

Class conflicts in the transformation of China



Introduction

As we previously argued in issue 14,¹ the immense economic transformation that is occurring in China has not been driven by China's move to a market economy, as neo-liberal ideologues insist, but by the success of the Chinese state in attracting and tying down international capital on its own terms. When Deng Xiaoping opened up the Chinese economy in the early 1990s, after four decades of autarchic development, foreign capital was permitted entry only to the extent that it assumed the form of real productive capital. In joint ventures with the Chinese state, foreign capital was required to provide both the plant, machinery and technology necessary to raise the productivity of Chinese labour and access to Western markets. In return the Chinese state provided investment in infrastructure (i.e. transport, communications, electric power and other utilities) necessary for the accumulation of capital, social peace and, most importantly, an almost inexhaustible supply of cheap and compliant labour-power.

China's integration into the world economy over the past decade or so has not only led to rapid and sustained economic growth in China, but to a rejuvenation of both world capitalism and American economic hegemony. Firstly, as we have previously pointed out, China's integration into the world economy has been based on specialising in the mass production of cheap manufactured commodities, which the West, and the US in particular, either gave up producing during the restructuring of the 1970s and '80s, such as clothes and toys, or which was were not produced before, such as DVDs and mobile phones. As a consequence, China has been able to establish a complementary dynamic of accumulation with the USA. As such, the vast and increasing flood of cheap Chinese commodities into the US economy has, for the most part, not had the effect of displacing American-based capital, and thereby creating

unemployment, but has served to reduce inflationary pressures. At the same time, the Chinese state has recycled the growing inflow of US Dollars earned by its exports by buying up American financial securities, thereby helping to finance America's trade and government deficits. This has given the US authorities much greater freedom to use monetary and fiscal policy to ensure a more rapid and continuous capital accumulation and growth in the American economy.

Secondly, and more generally, China's integration into the world economy, on the basis of providing a plentiful supply of cheap and compliant workers, has opened up a vast new source for the production surplus value. As a result, China's entry into the global economy has served to sustain the recovery in the rate of profit across the world, which has been occurring since the restructuring of the 1970s and 1980s, to the point where they are approaching levels not seen since the long post war boom.² Indeed, with this revival of the rate of profit, we have entered what increasingly looks like a Kronratiev-style long term upswing in the American-centred world accumulation of capital.³

The immediate question that arises is how long can this rosy state of affairs for capital be sustained? Won't the complementary dynamic of capital accumulation between China and the US sooner or later break down? In our previous article on China we highlighted three possible scenarios. Firstly, China's rapid economic growth is raising the demand for energy and raw materials. This has already led to rising prices for raw fuel and raw materials; thereby offsetting the deflationary effect of China's cheap manufactured exports and shifting profits away from America and the West to the producers of such fuels and raw materials. As geo-conflicts grow, particularly around oil, then the global *Pax Americana* that has existed since the end of the Cold War will come under increasing strain.

Secondly, we suggested that as it is obliged to open up to global financial capital it might become increasingly difficult for China to sustain its model of state-directed accumulation of capital. Investment in China will become increasingly determined by the global capital markets rather than by the Chinese. Indeed, if China's financial system is prised open too soon then China's economy could be derailed by a

² The high productivity of the Chinese worker equipped with western technology and working long hours, combined with low wages means a high production of both absolute and relative surplus value, which of course increases the general rate of profit once it is generalised through falling relative prices of Chinese manufacturers. However, in locating production in China, low wage costs have often encouraged capital to adopt less capital intensive methods of production allowing for a *fall* in the organic composition of capital which will also enhance the general rate of profit.

³ The Russian economist Kronratiev postulated that there existed a forty to fifty year economic cycle in the capitalist economy. This cycle would provide an envelope within which the normal five to ten year business cycles would occur. During the downswing of the cycle recession would be deep and economic recoveries weak. In the subsequent upswings economic booms would be strong and interrupted by shallow recessions.

¹ 'Welcome to the 'Chinese century', *Aufheben* #14, 2006.

financial crisis like that which befell the South East Asian tiger economies in 1997 but on a far greater scale.

Thirdly, if the this 'complementary dynamic of accumulation' avoids the pitfalls of inter-imperialist conflicts over oil and raw materials or financial crises, then it will ultimately turn into its opposite. As it inevitably moves into the production of more sophisticated and higher value commodities, as it is already doing, then China's capital accumulation will increasingly compete with that of the US and the West. At some point, perhaps towards the end of the next decade, the complementary dynamic of accumulation between US and Chinese capital will become a competitive one. It will be at that point when China will begin to seriously challenge the economic hegemony of US capital.

However, one scenario was the possibility that China's capital accumulation could run into the buffers of social unrest and class conflict. Indeed, it may be asked how much longer can the Chinese state ensure social peace, and how much longer can it provide world capital with a cheap and compliant supply of labour-power? It is to this issue that we shall now turn to consider.

The social impact of China's economic transformation

China's immense economic transformation has involved terrible human and environmental costs.⁴ Of course, its apologists point to the fact that economic growth has allowed the average level of consumption to rise.⁵ They point to the growing Chinese middle class whose standard of living is comparable to their Western counter-parts and would have been inconceivable ten or twenty years ago. And they point to the 200 million peasants whose money incomes are now above the international levels defining absolute poverty.

Yet in less than a generation China has moved from one of the most egalitarian societies in the world to one of the least egalitarian. Although tens of millions of people have become substantially better off in material terms, the position of hundreds of millions have become worse. The 'iron rice bowl', which provided a minimum level of income security, free health care and education, has been smashed. Although people have more money, they have to spend more as state benefits in kind have been withdrawn. As we shall see, in the rustbelt regions of northeast China the devastation of old industries have thrown tens of millions out of work leaving them dependent on meagre benefits and on the precarious casual employment they can find. Millions of peasants have been driven off their land with little or no compensation. While in the booming factories of the south tens of millions of

migrant workers are obliged to work extraordinary long hours in often atrocious conditions. At the same time, thousands of miners and construction workers are killed in work accidents every year because basic health and safety standards are ignored. If this was not enough, then the relentless drive to expand capital has meant that scant regard has been paid to the impact on the environment. As we shall see in more detail, across China rapid industrialisation and urbanisation is leading to an alarming increase in pollution. As a result millions of Chinese people are being poisoned as China's air, land, rivers and sea are turned into toxic waste dumps. China's Communist leaders have certainly unleashed a capitalism red in tooth and claw.

