

Back to the Future: China's emerging labor relations system

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Labor relations is moving in a remarkably different direction in China than in the US, where unionism and collective bargaining have changed from being a central feature of labor markets to the periphery of the economy. In China, workers go strikes frequently and win higher wages and benefits. In the US strikes are infrequent, often instigated by management while firms increasingly lock out workers to force unions to agree to wage concessions.

At the level of the government, China has enacted legislation that requires firms to recognize the official All China Federation of Trade Unions (ACFTU), encourages collective bargaining in order to channel worker unrest away from socially disruptive actions, and has enacted diverse other legislation to improve the legal status of unions and to provide greater protection for workers, in some cases at the behest of the official unions. By contrast, the US Congress has rejected reforming the Depression Era labor law to arrest the on-going decline in union density while conservatives in many states have sought to undermine public sector unionism and collective bargaining.

With support from Beijing, the ACFTU has shown sufficient signs of moving from a Leninist transmission belt union to an organization that represents workers to convince workers' rights advocate Han Dongfang, director of the Hong Kong-based China Labour Bulletin, to call upon Western unions and human rights groups to engage with the ACFTU rather than to seek independent unions in China.¹ While some in the ACFTU hold to the view that “unlike western unions, which always stand against the employer, Chinese unions are obliged to boost the corporation's development and maintain sound labour relations”, other ACFTU leaders have declared that unions “must represent the workers and not play the middleman. In the event of a strike, even very short ones, the trade unions have to be on the side of the workers.” In October 2013 the Guangdong People's Congress revised its Regulations on Collective Consultations and Collective Contracts ([广东省企业集体协商和集体合同条例 \[修订草案稿\]](#)) to advance peaceful resolution of labour disputes through collective negotiations.

Given China's rapid growth to become the second largest economy in the world and the 2000s through early 2010s burst of labor activism and pro-union and collective bargaining policies, the development of unionism in China is important not only to the well-being of China but to labor relations throughout the world. To what extent, if at all, are China's official unions associated with higher wages and benefits for workers at unionized workplaces as economic studies find for unions in the US? How much collective bargaining do unions in China undertake, and with what effects on labor outcomes? Viewed historically, does China's emerging labor relations system resemble the labor relations system of the US or other advanced countries when collective bargaining was in its heyday?

This study uses two unique surveys to answer these questions. The first survey is a 2007 survey of 30,000 urban residents in 15 provinces in China and of 12,000 rural migrants in 10 provinces conducted for the ACFTU. The second survey, the Chinese Family panel studies (CFPS), is a 2010 survey of 16,000 adults in a sample of households. The 2007 data set contains information on the characteristics of the workers, including their membership in a trade union and their contractual status, hukou status, wages, receipt of social insurances, hours worked and occupation and industry. It also contains information on the labor relations situation at the workers' workplace -- whether the workplace has a union and/or a collective bargaining contract. The data allows for comparisons of patterns of unionism and economic outcomes across provinces with more or less favorable attitudes toward union activity, and across different ownership structures of firms. The availability of 12,000 observations on rural migrant workers and measures of the hukou residence status of all workers

1 The Guardian, Sunday 26 June 2011; China Labour Bulletin 6 Sept 2013

permits analysis of the relation between the hukou – China's unique form of classifying workers by their initial residency.

The 2010 survey has less data on workplace labor relations but allows us to extend some of our analysis to the 2010 post-Great Recession period. In addition, since the 2010 survey occurred after the enactment of the much-debated Labor Contract Law (which took effect on January 1, 2008), while the 2007 survey occurred before the Law took effect, we are able to examine the potential impact of unions and collective contracts on the prevalence of individual labor contracts.

Per the “back to the future” title, we compare the pattern of union membership and collective bargaining coverage by sector, occupation, and personal characteristics in China with the composition of membership in the US near the height of US unionism – the 1970s. Here we use Current Population Surveys to measure the characteristics of US union members. Similarly, we compare the magnitude of union wage and benefit differentials in China with those in the US. Preliminary analysis shows that the differential in China are large, particularly for provision of old age insurance, which provides pensions for retired workers.

Since many ACFTU unions are “paper unions” with little bargaining power in comparison to US unions, the question naturally arises as to why these unions are associated with higher wages and pension and other social insurance benefits. We examine three hypotheses: (1) that they press firms to pay legally mandated social insurance benefits, about which in principle there is no need to bargain; (2) that they act as a worker-friendly human resource division within the firm, One way they can do this is to “borrow” the legal authority of the firm's Staff and Worker Committee to meet and confer with management about ways to get better deals for workers; and (3) that as representatives of workers they argue for higher wages/benefits within the single-party system as necessary for stable labor relations. One way they do this is to lobby the party and local government to issue law or regulations that benefit workers. To get a better sense of the way ACFTU unions press for benefits for workers outside of collective bargaining, we will interview ACFTU officials in winter 2013. We will contrast how the ACFTU operates to the efforts of public sector unions to improve the pay/benefits of government workers in states which outlaw public sector collective bargaining.

In sum, our paper will use the two unique data sets on union membership and workplace unionism and collective bargaining together with interviews to determine how far China's unions have come along the path toward bargaining and the ways they affect worker outcomes absent collective bargaining and the negotiating power that comes with an independent union.