

## Chapter 8

### DISENFRACTISED

Conventional accounts divide the history of the PRC into two eras bisected by Mao's death in 1976 (or Deng's assumption of power in 1978), but in urban China 1992 marked the beginning of a more profound structural transformation. Deng Xiaoping's tour of foreign-invested factories in Shenzhen in January of that year signaled the beginning of the end of the work unit era. Over the subsequent two and one half decades, industrial restructuring has transformed China's factories from socialist work units into profit-oriented enterprises.

Many accounts of this traumatic process have focused on the economic impact, examining the consequences of "smashing the iron rice bowl" on Chinese workers. The political impact, however, has been just as consequential. Workers' position in factories has fundamentally changed, as they have lost their status as citizens of a workplace community and been reduced to hired hands. As a result, the foundations for workers' participation in factory governance have been severely undermined. In this chapter, I will develop a general account of this process, but much of the chapter will be dedicated to telling a more detailed story about the changes and conflicts that accompanied the restructuring of a single enterprise, the Brilliant Glass Factory.

In order to capture the dynamics at work, I will augment the analytical prism of industrial citizenship by integrating the exit/voice/loyalty framework developed by Albert Hirschman. Although Hirschman elaborated his framework in a manner broad enough to analyze choices made by members of a wide variety of organizations, he did not apply it to enterprises. Nevertheless, it works well in the terrain of industrial relations; indeed, his insights are very helpful in illuminating changes brought about by the undermining of industrial citizenship.

Voice, Hirschman wrote, is in many ways the opposite of exit. While exit is a market mechanism that entails individual choices, voice is a non-market mechanism, typically exercised in a collective fashion and best suited by nature to political domains, especially membership organizations; among the examples he cited were nations, families, churches, political parties, and unions. Although members can use the threat of exit to back up demands, exit and voice point in different directions. "The presence of an exit alternative," wrote Hirschman, "can therefore tend to *atrophy the development of the art of voice.*"<sup>1</sup> In order to make voice possible, he reasoned, the exit option must be restrained by loyalty, the product of mechanisms that generate attachment and constrain withdrawal.

Industrial citizenship can be seen as a mechanism that generates loyalty. By providing entitlements to those included and denying them to those excluded, the institution of citizenship constrains the exit option for citizens. Exit not only means a loss of entitlements, but entry elsewhere is inhibited by citizenship boundaries. By employing the concept of citizenship, it is

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<sup>1</sup> Hirschman (1970, p. 43), italics in the original.

also possible to draw attention to an aspect of exit that Hirschman, curiously, barely mentioned: expulsion. In Hirschman's classic treatise, exit is treated almost exclusively as a matter of choice, but if we extend his framework to places of employment, involuntary exit becomes a critical element. Strong citizenship rights, first and foremost, make it difficult to expel members.

Using Hirschman's framework, I will argue that the undermining of workplace citizenship has produced the following consequences: the possibilities for *exit* (voluntary or involuntary) have greatly increased, *loyalty* has greatly diminished, and the conditions that make *voice* possible have been seriously eroded.<sup>2</sup>

## Industrial Restructuring

The general direction of industrial restructuring was elaborated in documents adopted by the CCP's Fourteenth National Congress in 1992, and the legal foundations were codified in the 1994 Company Law and the 1995 Labor Law. These laws outlined "two conversions" (*liangge zhihuan* 两个置换), the first marketizing property, the second marketizing labor.<sup>3</sup> The Company Law, which guided the first conversion, required that all work units be "corporatized" (*gongsihua* 公司化), turning them into shareholding companies. Small and medium factories as well as large enterprises deemed to be of less strategic value to the state were completely privatized. Most were sold to their leaders in a process that came to be known as an MBO, an acronym for the English term "management buyout," while others were sold to foreign or domestic investors. The state continued to hold onto a stake in large enterprises considered to be of greater strategic value, and powerful new agencies were created to manage these state-owned assets. Shares were also sold to private investors, foreign and domestic, creating hybrid firms with varying degrees of private ownership.

All corporatized firms, public or private, were expected to return a profit on their assets.<sup>4</sup> A training manual for party leaders, published in 1993, conveyed the new spirit that factory managers were expected to adopt: "(The) enterprise must join the market competition, must be granted all rights and powers in conducting commodity production, ...[and] must set the maximization of profit as its paramount goal in production."<sup>5</sup>

In order to transform industrial work units into profit-oriented enterprises, they were required to spin off operations that were not part of their core production functions. These included schools, clinics, childcare centers, housing complexes, cafeterias, recreation facilities, and so on, all of which had long been an intrinsic part of work unit communities. They were also required to spin off subordinate collective units that carried out service functions and filled market niches, most of which had been created to employ the adult children of work unit

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<sup>2</sup> Hirschman (1970).

<sup>3</sup> *Zhihuan* is typically translated as "replace" or "displace," but in this context the meaning is closer to "convert."

<sup>4</sup> Garnaut, Song and Yao (2006), Hassard, Sheehan, Zhou, and Oi (2005), Terpstra-Tong, and Morris (2007), Naughton (2006), Naughton (2007), and Yusuf, Nabeshima, and Perkins (2006).

<sup>5</sup> Cited in Zhao (2012, p. 79).

members. Some of the cast off units were incorporated by municipal and county governments, while others “went to society,” that is, they sank or swam as small independent enterprises.<sup>6</sup>

The Labor Law, which guided the second conversion, dealt with the most traumatic part of restructuring—the transformation of the workforce. In the ensuing years, tens of millions of workers, who were considered redundant, were laid off. Restructuring, however, not only involved cutting jobs, it also involved fundamentally changing the relationship between workers and enterprises. CCP leaders decided that as part of restructuring, state enterprises should formally terminate relations with all of their staff in exchange for compensation based on how long they had been working, a process called *maiduan gongling* (断工, buying out years of service). The term *maiduan* combined characters meaning *to buy* and *to sever*.

It is significant that *all* workers were required to *maiduan*, not only to those who were laid off, but also to those who continued working. As was made abundantly clear in the press, *maiduan* was designed to signal a fundamental change in workers’ status, from work unit members to contract employees. The intent was to free the newly corporatized enterprises from all of the encumbrances that had tied work units to their members. These included not only economic obligations, but also the complex social and political relationships and mutual expectations that had been cultivated within work units. For decades, workers had been told that they were masters of the factory and that they should consider the factory to be their home. Now, the CCP was intent on undoing these expectations and it decided to do so in dramatic fashion. *Maiduan* was designed to put an unequivocal end to all of the entitlements and rights that work unit members had enjoyed, with money offered to sweeten the bitterness. Promising *maiduan* money to all employees, including those who remained working, created a huge financial obligation for the companies and the government, but party leaders evidently considered this to be a necessary cost in order to fundamentally change the relationship between enterprises and their workers.

Essentially, the state was requiring workers to sell their membership rights, to “exchange their status for money” (*shenfen zhihuan jin* 身份置换金). Membership status was monetized and—in the language favored by advocates of the new policy—depicted as a debt owed by factories to their employees for past contributions. In exchange for *maiduan* money—typically one month’s wage for each year of service—workers gave up all claims on the factory; if the restructured enterprise chose to rehire them, they would be contract workers. *Maiduan* was necessary, it was argued, in order for the corporatized firms to comply with international norms and meet the objective requirements of market competition. Only a clean break from its workforce would give an enterprise the conditions required to effectively motivate workers (using bonuses, fines, and the threat of dismissal) and properly adjust factors of production (including workforce size) to meet market requirements.<sup>7</sup>

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<sup>6</sup> Hannan (1998), Hurst (2009).