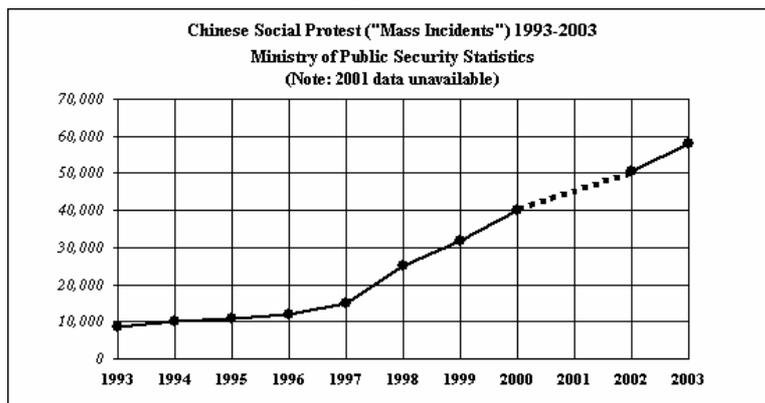
Yet, it would seem, at least at first sight, that all this has been done with little or no discernable resistance. The objective laws of capital seem to have imposed themselves with no let nor hindrance. Indeed, to the dismay of many liberal commentators, who once placed so much hopes in the middle class protesters of Tiananmen Square, China is claimed to have found the magic formula for combining the economic dynamism of a 'market economy' with the totalitarianism of a one-party state. However, on closer inspection it becomes clear that while the Chinese middle class has become consumed by consumerism, there has been widespread resistance by both peasants and workers, which has often been ignored by the Western bourgeois media.

According to the Chinese government's own figures, which are likely to be underestimates, there has been a steady growth in protests since the early 1990s. In 2005 the government recorded 87,000 incidents of social unrest involving a hundred or more people, up from 74,000 in 2004 and 58,000 in 2003. These incidents have ranged from small illegal but peaceful protests to full scale riots. Even if we deflate these numbers in accordance with China's huge population, this still amounts to a substantial level of unrest compared with say the United Kingdom (although perhaps this is not saying much). This is certainly the case if we consider the penalty for organising protests without official permission may be as much as seven years in prison. Indeed,

there are many commentators in the West and within China who are giving the regime dire warnings that if they do not introduce the safety valve of some form of bourgeois democracy then there will sooner or later be a social explosion in China. The Chinese government itself has in recent years become increasingly

concerned with the growing social unrest amongst both peasants and workers, and repeated pronouncements have been made about promoting social harmony.

So is China headed for a social explosion? Will the Chinese state be able continue to ensure a plentiful supply of cheap and compliant labour power? In this article, as a necessary step towards answering such questions, we shall look at the class conflicts that have arisen out of the immense economic transformation of China that have occurred over



⁴ See Robert Weil, 'Condition of the Working Class in China', *Monthly Review*, June 2006.

⁵ For a criticism of the orthodox views of China's economic transformation see 'China, Capitalist Accumulation, and Labor', *Monthly Review*, May 2007.

the last ten years or so; and how, so far, the Chinese state has been able to contain them.

We shall begin, in section 1, by briefly examining the formation of classes that arose during the Maoist period of state capitalism. In section 2, we will then consider the impact of the economic reforms in the 1980s and 1990s, particularly with regard to the restructuring of China's old industrial base that had been constructed under Mao. We will then, in sections 3, 4 and 5, consider the three distinct areas of class conflict that have arisen in response to the economic transformation of China: firstly, the struggles of the old industrial working class, who have faced the loss of their once secure and privileged position; secondly, the peasantry, who have faced the dispossession and dispoilation of their land; and finally, the newly emerging working class, who have suffered super-exploitation in China's rapidly expanding export and construction sectors.

1. Class composition under Mao

1.1 The origin of state-capital accumulation under Mao

Following the opium wars of the mid-nineteenth century imperial China had been opened up to foreign trade. This had led to the development of enclaves of small-scale capitalist and artisan industry around a number of China's coastal cities, which were largely orientated towards supplying the world market. This industry had been mainly dominated by foreign mercantile capitalists and a local comprador bourgeoisie, who had little interest in the accumulation of industrial capital beyond the rather limited requirements of foreign trade.

With the collapse of the Empire in 1916, the nationalist governments that came to power had sought to promote an independent national capitalist development. Yet such efforts were hamstrung by both civil war and war with Japan. In the 1930s, during the Japanese occupation, heavy industry had been developed in Manchuria to supply Japan's war effort. However, much of the moveable plant and machinery had been plundered and shipped back to Russia at the end of the Second World War.

As a consequence, on coming to power in 1949, the Chinese Communist Party (CCP) found itself presiding over what was still a predominantly peasant society. Tiny islands of industry existed within a vast ocean of largely subsistence agriculture, whose techniques of production had barely changed for millennia.

Given such backward economic circumstances, Mao had advocated a nationalist and anti-imperialist programme of gradual capitalist development. The state was to establish a monopoly of foreign trade, the property of both foreign and comprador capitalists was nationalised and a programme of land reform introduced. But beyond such measures, there was to be no further immediate moves towards socialism. Instead, in accordance with Mao's 'New Democracy' programme, the CCP was to lead a nationalist government, which would unite China's 'patriotic' landlords and bourgeoisie with the peasants, working class and petit-bourgeois masses.

However, the Korean War brought home to the leadership of the CCP the dangers of an imperialist intervention in China by the US. It now became clear that if the People's Republic of China (PRC) was to survive very much longer than it would have to develop a modern well-

equipped army. But to be able to do this China would have to rapidly industrialise.

