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INTRODUCTION

In the late 1970s, China embarked on a new path of development, unleashing untapped economic and labor resources including domestic market forces and international capital. Government officials promoted a series of rural reforms in an attempt to revitalize agriculture and to liberalize industries. Local labor markets have emerged in the dual processes of decentralization and decollectivization driven by the reformist state, and pushed forth by ordinary people who had initiated social and economic transformations to improve their lives (Blecher 2010; Friedman and Lee 2010; Chan and Selden 2014; Lee 2016). With the dismantling of people’s communes, each of the rural household shall legally contract a small piece of farm land in proportion to its family size from village committees. Surplus youthful laborers are to be absorbed in booming construction, manufacturing and services sectors in villages, towns and cities. The newfound individual freedom of movement between jobs and spaces, and the accompanying uncertainties and insecurities confronted by the rural and urban residents, marks the capitalist transition of China in an era of global capitalism.

This chapter analyzes the emergence and development of China’s labor market over the past four decades. It provides an overview of the accumulation of capital, the diversification of economy and the changing composition of the workforce under the market reforms. During the 1980s and 1990s, the rise of China greatly reshaped not only the East Asia geopolitics and the
international division of labor, but also the state–society relationships (Selden 1993; Hung 2009). In place of the older cohorts of socialist workers are the new generations of internal rural migrants, who become the mainstay of export-oriented manufacturing. The proletarianization process of Chinese rural migrants (nongmingong) and the smashing of the ‘iron rice bowl’ of the working class (gongren jieji) has engendered individual and collective labor protests since the 1990s, propelling the Beijing leaders to take a more proactive approach to resolve the crises. Meanwhile, the Chinese state has accelerated to rebalance its economy by shifting the growth strategy from low-cost industry to higher value-added services, bringing new sources of labor discontents to the affected workers. In the long run, what are the impacts of demographic changes on economic growth and social stability? As the Chinese economy slows, the state has adopted new measures to enhance its human capital and labor productivity, with mixed outcomes (Eggleston et al. 2013; Hung 2016a; Li 2016).

LABOR MARKET REFORMS IN POST-MAO CHINA

The contemporary Chinese economic model builds on legacies of socialist development that once were notable for collectivized agriculture and the primacy of state industry. Between 1953 (when the First Five-Year Plan was launched) and 1978 (when the Third Plenary Session of the 11th Central Committee of the Communist Party was held in Beijing), industrial output increased at an average rate of 11.5 percent annually (Naughton 2007: 56). This ‘big push’ development strategy under Mao’s China focused on heavy industry, such as iron and steel, agricultural machinery, and the extraction of natural resources, while slighting domestic consumption and restricting markets and labor migration. Workers became the masters of the nation and the advanced elements of production, enjoying far more material rewards and higher social status than the peasantry.

Under the central planning system, jobs are allocated by the state for all urban residents. Large state units (danwei) provide workers and staff with job security and comprehensive welfare including housing, healthcare and pensions, while collective-owned units offer smaller packages of salaries and benefits (Lu and Perry 1997). Change of workplace or job position is rare except when otherwise permitted by managers and cadres. Loyalty to the communist party-state is thus rooted in closely knit economic, social and political networks (Walder 1986). Besides permanent state employees, there are a few posts for temporary and contract workers filled by peasant migrants, whose household registration (hukou) remain in the countryside and who are not eligible for most of the welfare benefits. Inequality persists in the workplace, even when the differences of wages remain very small.
As of 1980, more than 104 million Chinese were employed in urban state-owned enterprises (SOEs) and collective-owned units (Chinese Labor Statistical Yearbook 2015: 11). With new graduates from secondary schools and colleges, the growth of employment in the state sector continued. In 1990, more than 97 percent of urban residents were employed in state and collective companies (Lam, Liu and Schipke 2015: 9). At the same time, with the influx of domestic capital and foreign direct investment, alongside the gradual relaxation of state restrictions on rural-to-urban migration, Hong Kong and Taiwan investors grew rapidly to become subcontractors to global brands in the new international division of labor (Gallagher 2005; Hamilton, Petrovic and Senauer 2011). China is rising to serve as a strategic global supply base of surplus capital from the East Asia countries and the West (Harvey 2005; Hung 2009).

