like Jupiter, are more afraid of getting involved in labor disputes. So they will often pay to get out of the trouble as soon as possible. Why? Because the government wants stability, and the large companies do not want to harm their public images for violating the law. Having the labor laws on our side is better than nothing.\(^{45}\)

The above comments indicate that the labor laws and the labor dispute resolution system have empowered workers and fostered a philosophy of rights among the rank and file no matter the outcome.

However, the evidence also pointed to the limits of temporary workers’ resistances and their bargaining power. For one thing, the relatively high wages\(^{46}\) at the major automobile factories and the oversupplied labor markets, especially the perceived difficulty in finding formal employment, inhibited many temporary workers from openly confronting management. The absence of independent union representation and the lack of the right to strike exacerbated the weak associational power of all Chinese workers as a whole. Moreover, it remains to be seen whether the current labor force dualism and detached relationship between formal workers and temporary workers can be transformed to a more engaged and supportive

\(^{45}\) Interviewee F19, Changchun, October 2006.

\(^{46}\) As Table-4 indicates, even though temporary workers earned much less than formal workers, their average wages were still comparable to or higher than the local average wages.
intergroup relationship despite their different workplace experiences and backgrounds.  

Nevertheless, temporary workers’ everyday resistance and open protests, albeit spontaneous, small-scale, and short-lived, did cause interruptions of regular production and losses in output. More importantly, they allowed temporary workers to realize their collective power to struggle for change for better. If we look back at the previous experience of labor unrest by the U.S. autoworkers in the early 20th century and the autoworkers in Western Europe in 1950s and 1960s, we find that the first generation of migrant workers generally did not protest against the harsh conditions of work and life. The arbitrary power of management over issues such as hiring, firing, promotion, and job assignments was initially unchallenged in the automobile factories. The second generation, however, became the backbone of militant struggles that succeeded in radically transforming relationships within the factory and society (Silver 2003: 51-52). As discussed above, the new generation of temporary workers in the Chinese automobile factories has begun to demonstrate their growing activism and potential for collective mobilization against workplace discrimination and management arbitrary labor control. It seems unlikely that this “flexible” segment of workers will remain docile and

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My field research suggested that although labor force dualism has kept formal workers from actively supporting temporary workers, the relationship between formal and temporary workers was less adverse than the conventional “split labor market” (Bonacich 1972, 1976) would otherwise suggest. For example, more than 2/3 interviewed formal workers said they did not look down upon agency workers, and they did not see much difference between them and agency workers when they all worked side by side on assembly lines. But another 1/3 formal workers mentioned that agency workers had lower education and bad manners, and they had nothing in common. Due to the main focus and the space limits of this article, we cannot examine the intergroup relationship between formal and temporary workers in details. But it is a very important factor in understanding the shop-floor labor politics under labor force dualism. See Zhang (2010), chapter 5.
quiescent if management continues to entrench labor force dualism.

**Management Responses and Contradictions of Labor Force Dualism**

The declining consent among formal contract workers and the rising everyday resistance among temporary workers, raised management concerns on the limits of labor force dualism in production labor control. In response, management pulled back and became very cautious in deploying temporary agency workers in direct production. As Table-6 indicates, the percentages of agency workers among the total production workforce declined at the selected automobile firms after 2003.\(^{48}\) Neptune and Jupiter restricted the use of temporary workers to unskilled line positions so that they could be easily replaced. Earth set a “15 percent rule” for hiring agency workers, which limited the number of agency workers to no more than 15 percent of the total production workforce.

<Table-6 about here>

Management also took various measures to accommodate and control temporary workers. The first strategy was to raise temporary workers’ wages and grant them more equal access to the companies’ facilities and resources, such as free shuttle buses, meal subsidies, and company car purchase discounts. Temporary workers were also allowed to join the automobile factory unions where they worked. The second strategy was to direct temporary workers’ grievances through formal channels such as factory unions and factory party committees. At Neptune, for example, union staff and party committee leaders set up monthly

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\(^{48}\) Certainly the domestic auto market downturn between 2004 and 2005 was one of the main reasons for the decreasing numbers of agency workers. But even when the markets and production picked up in 2006, the automobile factories remained cautious in hiring more agency workers.
“heart-to-heart” meetings with randomly selected temporary workers to hear their concerns and requests. But temporary workers were not enthusiastic about those meetings. As an agency worker who once attended the monthly meeting commented, “The problem is with this unequal system, and they won’t change the system anyway.”

Management was aware of the limits of labor force dualism in labor control and inducing workers effort in production. Among the thirty interviewed managers, about two thirds (19 out of 30) expressed their concerns on product quality and labor control problems resulting from using temporary workers in direct production on a large scale. More than half of the managers (16 out of 30) mentioned that the unequal treatment between formal and temporary workers and the resulting conflicts could harm harmonious employment relations and long-term development of their companies. While realizing labor force dualism has its inherent contradictions and limits in labor control, for those having adopted labor force dualism, however, it was hard to completely pull back. The HR manager at Jupiter responded frankly,

We want all of our workers to stay happy with the company. But let’s be realistic--the company has to first make profits. For that, we need to increase productivity and flexibility, and reduce labor cost, while still keep our workers happy. That is not easy. That’s why we brought in agency workers. But there are some other new problems, and we will have to continue improving our management of temporary workers. We should limit the number and scale of temporary workers to certain production areas... Well, they are just not the type of workers you can count on for a long term.