As a consequence, the CCP decided to adopt the state capitalist form of economic development that had been pioneered twenty years earlier in the USSR. All means of production were nationalised, the market was suppressed and a command economy introduced. All the economic surplus that could be expropriated from the peasants and the small existing working class was to be concentrated into an all-out effort to accumulate productive capital in the form of heavy industry. However, this programme of rapid industrialisation necessarily entailed the rapid transformation of a large section of China's peasantry into a new industrial working class.

1.2 The formation of the industrial working class under Mao

Unlike their Russian counterparts, on embarking on a programme of rapid industrialisation the Chinese state planners did not rapidly run into problems of a general shortage of industrial labour. On the contrary, one of the principal problems they faced was how to control the vast migration from the countryside to the towns that rapid industrialisation might generate.

Of course, rapid industrialisation required a huge expansion of the industrial and urban workforce, particularly given the fact that, with China's economic isolation, there was little option but to employ highly labour intensive methods in the construction of this new industry. Yet amongst China's vast rural population there was potentially more than enough migrant labour to meet the demands for the planned programme of industrialisation. The problem was that if more migrants flocked to the cities in search of work in the construction of the new industries than could be readily employed then this, it was feared, would lead to rising urban unemployment and place unsustainable demands on the limited urban food supply. More produce would then have to be extracted from the peasantry to feed the cities. This not only threatened to undermine the CCP's support in the countryside, but also risked creating a vicious circle, as this greater rate of exploitation forced more of the rural population to migrate to the industrial and urban areas.

This large potential pool of migrants was nothing new. Indeed, the fear that migration from rural areas might swamp the cities had been a recurrent one for China's state bureaucrats for hundreds of years and was rooted in the class structures of China's countryside. In contrast to peasants in medieval Europe, the Chinese peasantry had never been tied to the land by extra-economic feudal dues and obligations. Instead, each peasant household entered into what was a primarily economic contractual sharecropping arrangement with their landlord. The peasant household would provide the labour, the landlord would provide the land, and the produce would then be shared in accordance with prior agreement.

The landlords had usually been in a strong bargaining position. With its vast mountainous and desert areas, the amount of land suitable for cultivation in China is limited. Furthermore, much of the land that is suitable for agriculture is not immediately so, and requires large-scale investment before its cultivation can take place. This is particularly the case for land required for the cultivation of rice - the staple crop for much of southern China. Rice cultivation requires

the construction and maintenance of large-scale irrigation projects. Such investments were beyond the means of peasant households and had usually been the responsibility of the landlords or the imperial bureaucracy. As a consequence, the landlords and the ruling class more generally, were able to squeeze the peasantry by keeping cultivatable land in short supply.

With land in short supply, a substantial proportion of the peasantry ended up with little or no land. Many of these were able to depend on kinship networks within the village to survive, providing in return much needed labour to their more fortunate relatives during the planting and harvesting seasons of the year. However, many others, too poor to marry, found themselves marginalised from the family-centred village communities and drifted away. A few of these marginalised peasants became bandits – or in the 1930s or 1940s had joined Mao's peasant armies – but most became what was known as the 'bare backs' and wandered from village to village, or town to town, looking for whatever work they could find. Hence the Chinese countryside had always contained a substantial pool of permanent migrant labour, which under certain circumstances could be drawn into China's towns and cities.

After handing over a substantial share of his crop to his landlord, and after having fed his family, even the relatively well-off peasant was left with little to sell. With the merchant driving a hard bargain, and having paid his taxes and dues, there would be very little money for the peasant to put aside for hard times or else to pay for necessary extravagances such as weddings and funerals. As a consequence, even relatively prosperous peasants could be tempted to send their sons to the city to find work during the slack times in the agricultural cycle. Thus, in addition to the 'bare backs', there had always been a substantial pool of seasonal migrant labour, which could be drawn into China's towns and cities at certain times during the year.

Of course, in coming to power the CCP had brought about important changes to the class relations of the Chinese countryside. The national programme of land reform of the 1940s, and the subsequent programme of rapid collectivisation of agriculture that took off ten years later, went some way towards alleviating the plight of landless peasants.

At the same time the state had expropriated both the landlords and the grain merchants. Yet the state bureaucracy's plans for rapid industrialisation required food for a vastly expanded industrial and urban population and agriculturally produced raw materials for the construction and operation of the new industries. The only way of meeting such requirements was for the state, as both the sole landlord of the peasants and as the sole purchaser of staple crops, to maintain a high rate of exploitation of the peasantry. Having now to share a substantial proportion of their crops with the state rather than with a landlord, and receiving low prices for what they had to sell to the state, most peasant's financial position was little better than it had been in the past.

Hence, the economic pressures for peasant households to migrate, although perhaps diminished, still remained. Yet at the same time, the restoration of the means of communication and transport following decades of war, and their inevitable further development with the programme of rapid industrialisation, meant that it became far easier to

migrate large distances. With the restoration and extension of China's roads and railways it would become possible for peasants in the remote interior provinces to make the long journey to China's industrial and urban areas.

However, although there were more than enough migrant workers in the Chinese countryside to meet the demand for unskilled labour, the unprecedented scale and pace of the industrial construction that was planned meant that there could only be a severe shortage of skilled labour. The Chinese state planners therefore faced a twofold problem with regard to meeting the labour requirements of rapid industrialisation: a potential oversupply of unskilled labour combined with an acute shortage of skilled workers.

This two-fold problem was addressed in two distinct but complementary ways. Firstly, in order to restrict unauthorised migration to the towns and cities, the ancient *hukou* system of residency permits was revived and strictly enforced, especially following the Great Leap Forward (GLF). Secondly, as a general rule, managers of individual state enterprises and construction projects were not allowed to hire workers directly. Instead, workers were recruited by state labour bureaus and then allocated to state enterprises and construction projects in accordance with the priorities set by the central state planners.

