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By Mary E. Gallagher

This spring, a series of well-coordinated and successful strikes in foreign-invested enterprises in China made headlines all around the world. Young migrant workers openly and forcefully articulated demands for higher wages, better representation, and more consideration of their “spiritual” and mental well-being. These demands have led to increased speculation that China’s current economic boom is winding down, as its growth strategy founded in part on cheap migrant labor from rural areas faces domestic and international difficulties.

This is not the first time that Chinese workers have openly protested for higher wages, better treatment, and more job security. What makes this period more important and potentially much more consequential is the confluence of demographic, social and political trends that have increased the bargaining power of employees for the first time in two decades. Workers are now protesting in a position of relative strength after a long period of perceiving that the economic and political trends were against them.

Travelling to China three different times this summer has offered me some time to observe this phenomenon from different locations, different perspectives, and in different points of time – when large strikes were still occurring in June to now in late August where strike activity has quieted down. Foxconn’s management just unleashed their 50,000 strong “worker party” with domestic and international media showing bizarre photos of underpaid workers holding up posters of Terry Guo that say "Love Me, Love You, Love Terry." New Life Movement ideology combines with the CCP’s “your factory is home” propaganda to create a mishmash of capitalist company-driven paternalism and “work-unit socialism:” low pay, Taylorist work organization, company control and oversight of a worker’s life, but without the security and benefits of the now quaint “iron-rice bowl.”

Demographic change
“The virtually limitless supply” of Chinese workers dries up

A key underlying factor in the rising wages and increased demands of China’s migrant workers are the labor shortages now evident in many coastal manufacturing regions, especially the Pearl River Delta. According to the Institute of Population and Labor Economics at the Chinese Academy of Social Sciences, labor shortages were first apparent in Guangdong in 2003. [1] They have now appeared in other major industrial regions, including the Yangtze River Delta around Shanghai and even in central China. There are a number of reasons for the labor shortage. First, the share of the working population is falling due to the effects of the one-child policy that began in the 1970s. This long-term
demographic shift has important implications for the Chinese economy and for the sustainability of China’s ambitious social welfare programs. Second, policy changes and increased investment in agriculture have made migration to industrial jobs less attractive for some rural residents. Large-scale, government-sponsored infrastructure projects inland and the domestic stimulus package of 2009 are also providing jobs and opportunities closer to home. These changes inland have adjusted the calculus of migration.

Finally, the entrenched social and legal discrimination toward rural migrants remains a key barrier to their permanent resettlement as legal urban citizens. China’s household registration system (户 hukou) continues to classify citizens into two separate groups designated by place of birth as either “rural residents” or “urban residents.” Citizens of rural China, while now permitted to work temporarily in urban areas, are usually not able to gain legal urban citizenship. Lack of urban citizenship deprives them of many social welfare and social insurance programs, restricts educational opportunities for their children, and subjects them to greater risk of exploitation at the workplace. The hukou system also restricts labor mobility and increases segmentation in China’s labor markets. These institutional barriers to migration have also exacerbated the labor shortage.

A brouhaha between economists on the nature and future of the labor shortage has been in the works for some time. The Economists’ cover story of Chinese workers two weeks ago cited an article by Knight, Deng, and Li that is dubious about the staying power of the labor shortage because there are still tens of millions of rural Chinese who are underemployed in agriculture. [2] Once these “potential migrants” start to move, they argue, the shortages will be alleviated. Others such as Cai Fang, the head of the Institute of Population and Labor Economics at CASS, have written forcefully that China has reached the important “Lewisian turning point,” when labor scarcity begins to shift the economy away from input-driven growth to enhanced productivity, declining inequality, and greater domestic consumption.

I side with those like Cai Fang as seeing this period as a fundamental turning point. While it is true that there are still many “potential migrants” in the Chinese countryside, it seems clear from research that the institutional barriers of the hukou system are critical in dissuading these people (who are often older, have children and/or aging parents, and land) to take the risky plunge of moving to a life with hardly any security, little government support, and filled with the daily humiliations of discrimination and incrimination as a country bumpkin serving urban elites.

So would meaningful reform of the hukou system alleviate the shortages? Reform of the hukou system would increase migration and we might see a new flow of workers into the Pearl and Yangtze River Deltas. But as newly sanctioned urban citizens with hukou in hand, expectations would not decrease, but only rise: better jobs, more security, free education for their children, etc. This adjustment would not lower the cost of Chinese labor even if it improves the current shortages. Whatever happens to the migration and urbanization pattern of rural citizens going forward, the iconic figure of a young, shabby farmer making his way to the city for a limited amount of time with limited ambitions and expectations for his time there is giving way to young people who see the city as their future and, if not their birthright, as something that they have earned.

Social change
China’s new generation of migrant workers grows up

Not only are China’s migrant workers become scarcer, they are also more demanding, more rights conscious, and more attuned to the inequality of treatment and opportunity they face as second-class citizens in China’s modernizing cities. In interviews that I did in 2005 at a legal aid center in Shanghai, young migrant workers were always quick to point out the discrimination and bad treatment they suffered simply because government officials and employers believed that they can easily be intimidated due to their insecure legal status in urban areas. [3] Unlike their parents or elder siblings who compared their fortunes to what “would have been” if they had stayed in the countryside, these younger migrants compare themselves to their urban counterparts. Differences in treatment are no longer as readily acceptable.
Members of this younger generation are now working on assembly lines all over coastal China. These are children of the reform era. As single children or from very small families, they have been treated well by their parents and have not suffered the deprivations or political calamities that affected those born during the Cultural Revolution. They tend to be better educated and because of greater exposure to mass media and technology, they are more acclimated to city life than were their parents. Their expectations for the future are wider and different than earlier generations. Future plans rarely include returning to the countryside as farmers. Longer time horizons in cities and higher expectations for their futures are feeding their new demands.