In preparing for China’s accession to the World Trade Organization (WTO), during the 1990s, the government began to slash bank loans and subsidies to smaller state firms while transforming the larger ones to maximize capital accumulation (Philion 2009; Solinger 2009). In 1997, the 15th Party Congress formally endorsed the enterprise restructuring policies that had gained some momentum. Figure 8.1 shows that the number of SOE employees were drastically cut from some 90 million in 1998 to less than 69 million in 2003 – in a span of five years, and the number of collective-owned enterprise employees was reduced by a half from nearly 20 million to below 10 million during the same period. Many small- and medium-sized state and collective firms were bankrupted or privatized. Anti-privatization protests staged by the laid-off workers and pensioners were contained in a carrot and stick approach (Cai 2006; Lee 2007; Gold et al. 2009). In fact, the day had come for many state employees, ‘there was “no work to strike against!”’ (Pringle 2013: 195). Large state-owned firms were corporatized and merged into larger groups with the virtually unlimited financial resources from state banks. William Hurst (2009: 53) sharply observes that ‘state firms became more, rather than less, politicized through reform.’

The Chinese party-state is a primary driver in reforming the urban state sector in the context of neoliberal globalization. The lifetime job tenure system was generally eliminated and replaced with fixed-term contracts at smaller units (White 1993; Rofel 1999). Today, central-government-run SOEs in the monopolistic energy and utility sector, such as State Grid Corporation of China (SGCC), China National Petroleum Corporation (CNPC), and Sinopec Group, are among the top Global 500 companies. By the end of 2015, Xinhua (2015) reported that China’s State-owned Assets Supervision and Administration Commission (SASAC) was managing ‘about 150,000 SOEs, which hold over 100 trillion yuan (about US$15.5 trillion) in assets and employ more than 30 million people.’ Although the overall labor size of the urban state sector has been drastically reduced, the economic influence of the large, highly profitable SOEs in aviation, energy, railway and other strategic sectors is crucial.
In the meantime, the employment growth in private enterprises and individual businesses, as well as in joint ventures and wholly foreign-invested enterprises, has been explosive, turning China into the workshop of the world. In the 1980s and 1990s, the supply of rural migrant labor was abundant. Employers maximized profits by suppressing wages and cutting benefits to ‘race to the bottom’ (Chan 2001). With the substantial share of village households for migrant workers’ social reproduction costs, China did not experience wage gains comparable to those of other East Asian newly industrializing economies during their takeoff (Lee 1998; Sargeson 1999; Solinger 1999; Gaetano and Jacka 2004; Pun 2005; Kim 2013). By the early 2000s, China’s manufacturing wage as a percentage of US manufacturing wage had stagnated at approximately 5 percent and remained far below the level of earlier East Asian industrializers during their periods of highest growth (Hung 2016a: 70).

Despite the elimination of agricultural taxes in 2005 and the extension of local social insurance schemes, much of the countryside has remained underdeveloped as the young have left for the cities and jobs in industry, construction and services. In national development, the Chinese state has played an active role in creating a business-friendly environment by preserving the distinctive political economy characterized by a deep rural–urban divide, while furthering the relaxation of internal migration restrictions, thus securing and sustaining the flexible
supply of cheap rural labor across spaces and sectors (Lee and Selden 2008; Yan 2008; Andreas 2008, 2012). The government provision of social services for internal migrants such as housing, medical care and education is very limited. Many migrant workers live in shared dormitories or low-cost rental rooms to save money, where the living conditions are poor (Al 2012, 2014). Behind the Chinese export-oriented industrialization, the contributions of the successive generations of rural migrants are enormous.

EMPLOYMENT IN AGRICULTURE, MANUFACTURING AND SERVICES

In China, as in other developing countries, agricultural employment has steadily declined in rural–urban migration, urbanization and industrialization (Evans and Staveteig 2009). From 1980 to 2014, the size of employment in primary industry decreased from almost 70 percent to less than 30 percent. By contrast, secondary industry and tertiary industry were on the rise, with the expansion of the services sector the fastest (see Figure 8.2). By 2020, it is estimated that employment in agriculture will drop to fewer than 200 million workers in China (Lam, Liu and Schipke 2015: 20). At the same time, agribusiness conglomerates are fast expanding, dominating the market share of specific product segments and product prices.

Figure 8.2 Composition of China’s employment by industry, 1980–2014

Source: ‘Number of Employment at the Year-End,’ China Labor Statistical Yearbook 2015 (2016), Table 1-5
In the 1997–98 Asian financial crisis, private and foreign investment in China decreased. From 2001 under the World Trade Organization (WTO), however, China has absorbed massive capital and generated a huge trade surplus. Labor-intensive, low valued-added and low-tech industries have been striving to become more profitable through research and development (R&D), innovation and technological upgrading. Local governments, from coastal to inland provinces, are competing for new business. Taiwanese-owned Hon Hai Precision Industries, known as Foxconn, capitalizes government subsidies and credits in the ‘go west’ development plans, thereby extending its manufacturing empire from the east to the west. As of 2010, Foxconn has risen to become China’s biggest private employer with more than one million employees in the country alone, thanks also to the new orders from Apple and other tech giants. The electronics manufacturer, with its 30-some largest production sites in China, is installing industrial robots to improve productivity and to climb the global value chain (Chan, Pun and Selden 2013; Pun et al. 2016).