The dilemma faced by management regarding labor force dualism reflected the ongoing tension between capital’s drive toward profitability and management concerns for legitimacy (i.e., maintaining peaceful labor relations). On the one hand, workers’ resistance to the large-scale restructuring and downsizing of many state-owned enterprises in the 1990s put

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49 Interview S26, Shanghai, April 2007.
50 Interview F15, Changchun, October 2006.
the concern for legitimacy in the front of management, pushing automobile enterprises toward protecting a core segment of labor force in an effort to seek consensual and cooperative labor-management relations. On the other hand, China entered the global competition in the mass production of automobiles at a late stage of the “product cycle,” when production activities were already subject to intense international competition and profit margins were already extremely thin (Vernon 1966). The profitability pressure drove the Chinese automakers to move towards more cost-cutting measures including the use of more temporary workers and reduced protection for formal workers. Such measures, however, have provoked workers’ resistance and induced management to give a second thought on labor force dualism. In this regards, labor force dualism currently unfolding at China’s major automobile enterprises directly reflects the conflicts and compromises between the multiple forces of the state, (global and domestic) capital, and workers, given that those enterprises have been enmeshed in global capitalist production and competition meanwhile still held strongly in the state hands. So where is this dualism going? To answer this question, we will need to go beyond the shop floor and look into the broader national political dynamics—i.e., how the Chinese state has responded to the contradictory pressures of promoting economic growth and profitability along with capitalist enterprises, and maintaining regime legitimacy in the face of mounting labor and social unrest as marketization and commodification of labor intensified.

Countermovement From Above: The State-Led Labor Law Reforms and Its “Unintended” Consequences

In 2007, three new labor laws were passed by the Standing Committee of the National
People’s Congress (SCNPC). The most attended of these, the Labor Contract Law (LCL), devotes one section and eleven articles to regulating labor dispatch (agency employment). The LCL stipulates that a labor dispatch agency is an employer and shall sign fixed-term labor contracts of no less than two years with agency workers. The labor dispatch agency must ensure that agency workers receive at least the minimum wage on a monthly basis, even when they are not placed at client firms. The arrangements between the labor agency and client firms must be governed by a formal contract detailing placements and payments, including arrangements with respect to social insurance premiums for agency workers. Moreover, the LCL stipulates agency workers shall have equal pay for equal work compared to other workers at the client firms, and they can also join the client firm’s union. Apparently, the law attempts to regulate and curb this new type of informal employment, and provides more protection for agency employees who are excluded from the regular contract employment.51

What have led the countermovement from above—the state-led labor law reforms—to regulate labor dispatch? How has the new LCL affected management practice of labor force dualism by using temporary agency workers at the enterprise level?

As mentioned in the previous section, the wide use of agency workers in the auto assembly sector reflected the general trend toward informalization of labor in China since the mid-1990s. At the beginning of 2006, it was estimated that over 25 million agency employees were hired by SOEs and public and government sectors; and more than 10 million agency

51 See Labor Contract Law, Chapter 5, Section 2, Articles 57-67 (in Chinese) for details. According to the author’s interview with Chinese labor law scholars, the initial legislative objective was to reduce the number of agency employees by half through implementing the law. Interviews No. 16, 18, Qingdao, September 2006; Interviews 27, 28, Beijing, January 2007.
employees worked in the construction sector. The number of agency employees could be more than doubled if adding those working at private and foreign-invested companies (Wang 2006). Moreover, there was a trend toward normalization and generalization of labor dispatch as employers’ regular practice across all sectors (Chang and Li 2006). In fact, because employers did not have to pay statutory employment benefits for agency employees, many state-owned enterprises and government institutions used long-term “temporary” agency workers to fill positions which had been previously occupied by standard contract employees.52 More and more employers used formalized agency employment in order to sever the standard contract employment relationships with their regular employees. For instance, about 10 million agency employees were hired by large state-owned enterprises in traditional key industrial sectors, such as electric power, oil, steel, machinery, automobile, and telecommunications. This number has continued to grow rapidly (Weng 2009).

Yet until the enactment of the Labor Contract Law in 2007, there was no specific labor legislation on labor dispatch. The triangular employment relationship and lack of regulations caused rampant social insurance fraud and mismanagement in agency employment. Many agency workers were left without social insurance or employee benefits required by the government. Around the time that the labor contract law was drafted, there was extensive media coverage about the plight of agency workers and the negative impacts of labor dispatch on labor relations in a long term (See, among others, Zhang 2005, Wu 2005, Xinhua 2005, Chang and Li 2006, Wang 2006, Zhang 2006, Yu 2007). Several high-profile labor dispute cases

