

# **The Chinese Strike Wave of the Summer of 2010 - Moving beyond Cheap Labour?**

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## **1. Introduction**

From May until July of 2010 the Chinese economy was hit by a series of strikes that was unprecedented in its proliferation as well as in the public attention that was directed at it. Not only international newspapers reported extensively, but the strikes also ranked prominently in the coverage of official Chinese media. In its large majority the strikes lead to substantial wage increases for the workers. In the context of the current debates about a transformation of the Chinese economic growth model they also increased the pressure for a reform of the current system of labour relations. Finally, they were a spectacular indication that workers from the interior provinces of China, the so-called second generation of migrant workers, are not prepared to accept the hyper-exploitation of labour, which still is characteristic for a great number of Chinese industries, any longer.

This paper discusses the specifics of the recent strike wave against the background of theoretical concepts of the Chinese labour movement. It will be argued that the strikes constitute a step in an ongoing process of class formation of a hitherto rather fragmented and atomised working class. This process, despite persistent contradictions, not only opens a perspective for more generalised struggle in the future, but also changes the balance of forces in Chinese society and spurs reform processes towards the institutionalisation and legalisation of labour conflict. The paper ends with a discussion of the recent dynamics of labour reform in the Guangdong province, the Southern hub of China's export industry.

## **2. Labour movements in the “workshop of the world”**

Protests of different sections of the working class have become more frequent since the Chinese government began its “opening up” policies in 1978 and were increasingly widespread since the 1990s. The reasons for this are connected to the dual process of industrial restructuring during the transformation of the state socialist system towards a “Chinese variety of capitalism” (ten Brink 2010). Due to the privatisation of many state owned enterprises, a large number of workers, who up until then had enjoyed job security and social benefits under the system of the “iron rice bowl”, lost their jobs. At the same time the Special Economic Zones in the coastal provinces experienced a large influx of foreign capital and a fast growth of the export oriented private sector. The growth of these industries caused immense social contradiction. Above all, it led to the migration of over 150 million workers from rural provinces to the cities – the largest migration in history. Deprived of essential citizen rights, migrant workers were not allowed to enjoy full social benefits like social security and state funded education and still cannot do so. Furthermore they are forced to leave for their places of origin as soon as they cannot document employment in the cities. Therefore, the typical pattern of migration has been the one of a temporary employment in the cities of very young workers most of whom usually went home to marry and settle in their rural places of origin when they grew older. This split identity and their ongoing attachment to the countryside made them endure often appalling working conditions in privately owned companies, which they could sustain for several years in order to support their families at home and to save some money for their personal future. A large share of the rapid growth of the Chinese industry during the last two

decades rests on the backs of this specific exploitation of the labour of these rural migrants (A.Chan 2001, Pun 2005, J.Chan/Pun 2010).

Since about the middle of the current decade there is a steep increase of labour unrest. The number of 'collective incidents'<sup>1</sup> increased from 40.000 in the year 2000 to 87.000 in 2005 and 127.000 in 2007 (CLB 2009: 7). This growing tendency of conflict was the main motivation for the policy of the "Harmonious Society" that the Hu/Wen government has pursued during the past few years. It aims at a balancing of social conflict by building social security systems and regulating labour relations through legalisation and institutionalisation. The most important step towards this aim was the introduction of the Labour Contract Law in 2007 which contains a number of progressive prescriptions about job security, working hours and overtime bonuses, among other (Shen 2007: 2-5, Grassi 2008).

The increasing frequency of labour protest has led to a scientific discussion about the character of class formation in China. While all authors acknowledge the proliferation of labour unrest during the past years, there is controversy about whether this also implies the formation of a coherent class interest and a class identity. Differences about this question also account for divergent perspectives on the potential of a generalisation of interest across factory and sectoral divisions. The question which is at stake is whether we are currently witnessing the formation of a working class movement which resembles its precedents in the Western industrial countries.

A unequivocal statement in favour of this assumption is formulated by the American sociologist Beverly Silver. Starting from a long-term observation of labour unrest, mainly in the garment and automotive sector, she identifies a geographical shift of the centre of labour unrest which roughly is in accordance with the geographical shifts of manufacturing industries during the last decades. Her catchy conclusion about this observation is this: "where capital goes, conflict follows". As China is attracting a growing share of world manufacturing, Silver and Zhang interpret China as becoming the world's "epicenter of labour unrest" (Silver 2003, Silver and Zhang 2008).