China’s wages have improved since 2003, although the growth has decelerated in recent years, and smaller businesses often use the government-mandated local minimum wages as the base level for low-skilled workers. Barry Naughton (2014: 14, 21) highlights that the national economy sustained average growth of 10.4 percent per annum between 2003 and 2012, and real wages for rural migrant workers jumped 2.5 times over the decade. With the exception of 2008–09 during the deepest world recession since World War II, annual increases in state minimum wages steadily boosted Chinese worker wages across the board. Government surveys showed that in 2015, Chinese rural migrant workers’ average wage was 3,072 yuan/month (including overtime premiums), a 7.2 percent increase from the preceding year (National Bureau of Statistics 2016: Table 8). However, Guangdong, the top exporting province, announced the freeze of local minimum wages for 2016 and 2017 in a bid to enhance market competitiveness.1

China is transforming its macro policy from one based on industry and investment to one based on services and consumption. Although the regulatory and judicial environment is troubling, the Chinese market growth potential is strong. Services sector employment, including information and knowledge-based services, accounted for more than 40 percent of the labor force in 2014 (see Figure 8.2). Workers being laid off from manufacturing sector jobs may get jobs in the low-end service workplaces. In terms of employment, the projected increases of the consumer and services sector will reach 47.6 percent in 2016–20, 52.9 percent in 2021–25 and 59 percent in 2026–30 (Gallagher et al. 2015: 227). For knowledge professionals and symbolic analysts, digitalization has brought new opportunities in e-commerce and other higher value-added trades. Clearly, the services sector has replaced the manufacturing sector as the economy’s key driver of growth, constituting 54 percent of gross domestic product (GDP) in the first half of 2016 (The World Bank 2016: 115).
To enhance young people’s capabilities and competitiveness, the government has expanded resources in education and vocational training across all levels. But access to quality education remains highly unequal between regions and between rural and urban residents (students with a rural as opposed to an urban residential permit). During 2007 and 2012, Li Hongbin and his coauthors reported that less than 40 percent of rural children were admitted to high school in China (Li et al. 2017). From early on, the ‘left-behind children’ suffered more health and social problems than their relatively advantaged counterparts, were less prepared for competitive open exams and were more likely to drop out before high school. Low-income families will face the burden of tuition fee payment at the high school level, combined with the high opportunity cost at times of rising wages in the job market, thus holding them back from committing their children to post-middle school education. Moving up the education ladder, not surprisingly, rural students continue to lag behind. In another joint research project carried out by the Tsinghua University, Shanghai Finance Institute, and Stanford University, Li Hongbin and his team (Li et al. 2015: 187) draw on the 2000 population census and a national dataset comprising 6.2 million students who took the college entrance exam in 2003 to conclude that only ‘7 percent of rural youth from poor counties could access any college in 2003, compared to 48 per cent of urban youth.’ When looking into the 112 elite colleges, the enrollment of rural youth from poor counties was 11 times less than urban youth, showing the large education gap (Li et al. 2015: 187). Taking gender and ethnicity into account, non-Han female students from poor rural counties enjoy far fewer chances to study in elite colleges than male, urban Han Chinese from non-poor counties (a gap of 19 times) (Li et al. 2015: 187). Despite the mass expansion of college enrollments since the late 1990s, social inequality and educational disadvantage persists.²

As an integral part of the ongoing education reforms, the Beijing government is making vocational education and skills training more accessible by waiving the tuition costs and providing subsidies to eligible teenagers, rural and urban, thus extending the basic schooling up to 12 years in the long run (Ministry of Education et al. 2014; Stewart 2015). Vocational high schools offer employment-oriented courses and general skills learning for first- and second-year students in a classroom setting. During their third year, when they are 17 to 18 years old, students are expected to intern at enterprises that are directly relevant to their subjects. The main goals are to facilitate study-to-work transition, build human capital and improve labor productivity. The ten-year national plan for educational development (Ministry of Education 2010) projects an increase in vocational high school enrollment from 21.8 million in 2009 to 23.5 million in 2020. A comparable decline in the number of students in high schools to 23.5 million is planned.
In China, actual enrollment data from 2001 to 2014 clearly shows that academic high school education is valued more than vocational schooling. In general, students with High School Entrance Exam scores equal to, or higher than, the exam score cutoff in their county will choose to go to regular or key-point high school, and prepare themselves for college studies. In fact, from its peak in 2010, vocational high schools have experienced a decline in the number of applicants, enrolled students (18 million in 2014) and full-time teachers (see Figure 8.3).