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52 A survey conducted by Shanghai Federal Trade Union found that over 25% agency workers were converted from formal contract workers with direct labor contracts with their former employers (Tu 2007).
involving agency employment received wide attention within China and aroused extensive debates among scholars, officials, and the general public about this relatively new type of employment. All China Federation Trade Union (ACFTU) and its local union branches conducted several surveys on labor dispatch. The resulting reports suggested that labor dispatch complicated labor relations, caused the increase of labor dispute cases, and made it very difficult to protect agency workers’ rights and interests (Xinhua 2005, Tu 2007, Zhang 2007). The ACFTU was concerned about the findings and called for the relevant legislative and executive departments to regulate labor dispatch (Xinhua 2005). The debates soon became politicized when top CCP officials made it clear that it was essential to stabilize labor relations in order to maintain stability and construct a harmonious society. Under the general political guidelines of the Hu-Wen administration to construct a “harmonious society,” criticism of labor dispatch and other “unstable” employment practice that could harm stability and social harmony became dominant in both public media and official discourse (Guo 2006, Lian and Chen 2007, Dong 2008, Zheng 2008).

For example, one labor dispute case filed by an agency employee of a KFC chain store in Beijing lasted for two years and received wide media coverage and public attention on the legality of agency employment. See the discussions, for example, Chen and Chang (2006), Chen and Dong (2007).

According to Gallagher and Dong (forthcoming), the ACFTU had far more influence and voice in the legislative drafting process than any other non-governmental and business/employer organizations, given the high bureaucratic position of the ACFTU Chairman in the CCP’s political hierarchy, and its close tie to the Party’s top leader Hu Jintao.

The speech of Zhang Shicheng, Vice Director of Administrative Law Department Legal Affairs Committee in NCP, recording of “the 16th China and Foreign Country Management Symposium for Officials, Industries and Academics.” See Dong (2008).
It was within this broad political context that the Labor Contract Law took tough measures to regulate labor dispatch. Through the pro-labor legislation, the state attempted to stabilize employment relations and pacify aggrieved workers, including a fast growing number of agency workers formerly excluded from protection of the Labor Law. Thus to a large extent, the enactment of the Labor Contract Law was a state-led politicized legislative campaign to boost the CCP’s legitimacy in response to the bottom-up pressure of mounting labor unrest and popular demand for more security and state protection as marketization deepened.\(^\text{56}\) It signaled a state policy shift from prioritizing economic growth at all cost during the second phase of the economic reforms in the 1990s, to more emphasizing social equality and justice, and protection for the disadvantaged groups under the Hu-Wen administration.\(^\text{57}\)

This state-led labor law reforms had direct impacts on management decisions regarding labor-force dualism and labor dispatch at the enterprise level. Yet instead of curbing labor dispatch as the intended legislative objective, one year after the implementation of the LCL, the number of agency employees jumped from roughly 17 million to 27 million by the end of 2008, which accounted for more than 15% of the total workforce in the secondary and tertiary sectors in China (Weng 2009).

A close look at management responses at the studied automobile enterprises provides

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\(^{57}\) On the different phases of China’s economic reform, see Naughton (2007, ch. 4).
some clues for the “unintended” consequences of the new law on labor dispatch. At the beginning, management was hesitant to use more agency workers given the apparently inhibiting attitude of the new law on labor dispatch. For instance, in January 2008, when another large automobile assembler sought to use agency workers to staff an entire plant, the plan was rejected by its Chinese parent company, a large state-owned auto group, for fear of coming into conflict with the provisions of the Labor Contract Law that could harm the company’s publicity. In November 2008, however, China’s domestic auto sales slumped under the influence of the global financial crisis. Several large automakers received dictates from the central and local governments as well as their Chinese parent companies to avoid layoffs to help maintain social stability. Management cut shifts and working hours, let temporary workers go, but nevertheless avoided laying off formal contract workers. Although the automobile industry quickly rebounded and boomed under the central government’s stimulus plans for 10 key industries including automotive in early 2009, the major Chinese automakers remained cautious in hiring more formal contract workers. For instance, in October 2009, after production output almost doubled, Jupiter hired 200 new formal contract workers, along with 800 temporary agency workers. The reasons, according to the interviewed managers, were not difficult to understand. First, the new law made it even more difficult in dismissing formal contract workers, while the “2008 experience” showed “how important to have staffing flexibility in the volatile and competitive auto sector in China.”

Second, the general provisions of terms and conditions for client firms to use agency workers

58 Interview B3, Beijing, January 2008.

59 The author’s email correspondence with interviewee F1, October 2009.

60 The author’s follow-up phone interview with F13, October 2009.
allowed automakers to continue using agency workers in the same way as they used to. As a managerial staff at Neptune commented,

The new labor contract law does not make much difference to our company because we have always followed the labor law and the government regulations in treating our employees. The new law does raise the bar for labor dispatch agencies, making sure that they pay the required social security and benefits for agency workers. Relevantly, our cost of using agency workers has increased. But compared to the cost of hiring formal contract workers, it is still much cheaper. More importantly, we can still have staff flexibility.”