On the contrary, the sociologist Ching-Kwan Lee criticises this view as being too simplistic. Based on field studies about workers in the Chinese "sunbelt" (the Coastal provinces) and "rustbelt" (the former centres of state owned heavy industry) she tries to explore the opposite phenomenon, that is, why there so far has been no generalised class movement despite fierce social contradictions. She criticises Silver's position as economic deterministic and she insists that workers' identities and protest behaviour cannot be explained by observing the sphere of production only. In her view, a more substantial analysis has to acknowledge various forms of state regulation and the social relations outside of the sphere of production, above all the specific forms of reproduction. In respect to the protest behaviour of rural migrant labour Lee emphasises how the links to their origin on the countryside limits the inclination of workers with rural origin to protest: "Access to land and its associated functions for the social reproduction of migrants' labor power helps reduce employers' burden to pay adequately for workers' survival and limits workers' propensity to sustain labor strife in the cities." (Lee 2007: 205).

Lee's perspective is therefore more cautious about the nature of contemporary labour unrest which she interprets as limited in a double sense: First, the pattern of workers' protest corresponds to the fragmentation of the political system in China in which no 'singular political economy' (ibid 2007:15) exists because disparities and even competitive relationships between local and provincial governments persist. Accordingly, 'cellular activism' of geographically limited, atomised protest is prevalent, not the formation of generalised class interest. Second, migrant workers characteristically act only when their legal rights are being violated. Accordingly, they mostly direct their claims to the respective local governments in order to claim the reinstatement of their rights. Thus, demands are not phrased in reference to a class identity, but to an identity as citizens. Furthermore, migrant workers mostly protest in defence of their rights, not in support for better

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1 This is the expression of the Chinese government's statistics. As strikes are not legal in China, there is no official strike statistics. The numbers for 'collective unrest' provides the best available official indicator for worker's unrest.

payment or working conditions. Their special class position as rural migrant workers who are settling temporarily in the cities to earn a base for their rural existence limits their protest to cases when the employers refuse to fulfil their promise for paying an often scarce wage. This perspective differs significantly from the expectations of a growing living standard which historically underpinned many episodes of offensive wage struggles by resident urban workers in industrial countries (ibid: 157-202).

### **3. Context of the strikes: boom in the automotive industry and suicides at Foxconn**

The pretext for the strike wave in the summer of 2010 was the fast growth of the Chinese automotive industry even against the background of the global economic crisis, the quick resurgence of export growth in the first half of 2010, and the public discussion about labour and living conditions of migrant workers after the shocking series of suicides at the huge factory complex of Foxconn in Shenzhen.

The fast growth of the automotive sector was a direct consequence of government intervention after the global economic crisis which included tax rebates and measures to stimulate domestic demand. This led to a steep increase in the volume of sales by 42.1% in 2009. Almost simultaneously with the outbreak of the first strike at one of its factories, the management of Honda announced, that they were planning to double their investment on the Chinese mainland because the existing production capacities could not catch up with the growth in demand (China Daily, 21.05.2010). The growing intensity of work was not compensated by a wage increase – a fact that may well have been one central reason for the concentration of strikes in the automotive sector (C.Chan/Hui 2010: 10).

From the beginning of the year on, the resurgence of export growth added to the high growth in the auto industry.<sup>2</sup> The output of the export industry, which had been severely shaken due to the breakdown in foreign demand after the financial crisis, already hit a level of 10% above the pre-crisis level in June (Reuters, 9.6.2010). Due to the turnaround of the Chinese economy in 2010, the coastal provinces, and especially the industrial manufacturing hub in Guangdong's Pearl River Delta that also was most affected by the strikes, experienced the same dynamics that had already been observed before the economic crisis set in: a shortage of migrant labour led to the increase of minimum wages by local governments (e.g. by 21.1% in the Guangdong province) which in this way hoped to attract workers from other provinces. At the same time labour intensive manufacturing companies, not only the notorious 'sweatshops', but also huge modern corporations like the electronic contract manufacturers Foxconn or Flextronics, announced that they would relocate substantial parts of their operations to the interior provinces which offer cheaper labour cost and ample support.

It was exactly this configuration that already had led to discussions about the lack of sustainability of the labour intensive production model in the coastal provinces before the financial crisis. The crisis itself merely offset this dynamic due to the temporary breakdown of parts of the export production. Eventually, the result of the resurgence of the labour shortage was a growing bargaining power of the workers which provided a good base for offensive wage demands.