Teaching and learning effectiveness at vocational schools is a cause for concern. Drawing on longitudinal survey data comprising 10,071 students from vocational and academic high schools in two provinces, Prashant Loyalka and his coauthors (Loyalka et al. 2015) found that vocational education and training, contrary to popular expectations, did not greatly contribute to computing skills development for computer majors (who are trained for entry level jobs in database management, website administration, software engineering, digital advertising or computer animation). This is disappointing because vocational students have spent far more time in computer classes every week than their high school counterparts. Even worse, the survey results show that vocational school students have lost basic math skills they previously had over the course of the first year of vocational study. The sampled students’ computing and math scores, poor as they seem, may not form a solid basis to negate the functions of vocational education and training as a whole. Ethnographers (Ling 2015; Woronov 2016) highlighted that vocational youths, while indiscriminately labelled as ‘bad students’

![Figure 8.3 Composition of students in China’s senior secondary schools, 2001–14](image)

*Source: Ministry of Education of the People’s Republic of China (2015)*
and ‘failures’ from the mainstream educational system, are aspiring to make their dreams come true. Urban vocational schools are a big melting pot where students from rural and urban backgrounds are learning from each other, acquiring social skills and preparing to enter (semi-)skilled work upon graduation. Some have developed useful networks during their part-time jobs and internship. In the Suzhou Industrial Park of Jiangsu, for example, interns or trainees are able to gain meaningful working experiences in tailored training programs, and are offered opportunities to convert into full-time staff after the satisfactory completion of their studies (Li and Sheldon 2014).

Vocational high school graduates may further their studies to pursue higher diplomas. However, they receive only ‘about a third’ of the government funding per student allocated to colleges, according to research co-conducted by Fudan University and Tsinghua University (2016: 15). Financial barriers can be formidable to children and youth coming from low socioeconomic backgrounds. Scholarships and awards provided by schools, companies and local governments will help. An interdisciplinary multi-year research led by Jenny Chan (2017) unveils the dark side of ‘school–business partnerships.’ Instead of giving financial inputs and proper guidance to student interns, employers turn them into cheap labor to meet their production needs during the so-called internship, which lasts from three months to one year. Compared to directly hired laborers, interning students are not classified as ‘employees’ but remained as ‘students’ under Chinese law. As a result, they are not legally entitled to any social insurance and are cheaper than their co-workers. The corporate use, and abuse, of ‘student workers’ (xueshenggong) is made possible by the support of local governments and vocational schools. Government officials pressure schools to cooperate with labor-hungry enterprises to flexibly meet the student quota; in return, new investment in the local jurisdiction is exchanged, at the sacrifice of the students’ rights and interests (Chan, Pun and Selden 2015; Smith and Chan 2015). Deskilling, boredom and alienation characterize factory assembly line jobs. In extreme cases, child labor (under 16 years of age) is exploited in the guise of internship. The massive recruitment of young students as a new source of informal, contingent labor is to be understood in a broader context of rising costs and a tightening of the labor market, to which we now turn.

**DEMOGRAPHIC TRANSITION AND A DECLINING WORKING-AGE POPULATION**

Demographic transition is a ‘transitioning process from high fertility rate, high death rate and high natural growth rate of population to low fertility rate, low death rate and low natural growth rate of population’ (Du and Yang 2014: 634). In Mao’s China, the state had promoted later marriage, longer interval between births, and having fewer children. In the late 1970s, the top leadership imposed
the draconian ‘one-child policy,’ with a few exceptions, bringing long-lasting consequences on social and economic development. Chinese fertility is presently 1.6 children per woman, down from more than 6 children in the 1950s and 2.5 in the 1980s (Gu and Cai 2011). China’s 2010 population census showed that the age group 0–14 constituted 16.6 percent of the total population, down 6.3 percent compared with the 2000 census data (National Bureau of Statistics 2011).

Considering the working-age population of 16–59 (this age bracket is China’s official definition of its labor force, with 16 years of age as the legal minimum), some demographers estimated that the total size of the Chinese labor force had already peaked at 907 million in 2013 (Du and Yang 2014: 625), while others reported that the working people aged 15–64 had peaked in 2014, reaching one billion, and has declined since then (Li et al. 2017). Demographic dividend – the boost to income derived from large cohorts concentrated in working ages coupled with a small share of dependents – was substantial during the rapid urbanization and industrialization in the 1980s and 1990s, and only began to shrink after 2000 (Eggleston et al. 2013: 508). On a more optimistic note, government officials (Wang 2015) suggest that the country’s productive labor supply is still massive. While the age structure is shifting towards a greying population, better-educated young adults are driving industrial upgrading and technological innovation through 2030 and beyond.