Meanwhile, there has been evidence that agency workers’ conditions were improved at the major automobile enterprises since the implementation of the LCL. For example, the four auto assemblers using labor force dualism increased temporary workers’ post wages and began providing temporary workers with equal access to some benefits used to be entitled exclusively to formal contract workers, such as employee-car-purchase discounts (Neptune) and winter heating subsidies (Jupiter). This was mainly because those high-profile enterprises with strong state intervention generally followed the provisions of the LCL. But there were still big differences in bonus, allowance, and benefits between temporary and formal contract workers. Temporary agency workers still did not have any job security and advancement opportunity at the automobile factories where they work every day.

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61 The author’s follow-up phone interview with S1, September 2009

62 The author’s email correspondence and phone interviews with interviewees F1, F13, F17, F20, S1, S2, S13, S19, Q1, Q9, C3, C12, November 2008 and May and October 2009.

63 The detailed benefits vary by individual companies. In general, temporary agency workers receive 20%–25% of benefits of formal contract workers’ at the studied automobile factories. Although the new labor contract law states that temporary workers should have the right of equal pay for equal work as formal contract workers at the client firms, in reality, it is unlikely to realize since employers can always make the case to deny temporary workers’ conducting “equal work” as formal workers based on workers’ skills and qualifications. See more discussions in Chapter 5.
Nevertheless, it seems the LCL has driven the major Chinese automakers to entrench labor force dualism and to move towards the conventional core-periphery model with more job security and protection for the “core” formal contract workers while more temporary workers for numerical flexibility. Notably, some Greenfield auto assembly firms have also started moving towards this direction as they become more “mature.” For instance, Mercury recruits its skilled workers and team leaders from the “Mercury Training Program” at a local technical vocational college, while hiring (rural) unskilled and semi-skilled line operators from suburbs and surrounding areas of Guangzhou. The former signed 2-3 years renewable contract and were sent abroad to get training at its foreign partner’s home plants. The latter can only signed 1-year renewable labor contract with very limited on-post training. In this case the “core” formal workers and “periphery” temporary workers could be further divided, and temporary workers at up-tier assembly firms could be weakened.

The seemingly “unintended” consequences of the LCL on labor dispatch, I would argue, was indeed an outcome of the state boundary-drawing strategy to balance and accommodate the conflicting interests of “pro-capital” and “pro-labor” forces within the state law-makers. This point can be seen clearly from the negotiations and compromises over the specific provisions on labor dispatch during the revision of the 2\textsuperscript{nd} draft of LCL. The 2\textsuperscript{nd} draft was much stricter on labor dispatch compared to the 3\textsuperscript{rd} and the final drafts. For instance, the 2\textsuperscript{nd} draft required that a client firm must sign formal labor contracts with temporary agency workers if the firm uses the same agency workers for more than one year. This provision was dropped in the final draft. The main argument from employers and “pro-capital” side was that if this provision was put into effect, it would harm companies’ flexibility and competiveness.
and negatively affect employment. Moreover, it would hurt temporary agency workers because employers can always stop using them before reaching the 1-year term. As a Shanghai labor bureau official commented,

We need to protect our workers, but we also need to give our companies flexibility to make necessary adjustments to the market and production changes. Currently, temporary agency employment can function as a safety-valve for formal contract employment. Too harsh and too many restrictions on it will harm companies’ competitiveness and eventually hurt employment for both formal and temporary workers.\(^{64}\)

While ACFTU insisted on regulating and controlling agency employment to better protect workers, the concerns on employment and the stand to “regulate and develop” labor dispatch as a “supplementary type of employment” gained the upper hand during the debates.\(^{65}\) As a result, the final draft dropped this specific provision that could have inhibited temporary agency employment. Thus, the LCL provides formal contract workers with more job security and better working conditions. But it still excludes temporary agency workers from the regular contract employment and the associated rights, albeit with some legal protection.

The above evidence reveals the state boundary-drawing strategy through legalizing (formalizing) labor dispatch and creating a dualist labor system of workers within the formal contract system and those who are not. Specifically, by requiring employers to provide their formal contract employees with more job security and protection, the state attempted to shore up its legitimacy with formal contract workers. Meanwhile by allowing the existence of a “flexible” segment of temporary agency workers outside the regular labor contract system, the

\(^{64}\) Interview No. 23, Shanghai, January 2007.

\(^{65}\) The author’s meeting minutes at an informal discussion meeting organized by Ministry of Labor and Social Security (MLSS) on revising the 2nd draft law, Qingdao, September 2006.
state granted employers a “safety-valve” to lower labor costs and maintain flexibility and profitability. Compared to management boundary-drawing strategy through labor force dualism at the firm level, the state boundary-drawing strategies are carried out in a more systematic and institutionalized way through national welfare policies, labor policy and legislation, and thus have deeper and long-term impacts on individual workers’ livelihood and life chances.\footnote{A classic case of this state boundary-drawing strategy is the state-enforced household registration system (hukou) between rural and urban residents. As many have noted, the hukou system has long relegated rural residents to second-class citizenship and limited their access to primary sectors and good jobs in the urban areas (see, e.g., Solinger 1999).}