<sup>7</sup> For a typical articulation of the reasoning behind *maiduan* policies, see Zhu, Liu, and Li (2002).

Among smaller state and cooperative factories, especially those that were failing, the CCP briefly experimented with broad-based employee shareholding systems. At first, some small factories even adopted a cooperative structure based on the principle of “one person, one vote” (rather than “one share, one vote”), in which shares could not be sold to outsiders and the enterprise was considered the collective property of the employees, rather than fungible capital. This system was advocated by Jiang Yiwei and other “economic democrats” who hoped to combine marketization with principles of Democratic Management.<sup>8</sup> Within a few years, however, in the brave new world being created by corporatization, broad-based employee shareholding began to seem far too democratic. Managers and economists complained that this kind of cooperative structure was creating a “second iron rice bowl” in which employee shareholders were preventing companies from laying off redundant workers and were obstructing the use of incentives and disincentives to enforce labor discipline. To create truly competitive enterprises, policymakers decided, it was necessary to concentrate ownership in the hands of top managers and outside investors.<sup>9</sup>

In terms of management structure, corporatization set out to create a “modern enterprise system” by replacing the “three old committees”—the party committee, the trade union committee, and the SWC—with the “three new committees”—the shareholders meeting, the board of directors, and the board of supervisors. Nominally, this meant that the body recognized as the highest authority in the factory shifted from the SWC to the shareholders meeting. In reality—at least in the beginning—the role of the shareholders meeting was as formalistic as that of the SWC had been. The real power shift was from the factory party committee to the factory director (*changzhang* 厂长), who was now given the more “modern” title of general manager (*zong jingli* 经理). Corporatization completed the marginalization of the party committee, putting an end to the paternalist, collectivist and politicized style of management it embodied and concentrating power instead in the hands of a chief executive whose priority was maximizing profits. The downgrading of the party committee also diminished the standing of the organizations under its umbrella, including the union and the SWC. In compensation, seats on the board of directors and the board of supervisors were reserved for “employee representatives,” which as a rule were filled by the chair and deputy chair of the enterprise union.<sup>10</sup> Moreover, as corporatization diminished the role of the factory party committee, union leaders were increasingly appointed by the general manager.

The “two conversions” fundamentally changed employment relations in all factories, but the change was most jarring in enterprises acquired by their top managers. In the past, the entire staff had been work unit members; now a few had become owners, and the rest were turned into their employees or lost their jobs.

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<sup>8</sup> Jiang (1988).

<sup>9</sup> Gu and Luo (2004), Lau (1999), Ma (1998), Oi and Han (2011), and Zeng (2013, pp. 85-88).

<sup>10</sup> The seats reserved for employee representatives on these boards were, in fact, assigned to the union chair and deputy chair by national regulation (Li 2014, p. 241).

## *The initial big push*

In 1995, as soon as the new Company Law and Labor Law were both in place, Vice Premier Zhu Rongji launched a campaign to rapidly restructure China's industrial enterprises. Local officials were pushed to privatize tens of thousands of state-owned and collective enterprises, starting with small and medium-sized firms. This set off a frenzied spree of deal making. Because positive cadre evaluations required rapid implementation of the new policies, local officials had strong career incentives to quickly privatize small and medium-sized factories under their jurisdiction; in addition, privatization offered unprecedented opportunities for personal enrichment. Not only could officials line their pockets through insider dealing, but the fortunes of a new class of wealthy entrepreneurs—many with official backgrounds and connections—were established in the course of converting public enterprises into private property.<sup>11</sup>

For workers, on the other hand, Zhu's restructuring campaign was brutal. Under the banner "cut staff and increase efficiency" (*jianyuan zengxiao* 减员增效), all firms were pushed to sharply reduce their workforce and many unprofitable enterprises were compelled to close their doors. Factories, which during the work unit era had had been pressed to expand their employment rolls to make sure all urban youth had jobs, were now compelled to reverse course, reducing workforce size to maximize labor productivity (and, thus, profitability). Textile mills, for instance, which had been operating four six-hour shifts since the early 1980s, now returned to three eight-hour shifts to cut labor costs, and many began demanding that employees work twelve-hour shifts. Not only were workers required to work longer hours, but the intensity of work was increased. Based on ethnographic research conducted in the mid-1990s, Minghua Zhao described in detail the bitter experience of workers in Henan textile mills: As the workforce was cut, workers were compelled to tend more machines, quotas were sharply increased, and fixed wages were replaced by harsh and opaque piece rate schemes.<sup>12</sup>

During the seven years from 1995 and 2001 over forty million workers lost their jobs.<sup>13</sup> Privatization and factory closings spurred protests across the country, which grew in intensity every year. Officials responded by making concessions to protesters, but they also punished protest organizers. They were particularly determined to stifle any coordination of protests by workers from different factories.<sup>14</sup> While the state was willing to concede economic demands raised by workers in a single enterprise, it continued to stringently enforce its prohibition against any kind of autonomous organization or coordinated activity.

Resistance reached a climax in 2001 and 2002 as officials began restructuring larger factories, spurring bigger protests. Millions of workers across the country occupied factory compounds and blockaded highways, railroad lines, and government offices. Particularly

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<sup>11</sup> Ding (1999), Ding (2000) and Lau (1999).

<sup>12</sup> Zhao (2012) and Zhao and Nichols (1996).

<sup>13</sup> Naughton (2007, pp. 185-189). Also see Hurst (2009) and Solinger (2002).

<sup>14</sup> Cai (2005), Cai (2011), Chen (2003), Chen (2006), Chen (2008), Friedman and Lee (2010), China Labour Bulletin (2008), and Hurst (2009).

alarming were the militant, coordinated protests of tens of thousands of workers from several large factories the northeastern city of Liaoyang and in the sprawling oilfields and refineries of Daqing.<sup>15</sup> At that point, CCP leaders decided to apply the brakes. Nearly 50,000 state-owned enterprises had already been restructured, but the great majority of large firms remained on the docket.<sup>16</sup> Workers in these factories were afforded a temporary reprieve as authorities slowed down the restructuring drive and made adjustments.

As the state was restructuring public enterprises, it was also encouraging the development of large-scale private enterprises, both foreign and domestic, and these companies began to play a powerful role in establishing new employment norms. In order to compete in fiercely competitive international markets, China's burgeoning export-orientated manufacturing sector, largely in private hands, perfected a high-turnover employment model featuring low wages, extreme labor intensity, and highly coercive discipline.<sup>17</sup> This sector, which has depended largely on migrant labor, has been setting the pace as employment relations have been transformed, enticing—and compelling—state-owned factories to abandon old work unit norms.<sup>18</sup>

Since the turn of the century, CCP leaders have moved to mitigate some of the harsher consequences of industrial restructuring, stepping up efforts to put in place government-operated welfare programs and pressing enterprise leaders and local officials to make better provision for laid off workers. They expanded retraining and job placement programs as well as a minimum income guarantee system for the urban poor. A new pension system, administered by local governments and funded by substantial contributions from employers and workers, considerably eased the pain of some of the older workers being shed by restructured enterprises.<sup>19</sup>

For those who remained at work, a new Labor Contract Law was enacted in 2007 to rein in some of the most abusive hiring practices generated by restructuring. Provisions of the law, which were advocated by ACFTU leaders, stipulated that all workers, including rural migrants, had to have formal contracts and that after completing two fixed-term contracts they must be offered an open-ended contract.<sup>20</sup> The law had an immediate impact, substantially increasing the number of workers who had contracts and at least minimal benefits.<sup>21</sup> Employers, however, found ways to get around the law. State-owned enterprises stepped up the use of labor dispatch agencies and outsourcing contractors, while many private employers simply ignored the law and local authorities were often reluctant to enforce it.<sup>22</sup> An initial surge in employment contracts was followed by a sharp decline; a national survey indicated that after climbing to 43% in 2009,

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<sup>15</sup> China Labour Bulletin (2003), Lee (2007, pp. 101-111), Lao (2002), and Lin (2009).