As a result, it was very difficult for peasants to migrate to the towns and cities without going through party-state channels. At the same time, the central planners were able to ensure that skilled labour in short supply could be directed to where it was most needed, and, at the same time, the vast armies of unskilled labour could be recruited when and where necessary without the risk of opening the floodgates to an uncontrolled migration of labour that might overwhelm the limited resources of the urban areas.

So, in contrast to the USSR, there had been more than enough peasants in the countryside willing and able to spend periods of time providing the muscle power necessary for the planned rapid construction of heavy industry. This pool of labour could be readily recruited in the requisite numbers by the state labour bureaus through the Party's extensive organisations across the countryside on short-term contracts for the duration of particular construction projects. Once these projects were completed these contracted workers could be either offered new contracts on new projects or obliged to return to the countryside.

Such contract workers were to remain a substantial part of the emerging Chinese proletariat throughout the Mao era. However, as the construction of the first wave of steel mills, power plants, mines and factories came to completion in the mid to late 1950s there began to arise an increasing need for a core of more or less permanent workers that could acquire the various skills to operate them. This was to give rise to the distinctly Chinese form of employment embodied in the *danwei* system.

1.3 The formation of China's 'aristocracy of labour'

As we have seen, there had been more than enough peasants prepared to spend periods of time working in the new industries that were being brought into being, even for the very low wages on offer. Living in what was largely a subsistence rural economy, where money was scarce, they needed the cash. Young peasants would hope to earn enough money to marry, rent land and set up their own household. Older peasants would hope to supplement their savings so

they could pay their daughters' dowries, secure themselves in old age and see themselves through hard times such as harvest failures. Yet, whether old or young they remained peasants, and however long they spent as industrial workers they expected to return home to their village. Tearing up

sentiments of solidarity. It was closer to a residential agglomeration of numerous peasant households than to a live and functioning community, though less atomized than, for example, a modern South Italian village where life seems to have been a pacific struggle of all against all.⁶

It was therefore relatively easy to entice individuals or groups of households away from the villages and, as we shall see, to create new urban communities.

In order to encourage the family-centred peasantry to become industrial workers, efforts were made to facilitate the transplantation of entire households into the new industries. Firstly, workplaces were to provide cheap housing, free medical care, pensions and other welfare benefits to their new core workers and their families. Secondly, core workers were given an implicit collective guarantee not only of a job for life, but also jobs for life for their descendants as well.

This was to result in the creation of the workplace-centred communities known as *danwei*.⁷ By aggregating entire former peasant households, many of which were often recruited from the same locality, if not the same village, the *danwei* tended to recreate many of the traditional cultural and social characteristics and attitudes of the Chinese village. Indeed, many

observers have described the *danwei* as 'urban villages'.⁸

In the classical form of capitalism, the responsibilities of the individual capitalist towards the social reproduction of the working class is, for the most part, discharged with the payment of wages to the individual workers that have been hired. So long as he is able to hire workers in the next production period it is of little concern to the capitalist whether the working class as a whole is able to sustain itself in the long term. Responsibility for the overall social reproduction of the working class necessary for capital-in-general is left to the state - which through the provision of a



their roots in the countryside and moving to the industrial towns and cities was a very different and far more daunting prospect.

The problem facing state planners in securing a core of permanent workers for the newly constructed industries was therefore how to proletarianise the peasantry without undermining the CCP's political base in the countryside. In Western Europe the process of tearing the peasantry from the land had taken centuries and had often required force and bloody conflict. However, the solution to this problem was again both facilitated and conditioned by the particular nature of the traditional social relations in the Chinese countryside.

The village community in China had traditionally been far less integrated than it had been elsewhere in Asia. The basic social and economic unit was the household, made up of an extended family. The landlords had rented land to individual households; and each individual household organised its own labour necessary both to reproduce itself and pay its taxes and rents. It is true, particularly in the rice-growing areas of south China, that there was a need for co-operation between households in order to maintain and regulate the commonly used irrigation systems. The labour intensive harvest periods also required a degree of organisation of labour between households. Nevertheless, as Barrington Moore has concluded:

The Chinese village, the basic cell of rural society in China as elsewhere, evidently lacked cohesiveness in comparison with those of India, Japan, and even many parts of Europe. There were far fewer occasions on which numerous members of the village cooperated in a common task in a way that creates the habits and

⁶ Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*, Penguin University Press, 1966, p.208

⁷ The *danwei*-form can be traced back to 1920s and 1930s. See Hsiao-Pu Lu, Elizabeth Perry and Xiaobo Lu, *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspectives*, M.E. Sharpe, 1997.

⁸ As Moore points out, although in some respects the traditional Chinese village was little more than a residential agglomeration of households when compared to village communities elsewhere in Asia, he goes on to say: 'There was at least a limited sense of community. The village usually had a temple and numerous festivals in which all *bona fide* villagers could participate to some degree. Also in the local oligarchy of notables the village had a generally effective means of settling disputes among inhabitants and preventing explosions from the aggressions that arise in any group of people living in close proximity. One indication of this sense of community is the fact that many villages rigidly excluded outsiders from membership. The reason was simple: there was not enough land to go round'. Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy*, p.212.

system of universal welfare ensures that workers are able to sustain themselves through periods of unemployment, ill health, the education and training of a new generation of workers and makes sure workers are fit and healthy to work.

In contrast, in the state capitalism of China - where the state had become fused with capital - the *danwei* system ensured that much of the welfare functions of the state became devolved to each individual state-capital - or enterprise. In this regard there were close similarities with state capitalism in the USSR, where individual state-capitals were also responsible for the social reproduction of their 'own' workers. However, there were also important dissimilarities between China under Mao and the USSR in this regard. Although welfare was collectively provided by the workers' employer, it was mostly consumed individually. The worker would eat in the company canteens, live in the company-provided flats, go to the company doctors but for the most part they would do so as individuals separated from the state-capital. In contrast the *danwei* both reproduced the workforce as a community and integrated it within the state-capital.