Notably, the central government recently began to draft \textit{Regulations on Labor Dispatching}, largely due to the government concerns about the rapid expansion of labor dispatch since the implementation of the LCL that might threat the formal contract employment (Weng 2009). The two debated focal issues of the draft Regulation are (1) whether the regulation should specify the work posts that can use temporary agency workers; and (2) whether temporary agency workers are eligible to sign unfixed labor contracts with their labor dispatching agency employers. Again, there are disagreements among lawmakers: ACFTU stayed assertive in “regulating and controlling” labor dispatch, and stressed that “labor dispatch should only be used at substitutive, short-term and temporary posts” (China.com.cn. 2010); while the MORHSS (Ministry of Human Resources and Social Security) was inclined to “regulate” labor dispatch, and emphasized that labor dispatch has positive impacts on promoting employment (Xinhua 2008b). The regulation is said to be put into effect in 2010. The outcome is hard to predict at this point. But it is likely to depend on
the CCP’s relatively weight of maintaining stability and legitimacy (with labor) and promoting growth and profitability (with capital) under the specific political and economic situation.

The interaction between the bottom-up pressure of labor unrest and popular demand and the top-down state-led labor law reforms, point to a relational and dynamic relationship between the Party-state, labor, and capital in post-communist China. This has further implications on the possible future scenarios of labor unrest in the Chinese automobile industry and the role of labor and labor movement within and outside China, to which we turn in the next and the concluding section.

Discussion: Possible Future Scenarios and Broader Implications

This study has explored the current conditions, subjectivity and collective actions of the Chinese autoworkers, and how shop-floor, national and global processes have interacted in complex ways to produce the specific labor relations and dynamics of labor unrest in the Chinese automobile industry in the reform era. First of all, the mass movement of automobile multinationals into China and the increased scale and concentration of the automobile production in the past two decades have created and strengthened a new generation of autoworkers with growing workplace bargaining power and grievances. Yet national context and historical legacy matter, and China’s conditions are different from the previous cases of autoworkers’ upsurge from Detroit to Ulsan. For one thing, unlike other cases of fast expansion of automobile industry, the full take-off of China’s automobile industry in the late 1990s was an intertwined process of “leaning out” of inefficient state-owned auto firms and
the fast expansion of centrally-sanctioned joint ventures by foreign multinationals and large domestic auto groups. There was a general replacement of permanent and long-term state workers with young, urban-bred, short-term contract workers under the labor contract system. More importantly the Chinese state fostered a yet cautious restructuring and the utilization of FDI in the transformation of the automobile industry in the reform era, in part related to the fact that the mid-1990s industrial take-off happened in the midst of widespread labor unrest by laid-off state workers in other sectors. The more interventionist role of the central government in monitoring industrial relations through cadre-managerial personnel system at large SOEs and JVs, and the mediating role of shopfloor managers, enterprise unions, and party factory committees, had direct impacts on management decisions and practice towards workers and thus the “moderating effects” on Chinese autoworkers’ militancy.

I have shown how the contradictory pressures of pursuing profitability and maintaining legitimacy have driven large auto SOEs and JVs to strive for a relatively stable solution through labor force dualism that draws boundaries between formal and temporary workers. Yet a divided labor force does not necessarily preclude robust and continuing labor movements that can lead to significant changes. While labor force dualism has so far detached formal contract workers from temporary workers and inhibited them from overt protest against management, it has also radicalized the new generation of temporary workers to push back against unequal treatment and management despotism at workplace. Despite the rising labor activism, the empirical evidence also suggests that struggles of the current generation of Chinese autoworkers were small-scaled, short-lived, and limited in their goals. The relatively high wages at the major automobile factories, the perceived oversupplied labor markets and
the difficulty in finding better employment inhibited many autoworkers from openly confronting management. Lack of independent union representation and collective bargaining exacerbates the weak associational power of Chinese workers as a whole. Moreover, labor force dualism did created unequal workplace experiences and detached formal workers from supporting temporary workers’ struggles. At the same time, however, workers’ spontaneous collective actions of everyday resistance and protest have forced management to make specific concessions to accommodate workers’ demand, such as pulling back from labor force dualism and improving conditions for temporary workers.

While labor unrest in the automobile industry, in itself, is a small number of small incidents. The labor unrest incited by informalization of labor is part of a much larger phenomenon in China since the mid-1990s as marketization deepened. By locating this case study of Chinese autoworkers in the broad national political dynamics, we observed the bottom-up pressure of rising labor unrest induced the Chinese central government to re-intervene and stabilize labor relations through pro-labor legislation, including the Labor Contract Law. As a result, while major automakers in China have attempted to move towards a leaner and meaner (despotic) factory regime, bottom-up labor activism induced top-down state intervention has so far kept Chinese automakers from moving towards generalized despotism.