<sup>16</sup> Garnaut, Song, Tenev, and Yao (2005).

<sup>17</sup> Chan and Zhu (2003), Feng (2017), Lee (2007), Pun (2016), and Pun and Chan (2012), Solinger (1995), Solinger (1999).

<sup>18</sup> Gallagher (2005) and Naughton (2007).

<sup>19</sup> Frazier (2010), Garnaut, Song, Tenev, and Yao (2005), Solinger and Hu (2012).

<sup>20</sup> Friedman and Lee (2010), Gallagher and Dong (2011), and Zhang (2015). The text of the law can be found at [National People's Congress](#) (2007).

<sup>21</sup> By 2010, according to one survey, 51% of rural migrant wage workers in urban areas had formal contracts, although only 24% had pension coverage (Gallagher, Giles, Park, and Wang, 2015).

<sup>22</sup> Feng (forthcoming).

the proportion of migrant workers who had signed contracts dropped to 35% in 2016.<sup>23</sup> Moreover, it appears that employers' associations may succeed in weakening key aspects of the law.<sup>24</sup> Ultimately, the law's provisions and the practices they have generated are institutionalizing what has become a highly precarious employment system.

Although restructuring slowed down, workers who had been spared would not escape. In 2003, central authorities created state-owned assets supervision and administration commissions to take charge of restructuring large factories and they promulgated a new set of guidelines to regulate the process.<sup>25</sup> In response to the upheavals at the turn of the century, they sought to curb the worst abuses of the restructuring process by shoring up formal oversight, in part by reiterating the requirement that enterprises convene staff and workers congress meetings to approve restructuring plans. Because SWCs had been demoted within the corporatized structures of Chinese enterprises, they were deemed not to be entitled to approve the property arrangements prescribed by restructuring plans, which now fell under the purview of the firm's shareholder meetings. SWC approval, however, was still required for "staff and worker reallocation" (*zhigong anzhi* 职工安置) plans.<sup>26</sup> In the years that followed, employees opposed to restructuring—among them not only workers but also a good part of the technical and managerial staff—were sometimes able to make use of SWC meetings to protest restructuring plans, and some were able to alter the plans or win better compensation.<sup>27</sup>

### **Negotiating restructuring at the Brilliant Glass Factory**

The process at the Brilliant Glass Factory can be considered broadly typical of large state-owned enterprises that have been restructured since the early 2000s. Brilliant began to encounter economic difficulties in the second half of the 1990s as more austere economic policies were implemented and it faced growing competition from a profusion of new glass factories. In the glass industry, as in many other sectors, industrial capacity began to far outstrip effective demand, leading to chronic overproduction.<sup>28</sup> Moreover, the new factories, including many built with private and foreign capital, had significant competitive advantages. Not only did they have new facilities and equipment, but they relied for the most part on informal labor, supplied largely by rural migrants, greatly reducing labor costs and allowing more flexibility in hiring and firing. Because their employees were younger and had fewer benefits, they had much lighter welfare

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<sup>23</sup> China Labour Bulletin (2017).

<sup>24</sup> Wong 2016.

<sup>25</sup> These include State-owned Assets Supervision and Administration Commission (2003a and 2003b) and State Economic and Trade Commission, et al (2002). See Zeng (2013).

<sup>26</sup> State-owned Assets Supervision and Administration Commission (2003a, Article 9) and State Economic and Trade Commission (2002, Article 20). CCP leaders also inserted a clause requiring SWC approval for restructuring plans in a revised version of the Company Law enacted in 2005 (National People's Congress 2005, Article 18).

<sup>27</sup> Chen (2003), Chen (2006), Chen (2008), Pillion (2009), Tong (2005), Wang (2008), Wu (2009), Zeng (2013, pp. 98-119), and Zhu (2005).

<sup>28</sup> Hung (2008).

burdens.<sup>29</sup> In addition, labor management in private factories typically featured the kind of harsh discipline and work intensity exemplified most prominently by Foxconn.<sup>30</sup>

Although Brilliant began hiring new workers on a contract basis in 1985 and required veteran workers to also sign labor contracts in 1992, all employees, including the younger contract workers, generally continued to enjoy stable employment until the early 2000s.<sup>31</sup> Brilliant's initial efforts to modernize its operations in the 1990s foundered and, in an effort to economize, in 2003 it closed its oldest plant, allowing some workers to retire and transferring most of the rest to other plants. Then in 2005, as part of the restructuring process, Brilliant shed its "secondary units," getting rid of small factories that made uniforms and fiberglass-reinforced plastic, subsidiaries that handled transportation, publishing, housing, heating, and natural gas, its security and fire departments, and its television station, hospital and schools (more on the fate of two of these units below).

Finally, in 2008, Brilliant leaders convened a special SWC meeting to approve a plan to restructure its core glass-making operations. The plan called for a private equity firm, a subsidiary of one of China's largest financial institutions, to purchase 51% of Brilliant's shares; the city would hold onto the remaining shares and the firm's incumbent leaders would remain in charge of production. All production facilities were to be moved to the outskirts of the city and all employees would be required to *maiduan*. The company promised to retain 85% of its on-the-job workforce, but the plan nevertheless entailed substantial layoffs.<sup>32</sup> Inside Brilliant's sprawling factories there was overwhelmingly opposition.

By this time, due to the changes recounted in Chapter 7, the SWC at Brilliant was already a much weaker organization than it had been in the past. The delegates who attended the 2008 SWC meeting were carefully selected and hardly representative of Brilliant's workforce. Out of 231 representatives, 111 were leadership cadres and 55 were technical staff; only 65 workers attended the meeting, making up 28% of the representatives (a far cry from the 75% that had been required by regulations in the 1960s).<sup>33</sup> Moreover, by that time there were no longer open nominations; instead workshop leaders provided workers with a list of five names and asked them to vote for four. Even though workers were underrepresented and elections manipulated, however, the meeting was highly contentious. Liu Xiaorong, a union leader, recalled:

In 2008, it was fierce—everyone had objections. Then democratic consciousness at Brilliant was very strong. The main thing was they didn't want to change their status. It was a state enterprise, staff and workers were the masters of the factory, but now they

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<sup>29</sup> Freidman and Lee (2010) and Gallagher (2005).

<sup>30</sup> Pun (2016), Pun and Chan (2012).

<sup>31</sup> "Brilliant" Gazetteer Editorial Office (1992, pp. 286-288), "Brilliant" Yearbook Editorial Committee (1994, p. 9), Sun (2015).

