

**THE IMPACT OF ECONOMIC REFORM AND ASSOCIATED CHANGES IN
REGULATORY AND INSTITUTIONAL ARRANGEMENTS ON THE ROLE
OF TRADE UNIONS IN THE PEOPLE'S REPUBLIC OF CHINA**

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Abstract

(Abstract on next page)

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Abstract

As a result of a range of PRC government initiatives, including Deng Xiaoping's "Open Door" and "Four Modernizations" policies, the Chinese economy has undergone fundamental changes over the last two decades. Economic reform in the PRC has been supported and highlighted by China's recent entry into the WTO. This transformation in the Chinese economy has been associated with significant levels of reform in employment relations.

These reforms have led to the development of clearer and closer links between labour-management relations and market forces. However, the real impact of these changes on the role of trade unions in the PRC is, by no means a straightforward one. New labour legislation has provided trade unions with greater scope than ever before in representing the interests of their members. However, transitions away from market dominance by State Owned Enterprises and the emergence of a robust private sector has led to a significant reduction in trade union influence. The situation is further complicated by the emergence and growth of foreign-funded joint ventures.

This article examines the traditional role of trade unions in the PRC, as well as the key aspects of national culture influencing labour management relationships. It then explores the impact of recent economic changes, and the relationship between trade union roles and a range of organisational variables including location, ownership and size. It also explores the implications of current economic developments and cultural changes on the future of labour relations in the PRC.

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INTRODUCTION

Chinese trade unions are, in terms of membership, the largest in the world. However, the common Western perception of trade unions in China is that they are controlled by the State, have very limited capacity to bargain for workers rights, and are unable to strike or take similar industrial action in pursuit of worker benefits. Moreover, their primary focus is directed more towards the enhancement of management interests than the betterment of worker conditions. Hence, from a Western perspective, they appear weak and ineffective, and with the impact of globalisation, recent market reforms, and the influence of foreign investment, have become even weaker and less effective.

However, a range of political, institutional, social and cultural factors have led to the emergence of trade unions and an industrial relations system in China that has always had little in common with the West. Traditionally, China's industrial relations system has displayed greater similarities with those of other command economies. However, even with the opening up and marketisation of China's economy, the industrial relation system still appears to have little in common with the West. Furthermore, in a number of ways, the impact of political and economic forces on industrial relations in China is complicated by cultural influences.

This divergence between Chinese and Western systems seems unlikely to disappear in the foreseeable future. In particular, key aspects of Chinese national culture, although undergoing a degree of change themselves (Ralston et al. 1997; 1999), are likely to continue to strongly influence the role and nature of Chinese trade unions, their approach to negotiation and conflict, and their relationships with workers, government and management.

This paper argues that it is probably a mistake to judge the nature or effectiveness of Chinese trade unions in Western terms, or to explore the future of Chinese trade unions from a purely Western perspective. Hence, the approach taken by this paper is to examine the probable impact that national culture and China's recent economic history has had on the role and nature of trade unions in China, and then explore the recent impact of globalisation, Chinese market reforms, and growing levels of foreign investment and influence. It then explores probable future trends in the role, nature and effectiveness of Chinese trade unions, but not from a purely Western perspective.

BACKGROUND

Since the victory of Mao and the Chinese Communist Party in 1949, Chinese labour relations have been characterised by a triangular model involving close and co-operative interaction between trade unions, enterprises and the state. In terms of trade union role, there has been a clear emphasis on the transmission of information, between the enterprise and employees, and between the state and employees. Labour relations have been closely integrated with a broader set of institutional arrangements (Chan 1993; Ding et al. 2002), characterised by the command economies top down system of control and co-ordination. This description could also be applied to the labour relations systems of other command economies.

The Trade Union Law of 1950 formalised the role of the All-China Federation of Trade Unions (ACFTU) as the highest body amongst all unions. It became, in effect a transmission-belt between the Communist Party and the masses (Ding et al 2002:434). Under this arrangement, explicit roles of the unions were to enhance levels of production, assist management in the provision of various welfare services, and provide a range of cultural and vocational studies and activities.

During the period from the mid-1950s to the late 1980s, the dominance of state-owned enterprises and the existence of the iron rice bowl system led to a labour force situation that could be described as

'organisational dependency' (Ding et al 2002: 432; Francis 1996). This was associated with extremely low levels of labour turnover, very inflexible work practices, labour inefficiency and a deep-rooted mind-set that generally opposed workplace changes.

Trade unions were dismantled in 1966, during the Cultural Revolution, but re-instated by Deng Xiaoping in 1978. Since the late 1970s, Deng's Open Door policy and the transformation of China's economy towards more of a market orientation, has led to significant, yet gradual and pragmatic, changes in Chinese labour relations, including the role of trade unions.

Enterprise changes that included the phasing out of the iron rice bowl system were widely viewed as an essential element of China's economic reforms. However, lifetime employment and cradle-to-grave welfare arrangements had been virtually taken for granted in China for almost three decades. Hence, implementation of labour reforms had to be gradual and incremental.