The opportunity to reap a large demographic dividend occurs during a finite window that gradually closes as the working population ages. The number of laborers aged 20–24 is projected to decline from 125 million people in 2010 to around 80 million in 2020 (Gu and Cai 2011). In 2015, 222 million persons were 60 years old or more, accounting for 16.1 percent of the total population, in which those who were 65 or over accounted for 10.5 percent of the total population (National Bureau of Statistics 2016). China’s share of elderly is projected to rise, resulting in a higher percentage than the United States or Russia (Davis 2014: 28). All of these indicators suggest a reduction in labor input in the coming decades. To ensure economic and social growth, in 2013, the government further modified the ‘two children for two-only-child couples’ policy by allowing parents to have a second child if one of them is an only child. In 2015, the decision-makers eventually removed the prevailing restrictions and allowed all couples to have two children. The policy effects on labor market development and family formation are to be carefully observed.

On internal migration, China’s labor reallocation from rural to urban areas has decelerated. While the country has the world’s largest population, the rate of growth of rural migrant labor has declined noticeably from 5.4 percent in 2010 to 1.3 percent in 2015 in step with the overall contraction of working-age population amidst China’s demographic transition (see Table 8.1). The number of rural migrant workers was significant, at some 277 million in 2015, making up nearly one-third of the entire labor force (National Bureau of Statistics 2016: Table 1).
In 2015, 66.4 percent of the Chinese rural migrant workers were men, reflecting the national phenomenon of a substantial gender imbalance (Davis 2014; Huang et al. 2016; National Bureau of Statistics 2016). The 21–30 age group is consistently the largest, but it has dropped from some 35 percent in 2008 to 29 percent in 2015, while older cohorts from age 41 and above have expanded steadily, according to annual government survey data. Figure 8.4 shows the aging of the Chinese migrant population, including those who are 41–50 years of age (up from 19 percent to 27 percent between 2008 and 2015) and those who are over 50 (up from 11 percent to 18 percent during the same period). Many of the

Table 8.1  The total number of Chinese rural migrant workers, 2009–15

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural migrant workers (persons)</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>229,780,000</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>242,230,000</td>
<td>+5.4%</td>
</tr>
<tr>
<td>2011</td>
<td>252,780,000</td>
<td>+4.4%</td>
</tr>
<tr>
<td>2012</td>
<td>262,610,000</td>
<td>+3.9%</td>
</tr>
<tr>
<td>2013</td>
<td>268,940,000</td>
<td>+2.4%</td>
</tr>
<tr>
<td>2014</td>
<td>273,950,000</td>
<td>+1.9%</td>
</tr>
<tr>
<td>2015</td>
<td>277,470,000</td>
<td>+1.3%</td>
</tr>
</tbody>
</table>

Sources: National Bureau of Statistics of the People’s Republic of China (2010: table 1; 2016: table 1)

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Figure 8.4  Aging trend of Chinese rural migrant workers, 2008–15

Note: The earliest government survey data of Chinese rural migrant workers was available online from 2008. Age groups are divided into five categories (16–20, 21–30, 31–40, 41–50, above 50).

Sources: National Bureau of Statistics of the People’s Republic of China (2013: Table 4; 2016: Table 2)
middle-aged and older migrants are now able to find jobs because employers have generally raised the age limit of hiring and postponed the retirement date.

THE CHALLENGES TO STABILITY IN THE LABOR MARKET

The Chinese labor market is increasingly segmented with the hiring of rural migrants, student interns (who are sent in by schools or for-profit labor agencies) and agency laborers. Agency workers, also known as dispatched or subcontracted workers (laowu paiqian gong), are engaged in labor relations directly with agencies but provide services to client companies. Labor subcontracting is a common practice not only in private corporations but also state firms such as Sinopec and China Telecom (Zhou 2013). In state-owned and Sino-foreign joint ventures in the auto sector, agency workers, whose numbers varied between 33 percent and 60 percent at seven surveyed workplaces, earned only half to two-thirds of their co-workers’ wages (Zhang 2015). Besides, local governments have also outsourced sanitation jobs to the lowest bidder to cut costs, shifting employment risks and insecurity to middle-aged women cleaning workers (Pringle 2017). To strengthen the rights protection of workers and to boost governance legitimacy, on 29 June 2007, the National People’s Congress passed the Labor Contract Law, which came into force on 1 January 2008 (Ngok 2008; Chan 2009). Agency workers, for the first time, shall be entitled to the same pay and same treatment as directly hired employees holding the same posts. Importantly, they should also be provided with written labor contracts for at least two years, thereby placing certain limits on informalization while maintaining labor and organizational flexibility (Gallagher 2017: 63–70).