<sup>32</sup> At that time, Brilliant's employment rolls included 10,152 people, of whom 6,704 were still working and 3,448 had retired ("Brilliant" Glass Group Union 2008, Sun 2015).

<sup>33</sup> "Brilliant" Glass Group Union (2008).



would become hired labor. That was a big loss in status. After the company is privatized your job is no longer secure. If the new owner doesn't want you, he can get rid of you.<sup>34</sup>

SWC delegates voted down the restructuring plan by a margin of 116-105.<sup>35</sup> The leaders abruptly adjourned the meeting and launched an intensive campaign to persuade reluctant delegates. On the one hand, they promised to address some of the specific objections. The initial plan, with its pledge to retain 85% of employees, already reflected the leadership's concerns about winning approval. "They were worried that employees would not sign *maiduan* agreements and the SWC would not approve the restructuring plan if they didn't protect 85% of the jobs," explained Zhen Hongjia, a computer technician.<sup>36</sup> After the plan was rejected, factory leaders made additional promises. They agreed to increase the upper limit for *maiduan* payments and to broaden the categories of employees eligible for "internal early retirement" (with Brilliant continuing to provide insurance benefits and a small stipend). They also promised to make special accommodations for workers who were sick or handicapped and pledged not to lay off single parents with small children or both partners if a husband and wife both worked at Brilliant. At the same time, the leaders subjected individual delegates to great pressure. "They held so many meetings with representatives that they couldn't get their normal work done," Zhen recalled. "Actually, the representatives were forced to agree, they had no choice."<sup>37</sup> Two weeks later, Brilliant's leaders reconvened the SWC meeting and the plan was passed.

After the meeting, the mood in Brilliant residence compounds was angry and bitter. "Today the system is not fair," said Tang Qingshen, a longtime worker. "In the past, they would never force anyone to *maiduan*. Now you have no choice but to sign, whether you want to or not. The form says we are 'applying' to *maiduan*. If we don't want to do it, how can we be 'applying'?"<sup>38</sup> His son added, "Chinese people don't understand how this can happen. Everything has been made by the workers, the factories were built by the workers, how can they just let people go?"

For the next seven years, Brilliant leaders did not convene another SWC meeting. Yang Tianhua, the union leader, explained that although they had usually convened a meeting at least once a year in the past, after 2008 "the economic situation was not favorable and the mood was not right to hold a meeting."<sup>39</sup> The years that followed were, indeed, tumultuous.

### *Severing ties*

After the restructuring program was approved, Brilliant moved ahead with plans to relocate its production facilities to the outskirts of the city. This shift, typical of many restructuring plans,

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<sup>34</sup> Interviewee Q24.

<sup>35</sup> Sun (2015, p. 300).

<sup>36</sup> Interviewee Q5.

<sup>37</sup> Interviewee Q5.

<sup>38</sup> Interviewee Q11.

<sup>39</sup> Interviewee Q20.

was mandated by a new urban planning paradigm in which industry was pushed to peripheral districts. The new paradigm was inspired by environmental and aesthetic logics, but it was also driven by fiscal reasoning and pecuniary interests. As the value of urban real estate soared, the central city land occupied by factory compounds became very valuable, attracting the interest of commercial developers.

Brilliant gradually closed down its old plants, selling the land to finance construction of the new plants and help pay workers' *maiduan* compensation (which reportedly added up to more than 400,000,000 *yuan*, or US \$60,000,000). Relocation of the production facilities made the dissolution of the work unit community a physical reality. The new peri-urban factory became the corporatized reincarnation of the old Brilliant, stripped of its unwieldy baggage, including communal ties to its workforce. Workers, left behind in the housing compounds in the old factory district (at least until their own apartments fell to the wrecking ball), were forced to commute to the new factory or seek other ways to make a living.

The last of Brilliant's old plants was closed in 2010, but the new ones did not start production until 2013. In the meantime, the enterprise stopped paying salaries altogether for ten months, spurring angry protests. When the new complex opened, it included only two glass production lines; two other planned lines were postponed indefinitely as a consequence of severe overcapacity in China's glass industry.<sup>40</sup> Moreover, the new plants were highly automated, requiring much less labor.

Although all workers were required to sign *maiduan* agreements in 2008, most of those who were too young to retire remained attached to Brilliant. Even after the old factories were closed, Brilliant continued to keep off-post workers on the payroll, in accord with the 85% retention agreement (and work unit traditions), giving them a small living allowance and paying for their insurance benefits. As of 2016, the factory had 3,332 workers, 1,829 working and 1,503 not working.<sup>41</sup> It paid *maiduan* money to those who retired or quit, but not to those who remained on the payroll.

In 2016, Brilliant finally held another SWC meeting, this time to obtain approval for a second restructuring plan. Under the new plan, the city agreed to transfer its stake without charge to the Victory Group, a subsidiary of a giant state-owned construction materials firm that ranks among the world's five hundred largest companies. The Victory Group, which has taken control of many cement and glass factories around the country, is known for its hard-nosed tactics in turning around troubled factories. While the private equity firm that had taken a majority stake in the Brilliant Glass Company in 2008 had only been interested in an investment opportunity, Victory took control of the company's operations, displacing the old leadership.

After Victory took over, new party and union committees were established and they immediately made preparations to revive the SWC so that it could approve the new staff and workers reallocation plan. When the congress met in September 2016, delegates were told that they had no choice but to vote for the plan. "If we do not act quickly to streamline our

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<sup>40</sup> Chen (2016).

<sup>41</sup> "Brilliant" Glass Group Union (2016).

employment, the fate of Brilliant is clear,” the leader of the reorganized union declared. “[The new general manager] is not against Brilliant employees—any leader would have to do this. It’s not an issue of one individual against another, but of a company rearranging its labor relations. No one can avoid these decisions.”<sup>42</sup> The new plan once again met bitter opposition and many objections were raised in initial meetings, but the congress ultimately approved the plan by a vote of 211 to 63.<sup>43</sup>

Victory carried out the *maiduan* policy much more ruthlessly than the old Brilliant leaders had, actually severing ties with all workers not currently on the job. “There are no *xiagang* (off post, 下岗) workers at Brilliant today,” explained Yang, the union leader. “The workers who left, they all *maiduan*, they are no longer with the company.”<sup>44</sup> These included many workers over 55 years old, on the verge of retirement, whose jobs were nominally protected by law.

Victory’s overriding goal has plainly been to employ only as many workers as absolutely necessary by extracting as much labor from each worker as possible. In the months following the SWC meeting, the new leadership laid off several hundred more on-post workers. As a consequence, Zhen, the computer technician, said: “Now the intensity of work has greatly increased, the pressure has increased, and the work day has increased.”<sup>45</sup> At that point, in the summer of 2017, the paring down process was ongoing and the new leadership had still not offered contracts to the remaining workers so as not to tie its hands. An atmosphere of fear prevailed. “While they’re continuing to reduce people, they’re replacing them with new people,” Zhen added. “The new people are kids who just graduated from school, they’re obedient. The old people are not as obedient, they’re old foxes (*lao youtiao* 老油条).”<sup>46</sup> The restructuring of employment relations at Brilliant clearly does not bode well for employee participation.