Can we, then, expect a high-road “social contract” between the state, labor, and capital to be emerging in China? To assess this possibility, it is important to bring in the global dynamics of “product cycle” of world automobile industry. Whereas in the United States, autoworkers were able to translate their strong workplace bargaining power into several
decades of rising wages and expanding benefits based on the “monopoly windfall profits” that accrued to U.S. automakers in the “innovation phase” of automobile industry in the mid-twentieth century; Chinese autoworkers at the late stage of product cycle in the early 21st century, with a similar level of workplace bargaining power have so far experienced stagnating or declining wages. By placing ongoing dynamics in the context of the product cycle in the global automobile production, we can understand better the tensions and contradictions involved with labor force dualism and the reduced job security and wages of formal contract workers. In the other words, latecomers, including the Chinese automakers, may have to face a more acute contradiction between “crisis of profitability” and “crisis of legitimacy” when profit margins have become much thinner. That means they may have less room for an expensive “social contract” to gain workers’ cooperation in the competitive environment in the early 21st century. Indeed, the “unintended” consequences of the Labor Contract Law on labor dispatch revealed the state boundary-drawing strategy to strike a balance between maintaining legitimacy and promoting profitability. As the result, we will likely to see more Chinese automakers moving towards entrenched labor force dualism, albeit with more regulated and improved conditions for temporary workers.

What, then, can we take away about the broader implications of this case study of Chinese autoworkers for understanding the dynamics and strategies of labor and labor movement within and outside China? One set of important implications derived from this study is about the role, potentials, and strategies of labor and labor movement, and more generally, the exercise of power from below to push for change for better. The most common position in the literature is that workers in China are weak vis-à-vis the party-state and
vis-à-vis their employers; this was true in the pre-reform era due to a system of “organized dependency” of Chinese workers under the work unit system (danwei) (Walder 1986); and remains true in the reform era rooted in the surplus labor and the (resulting) intense labor market competition that has accompanied the erosion of the danwei work unit system. While there are competing views that emphasize the enduring history of rebellion and revolution of Chinese workers against the Party-state (Perry 1993, 2002; Perry and Li 1997), China labor scholars often focuses on the limits of localized, apolitical, “cellular” activism of Chinese workers in the reform era (Lee 2000, 2002, 2007). Yet recent development in China suggests that the widespread, localized, and apolitical labor protests can force the Chinese central government to change its labor policy and legislation that expands rights and protections for Chinese workers. We also observe the similar dynamics in other social protests by “the weak” (those without what we normally consider as “power”) to push for transformation from below in China as well as across the world. For instance, Elizabeth Perry (2008) points out how protesters have in time wrung some significant concessions from the state, such as the historic abolition of the agricultural tax in 2006 and the property rights law the following year. The road blockades of the unemployed workers in the piquetero movement in Argentina forced the government to initiate the first unemployment subsidies in the history of Latin America. This helped to spur a far broader insurgency that toppled a succession of presidents (Auyero 2005, Sitrin 2006: 8–16; cf. Piven 2008: 1-14). Indeed, the key theoretical insight of Piven and Cloward (1977) was precisely that many of the gains made by “poor peoples’ movements” do not come from the establishment of formal organizations oriented toward the capture of state power, but are a result of concessions wrung from the powerful in response to widespread,
intense, spontaneous disruptions from below; in response to the threat of “ungovernability” (Silver and Zhang 2009).

Moreover, the CCP’s top priority of maintaining stability, and the party’s continuing public commitment to its revolutionary tradition and “the legitimate rights and interests of workers” (Xinhua 2008a) undergird Chinese workers’ legitimacy leverage based on their potential disruptive power. This legitimacy leverage, in turn, encourages Chinese workers to stand up and protest against employers’ violations of their rights in spite of their lack of independent trade unions and other electoral reprehensive institutions.

Ironically, the lack of electoral legitimacy forces the authoritarian regime to be more responsive to grievances and demands from below to maintain its monopoly of political power. Indeed, the nominal role of ACFTU in representing the interests of rank and files and bargaining with employers have forced the central and local governments to directly intervene in workplace labor-employer conflicts, and most often, in favor of labor in order to maintain social stability. As such, the localized and “apolitical” labor protests can be easily turned to “political issue” concerning social stability and regime legitimacy in the eyes of workers. That explains why the widespread, localized, and “apolitical” labor-capital conflicts at workplace can command direct top-down state intervention through legislation and other formal institutional change to pacify workers. In the other words, the Chinese workers are “bargaining without union” (Zhang 2005), but they are backed up by, and making use of their legitimacy leverage over the state to wring concessions from their employers.

To be sure, while my case study reveals the significance of Chinese workers’ bottom-up struggles and legitimacy leverage to win employers’ concessions even without an
independent union, I am not disputing the importance of organized labor and the efforts to build a genuine workers’ representative organization to speak and struggle for Chinese workers’ rights and interests. Nor am I denying that an authoritarian political system remains a formidable barrier for Chinese workers’ collective pursuit of a better workplace. The important theoretical point here is, concordant with the arguments made by James Scott (1985) in *Weapons of the Weak*, bottom-up collective struggles in and of itself holds counter-hegemonic potential, regardless of the kinds of goals that are being pursued. Action-orientated rather than ideologically driven, Chinese workers themselves have proven the simple idea that through constant bottom-up collective struggle that the working-class could push for change for better. It is in this regard that we argue that we should not underestimate the potential impacts of Chinese workers’ widespread, localized, and “apolitical protests, which have proved to be an important counterbalance force against the adverse effects of marketization by holding the party-state responsive to popular demand. But in order to exercise such counterblance power from below, “people must also recognize that they do have some power, that elites also depend on the masses. People have to organize, to contrive ways of acting in concert, at least insofar as concerted action is necessary to make their power effective” (Piven 2008: 8). The “idea of power” itself has been an important source of workers’ power (Piven and Cloward 2000: 413-4). Thus, there is an urgent need to confront neoliberal ideology and to raise workers’ recognition of their own bargaining power. A good illustration of this point is the empowerment effects of China’s new labor laws on ordinary Chinese workers to stand up and defend their labor rights through formal legal systems.67