Nationwide, by 2011, the Ministry of Human Resources and Social Security estimated that the total number of agency workers had reached 27 million, while the All-China Federation of Trade Unions reported a higher figure of 37 million (All-China Federation of Trade Unions 2012: 23; Liu 2014: 20). Under the law, agency workers are assumed to take only temporary, auxiliary and substitute posts. In reality, violations are widespread, in which agency workers tend to crowd out the regular ones, aggravating labor divisions and fragmentations in both the workplace and the job market (Xu 2014; Cairns 2015). In 2012, there were 170,000 cases involving agency workers’ disputes over employment contract termination, discrimination, and other compensation issues (China Labor Net 2013). Many might have gone unreported or unaccepted at local labor dispute arbitration committees (Huang 2017a, 2017b).4

Aggrieved workers and other social groups have also taken extra-legal means to voice their grievances. They have participated in ‘mass incidents’ (qunti-xing shijian), referring to a wide variety of collective actions including protests, strikes, sit-ins, marches, rallies, riots and other popular unrest. While the precise statistical breakdown of worker-led actions was not publicly available, the
number of mass incidents ‘continued to increase at more than 20 percent a year’ between 2000 and 2003 (Tanner 2005: 5). Laid-off workers from the state sector and other vulnerable groups from the fast expanding non-state sector were making their claims. The total number of mass incidents increased from 87,000 in 2005 to more than 120,000 in 2008, indicating widespread grievances over rising class inequality, corruption and other forms of injustices (Elfstrom and Kuruvilla 2014: 454). Alarmingly, with reference to another set of official data, the number of arbitrated labor disputes reached an unprecedented 715,163 cases in 2014, surpassing the peak of 693,465 cases in 2008 during the economic downturn (China Labor Statistical Yearbook 2015 2016: 344–45). Government officials, including trade unionists, have attempted to direct disgruntled workers to resolve conflicts through mediation in order to reduce caseloads (Gallagher and Dong 2011; Gallagher 2017: 85–89).

Workers with higher rights consciousness are pushing for better wages and benefits. In May and early June 2010, for example, 1,800 employees at Honda Nanhai in Foshan City, Guangdong – including workers and student interns – went on a factory-wide strike to call for a big wage hike of 35 percent, or 800 yuan. Against all odds, the strikers were able to force management to negotiate, winning a partial victory with workers receiving an additional 500 yuan per month and underpaid interns over 600 yuan more per month (Butollo and ten Brink 2012; Friedman 2014; Lyddon et al. 2015). Moreover, the worker representatives insisted on reforming their company union through democratic elections. In August 2010, Kong Xianghong, vice-chair of the Guangdong Federation of Trade Unions, presided over the direct election of shop-floor union representatives and subsequent collective wage bargaining in 2011. Many workers were disappointed, however, that the discredited union chair was permitted to remain as head of a partially reformed union and the two ‘elected’ vice-chairs were top-level managers, reflecting continued managerial control. As a result, the union committee quickly lost the confidence of rank-and-file workers (Hui and Chan 2015; Chan and Hui 2017). The struggles between the state, labor and capital over workers’ union power have not been resolved.

Another acute source of contention is about labor welfare. Rural migrant workers, particularly those who are not provided with employment contracts, have limited access to social insurance benefits (Gallagher 2017: 97). In the assessment of Mark Frazier (2014: 70), the Beijing government ‘positioned itself at a comfortable distance from the costly commitments of social policy’ throughout the last two decades of the 20th century. But the state–labor relationships have become unstable, requiring ever more legislative efforts, media advocacy and direct involvement in labor management by government officials across all levels (Lee 2007; Chen 2012; Lee and Zhang 2013; Gallagher 2014). In restoring social order, President Hu Jintao and his successor Xi Jinping have repeatedly pledged to take new measures to build a universal safety net for the working poor, the old, the sick, the injured and the unemployed.
As China’s population ages rapidly, researchers (Gallagher et al. 2015: 226) predict that increasing demographic pressure will create ‘an incentive for local governments to bring young migrant workers into local social insurance programs,’ thereby boosting social insurance revenue. The local state’s efforts in monitoring and pooling public insurance resources are becoming more important than ever when the new social inclusion programs of the center often create a series of unfunded, or underfunded, mandates for local authorities. By law, both employers and employees should enroll in local social insurance schemes, which include five types of insurance (pension, medical, work-related accident, unemployment and maternity insurance) and a mandatory housing fund. When the central government promulgated the Social Insurance Law, effective 1 July 2011, it required that premium contribution years be carried forward and portable across different cities. The policy goal of making social insurance transferrable is expressed in a slogan: ‘Wherever you work, social insurance follows.’ The continuity and accumulation of insurance enrollment is crucial (accumulated up to 15 years before any disbursement of retirement benefits) when labor mobility and job transfer is becoming more common.