While the restructured firm that contains Brilliant’s core glass manufacturing operations remains within the state orbit, many of the company’s secondary units were privatized. This was a particularly traumatic process, as can be seen in the experiences of two of Brilliant’s larger secondary units, its hospital and its fiberglass-reinforced plastics factory.

### *Brilliant hospital*

Restructuring policies allowed for enterprise hospitals to be taken over by local governments, but when Brilliant was compelled to spin off its hospital in 2005, municipal authorities were reluctant to take it over. Instead, they proposed privatizing the institution by selling it either to an outside investor or to the hospital leadership. Privatization, however, faced overwhelming

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<sup>42</sup> “Brilliant” Glass Group Union (2016).

<sup>43</sup> “Brilliant” Glass Group Union (2016).

<sup>44</sup> Interviewee Q20.

<sup>45</sup> Interviewee Q5. Zhen also complained that the company refused to pay higher overtime wage rates, as required by law.

<sup>46</sup> Interviewee Q5.

opposition among the staff. “The leaders wanted to buy it and turn it into a private hospital,” Yu Jinmei, a veteran hospital employee explained. “The masses opposed this because they knew many people would be laid off, especially older workers like us. Our hospital made many contributions over the decades and now they want to just throw us away?”<sup>47</sup> After a protracted campaign of petitioning and public protests, in 2007 the staff compelled the city to take over the hospital, maintaining their status as public employees.<sup>48</sup>

In the course of the struggle, the employees became increasingly disenchanted with the hospital director, who had initially supported the management buy-out plan and had failed to protect their interests. Although the director refused to hold an SWC meeting, after months of commotion, city officials intervened, convening a meeting of the entire workforce. The director was removed after the staff voted overwhelmingly that she was unqualified to continue running the hospital.

Although this initial battle to avoid privatization was successful, the victory proved only temporary. A decade later, after the hospital had become the city’s leading cancer treatment center, it attracted the interest of another private investor. In 2017, city officials, hospital leaders, and the investor put together a new privatization plan, which once again was strongly opposed by most employees. As the plan required SWC approval, hospital leaders mounted an aggressive campaign to sell the idea and pressure employee representatives. This time they were ultimately able to win SWC approval, by a single vote.<sup>49</sup>

### *Brilliant fiberglass-reinforced plastics factory*

Brilliant’s initial 2005 restructuring plan also called for privatizing its fiberglass-reinforced plastics (FRP) factory, which had been built in 1958. When FRP factory leaders convened an SWC meeting in 2007 to approve the restructuring plan, they told employee representatives that the essential elements—privatization of assets and marketization of employment relations—were a *fait accompli*, and that all that was left to decide was how to distribute shares in the new company. They proposed a management buy-out, in which the director was to purchase 51% of the shares, five other top executives were to purchase about 30%, some forty upper- and middle-level managerial, technical, and sales staff were to purchase about 15%, and Brilliant was to retain 5%. Li Fangyu, the deputy director of the enterprise, explained the logic of the distribution of shares this way: “The leadership has to hold the controlling shares; everyone can’t be the boss.”<sup>50</sup> Although employees were profoundly worried about the prospect of privatization, few were interested in buying shares (or had the money to do so) and the SWC meeting approved the plan with little debate.

All employees were compelled to *maiduan*. Of the 500 or so on the factory employment rolls, about 220 retired or otherwise departed the company. Most left of their own accord, but

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<sup>47</sup> Interviewee Q6.

<sup>48</sup> For a detailed account of this conflict, see Li (2013).

<sup>49</sup> Interviewee Q23.

<sup>50</sup> Interviewee Q14.

factory leaders also used the opportunity to get rid of employees they didn't want. "If they felt someone wasn't very good in either their attitude or their ability, they asked them to leave," recalled Qian Lingli, a middle-level manager.<sup>51</sup> Those who stayed on became contract workers. Those who left were able to immediately collect their *maiduan* compensation, but company leaders, claiming a lack of funds, initially delayed paying those who remained. After a series of protests, they finally agreed to pay annual installments.

After the *maiduan* process was completed, the company began hiring new workers and the workforce was subsequently composed of two distinct groups. The veteran workers, who because of their age had difficulty finding other jobs and also had a stake in maintaining their pension benefits, served as a stable core, while new workers came and went. Recruited from among both rural and urban youth, new hires worked for three months with minimal pay before they were eligible to sign a one-year contract, and many continued working well beyond this probation period without being offered a contract. Checking the company's employment rolls, Qian, the middle-level manager, reported that there were currently about 300 new workers, of whom 100 were considered temporaries, that is, they had not yet signed contracts. Many new hires, she said, did not last long. "Every day we hire, but they don't stay," she said. "The pay is low and the working conditions are no good, it's poisonous." High turnover, however, had also become part of the factory's new mode of labor management. As Qian explained, the company chose not to offer contracts to most new hires.

Out of one hundred, if they work hard and their performance is good, maybe twenty will get contracts. There's no way all of them will get contracts because if they did, the factory's burden would be too high. With the temporary workers, you just give them so much money and you don't worry about anything else. After you sign a contract, [the company] has to give you insurance and if there's a problem they have to take responsibility. So, the factory prefers to hire temporary workers—they're easy to manage and they cost less."<sup>52</sup>

After restructuring, the compensation system was changed so that it was based mainly on output; for workers, wages were shifted from time rates to piece rates, and incentive pay structures were also introduced for office staff. In the past, wage and salary rates had to be approved by the SWC; now they were confidential. It was no secret, however, that wage differences increased exponentially. "It's no longer one big rice pot (*daguofan* 大锅饭)," said Li Fangyu, the deputy director, "In the sales department, some people make 100,000 a year, while others only make 10,000. They have the same position, but their contributions are not the same."<sup>53</sup> Workers' take home pay, once they managed to meet piece rate quotas, averaged about 21,000 *yuan* a year.

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<sup>51</sup> Interviewee Q16.

<sup>52</sup> Interviewee Q16.

<sup>53</sup> Interviewee Q14.

The pace of work was intensified and working hours were lengthened considerably. Piece rates were based on employees working seven days a week. Moreover, workers were compelled to work all seven days and there was no overtime pay. During the course of a year, they were allowed eleven holidays and permitted to request four personal days off. If an employee took another day off for any reason, he or she would be fined 100-200 yuan. “There are no weekends anymore; that concept no longer exists,” complained Luo Baibo, a veteran worker. “You can’t just say, ‘I don’t want the money’...It’s mandatory. You might say it’s prison-style management.”<sup>54</sup> New rules also stipulated fines for numerous other offenses including poor quality, waste, safety violations, and failure to maintain a tidy work area. If a worker was late, he or she was fined by the minute. “They love to fine people,” said Qian, the middle-level manager. “They fine me, too. If a work area is not clean and orderly, they will fine that person, but they will also fine me because I did not manage well.”<sup>55</sup>

High turnover was convenient for enterprise leaders, Deputy Director Li stressed, because it allowed them to adjust for fluctuating production demands. “Before restructuring, a state enterprise did not have the power to hire and fire people. That’s the biggest change in management practices. When there’s not much work, you can cutback. Before restructuring you couldn’t.” Now companies were able not only to reduce the size of their workforce in response to market conditions, Li pointed out, but they also could get rid of individual employees they did not want. “Now if you don’t need a person, you can let them go, or if they break the enterprise rules you can fire them.” He was careful to say that the company complied with the law but suggested that this was not a big obstacle. “You can’t fire workers for no reason, you have to follow the labor law, but if they break labor discipline you can, you can find an excuse.” Altogether he was very satisfied. “This is a very big change. Before employing people (*yongren* 用人) was very rigid. Now it’s very flexible, super flexible!”<sup>56</sup>

Qian concurred that the biggest change brought about by restructuring was the company’s enhanced power to fire workers. “Before the factory could not just fire someone,” she said. “Now the restrictions placed on workers are greater and greater and the demands are more and more strict. If you don’t work hard, if you don’t follow the rules, they can terminate your contract.” As a result, she said, “It’s easier to control workers than before.”<sup>57</sup>

Luo, the veteran worker, described the same changes from a different perspective. His father had also worked at Brilliant, as had his brother. He had started working at one of the factory’s older glass plants 27 years earlier and was transferred to the FRP factory when that plant was closed. His bitterness was evident when he compared the current conditions with those in the past.