The bitter incidents at the giant 300.000 workers strong factory complex of Foxconn, key supplier to brands like Apple, Hewlett Packard, Nintendo, Sony and others, where ten employees committed suicide during a short period of time, added further to the sentiment that workers should be treated and paid better. International and domestic media reported extensively about the suicides and Foxconn once more was exposed to public scrutiny for its peculiar labour regime. Contrary to an earlier scandal about working conditions in 2005, even the government publicly criticised the company by referring to “management problems” as part of the problem behind the suicides at Foxconn (People's Daily, 27.05.2010). Prime minister Wen Jiabao added to the voiced demand for a

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2 In contrast to many other industries in the Pearl River Delta, the automotive industry is not export oriented. Therefore the growth of the automotive industry in 2009-10 and the growth of the export industries are two different dynamics which added to the total growth of industries and accordingly labour shortage.

more humane treatment of migrant workers when he acknowledged that the new generation of migrant workers would barely accept the harsh conditions that the previous generation of migrant workers had taken for granted. When he addressed a group of young migrant workers he said: "migrant workers are the mainstay of China's industrial workforce. Our society's wealth and the skyscrapers are all distillations of your hard work and sweat. Your labour is glorious and should be respected by society at large." (quoted in SCMP, 16.06.2010). Foxconn became a symbol for a recurrent discussion during the last years about the limits of extreme exploitation in the export industry and the need of a more balanced growth model of social reconciliation. The public criticism of Foxconn and the rise of the minimum wages throughout the country were discursive backup for the demands workers raised during the strikes.

#### **4. New forms of protest during the 2010 strike wave**

The series of strikes whose main thrust lasted from mid May until the end of July had its origin in a spontaneous strike of 1.800 workers of a Honda factory in the district of Nanhai in the industrial city of Foshan in the Guangdong province. The factory, which is fully owned by Honda, produces gear boxes for the Honda main plant in Guangzhou, a joint venture between the local government and Honda.<sup>3</sup> The workforce at the Honda main plant consists of local workers with resident rights who belong to the highest paid workers of the region. They earn a base wage of around 2.500 RMB (about 270 EUR) and they receive 13-18 monthly wages per year plus various kinds of productivity bonuses and profit sharing. Overtime remains within the legal limits in China. The situation at the supplier factories is very different, however. There the workforce consists mainly of migrant workers whose base wage roughly corresponds to the legal minimum wage of 700-900 RMB (80-100 EUR). Overtime hours are often excessive and flexible, mostly performance based wage components constitute about half of the regular monthly pay of 1.600-1.800 RMB (170-195 EUR) (Leung et al 2010, Lüthje 2011). One peculiarity of employment at the gear-box factory in Honda Nanhai is the large scale employment of interns who constitute about 70% of the manual workers. The occupation in the factory is part of a three year education programme in technical schools which hire their workers to the companies. At Honda Nanhai, as in many other comparable cases, work is monotonous and the instruction by the teachers insufficient. Due to this background the strikes contained a special dimension: the protest of interns against their being used as cheap labour pool that gets paid substantially below the average wage of their fellow migrant workers<sup>4</sup> (Liang et al. 2010).

The main reason for the strike was that the rise of the local minimum wage was insufficiently passed on to the workers. Although the base wage was adjusted to the legal minimum, the flexible components of the wage was shortened. As a result the total wage only rose insignificantly and workers were furious about this trick by which the management effectively tried to deprive them of their share in the regional wage rises. The strike at Honda Nanhai started off as a protest against this practice out of which developed the demand for a substantial increase of the base wage by 800 RMB (about 90 EUR) and for the right for the workers to organise independently of the management and the official trade union.

The strike at Honda Nanhai took off on May 17 when two workers at a production line pressed a red button which in fact had the function of shutting down production in case of quality problems. This brought the whole production at the Nanhai factory to a halt. Honda's just-in-time production

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3 All multinational car factories are organised as joint ventures in China. It is a curious feature of the strikes in the automotive enterprises that the local government owned half of the Honda and Toyota main factories and accordingly have a very close relationship to the Japanese owners of the supplier factories.

4 The student interns earned a lower total wage of 900-1.200 RMB (100-130 EUR). Contracts with technical schools to guarantee the supply of intern workers are widespread in the Pearl River Delta. According to one expert, this is one way to circumvent the strict provisions of the Labour Contract Law which makes strict provisions regarding temporary employment. Intern workers thus have the function of a flexible pool of labour that can be paid below the local minimum wages (Field Research Data 2010).

system then also led to delivery shortages and stoppages at the Honda main factories in Guangzhou and Wuhan (central China) after the strike became indefinite. This cost Honda an amount of about 240 RMB per day - a strong evidence to the high amount of production power workers possess in factories of this kind of just-in-time production systems (Lüthje 2011, C.Chan/Hui 2010:11).