Central to the *danwei*'s function in integrating the workers into the individual state-capital was its political role. The Party cell in each *danwei* was the basic Party unit in both industry and the urban areas. As such, it served to mediate between the CCP bureaucracy and the industrial proletariat. The Party cell and the works assembly served as the means to mobilise the workers behind the objectives of the Party. However, political mobilisation had to be something of a two-way process. The Party cell and the works assembly also had to be allowed to give voice to the concerns of the workers, albeit expressed in the terms and agenda set by the Party and confined within the limits of the *danwei*'s affairs.

In the classical form of capitalism, which we have in the West, the working class is fragmented, and then reintegrated within the overall process of the reproduction of capital, as individual consumer/citizens through the operation of commodity fetishism. In state capitalism there is little room for the working class individual to be posited by the state and capital as anything more than as a worker. Indeed in these 'worker states' the individual worker is exalted as such. There therefore have to be alternative means of fragmenting and integrating the working class within the overall process of the reproduction of capital.

In the case of USSR the working class had been divided through political atomisation.⁹ In the case of China it was the collective organisation of the *danwei* system that served to divide the working class. As we have previously noted, one of the more important economic factors that had bound together the individual households that made up the traditional Chinese village had been the need to exclude strangers from competing for land. This gave rise to parochial and inward attitudes amongst the Chinese peasantry and hostility to strangers from outside the village. Such attitudes were preserved in the *danwei*. This was particularly apparent in the attitudes of permanent workers, who as such were members of the *danwei*, to temporary and contract workers, particularly those employed from time to time by the *danwei*'s individual state-capital, who despite

working in the *danwei* were not members of it and therefore didn't receive the same benefits as permanent workers.¹⁰

This division in China's working class was further reinforced with the stratification of the *danwei* system. *Danwei* in high-ranking industries tended to be able to provide greater welfare benefits. High-ranking enterprises tended to be large-scale industries, which could afford more comprehensive welfare. They also were considered strategic industries that had priority in access to scarce resources and, being under the immediate auspices of the central state ministries and commissions or provisional governments had greater political clout. *Danwei* in high-ranking industries were therefore far better endowed than those in smaller industries run by the lower echelons of the Party. Indeed, although all workplaces were supposed to have their own *danwei*, it was only in the larger and high-ranking industries that the *danwei* were really developed.

Thus, although there existed a highly egalitarian national wage structure, the *danwei* created a distinct 'labour aristocracy' of workers in the larger and high-ranking industries, which were jealous of their privileges and loyal to their own *danwei*. This 'labour aristocracy' was to provide a strong basis of support for the CCP within the emerging Chinese proletariat.

1.4 The relation of the state to the peasantry under Mao

The ultimate constraint facing China's central planners' attempts in sustaining rapid industrialisation in the 1950s had been the low level of productivity of Chinese agriculture. An increasing industrial workforce could only be fed by increasing the amount of surplus-product that could be extracted from the peasantry. Yet this required the modernisation of Chinese agriculture.

In accordance with the Russian model, the solution to this problem had been seen in terms of ultimately re-organising Chinese agriculture on industrial lines. It was envisaged that large collective farms would be established that would allow for both the mechanisation of agriculture and the introduction of modern rationalised factory methods of production. As a consequence, the peasants would be transformed into a rural proletariat.

However, in order to avoid the disaster that had resulted from the forced collectivisation of Russian agriculture in the 1930s, the Chinese planners had originally planned that the collectivisation of agriculture would be a gradual process taking more than a generation to complete. First of all peasant households would be persuaded to form co-operatives. Then, when the first couple of Five Year Plans had established China's industrial base, agriculture could be gradually mechanised and collectivised.

However, in the mid-1950s, Mao initiated a political mobilisation, which sought to both reassert his position in

¹⁰ During the Maoist period while most strikes and protests by workers occurred in the context of mobilisation and factional disputes within the Party, it was the temporary and contract workers excluded from the full benefits of the *danwei* who on certain occasions took independent action in an attempt to gain the same concessions as *danwei* workers. See Elizabeth Perry, 'Shanghai's Strike Wave of 1957', *The China Quarterly*, No. 137 (Mar. 1994). For a more detailed general account of Chinese workers' struggles during the Maoist period see Jackie Sheehan, *Chinese Workers: A New History*, Routledge, 1998.

⁹ See H. Ticktin, *Origins of the Crisis in the USSR*, Armonk, 1992.

the Party and the Party's hold over the peasantry, while greatly accelerating the process of the collectivisation of agriculture. This was to culminate in the GLF that was launched in 1958.

Mao's rather utopian attempt to create in a couple of years large rural communes that would abolish the distinction between town and countryside, and in doing so bring together agriculture and industry into one vast organism, ended in disaster. However, following the retrenchment that followed the GLF a new configuration of the Chinese countryside was established. Although immediate control over agricultural production ended up being devolved back down to 'production teams' – which were often little more than peasant co-operatives – the communes were able to mobilise the under-utilised labour of the peasants. The communes set up and ran factories that produced tools, fertilisers and other inputs for local agriculture. Furthermore, during slack times in the agricultural year the commune authorities required the peasants to work on infrastructural projects such as road building and irrigation works.

By mobilising the under utilised labour of the peasantry in these ways the communes were able to steadily increase agricultural output. New land could be brought in to production and the land in use could be made more fertile and productive. This increased output combined with a closer supervision of agricultural production, allowed the party-state to extract a greater surplus-product from the peasants that was required to meet the needs of an expanding urban population.

Thus, although it did facilitate a steady increase in agricultural production, the commune system failed to bring about a large-scale agrarian revolution. More mechanised production methods were introduced in some areas of the countryside, more land was brought into cultivation and improved techniques were used, but essentially most peasants farmed and lived as they had always done.