Labour reforms from the mid-1980s to early-1990s led to a decentralisation of management decision making and greater levels of autonomy for managers, particularly in terms of workplace matters such as the hiring and firing of staff (Child 1994). Reforms in 1992 included the introduction of labour contracts for individual employees, reward systems that were more closely linked to performance, and a system of contributory social insurance (Ding et al 2002: 433). These reforms led to increased levels of labour mobility and significantly greater levels of labour efficiency. They were also associated with a decline in the relative importance of SOEs and a corresponding increase in the significance of joint ventures, wholly foreign owned enterprises, and other private enterprises.

At least partly as a result of the decline in significance of SOEs over the last two decades, and partly as a result of moves to a more market-orientated economy, the role and importance of trade unions in China has become considerably weaker. However, the Labour Law of 1994 did give trade unions the legal power to sign collective labour agreements on behalf of employees, and to have input into labour disputes and cases involving inappropriate termination of contracts. Furthermore, while the role and the power of Chinese trade unions may be regarded as weak from a Western perspective, their real impact on conditions of employment and even in specific disputes involving individual employees, may be greater than is apparent on the surface (Ding et al 2002). In this regard, at least some of the differences between Western and Chinese perceptions can be explained in terms of national culture.

METHODOLOGY

The methodology involved the collation and analysis of responses to syndicate questions from a group of senior PRC managers taking part in an executive training program conducted in Beijing. Three syndicates of 7 managers were asked to respond to the following three questions:

1. What was the traditional role and nature of Chinese trade unions prior to marketisation of the Chinese economy?
2. What recent changes have taken place that impact on the nature and role of trade unions in China?
3. What changes to the nature and role of trade unions in China can be expected in the future?

Survey Sample

The sample group consisted of 21 senior PRC managers.

Organisational form

Of the 21 PRC managers:

- 10 were from SOEs
- 11 were from Joint Ventures and Wholly Foreign Owned Enterprises

Gender

The gender split for the 21 PRC managers was as follows:

- 15 male
- 6 female

Age

The age profile for the 21 PRC managers was as follows:

- Below 30: 1
- Between 30 and 39: 15
- 40 and over: 5

RESULTS

Results related to both the traditional role and recent changes to the nature and role of trade unions in China were consistent with the literature. Furthermore, results related to the nature and role of Chinese trade unions in the future reflected a belief that current trends will continue.

Traditional role

As indicated in the literature, traditional roles related primarily to:

- Communication
- Training, and
- Cultural and social activities

The nature of Chinese trade unions were strongly influenced by the political and economic systems, as well as Chinese national culture, and can be described as follows:

- Non-confrontational
- An emphasis on the maintenance of harmony
- A reluctance to take on management or the government
- A tendency towards the avoidance of direct conflict

Recent changes

Recent changes in the Chinese industrial relations system included a reduction in the over-all influence, effectiveness and significance of trade unions reflecting:

- A reduction in the significance of SOEs
- An increase in the influence and impact of market forces
- Perceived changes in Chinese national culture including an increase in self-interest

A perceived increase in self interest was thought to be primarily responsible for substantial increases in labour turnover and subsequent recruiting problems for a large number of enterprises.

Future trends

In terms of future trends, a continued reduction in the influence and significance of Chinese trade unions was expected. However, consistent with marketisation of the Chinese economy, some changes to the role and nature of trade unions in China were expected. These changes included:

- An increased focus on pay and conditions
- An increased focus on grievances and the protection of employee rights
- An increased focus on issues related to job security
- A decreased focus on traditional roles such as cultural and social activities
- A reduction in links with management and government

DISCUSSION AND CONCLUSIONS

Results indicated that while the traditional role and nature of Chinese trade unions have been strongly influenced by political, institutional and economic forces, they have also been influenced by Chinese national culture. While the magnitude of these factors is difficult to assess, cultural influences such as the high context nature of Chinese society (Gao et al. 1996; Hall 1976; Hall & Hall 1987; 1990; Hampden-Turner & Trompenaars 1997; Walker et. al., 1996; Weldon & Jehn 1996), collectivism (Hofstede 1980; 1984; 1991; Kluckhorn & Strodtbeck 1961; Trompenaars 1993), high power distance (Hofstede 1980; 1984; 1991), and the influence of Confucianism (Chinnery 1996) were believed to have a significant impact. The influence of Confucianism, for instance has resulted in an emphasis on the maintenance of harmony, a tendency towards the avoidance of conflict, and an emphasis on maintenance of the status quo.

Changes to labour legislation potentially strengthen trade union influence. However, these changes are offset by macro-economic changes, recent economic reforms, the impact of globalisation and the increased marketisation of the Chinese economy. National culture continues to have an impact on the role and nature of Chinese trade unions but the situation is complicated by perceived changes to Chinese national culture (Ralston et al. 1997; 1999), including a perceived increase in the level of self-interest. Hence, over future years, cultural and macro-economic forces are likely to continue to weaken the influence and significance of trade unions in China.

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