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67 According to Ministry of Human Resources and Social Security of PRC (2009), in 2008, 1.2 million workers
China’s new labor laws, as recent events have already indicated, are very likely to serve as the catalyst for a new wave of labor activism and militancy in China—especially if employers attempt to evade the law and if the arbitration system becomes too burdened with cases to be able to resolve workers’ grievances quickly, encouraging them to turn instead to direct action.

A fuller answer of what roles Chinese autoworkers are likely to play awaits further analysis along these and related lines.\textsuperscript{68} And it also awaits the coming words and deeds of Chinese autoworkers themselves.

\textsuperscript{68} Related lines include autoworkers’ community lives, impacts of the new regulation on labor dispatch, localism in labor politics with the expansion of automobile production in different localities in China, and patriotism involved with the development of automobile industry in China on labor activism.
Table-1 General Profiles of the Case-Study Automobile Assembly Enterprises (2006)

<table>
<thead>
<tr>
<th>Name</th>
<th>Number of Employees</th>
<th>Sales (1000 unit)</th>
<th>Ranking (Sale)</th>
<th>Main Product</th>
<th>Ownership Type</th>
<th>Location (City, Province)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Venus</td>
<td>6,569</td>
<td>413</td>
<td>1</td>
<td>Passenger Car</td>
<td>Sino-US</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Neptune</td>
<td>12,531</td>
<td>352</td>
<td>2</td>
<td>Passenger Car</td>
<td>Sino-German</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Jupiter</td>
<td>9,284</td>
<td>350</td>
<td>3</td>
<td>Passenger Car</td>
<td>Sino-German</td>
<td>Changchun, Jilin</td>
</tr>
<tr>
<td>Mars</td>
<td>18,000</td>
<td>300</td>
<td>4</td>
<td>Passenger Car</td>
<td>State-owned</td>
<td>Wuhu, Anhui</td>
</tr>
<tr>
<td>Earth</td>
<td>3,049</td>
<td>43</td>
<td>N/A</td>
<td>Truck</td>
<td>State-owned</td>
<td>Qingdao, Shandong</td>
</tr>
<tr>
<td>Mercury</td>
<td>5,600</td>
<td>260</td>
<td>6</td>
<td>Passenger Car</td>
<td>Sino-Japanese</td>
<td>Guangzhou, Guangdong</td>
</tr>
<tr>
<td>Uranus</td>
<td>3,096</td>
<td>N/A</td>
<td>N/A</td>
<td>Passenger Car</td>
<td>Sino-US</td>
<td>Yantai, Shandong</td>
</tr>
</tbody>
</table>

* Sources: CATRC, 2006. Compiled by the author.

Table-2 Comparisons of Labor Force Dualism at the Selected Automobile Plants (2006)

<table>
<thead>
<tr>
<th>Name</th>
<th>Found Year</th>
<th>Labor Force Dualism</th>
<th>Ownership Type</th>
<th>Formal Workers</th>
<th>Agency Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Contract Terms</td>
<td>Working Terms</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(year)</td>
<td>(renewable)</td>
</tr>
<tr>
<td>Jupiter</td>
<td>1991</td>
<td>Yes</td>
<td>JV</td>
<td>10,000</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2-2-2-2-2-Non-fixed**</td>
<td>1 year</td>
</tr>
<tr>
<td>Neptune</td>
<td>1985</td>
<td>Yes</td>
<td>JV</td>
<td>9,050</td>
<td>3,219</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2-2-3-3- Non-fixed</td>
<td>3 months</td>
</tr>
<tr>
<td>Earth</td>
<td>1993</td>
<td>Yes</td>
<td>SOE</td>
<td>3,170</td>
<td>400</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1-1-2-3-3- Non-fixed</td>
<td>1 year</td>
</tr>
<tr>
<td>Mars</td>
<td>1997</td>
<td>Yes</td>
<td>SOE</td>
<td>18,000</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1-1-1-3-3- Non-fixed</td>
<td>3 months to 1 year</td>
</tr>
<tr>
<td>Venus</td>
<td>1997</td>
<td>No</td>
<td>JV</td>
<td>6,767</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 year</td>
<td>N/A</td>
</tr>
<tr>
<td>Mercury</td>
<td>2002</td>
<td>No</td>
<td>JV</td>
<td>4,000</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 year</td>
<td>N/A</td>
</tr>
<tr>
<td>Uranus</td>
<td>1998</td>
<td>No</td>
<td>JV</td>
<td>5,000</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1 year</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Note: a) Table-2 is based on the author's interviews with production workers and managers at the selected automobile assembly plants in 2006 and 2007.