1.5 Class composition under Mao concluded

As we have seen, the Commune system had failed to bring about either a social or even a technological revolution in the Chinese countryside. As such, at the time of Mao's death in 1976, China remained a predominantly peasant society. Nevertheless, the programme of rapid industrialisation launched in the 1950s had transformed millions of peasants into a permanent industrial and urban working class. Entrenched and stratified with the quasi-precapitalist social form of the *danwei*, this working class stood in a privileged position with respect to peasants. Indeed, it might be loosely said that the urban working class, or at least those who worked in the larger state enterprises constituted an aristocracy of labour.

As we shall now see, central to the class re-composition brought about by the current economic transformation of China has been the destruction of this old industrial working class, which had emerged during the Maoist era, and with it the dismantling of the *danwei* system.

2. Class conflicts over the dismantling of the *danwei*

2.1 Tiananmen Square

For bourgeois commentators in the West, perhaps the most famous, and certainly the most commemorated social unrest in China since the Cultural Revolution of the late 1960s has been the mass student-led protest centred on Tiananmen Square in the Spring of 1989. Coinciding with the growing political crisis in Eastern Europe, the mass protests at Tiananmen Square seemed to many at the time to herald the beginning of China's own 'velvet revolution'. It seemed that, as was happening in Eastern Europe, a predominantly middle class movement of mass peaceful protest was about to bring the downfall of yet another decrepit Communist regime. This would then open the way for both liberal economic reforms and a move towards bourgeois democracy in China.

However, despite such apparent similarities, the situation in China in 1989 was very different from that in Eastern Europe, and as such was to produce a very different outcome. In Eastern Europe the demands made by middle class intellectuals for liberalisation and democracy had had a far greater resonance amongst the population as a whole, including many functionaries of the Communist parties, than the similar demands made by the student protesters in Tiananmen Square. The peasants, who of course constituted the overwhelming majority of the population, remained indifferent, if not unaware of the daily mass protests in Beijing and other major cities across China. At the same time the economic reforms of the previous ten years had created a 'red bourgeoisie' of entrepreneurial bureaucrats that had a vested interest in defending the political and ideological monopoly of the party-state against liberal political reform. The urban working class, particularly the labour aristocracy of the *danwei*, had, as we shall see, for the most part done well during the reform period and, although a sizeable section undoubtedly were sympathetic to the students' denunciation of the unaccountability and corruption of party-state officials, they were at first reluctant to join the protests.

No doubt many 'hardliners' amongst the Party leadership cast a nervous eye over the continuing demonstrations and their similarities with the events that were occurring in Eastern Europe. However Deng Xiaoping, backed by the 'market reformers' faction within the Party leadership, was at first confident enough to tolerate the protests. Indeed, although he was certainly not prepared to make any concessions to the demonstrators that might undermine the political dominance of the CCP, Deng had proved particularly adept at using similar protests on previous occasions to further his factional struggles within the Party and no doubt had hoped to do so again.

However, at the beginning of May the urban working class began to join the demonstrations in significant numbers under the banners of some of the leading *danwei* of Beijing. Links began to be forged between the workers and those students who saw the mobilisation of the working class as the only means of breaking the standoff with the government. Attempts began to be made to form independent trade unions in direct opposition to the official party-state unions. Then, as fears of government repression began to rise, workers were at the forefront of initial attempts to form armed defence committees to defend the movement.

As it became clear to the Party leadership that the situation was beginning to slip beyond their control, the balance of opinion within the government shifted towards repression. On 3rd June the tanks were sent into Tiananmen Square and the protest movement was crushed. The student

leaders of the protests were either rounded up and given prison sentences or were forced to flee into exile, often into the welcoming arms of American universities. However, it was the leaders of the workers who had joined the protests that were to bear the full brunt of the repression. With little opportunity to flee many of those identified as ringleaders were either given lengthy prison sentences of hard labour or executed.¹¹

2.2 The success and failure of the first wave of economic reforms

One of the crucial differences between China and Eastern Europe was that far from being the harbinger of 'market reforms', the Chinese 'velvet revolution' of 1989 had actually been the result of a crisis in the market-style reforms that had been introduced more than a decade earlier.

In 1978, as part of the factional struggles within the CCP that had followed Mao's death, Deng Xiaoping - in alliance with central planners, who wanted to concentrate on the expansion and modernisation of industry, and provincial Party bosses, who wanted a solution to the increased recalcitrance of the peasantry - had promoted the rolling out of agricultural reforms that in little more than five years were to see the complete dismantling of the rural communes, which had been established during the GLF twenty years earlier. The collectivisation of agriculture, introduced in the 1950s, was reversed and responsibility for production was returned to individual peasant households, who were now permitted to sell any thing they could produce over and above the amounts specified by the state procurement agencies on local markets.

At the same time, the local party-state officials, now freed from the tasks of overseeing agricultural production, were encouraged to expand the rural industries that had been established during the Maoist period. Instead of having to return revenues derived from, what were now known as, township and village enterprises (TVEs) they were permitted to retain any revenues over and above a specified amount that had to be paid to higher state organs. These retained revenues could then be used either to increase production or else improve local services as the village cadres thought fit.

On the back of the initial success of these agricultural reforms, Deng pressed for similar liberal economic reforms to be introduced in urban areas. In the early 1980s special economic zones (SEZs) were established that swept away the prohibitions on private trade and commerce that had been in place since the early 1950s. Like their rural counterparts the party-state agencies at neighbourhood and municipal levels were encouraged to expand the output of the urban collectives and co-operatives under their jurisdiction and, as an incentive, were permitted to keep much of the consequent proceeds.

In the mid-1980s liberal economic reforms began to be extended to the larger enterprises. The central plan was scaled back and factory managers were given greater financial and managerial discretion. This allowed many large-scale state industries to re-orientate production towards

sale to the now rapidly expanding non-planned sectors of the economy.