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<sup>54</sup> Interviewee Q19.

<sup>55</sup> Interviewee Q16.

<sup>56</sup> Interviewee Q14.

<sup>57</sup> Interviewee Q16.

Now it doesn't do any good to say anything. It's not like before, when you could report things to higher levels, one level at a time. Today, who are you going to report something to? Who dares say anything? The factory is private, if the boss wants to employ you, he'll keep you, if not, he'll get rid of you. Back then, you could raise issues. The factory belonged to the Communist Party, your wages were paid by the Communist Party. Now it belongs to an individual, so you can't say anything. Now it's an individual's money, we all get our money from his pocket. ...A leader can tell you, 'If you don't do as I say, you can just go home.' They couldn't say that before. To be blunt, now they don't let you speak, they only let you work. ...Before there was some room to discuss things. Since enterprise restructuring, people's thinking has changed, now you just work, that's it.<sup>58</sup>

Deputy Director Li was acutely aware that many employees were discontent with the consequences of restructuring, but he was unapologetic. Restructuring was necessary, he insisted, in order for China to develop. "During restructuring there were some people who didn't understand. Restructuring was very difficult." Some workers, he recalled, petitioned the government. "Of course, that kind of thing happened, because their interests were harmed. The essence of restructuring is that one interest smashes (*dapo* 打破) another interest. The new interest smashes the old. That's the way it is. When the new interest smashes the old, perhaps some people aren't happy or don't understand."<sup>59</sup>

While the main Brilliant factory stopped holding employee congresses after the debacle of 2008, the FRP factory continued to hold SWC meetings regularly. Photos on display in the factory courtyard showed SWC representatives voting unanimously to adopt a new set of company rules. SWC meetings were convened by Deputy Director Li, who was the company's second largest shareholder and also served as party secretary and union chair. When asked about the SWC, Li explained that it was necessary to hold congress meetings in order to get input from below, but when he spoke about the factory's workers it did not seem that he had a great deal of interest in what they might have to say. "Ordinary workers don't understand anything about the enterprise," he said. "Especially the contract workers, they know basically nothing about the company's situation. Their brains don't think about much, they just come to work, they work and get paid, that's it. Ordinary workers can't express themselves well, they're different from us. We see things from a different perspective, we know the situation better."<sup>60</sup>

### **Decline of political incorporation**

Contention over restructuring took similar forms in other factories I investigated. In many, SWC meetings became a focal point of conflict. Employees demanded that factory leaders convene SWC meetings, they demanded to be included in the meetings, they demanded that provisions to

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<sup>58</sup> Interviewee Q19.

<sup>59</sup> Interviewee Q14.

<sup>60</sup> Interviewee Q14.

protect workers' interests be incorporated in restructuring plans, and, afterwards, they demanded that these provisions be implemented. All of these issues became grist for petitions and protests.

In the end, however, employees were in a weak position and the SWC structure proved to be an ineffective tool for resistance. As always, SWC meetings were dominated by factory leaders, who set the agendas and manipulated the election of representatives. Even leaders who were sympathetic with employee concerns were typically more concerned with carrying out mandates from above. And SWC representatives, most of whom were drawn from among privileged staff members, were not only concerned about maintaining good relations with factory leaders, but they also felt the compulsion of powerful forces beyond the factory, including disadvantageous new state policies and market realities. As a result, even when there was overwhelming opposition to restructuring, compliance was ultimately obtained using a combination of threats and promises. In the end, employee congresses virtually all signed off on restructuring plans.

Often the congress was also signing off on its own demise. While at Brilliant the fractious 2008 SWC meeting led to a seven year hiatus, in many privatized factories the new owners simply stopped convening congresses altogether. "Since restructuring, no party congresses or staff and workers congresses have been held," reported Wen Youqin, a shift leader at a privatized textile mill. "It's been ten years," she told me. "Now, there's no place for workers to speak. No one is representing them or fighting for their interests or their rights. The only channel is individual complaints, but today workers are afraid of saying too much and insulting the supervisors and leaders. They don't want to get fired."<sup>61</sup>

The CCP continues to endorse the SWC system and the number of enterprises that have established SWCs has been growing rapidly, at least on paper. In 2005, China's Company Law was revised to require that all enterprises, public or private, convene employee congresses.<sup>62</sup> Since then, authorities have reported an extraordinary expansion of the SWC system. According to ACFTU surveys, between 2004 and 2012, the number of enterprises and other organizations (hospitals, schools, etc.) that claimed to have been established an SWC increased from 369,000 to an astounding 4,049,000 organizations, of which 3,358,000 were private enterprises.<sup>63</sup>

Many party leaders, particularly some of those entrusted to run the ACFTU, are undoubtedly sincere when they talk about expanding the SWC system and enhancing its role. If this was possible, after all, employee congresses might help the party carry out the "supervisory" function it seeks to maintain in factories and help mitigate workplace abuses that spur protests and threaten social stability. The capacity to do this, however, has been eroded as a consequence of another party agenda—the creation of competitive, profit-maximizing industrial enterprises unencumbered by extra-market obligations to their employees. The logic is clear: In order to compete, enterprise leaders must be able to minimize labor costs and they cannot allow workers to impede this goal. Across China, this agenda has taken precedence.

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<sup>61</sup> Interviewee H49

<sup>62</sup> National People's Congress (2005, Article 18).

<sup>63</sup> Feng (2012, p. 204), and ACFTU (2013, pp. 159-160). By 2015, the ACFTU had reported that SWCs had been established in 4,794,000 enterprises (Li Y. 2016).



As noted in the previous chapter, the role of the SWC had already been declining since the late 1980s, as the unilateral authority of the factory director was steadily reinforced. By the late 1990s, when SWCs were called upon to approve the first round of enterprise restructuring plans, the institution was already much weaker, and restructuring has only further undermined the political and social foundations on which it was predicated.