My admittedly unscientific measure of this is the “hairstyle test.” Walk through a Chinese factory these days and look at the workers on the production line. What are they wearing? What technology do you see them using on their (albeit limited) downtime? What kind of hairstyle do they have? Do the girls have dyed red-hair? Japanese-straightening? Do the guys have the long, shaggy look currently fashionable among the younger set everywhere? How many are copying Rain, the popular Korean heartthrob? What kind of product do they use? Mousse? A bit of holding gel? These people are not going back to the farms.

Political change
The government and the party listen up

The Chinese central government has not been totally unresponsive to these changing dynamics. Widely publicized stories about the problems of migrants in Chinese society have led to policy changes and improvements in the legal protections offered at the workplace. For example, in 2003, the central government rescinded laws and policies that allowed local governments to detain migrants for improper documentation after it was widely reported that a young, rural college graduate was killed while in a detention center in Guangdong. In 2008 and 2009, the media published sympathetic accounts of migrant workers who had killed managers while embroiled in long and frustrating labor disputes. In the spring of 2010, the domestic media in China covered both the strikes and the suicides at Foxconn until the government decided to clamp down. Informal debates and discussions took place on-line about the nature of work in Chinese factories and why laws and regulations to protect workers are so frequently violated. The relative media openness on these issues is a good indication that the government is concerned and examining ways to improve conditions, though always with an eye toward maintaining social and political stability.

Government support for change can be seen beyond its toleration of sympathetic media coverage. It is also apparent in new laws and regulations and in the reforms and changes within the official Chinese trade union, the All China Federation of Trade Unions (ACFTU).

In 2008, the Chinese government passed three ambitious labor laws to improve working conditions at Chinese companies and the employment security of Chinese workers. Employers criticized these laws as a return to the age of the “iron rice bowl” under socialism, which guaranteed lifetime employment and extensive welfare benefits for all urban workers. Labor activists hoped that the new laws would help close the gap between the high standards of Chinese “law-on-the-books” with its implementation and enforcement in reality.

These protective measures coincided with the onset of the global financial crisis and a rapid decline in China’s export markets. The combination of more protective laws and greater economic volatility led to a rapid and unprecedented increase in labor conflict, including legal filings and large-scale strikes and demonstrations. In the wake of China’s recovery from the crisis, this conflict has continued with newly confident workers now demanding wage increases and better representation. Labor disputes are highly concentrated in coastal provinces and cities with high levels of foreign-investment and export manufacturing.

The demands by some striking workers to elect their own representatives highlighted workers’ deep lack of confidence in the “official” representatives of the All-China Federation of Trade Unions. Chinese trade unions at the workplace level are closely tied to management and rarely have the will or the capacity to represent workers during disputes or bargaining. At the higher levels of the trade union, trade union officials are closely tied to their local governments and CCP, which strictly limits how far
they can go in advancing the interests of workers at the macro level. I meet sincere and hard-working trade union officials at every conference and workshop in China on labor issues. I feel sorry for them; but I don’t have much hope for them.

The current Chinese government has attempted to expand the presence of ACFTU-affiliated unions in foreign-invested enterprises for some time in the hope that union presence in foreign firms will improve the government’s knowledge and surveillance of labor conflict. However, these initiatives have done little to improve workers’ confidence or trust in the union. The strikes of spring 2010 sharpened concern over this problem of representation, leading the central and local governments to call for new measures to empower unions and “worker representative committees” at the firm level. Local regulations are currently being drafted in Guangdong and Shanghai that stipulate collective wage bargaining between employers and workers through these institutions. These reforms are fascinating in their return to the institutions of the socialist workplace – the Workers’ Representative Councils. And surely attempts at implementation will frustrate managers and foreign investors who are used to calling the shots. But without significant institutional reforms to the trade union itself, including the system of leadership selection, compensation and job security of trade union leaders within the enterprise, and better support and training from higher-level unions, these reforms are unlikely to succeed.

The future of the “China Price”

The demographic, social, and political changes of China’s labor markets point toward a future of rising wages and rising social insurance costs. Government plans to expand and deepen coverage of rural citizens in pension and medical insurance programs will add to the costs of migrant labor. Reforms to the hukou system and further legalization of permanent, urban citizenship for rural Chinese, while improving labor mobility and reducing labor market segmentation, will increase the expectations of migrants as they transition from farm to the city. The development model that began in the early 1990s, founded in labor-intensive export manufacturing using very low-cost migrant labor, has begun to shift.

In comparative perspective, however, China’s attraction as a production locale will continue. Chinese wages, while increasing rapidly recently, are still low relative to wages in the developed world. [4] Inland China is increasingly attractive for investors as it offers preferential policies and improving infrastructure with lower wages and social insurance costs than the coastal regions. The attempts to lure Foxconn away from Shenzhen and its apparently depressed workforce by inland local governments is only the beginning of a new drive by investors to find places further afield that will bend over backwards to get money and jobs for their locality. By late June Foxconn had announced plans to build a plant in Zhengzhou; by August the company was recruiting 200,000 workers for its operations there.

In this way, central government support for better legal protections and trade union empowerment will be mitigated by local government competition for investment and the fact that implementation and enforcement of law are still the responsibilities of local governments. Trade unions are still under the control of the local party-state and beholden to local economic interests. While the trade union mission seems to be changing, its political position vis-à-vis the local government and party is not.

Muddling through this period of increased expectations and rising conflict is possible. The central government’s desire for change and its concerns about political legitimacy are balanced by local governments’ close ties to and reliance on investment and industry for growth and jobs. A key danger going forward is that popular expectations for change and improvements will exceed what local governments actually do.

Notes


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