Perhaps rather ironically, the peculiar nature of the Chinese party-state had greatly facilitated the success of these first wave of reforms. Having emerged out of two decades of insurgent warfare the party-state, which had been developed under Mao, had always placed great stress on the initiative of local Party cadres. Local cadres had been directed less through detailed orders and commands issued from the centre and far more through broad ideological exhortations and political mobilisations. Now, with the market-style reforms, economics, not politics, was placed in command. The local Party cadres could readily transform themselves into 'entrepreneurial bureaucrats' and 'red capitalists' who had the initiative to drive forward local state-led capital accumulation in pursuit of the newly established market incentives. As a result, the first wave of economic reforms led to a rapid expansion in those more consumer-oriented sectors of the economy - such as small scale manufactures, retail and service industries - that had long been neglected in the drive to develop large-scale heavy industry during the Maoist era.

However, by the late 1980s, this economic boom had begun to run out of control. Fuelled by easy credit and increasingly speculative investments, inflation began to take off. With local party-state agencies able to retain revenues the central state found its outgoings rising far faster than its revenues leading to a ballooning central government budget deficit. At the same time, exacerbating all this, corruption became rampant, as the more unscrupulous party-state officials used their *de facto* control over state assets and decision-making powers to amass vast personal fortunes.¹²

For the mass of the Chinese population, who had enjoyed decades of price stability and expected party-state officials to share in the general austerity 'necessary for the building of socialism', rapidly rising prices and the sight of Party bosses making fortunes out of their positions and contacts led to growing discontent. Meanwhile, for many in the leadership of the CCP, the ballooning central deficit was an ominous sign of how they were losing control over local party-state organs, raising fears of the eventual political disintegration of the PRC. As a result, the initial success of the economic reforms had by the late 1980s created an economic and political crisis that was to culminate in the events of the spring of 1989.

During the period of political repression and retrenchment of liberal economic reforms, which followed the crushing of the Tiananmen Square protests, it seemed, particularly for neo-liberal ideologues in the West, that China's 'transition to a free market' capitalism had come to an abrupt and irrevocable halt. Although the economic reforms of the 1980s had established a substantial market-orientated sector of the economy - albeit within the matrix of the local party-state - this was mainly confined to small-scale production and distribution, and was largely concentrated in the SEZs. The bulk of China's industry remained mired by outdated technology, entrenched working practices and over-manning. What is more, such constraints had been greatly

¹¹ See Andrew Walder and Gong Xiaoxia, 'Workers in the Tiananmen Protests: The Politics of the Beijing Workers' Autonomous Federation', *Australian Journal of Chinese Affairs*, No. 29 (Jan. 1993) for an account of workers involvement in the Tiananmen Square protests.

¹² It can be argued that the widespread corruption of party-state cadres has been a form of primitive accumulation in which the new 'red bourgeoisie' has been able to amass not only wealth but capital.

exacerbated by the effective shift in state investment towards small-scale industry brought about by the reforms. This not only meant that larger-scale industry had been starved of investment for almost a decade, but also that those industries supplying raw materials and machinery necessary for the investment in heavy industry saw a sharp fall in demand for what they produced, leaving them with substantial overcapacity.

In the late 1980s, Deng and the 'market reformers' within the leadership of the CCP, had attempted to resolve these problems by pressing for the extension of economic reforms to the old 'socialist' core of the economy. However, whereas the creation of a market-orientated sector of the economy had been based on providing market incentives to the lower echelons of the party-state, the restructuring of old state sectors required the imposition of the discipline of the market in the form of bankruptcy and unemployment, and as such ran into far greater resistance. Many in the CCP were wary of implementing reforms, which by ultimately attacking the *danwei* and creating mass unemployment, could cause social and political unrest and undermine the traditional bastions of support for the party-state. This was particularly the case for middle-ranking cadres in both the state administration and the management of industry, who would have to deal directly with the consequence of such reforms and whose own entrenched interests could also be threatened by releasing the competitive discipline of the market. As a consequence, attempts to extend market-style reforms were to make little headway.

Hence, although the peculiar decentralised nature of China's party-state had facilitated the initial success of the first wave of reforms, it did so only up to a point. Indeed, it could be argued that the very success of the economic reforms that had begun in 1978 had served to undermine the overall central control of the Party leadership over the party-state that was necessary to push forward China's 'transition to free market capitalism'. Yet, at the same time, these very reforms had, as we have already mentioned, created vested interests that served to buttress the party-state against any challenge to its political and ideological monopoly.

So, while there seemed little hope of continued liberal economic reform from the existing regime, in the wake of the crushing of the Tiananmen Square movement, there seemed even less prospect of China's transition to a 'free market capitalism' being brought about by some kind of 'velvet revolution' from below. As bourgeois commentators in the West lamented at the time, it seemed that China had reached an *impasse*.

However, no doubt for many in the CCP the subsequent fall of the Berlin Wall in the autumn of 1989 showed how close they had come to following the same fate as their European counterparts only a few months before. This perceived threat to the very existence of the CCP's continuing power allowed Deng not only to consolidate his position in the leadership of the Party, but also to wrestle back control from the lower echelons of the party-state. After three years of retrenchment Deng, following a well-publicised tour highlighting the success of the previous wave of reforms in the southern provinces, was in a position to launch what was to be a second wave of reforms.

The most immediately apparent aspect of this resumption of economic reforms following Deng's return from his tour of the southern provinces was the drive to extend the success

of the first wave of reforms in developing local state-led capital accumulation within small-scale industry. Reforms, such as the sweeping away of the prohibitions on private trade and commerce that had largely been confined to the SEZs of the southern provinces, were now to be extended across the whole of China, and Party cadres everywhere were now exhorted to 'get rich'.

However, the new wave of reforms also mark a radical point of departure from the reforms of the 1980s. In what was to become the defining feature of the second wave of reforms, the controls over foreign investment, which had been central to the Maoist anti-imperialist policy of economic self-reliance and autarchic self-development, were relaxed. This was to lead to a vast influx of foreign capital, which predominantly assumed the form of joint ventures with the Chinese state and led to the emergence of a rapidly expanding export-orientated sector, which as we shall see has brought into being a new proletariat.