According to reports in Chinese and international media<sup>5</sup>, the strike spread rapidly to about 25 factories. However, the officially reported strikes only constitute the tip of the iceberg. According to unofficial statements from the Guangzhou Federation of Trade Unions, more than 100 strikes occurred in the Guangdong province alone (Field Research Data 2010). In the city district of Guangzhou Nansha, eight out of 14 core suppliers of Toyota were affected by the strike. Although the automotive industry constituted the centre of the strike movement, the strikes also spread to other sectors and regions. For instance the Japanese electronic producer and a brewery of the Carlsberg group were affected, as well as companies in the provinces of Beijing, Tianjin, Jiangsu, Henan, Yunnan and Chongqing (Reuters, 23.07.2010, C.Chan/Hui 2010: 9).

Referring to the background of the debate about class formation in China the following specifics of the strike wave are significant:

**a) Offensive wage demands:** The striking workers succeeded in gaining substantial wage increases. At Honda Nanhai the strike resulted in an average wage increase of 500 RMB (60 EUR), at another Honda factory in Guangzhou Nansha the workers even gained a general pay rise of 800 RMB (90 EUR) (Lüthje 2011). The successful demands for extraordinarily high wage increases contrast with the prevalent pattern of migrant workers' protests according to which workers mostly claimed adherence to their legal rights and the payment according to the legal minimum wage. While offensive wage demands clearly constituted the core of the demands in nearly all the strikes, specific demands were added in many factories. At Honda Nanhai there was even presented a catalogue of 108 demands to the management. In some cases the right to organise independently belonged to the core demands (SCMP, 11.06.2010 and 24.06.2010, C.Chan/Hui 2010: 11).

**b) Geographical scope:** While workers' protest against specific malpractices of the management hitherto often stopped at the boundaries of the own factory, the recent strike wave proved to be contagious. Workers in some cases even copied the wage demands of their colleagues such as in the city of Zhongshan, where Honda workers demanded exactly the same nominal wage increase that their colleagues at Honda Nanhai had gained before. One reason for this novelty is the character of the demands: offensive wage demands are much easier to be copied than demands against the specific misbehaviour of the factory management of a certain factory. The focus on rather high wage increases also reflects the pressure of rising living cost, especially in Guangdong's Pearl River Delta as well as the diminishing willingness of the so-called second generation of migrant workers to bear a similar burden of high work pressure combined with miserable wages than the previous generation of the 1990s and early 2000s did.

**c) Collective bargaining:** Migrant workers' protests in the past mostly had addressed the local government to restore the legal order and often took their protests out of the factory, e.g. by blocking street crossings (Shen 2007: 60-62, Lee 2007: 176-194). The prevalence of this protest behaviour has to do with the ineffectiveness of trade unions representation and bargaining

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5 This account rests on field research data from my journey to the Pearl River Delta from October to December 2010. Additionally, I reviewed the coverage on the strikes in the Financial Times (FT), the HK based South China Morning Post (SCMP), the English language versions of People's Daily and China Daily and in numerous articles from local NGOs. I am very grateful to many persons who supported my research activities with generous support and advice: Boy Lüthje from the Institut für Sozialforschung at Frankfurt University, Gaochao He and Ellen Friedman from the newly founded International Center for Joint Labor Research at the Sun Yat-sen University in Guangzhou, and in particular Guowei Leung and his colleagues as well as Chris King-Chi Chan and Elaine Hui who all shared the results of their extensive field studies on the Honda Nanhai strike with me.

procedures at the industrial level. In the absence of collective bargaining, the system of industrial relations was characterised by a practice which was described as “Tripartism with four parties”: workers bypassed the trade unions by directing demands to the local state institutions which then often intervened to settle the conflict (Chan et al 2008, Lüthje 2010). Although state institutions also played an important role in the mediation of the conflicts, the intensity of bargaining within the factories was much higher. At the 17 day lasting strike at Honda Nanhai, for instance, there were several rounds of negotiations in which workers rejected the management offers, before an agreement was settled. This resembles rather the model of organised collective bargaining as it is known from industrial countries than the spontaneous outbursts of protest of the past. Again, this is connected to the character of the demands: as the main goal of the strikes were wage increases instead of the violation of laws, the company management, not the state, was the main recipient of the workers' demands.