Basic social insurance coverage has extended to rural and urban areas, although a large gap between regions, as well as between permanent residents and migrant workers, remains (Hsiao 2014; Carrillo Garcia 2016). Drawing on the five-city household data from the 2005 and 2010 waves of the China Urban Labor Survey, Mary Gallagher and her coauthors (Gallagher et al. 2015: 224) found that ‘social insurance coverage rates are much higher for employees who are local residents than for those who are migrants.’ In 2010, 88.5 percent of local resident employees enjoyed pension coverage and 85.8 percent had health insurance provided by their employers. By comparison, in the same year, only 23.8 percent of migrant employees had pensions and 21.8 percent health insurance. With reference to the government-administered ‘Investigative Report on the Monitoring of Chinese Rural Migrant Workers,’ in 2014, a mere 48 million rural migrant workers (or 17.6 percent) had obtained health insurance, and just 46 million (or 16.7 percent) had pensions nationwide (National Bureau of Statistics 2015: Table 14). And the figures from various surveys ignore the questions of portability that many migrants face when they change jobs or retire from work.

In April 2014, at Taiwanese-owned Yue Yuen – the world’s largest footwear contractor to Adidas, Nike, Timberland and other international brands – over 40,000 workers in Dongguan city of Guangdong province went on strike on and off for nearly two weeks to demand full payment of pensions and mandatory housing provident funds that were owed them, along with a 30 percent large increase in base wages (Chen 2015). Bypassing the company union, demonstrating workers blocked traffic and marched toward the municipal human resources and social security bureau. A core group of older leaders, who had left their rural homes more than a decade ago and had accumulated long years of service, shared large stakes in the collective fight against Yue Yuen management. They rested their
rightful claims on the basis of the Labor Contract Law and the Social Insurance Law, among others. The strike ended at the end of April with some monetary concessions. Company management promised to pay full, mandatory social security contributions starting from 1 May 2014. While the mode of workplace-based labor protest remains unchanged (Lee 2007), this was a high-profile, large-scale case in which trade union officials and government representatives across different levels worked to restore stability (Chan and Selden 2014; Schmalz, Sommer and Xu 2017). One of the dominant coping strategies of the state is to buy industrial peace by giving money at a discounted rate to affected workers in direct, onsite negotiations (Tanner 2005; Su and He 2010; Lee and Zhang 2013). But this top-down project of ‘social management’ is certainly burdensome when the government is compelled to further enhance the greater access to social insurance for all. Fundamentally, the imbalance of power between capital and labor is not effectively addressed.

**ECONOMIC SLOWDOWN**

China has been facing growing labor conflicts and slowing economic growth in the post-2008 Great Recession. While the total non-financial sector debt to GDP ratio remained flat at around 140 percent from 2003 to 2008 (Li 2016: 96), during the 2008 financial crisis, the central government moved to support local governments and state-owned firms to undertake huge investment programs financed by bank loans, leading to accumulation of overcapacity and indebtedness of the economy. In 2009, fixed-asset investment leaped to 66 percent of GDP (Wong 2011: 2). The state sector, not surprisingly, failed to repay their loans and outstanding debts. China’s debt jumped to 209 percent of GDP in 2013, 250 percent in 2015, and further to almost 300 percent in 2016 (Li 2016: 96; Hung 2016b). ‘The increasing power of the unprofitable and inefficient SOEs at the expense of private and foreign enterprises,’ in the views of Ho-fung Hung (2016b), ‘is leaving China with a slowing economy.’ The World Bank analysts also point to the slower real GDP growth of China, from 6.7 percent in 2016 to 6.5 percent in 2017, and further to 6.3 percent in 2018 (The World Bank 2016: 117).

Excessively high national debt–GDP ratios, in combination with a falling rate of profit, will pave the way for a financial crisis which affects not only China but the global economy. Minqi Li (2016: 102) argues, ‘a major crisis of the Chinese economy will cause major disruptions of the global commodity chains.’ In the 2016 China Business Climate Survey Report, the nearly 500 member companies of the American Chamber of Commerce in China (AmCham China) reported that they were increasingly concerned about ‘transparency, predictability and fairness of the regulatory environment’ (AmCham China 2016: 2). The proportion of the surveyed member companies which had remained ‘financially profitable’ in
2015 fell to 64 percent, which was ‘the lowest level’ since the aftermath of the 2008 global financial crisis (AmCham China 2016: 4). In addition, almost one-third of member companies did not plan to expand their investments in China in 2016 – ‘a higher percentage than during the financial crisis in 2009’ (AmCham China 2016: 21–22).

The attractiveness of China as the top destination for global investments has declined. Subjected to market access barriers and other institutional constraints, such as inconsistent regulatory interpretation and unclear laws, multinationals from a broad range of industries are diversifying and investing in lower cost regions outside of China. The rise of Vietnam, Cambodia and Bangladesh, for a few examples, has shaped the restructuring of global production networks (Appelbaum and Lichtenstein 2016; The World Bank 2016).