The political foundations of the SWC system, and of worker participation more generally, have been eroded with the marginalization of the factory party organization, on which SWC activities and influence have always depended. Not only has the power of the party organization within the factory declined, but it no longer serves as a mechanism to incorporate workers in factory affairs. Today the CCP makes little effort to recruit workers and few workers are interested in joining. The party and union organizations exist largely in factory administrative offices; they have very little presence on the shop floor. The once robust relationship between the party organization and industrial workers has atrophied to insignificance. This is a graphic indication of the extent to which workers have been marginalized from factory governance. In the apt expression of Shi Xiuyin, the influence that workers once enjoyed in factories depended on support from above (*qiangzhu quanli* 强助权力), which no longer exists.<sup>64</sup>

The social foundations of worker participation have been eroded as workers' position in factories has grown increasingly precarious. This process began with the gradual introduction of the contract labor system in the late 1980s and it culminated with industrial restructuring, when lifetime employees were compelled to *maiduan*. Today, factories typically maintain internal employment hierarchies composed of various categories of workers, each granted a different type of employment status and a different level of compensation and benefits. While some workers have employment contracts—of different lengths and with distinct sets of benefits—others are hired on a more casual basis, often through dispatch agencies or labor contractors. The situation in the restructured FRP factory is not uncommon: A core of veteran workers waiting to retire, and a periphery of new itinerant workers. In China's new industrial order, few in either group can imagine a long future in their current place of employment.

Hao Mingsheng, the brick factory worker who was hired on a temporary basis in 1970, ended up working in the factory for more than three decades, long enough to see temporary employment eliminated and then come back again in a much harsher form. While in the 1970s he and his fellow peasant contract workers initially had a different status from the permanent workers, there was little difference in terms of welfare or participation in factory affairs. This stood in sharp contrast, he pointed out, to the situation today. Of the 1000 or so people currently employed by the factory only about 350 were regular workers; they were all older and would soon retire. All the heavy manual labor was now done by temporary workers hired by labor contractors (*baogongtou* 包工头) who were paid per thousand bricks produced. The temporary workers did not have contracts, they did not get any kind of insurance or benefits, they were not union members, they did not have representatives on the factory SWC, and they did not

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<sup>64</sup> Shi (2002). You (2007) has advanced a similar analysis.

participate in factory elections. “The temporary workers are hired by the day,” he said. “They’re always changing. They only work and make money, there’s nothing else.”<sup>65</sup>

### **Political marginalization**

The diminished position of workers in China’s factories has been experienced most immediately on the shop floor, where workers once enjoyed considerable influence. The days of shop floor self-management are long gone and labor discipline is now based on bonuses, fines, and the threat of termination. At the most basic level, within small production teams, the changes have been dramatic. In the past, team leaders were often elected, they continued to do production work, and their wage did not change because of their leadership position. Today they are virtually all appointed from above, they no longer have production tasks, and they are paid substantially more than the workers in their groups. Moreover, they often now have the power to fine, or sometimes even fire, the workers they supervise.

These changes were poignantly described by both workers and cadres. Lin Tian, a recently retired steel worker, explained how power relations within small teams had changed since he started working more than three decades ago. “In the 1980s, the relationship between team members and the team leader were much different—we would talk to each other, discuss things together and help each other out.” Now, he said, there was no more discussion. “The whole system is based on the factory director responsibility system. In the workshop and the small team it’s the same—one person decides, whatever he says is correct, the workers can’t speak.”<sup>66</sup> Zhen Hongjia, who had worked as a computer technician in the Brilliant Glass Factory since the 1980s, echoed this observation:

Back then, when workers attended meetings, it was different, they were involved, if they had something to say, they said it. If something’s not right, I won’t listen to you. They spoke up and said what they thought. Today, cadres participate in before-work meetings, workers don’t. Afterwards they just tell workers what to do, you can’t say anything anymore. ‘What I say is a command, you just carry it out.’ Before if you were too arbitrary, you couldn’t get away with it. Now you can be arbitrary. It’s more dictatorial.<sup>67</sup>

Wen Guowei, who started working as a machine operator in a large ball bearing factory in the early 1970s and later became a workshop director, reported that small teams gradually stopped meeting in the 1990s. Some workers I had interviewed told me they were relieved that they no longer had to go to meetings, and I asked Wen, who had just retired, if workers in his workshop had felt that way. “People’s thinking has changed,” he told me, offering the following explanation:

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<sup>65</sup> Interviewee H38.

<sup>66</sup> Interviewee B13.

<sup>67</sup> Interviewee Q5.

Back then we didn't mind going to meetings, we felt it was our responsibility. Everybody in their heart was thinking about the country, they were thinking 'I'm the master of the country, I want the factory to do well.' Actually, it's still a state enterprise, it belongs to the country, everyone has a stake. But after they implemented the factory director responsibility system, it seemed like the factory belonged to the director, not to the workers. At first, everyone couldn't stand it, but later they thought that's just the way it is. The director's tone of voice changed: 'I'm the factory director, everything is mine, I control everything.' The director gradually pulled further and further away from the workers, he started standing in opposition to the workers. Everything had to be done according to the director's will, the workers didn't dare say anything.<sup>68</sup>

Like Wen, many interviewees described a gradual estrangement between workers and factory leaders, providing a litany of causes. Lin Zheyang, a group leader who had been laid off from the same ball bearing factory, pointed out that cadres were now required to have college degrees and he noted that they no longer worked alongside workers and only rarely came out of their offices. His main complaints, though, were economic.

Since reform and opening up began, every year the contradictions between the workers and the leaders are growing. The leaders and managers make more money and do less work, while the workers do more work and make less money. ...Since the factory director responsibility system began, one person decides everything, he decides the distribution of wages and work. That's where their privileges come from. Workers should have a say, but they don't. That's why some people have become corrupt. That's why relations between the masses and the party are not as good as they were in the Mao Zedong era. That's the reason most workers hate the Communist Party now—they no longer work on behalf of the masses. Before reform and opening up, the Communist Party cared a little about the masses. Now they don't care. The reason is simple, it's the leadership stratum. ...The annual salaries of the leading cadres in the corporate group may be as much as 1,000,000 or even 10,000,000 (US\$150,000 or 1,500,000). That's why the contradictions are growing!<sup>69</sup>

Enterprise leaders today not only bring home salaries and bonuses that can be hundreds of times higher than those of production workers, they supplement their monetary compensation with company cars and lavish expense accounts as well as informal compensation that is illegal but is now widely considered a normal perquisite of executive power.<sup>70</sup> They have moved out of the factory apartment blocks they once shared with workers' families and into elegant gated

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<sup>68</sup> Interviewee H39.

<sup>69</sup> Interviewee H15.

<sup>70</sup> Lü (2000, pp. 190–227), Zhang (2017).

communities and exclusive high-rise condominiums. As Lin stressed, this growing inequality has induced in workers a sense of alienation, undermining their identification with the factory and aggravating relations between managers and workers.