**d) High participation and bottom-up democracy:** The election of strike committees at Honda Nanhai and Denso in Guangzhou (another Honda supplier) reflects the intense involvement and a learning process of the workers during the strikes. In the case of Honda Nanhai, the election of the bottom-up strike committee effected out of a confrontation with the official ACFTU factory branch which had proven to be ineffective and even obstructive to the strike (A.Chan 2010, CLB 2010a, C.Chan/Hui 2010).<sup>6</sup> The election of an independent workers' committee shows the deep distrust of many workers against the official state trade union. The ACFTU was forced to react on this anger by issuing a statement in which it apologised for some of its actions. In the Guangzhou Federation of Trade Unions the leadership then argued for taking a supportive stance in favour of the case of the workers. In the aftermath of the strikes there are discussions about the trade union's responsibility to represent workers in collective bargaining instead of playing the role of a mediator.<sup>7</sup> The Guangzhou Federation of Trade Unions is currently also providing training sessions to instruct the cadre on how to act on behalf of workers' interests.

## 5. Towards a new working class movement?

In relation to the controversy about the character of Chinese workers' protest the recent strike wave supports Beverly Silvers assumption that China is becoming the epicentre of the global labour movement. Particularly striking in this respect is the offensive character of the workers' demands and the proliferation of struggle across the boundaries of the single company, the sector and the geographical region. Both contradicts Ching-Kwan Lee's assumption that migrant workers' protest would be confined to cellular struggles which are primarily articulated in legal categories vis-a-vis the state. Thus it is arguable in how far Lee's conceptualisation of cellular protest, which is based on empirical observations in the Guangdong province in the year 2002, provides an accurate framework for the interpretation of recent workers' protest. Lee's concept also is at odds with a cross sector study of labour protest in the years 2007 and 2008 which concludes that: “*workers are now demanding higher wages, better working conditions and in some cases, the right to form their own union [...] whereas in the past workers' protests were largely in response to specific violations of rights, such as non-payment of wages or compensation for injury or employment termination*” (CLB 2009: 4). Against this background the current strike wave seems to be part of a long-term development towards more generalised offensive demands which already had been present during the past few

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6 Substantial attention received a group of thugs who wore trade unions caps and who were mobilised by the local government to sabotage the strike. This further incited the anger of the workers and lead to an open discussion about the role of the unions in relation to the strikes.

7 The Guangzhou Federation of Trade Union is among the most progressive local federations in China in this respect. One substantial problem connected to changing the trade union's function is that the union is still not allowed to initiate strikes. So union action is always reactive and the question from the beginning is how to relate to the workers instead of being an organic part of the strike action.

years. Lee's emphasis of the cellular form of activism appears to be an invalid generalisation of one a particular stage of this development - the eruptive and isolated type of protest, which did constitute a central feature of migrant workers' protest in the past, is seen as the essence of migrant workers' protest as such.

However, it is important to note that the recent strike wave was not free of any “cellular” limitations in Lee's sense. Although the strikes developed a breathtaking dynamic, their clear centre remained the Japanese car manufacturers. Neither big contract manufacturers like Foxconn, nor the 'classic' sweatshops of the garment or toys industry were affected in significant number during the strikes of the last summer.<sup>8</sup>

This remaining heterogeneity in the strike pattern reflects the fragmentation of the Chinese industrial structure. Market opening has not lead to an assimilation, but to a differentiation of production regimes with their specific features of ownership, management techniques, wage systems and employment (Lüthje 2010). Thus, the fundamental assumption of significant regional and structural differences within the Chinese economy, which is the theoretical foundation of Lee's study of protest behaviour, is correct. Or, in Beverly Silver's words: where capital goes, conflict follows - yet not necessarily at the same time, the same place and based on the shared grievances of workers whose interests are identical.

The heterogeneity in industrial structure and conflict behaviour is a product of China's gradual market transformation. In a specific “Chinese variety of capitalism” (ten Brink 2010), private foreign capital and state owned industries persist next to each other. The specific production regimes also vary across industries and according to the form in which companies are integrated in global production networks. This heterogeneity is not sufficiently reflected in Silvers approach which rests on a long-term study of the dynamics *within* the automotive and garment sectors. The question of cross-sectoral class formation is not addressed in this perspective and yet precisely this is of predominant importance for assessing the process of class formation in China.