The effect of slowing growth on employment is a sensitive issue for the Chinese government. Whereas more than 12 million new jobs were created in 2016, redundant workers from the iron, steel and coal industries are facing difficulties in deepened SOE reforms. Here is a dilemma. Government leaders, who are well aware of the risks of debt buildups, have set targets to cut excess industrial capacity and to further reduce their financial leverage. Loss-making coal and steel producing plants with little prospect of turning around their performance were shut down. In response, some older state workers have desperately protested against reduction of production capacity and the resulting slash of wages and benefits, or even layoffs. Protecting the livelihoods of SOE employees will be a formidable task for President Xi Jinping and Premier Li Keqiang.

**CONCLUSION**

China seeks to rebalance its economy toward consumption, retail and services, and higher value-added activities. In the course of capitalist transformation, China, not unlike other economies, utilizes massive utilization of land, energies and other scarce resources. The commodification of land is fuelling high growth in the property market, while putting unprecedented pressure on both the natural world and the people. When more agricultural land is expropriated for commercial real-estate business, infrastructure, industrial projects and services, more peasants will lose their means of production to join the rank of complete proletariats. Worse still, landless rural migrants, who have lost their family lands contracted from birth villages in the course of ‘urban development,’ may risk losing their employability in the construction sector (Chuang 2015). These marginalized rural people are double losers, who no longer possess their means of production and their paid employment. In China’s poorly regulated construction sector, wage arrears if not outright nonpayment are commonplace in the long subcontracting chains (Pun and Lu 2010; Swider 2015). For their self-interest,
contractors become reluctant to hire dispossessed rural migrants because they themselves have to pay upfront to meet the migrant workers’ basic needs before getting paid for the completion of the project. The cost of social reproduction of land-losing laborers will be higher than average migrants who can fall back on their rural land and families at times of crisis. As a result, contractors are incentivized to search for peasant migrants who still possess their land to lower their costs. This is a form of exclusion and expulsion of landless rural laborers from the labor market. In successive land grabs, the number of uprooted and displaced residents will inevitably increase, exacerbating many social problems and undermining the political governance. The contradictions between land, labor and the Chinese state in ‘development’ are to be critically examined in the 21st century when much of the favorable structural conditions no longer exist. Above all, the precariousness of hundreds of millions of Chinese people needs to be fundamentally confronted and changed.

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Notes

1 Minimum wage varies within provinces in China. In 2016, in Guangzhou, provincial city of Guangdong, the minimum wage is RMB1,895, while the figure in smaller towns is RMB1,210.
2 The share of college graduates to China’s labor force greatly increased from a mere 1.1 percent in 1980 to 12.5 percent in 2015. In comparative perspectives, however, the proportion of the labor force having a college education in China is still lower than South Africa (15 percent), Mexico (16 percent) and Malaysia (16 percent) (Li et al. 2017: Figure 3).
3 The sex ratio at birth in China is highly skewed in favor of boys. Drawing on national census data, in 1982, the ‘imbalanced sex ratio’ was 108.94 boys to 100 girls (just above the global average range of 103–107 boys to every 100 girls); but the ratio climbed to 111.87 in 1990, 116.90 in 2000, and 117.94 in 2010. Recently, a hospital-based dataset shows that the ratio was 111.04 in 2012, 110.16 in 2013, 108.79 in 2014, and 109.53 in 2015 (Huang et al. 2016: 1–2). The decades-long imbalance had started to decline in 2008, but increased slightly again in 2015. It is estimated that 20–30 million young men — ‘excess males’ — will be unable to marry (particularly young rural men) (Davis 2014: 33–34). The long-term socio-demographic impact on gender and labor of the universal two-child policy is to be researched.
4 Arbitration committees are grassroots state organizations that bring together labor and management to resolve labor conflicts. But not all incidents of labor disputes fall within the domain of arbitration and the courts. Workers know that government arbitrators do not accept demands such as those for wage increases above the legal minimum.
The China Urban Labor Survey was conducted by the Chinese Academy of Social Sciences’ Institute of Population and Labor Economics in 2001, 2005 and 2010. The five surveyed cities are Shanghai, Wuhan (Hubei), Shenyang (Liaoning), Fuzhou (Fujian) and Xian (Shaanxi). In the third wave, the sixth city of Guangzhou, provincial capital of Guangdong, was added.

In the 2016 Business Climate Survey, 496 member companies of AmCham China (American Chamber of Commerce in China) completed significant portions of the survey. The companies are classified into four sectors: Industrial and Resources, Technology and Other R&D Intensive, Consumer (product and service) and Services.

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