In some ways, however, the changes wrought by restructuring have simplified the work of factory leaders, who no longer have to be as accountable to their subordinates or worry much about maintaining good relations with them. Xu Jianlong, who had recently retired as a branch factory director in the ball bearing complex, compared management styles, past and present: “It’s easier to be a leadership cadre now. You just give workers money and make them work, if they don’t, you let them go. Workers today just care about making money, they don’t care who the factory director is.” Back in his day, he explained, it was not so simple. “In the planned economy you couldn’t fire a worker, so if someone wasn’t working hard, all you could do was talk to him, you had to ask him ‘What’s the matter? Do you have a family problem?’ If he didn’t change, all you could do was talk to him again.”<sup>71</sup>

While Xu complained about cadres’ lack of power in the past, however, he still thought the old system, which relied on persuasion and inclusion, was better: “Before managing depended on thinking (*sixiang* 思想), it depended on cadres’ maintaining good relations with the masses. ...Everybody participated in discussing how to use resources. Today they don’t let workers participate. They don’t respect workers.”<sup>72</sup> The CCP’s preoccupation with “cadres-masses relations” (*ganqun guanxi* 干群关系), to which Xu referred, has clearly faded. When I asked He Weimin, a veteran worker in a railroad car factory, about relations between cadres and masses today, he responded: “What relations between cadres and masses? The leader tells you what to do and you do it. ...The management style changed a lot after restructuring. Now it’s much stricter. The workers are more docile, and that’s also true of the middle-level cadres. It’s the boss who has the power. He can fire anyone on the spot.”<sup>73</sup>

Even before restructuring, authority relations had changed significantly as the factory director responsibility system took hold in the 1990s. Many people illustrated these changes by comparing the attitudes of older and younger generations of workers. “Older workers, if they think something violates safety rules, if it’s unreasonable, or they just can’t do it, they won’t hesitate to say ‘No, I won’t do it,’” recalled Cui Haoping, who had recently retired from a large aluminum mill. “But young people aren’t willing to say anything. ‘If you tell me to do it, I’ll go do it.’ If they’re unhappy, maybe they won’t do it well, or they might even ruin it, but they will never say ‘No’ to a leader.”<sup>74</sup> At the time I spoke to Cui, the mill had not yet been restructured and it was still uncommon to fire workers, but leaders used fines in a heavy-handed fashion to intimidate subordinates. Ma Weisheng, a much younger colleague in the same factory concurred with Cui’s assessment. “I would never raise a criticism of a leader, even if I knew he was wrong,” she told me. “You are working for him, you are supposed to support the leaders, not

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<sup>71</sup> Interviewee H14.

<sup>72</sup> Interviewee H14.

<sup>73</sup> Interviewee Q9.

<sup>74</sup> Interviewee H35.

criticize them. That's inconceivable. No one would speak, even if they had something to say. We are not like the older workers—the old people, if they had an opinion, they just said it.”<sup>75</sup>

While Cui was proud that older workers were willing to speak up, he had retired early because he felt increasingly disrespected by factory leaders. “In the 1990s, the cadres' attitudes towards workers visibly changed. It seems they started thinking they were a step above workers. It was obvious that they no longer respected workers. One thing that left a deep impression was that they no longer called older workers *shifu*.”<sup>76</sup> Lack of respect was coupled with a steady constriction of rights within the workplace, which was felt particularly acutely by veteran employees. Zhang Yinqing, who worked for many years as an engineer in a railroad car factory, summed up the change like this: “In in the past, workers' democratic participation in enterprise management was much greater than it is today. The workshop director would listen to the workers' opinions. Now even in enterprises that are still state-owned, the factory leadership manages according to the private ownership model. They tell the workers, ‘Get to work, if you don't do your job well, I'll fine you, I'll fire you, I'll lay you off.’ That's fundamentally undemocratic.”<sup>77</sup>

### **The end of citizenship rights in factories**

Industrial restructuring transformed China into a global industrial powerhouse, widely described as the “workshop of the world.” Despite the shuttering of many unprofitable factories, industrial production greatly accelerated. Between 1995 and 2008, industrial output grew by 13.8% per year, significantly outpacing the 11% annual rate of the pre-reform era (1952-1978) and the 11.6% rate of the early reform years (1978-1995).<sup>78</sup> During this period, however, while industrial output grew spectacularly, industrial employment actually fell, declining from over 159 million in 1995 to about 158 million in 2008, reversing the trend of the previous periods, which had all seen a massive increase in industrial jobs.<sup>79</sup> The fall in employment reflected the determination of industrial enterprises to reduce payrolls by automating production and increasing the hours and intensity of labor (as we saw in dramatic fashion at Brilliant). The goal—which became an absolute requirement for survival in a highly competitive environment—was to minimize labor costs in order to increase labor productivity and profit rates, an orientation quite different from that of the work unit era, when the state was committed to putting the entire population to work.

The formidable accomplishments of Chinese industrial enterprises since the mid-1990s in stepping up production while cutting employment have been connected to the declining power of workers. As this chapter has shown, the fall in workers' power has been linked to the increasing

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<sup>75</sup> Interviewee H34.

<sup>76</sup> Interviewee H35. *Shifu* (師傅) is an honorific that might be translated as “master craftsman.”

<sup>77</sup> Interviewee F1.

<sup>78</sup> Brandt, Ma and Rawski (2016, pp. 15 and 34).

<sup>79</sup> Gan (2003, p. 421), Li and Yan (2010, p. 41) and Zhang (2009, Table: 从人年末数 [Year end number of employees]).

precariousness of employment. The relationship between the two is mutually reinforcing—workers’ power falls as their position in the factory becomes more precarious, and their position becomes more precarious as their power falls. At the same time, as Chinese workers have lost the workplace citizenship rights they once enjoyed, labor relations have become much more coercive.

The dismantling of the work unit system has produced results that—if we employ Hirschman’s framework—should not be unexpected. Back when industrial work units were membership organizations, strong citizenship rights and formidable boundaries made it very difficult for workers to quit or be fired, creating a political terrain inside the factory in which there was substantial room for both loyalty and voice. Industrial restructuring opened up the possibilities not only for voluntary exit, but also for expulsion, as tens of millions were laid off or fired. The impact was felt not only by those who left, but also by those who stayed, as *maiduan* revoked their membership status. For veteran workers, and even more for new hires, as the door for exit—voluntary or involuntary—was opened wide, the space for both loyalty and voice was diminished.

Today, new workers have little reason to identify with the factory and the bitter *maiduan* experience has largely succeeded in eliminating the sense of identification and loyalty veteran workers once had. The relationship between enterprises and workers has largely been reduced to a market transaction, which involves a simple choice: stay or leave. This, of course, was an explicit goal of industrial restructuring: to dissolve the links that had attached workers to workplaces. Enterprises have been converted from membership organizations into purely economic entities and in the process they have, in the apt term of economist Qian Yingqi, been “desocialized.”<sup>80</sup> As employment has become more precarious, the impetus for workers to overcome obstacles to exercising voice has declined. Moreover, they are no longer considered legitimate stakeholders entitled to a say in factory affairs. Why, factory leaders reason, should we listen to transient employees?

The diminished position of workers inside the factory is reflected in the larger society as well. “In the past, you were proud to say you were a worker,” recalled Wen Guowei, the ball bearing factory retiree. “In society, the status of workers was very high. Today if you say you’re a worker, you feel like you’re lower than other people.”<sup>81</sup> Beyond the rhetorical celebration of the working class during the Mao era, there was a material basis for Wen’s nostalgia. Factory workers enjoyed material conditions that were respectable even when compared to factory leaders, intellectuals, and government employees. More than that, as a member of their work unit they could take a certain proprietary pride. Today, not only has the status of workers plummeted in the conceptual hierarchies of the reform era, but their incomes have fallen far behind those of urban elites, and even if they still work in the same factory, they can no longer consider it theirs. Today, they are simply *dagongzhe* (打工着, hired labor).

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<sup>80</sup> Qian (1996).

<sup>81</sup> Interviewee H39.

The losses incurred by workers as a consequence of industrial restructuring have typically been measured in economic terms, but the damage to their political status in the workplace should not be overlooked. In some ways it has been even more profound. As work unit communities have been dissolved, not only has the iron rice bowl been smashed, but workers have been disenfranchised.