However, heterogeneity of the class should not be seen as an absolute barrier for the development of cross-sectoral class movements. Historically, the processes of class formation never were a sheer reflection of an objective class position of the workers, but a political process in which common demands were discussed, interests were mediated and class organisations were founded in order to overcome the existing heterogeneity between segments of the working class (Thompson 1980). There is much evidence for the assumption that the current economic dynamics in China provide ample opportunity for class formation in the above sense, the proliferation of the recent strike wave being the strongest evidence in this respect. The success of the political process of class formation depends to a large extend on the one hand on the perspectives of building functioning workers' representations and on the other hand on the capability of the Chinese state to pacify the explosive social contradictions and thus succeeds in limiting the level of open class activity.

## **6. Contested field: collective bargaining and realignment of the state trade union**

The strike wave and its wide coverage triggered a remarkable dynamic of reform of the system of labour relations. The Guangdong government issued a draft for a law on collective bargaining which not only defined institutional mechanisms for the settlement of wage standards by collective contract, but even acknowledged the existence of strikes – a potential watershed as strikes hitherto had been illegal (even if governments in many cases had had no alternative than to tolerate workers' action). The law reflects the conviction of a reform current within the Guangdong government which sees no alternative to a further institutionalisation of labour relations since strikes,

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8 In November, however, a strike erupted at a Foxconn factory in the city of Foshan which produces cameras for Sony, among other. While this shows that the big electronics suppliers are not immune against strikes, the specifics of the production regimes in these companies for the time being seem to impeditment a generalised form of unrest like the ones in the automotive industry during the last summer. For a discussion of the specifics of the production regimes of contract manufacturers and a discussion about the varieties of production regimes in China see Lüthje (2010) and Lüthje et al (forthcoming).

particularly in Guangdong, are an indisputable reality that proved not to disappear by legal interdiction. This conviction is also connected to a strategy of industrial upgrading in the region according to which, as Wang Yang, the general secretary of the Communist Party in Guangdong, coined the phrase, the “cages should be opened in order to exchange the birds”. This by now notorious metaphor means that labour intensive low-end industries are to be replaced by new technologically sophisticated industries. However, the draft of the law on collective bargaining, which was supposed to be passed in autumn of 2010 met fierce resistance from employer groups, above all from the associations of Hong Kong entrepreneurs. Many commentaries from their side first led to amendments of the original draft and finally to a shelving of the whole process. By now it is unclear if and when the preparation of the law will be resumed.

The aborted reform initiative reflects the contradictory forces shaping the government's stance in relation to labour reform. On the one hand legalisation and institutionalisation of workers' interests and even rising wages are seen to be inevitable to uphold political stability.<sup>9</sup> On the other hand the Cantonese economy still is dependent on export production and labour intensive industries. Despite the proclaimed targets of shifting the gravity of economic growth towards domestic consumption, the Chinese economy still thrives on export demand to a large extent. The high growth rates of post-crisis recovery in 2010 were achieved precisely because foreign demand kicked in again, not due a rebalancing of the economy towards domestic demand (Naughton 2010, Financial Times 21.10.2010). Although a significant number of companies are constructing production sites in interior provinces – most prominently Foxconn with its huge investment in new factories in Chengdu and Chongqing – Guangdong still remains the most important hub of Chinese export production. Labour intensive export oriented companies - and not only those that can simply regarded to be the 'old birds' of out-dated low end production - are complaining about rising labour cost and the appreciation of the Renminbi which is severely cutting into their profits. These industries have been the backbone of industrial growth in the reform area. Thus they have substantial influence on the Guangdong government and especially on local governments which have fostered their growth for years and which often are largely dependent on their flourishing.

Due to this contradictory social forces the reform initiatives were compromised. Wang Yang's very metaphor about the bird cage came under scrutiny as being too harsh against the 'old birds' and the law on collective bargaining was prevented to be passed for the time being. While contradictions mount in the Guangdong province, labour only has an insufficient voice in the process of institutionalisation as most of the commentaries of the law on collective bargaining came from employers' associations. As it seems, another round of the discussion on collective bargaining will be launched only when a new series of strikes hits the Pear River Delta.

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9 It is important to note that the institutionalisation of labour conflict is a two edged sword precisely because of the government's focus on maintaining stability. While most of the labour researchers and activists whom I could interview in Guangzhou, Shenzhen and Hong Kong during my field research trip think that the proposed law would strengthen workers' bargaining power, there are also voices that are more critical of the government initiative. The latter fear that the legalisation of collective bargaining rather serves to put the state trade union back in charge which has been discredited in the eyes of many workers by now. Greater government control, not more independent bargaining power on behalf of the workers could be one result.



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