b) A “non-fixed term labor contract” is a labor contract for which the employer and the employee have agreed not to stipulate a termination date. The 1994 Labor Law states that an employee can propose to sign a non-fixed term labor contract with his employer if he has been working for the employer for a consecutive period of no less than 10 years. The 2008 Labor Contract Law adds that an employee can negotiate a non-fixed labor contract if the renewal occurs after the consecutive conclusion of two fixed term labor contracts. Labor Contract Law, Article 14.
### Table-3 Production Pace and Output at the Case Automobile Plants in 2006*

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Production Pace (seconds/unit)</th>
<th>Annual Output (1000 Unit)</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mercury</td>
<td>50</td>
<td>224</td>
<td>JV (Japan)</td>
</tr>
<tr>
<td>Jupiter</td>
<td>75-85</td>
<td>341.2</td>
<td>JV (Germany)</td>
</tr>
<tr>
<td>Venus</td>
<td>88</td>
<td>365</td>
<td>JV (America)</td>
</tr>
<tr>
<td>Uranus</td>
<td>100</td>
<td>N/A</td>
<td>JV (America)</td>
</tr>
<tr>
<td>Mars</td>
<td>120</td>
<td>305.2</td>
<td>SOE</td>
</tr>
<tr>
<td>Neptune</td>
<td>90-144</td>
<td>340.6</td>
<td>JV (Germany)</td>
</tr>
<tr>
<td>Earth**</td>
<td>200</td>
<td>43</td>
<td>SOE</td>
</tr>
</tbody>
</table>

Note. * The data of production pace is based on my interviews at the seven studied automobile factories. The ranges of line speeds reflected the periodic adjustments to output levels corresponding to market sales and demands during the time of my fieldwork between September 2006 and July 2007.

**Earth is a subsidiary of a leading truck manufacturer in China. Manufacturing a truck in average takes longer time than a passenger car.

### Table-4 Monthly Monetary Wages of Formal and Temporary Workers at the Selected Automobile Enterprises Comparing to Local Average$^{1}$

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Formal Worker</td>
<td>Temp worker</td>
<td>Formal Worker</td>
<td>Temp worker</td>
<td>Formal Worker</td>
<td>Temp worker</td>
</tr>
<tr>
<td></td>
<td>2004</td>
<td>5,000</td>
<td>2,500</td>
<td>2,250</td>
<td>3,000</td>
<td>1,500</td>
<td>800</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>3,500</td>
<td>2,000</td>
<td>2,300</td>
<td>1,500</td>
<td>1,500</td>
<td>900</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>4,000</td>
<td>1,700</td>
<td>2,500</td>
<td>3,000</td>
<td>1,800</td>
<td>1,000</td>
</tr>
</tbody>
</table>

(Table-4 Continued)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Formal Worker</td>
<td>Temp worker</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2004</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>1,500</td>
<td>600</td>
<td>5,500</td>
</tr>
<tr>
<td></td>
<td>2005</td>
<td>1,000</td>
<td>600</td>
<td>700</td>
<td>1,500</td>
<td>700</td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>2006</td>
<td>1,000</td>
<td>800</td>
<td>800</td>
<td>2,000</td>
<td>800</td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>1,200</td>
<td>900</td>
<td>800</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

$^{1}$ Table-4.2 was based on the author’s interviews with production workers in the summers of 2004 and 2005 and between September 2006 and July 2007. The monthly wage data do not include wages of group leaders and managers. The local average wages of manufacturing workers are calculated based on the median value of estimations by the interviewees.
Note: * Table-4 is based on the author's interviews with production workers in the summers of 2004 and 2005 and between September and December, 2006.

** The local average wages were calculated by the author based on the median value of the estimations by the interviewees at the selected automobile plants.

Table-5 Current and Desired Workers’ Skills in the Chinese Automobile Industry

<table>
<thead>
<tr>
<th>Skill Rank</th>
<th>Current %</th>
<th>Desired %</th>
<th>Expected Recruitment % change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unskilled &amp; Semiskilled (Operator)</td>
<td>25.27</td>
<td>38.42</td>
<td>Increase 50%</td>
</tr>
<tr>
<td>Maintenance/Technician</td>
<td>2.17</td>
<td>23.10</td>
<td>Increase 10 times</td>
</tr>
<tr>
<td>Skilled (Operator)</td>
<td>55.6</td>
<td>21.81</td>
<td>Decrease 60%</td>
</tr>
</tbody>
</table>


Table-6 Numerical Changes of Formal Employees and Agency Workers at the Selected Automobile Plants

<table>
<thead>
<tr>
<th>Firm</th>
<th>Jupiter</th>
<th>Neptune</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Formal Employee</td>
<td>Agency Worker</td>
</tr>
<tr>
<td></td>
<td>2003</td>
<td>2004</td>
</tr>
<tr>
<td></td>
<td>6,806</td>
<td>8,270</td>
</tr>
<tr>
<td></td>
<td>3,000</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td>7,089</td>
<td>8,849</td>
</tr>
<tr>
<td></td>
<td>6,280</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Sources: Data are aligned by the author based on the interviews with managerial staff at the selected auto firms during 2004-2007
Figure 1: Annual Output and Number of Employees in the Chinese Automobile Industry (1990-2006)
References


University Press.