Yet a third aspect of the second wave of reforms was a renewed and more concerted attempt to reform the old 'socialist' sectors of the economy. Building on the rather *ad hoc* and tentative reforms that had been achieved in the 1980s, Deng Xiaoping now sought to push through a fundamental re-organisation and restructuring of large- and medium-sized industry. Instead of being run as more or less extensions of the party-state apparatus, state enterprises were to be hived-off in the form of independent profit-orientated corporations.

To achieve this transformation of the old 'socialist' sector what were to become known as state-owned enterprises (SOEs) had to be first of all placed on an independent financial footing. Instead of SOEs being provided with the funds to meet their costs of fulfilling the requirements of the central plan, and then returning all or part of the revenue back to the state, they would have to begin paying their own way. This meant not only retaining their own revenue but also using it to pay their own costs. At first, if revenues of an SOE fell short of its costs then this could be made up by direct grants from the state. However, these grants were then gradually transmuted into loans.

Once the SOEs had been placed on an independent financial footing they would then be in a condition to be floated off. In accordance with the policy that was to be encapsulated in the slogan 'letting go of the small while holding on to the large', the smaller SOEs were to be sold off as private companies, while the larger SOEs were to be reconstituted as joint stock companies in which the state would remain the principal stockholder but would facilitate direct foreign investment.

Yet if these enterprises were to function as profit-orientated corporations, whether they were privatised or remained state-owned, they also had to be relieved of their social obligations and radically restructured. Firstly, the responsibility for providing welfare was to be transferred to the various levels of the state administration. Then, in order make these enterprises sufficiently efficient and hence profitable, there had to be large-scale restructuring and rationalisation that would lead to redundancies. Hence, the old employment guarantees, which had been a central feature of the old 'socialist' sector had to be abandoned.

Thus, ultimately, the renewed reforms of the old 'socialist' sectors of the Chinese economy would necessarily entail the complete dismantling of the *danwei* and hence an

assault on the entrenched position of China's labour aristocracy.

2.3 The dismantling of the *danwei* – the impact of the first wave of reforms

In some respects the first wave of reforms had actually strengthened the position of both the *danwei* and China's 'labour aristocracy' entrenched within them. With politics no longer in 'command' factory managers were allowed to manage without the day to day political interference of the Party cells and Party secretaries of the factory. As a result the roles and influence of the Party secretary and the Party committee in the workplace became substantially reduced. Furthermore, without the regular political mobilizations of the workers, the very mechanism that had bound the *danwei* to the wider interests of the party-state was seriously weakened. As a result, the *danwei* had been able to gain a degree of independence *vis-à-vis* the party-state to pursue their own distinct corporate interests.

Under Mao industrial action and protests by *danwei* workers had nearly always occurred in the context of factional disputes within the Party. However, in the 1980s independent industrial action and protests became commonplace, as *danwei* workers sought to raise wages ahead of rising price inflation. What is more, such actions were in general quite successful not least because of the complicity of the factory bosses.

Factory managers, who after all were also members of the *danwei*, were often in tacit collusion with their workers. With investment opportunities limited in many of the old state industries, factory managers were often more than willing to use whatever revenues they were able to retain under the financial reforms to improve the welfare benefits of their workforce. When the leadership sought to encourage increased production in state-run industries by introducing wage incentives, factory managers tended to pay out bonuses to everyone, effectively giving an across the board pay rise to their workers. With the wages bill funded by the state, strikes and protests could be seen as a means of extracting more money for the *danwei* from the factory manager's superiors rather than from the managers themselves.

As a result, during the 1980s *danwei* workers saw improved welfare provision and their wages rose significantly faster than prices. Not only this, with the huge expansion of small-scale consumer-orientated industries brought about by the first wave of reforms, *danwei* workers had a far larger range of commodities that they could buy with their higher wages. Hence, the 1980s saw a substantial material improvement for most *danwei* workers compared with the grinding austerity of the Maoist era.

Yet, the first wave of reforms were to bring about changes that were in the long-term to seriously undermine and weaken the *danwei*. First of all the shift in state investment away from large-scale industry meant that the *danwei* found themselves embedded in declining and increasingly dilapidated industries. No longer at the forefront of China's industrial development, they were to find themselves increasingly vulnerable to demands for their radical reform.

Secondly, and more immediately, was the introduction of individual labour contracts. The replacement of the implicit collective guarantees by individual labour contracts was first introduced in the SEZs in 1984. This reform then began to be

rolled out to the rest of China in 1986. By 1989 it was estimated that 95% of all state-run enterprises had introduced labour contracts. These reforms were made universal with the passing of the new labour laws in 1994.

Under this reform, all existing workers were given individual life-long employment contracts. However, all workers who were to be subsequently employed were to be given contracts that provided far less job security. This, at least in principle, provided management with far greater freedom to reduce the workforce, either through natural wastage or by making workers more recently hired redundant, in order to deal with the increasing problems of over-manning.

In the 1980s, at least in the larger *danwei*, this was not an option often taken advantage of by factory managers, and to this extent this reform remained largely a formal matter. However, the replacement of implicit collective guarantees by individual labour contracts was to have important long-term implications. Firstly, as we shall see, this reform was to create crucial generational divisions within the *danwei* between the older pre-contact workers and the younger generation of workers, which were to come to the fore with the major restructuring brought about by the second wave of reforms in the late 1990s.

Secondly, and perhaps more significantly, the introduction of this reform meant an end to the hereditary right to a job for the descendants of *danwei* workers. In doing so the enterprise effectively severed its responsibility for the social reproduction of the *danwei* as a workplace community. As such this reform, almost unnoticed at the time, can be seen to have marked the beginning of the end of the *danwei*.

2.4 The dismantling of the *danwei* – the second wave of reforms

In the early 1990s it has been estimated that as much as a third of the urban workforce was surplus to requirements - with much of this superfluous labour concentrated in large-scale industry. The task of making 30 or 40 million workers redundant was certainly a daunting one, particularly as many of these workers had long served as an important pillar of support for the CCP. Furthermore, with the resumption of reforms coming as it did in the wake of the downturn in the economy following the bursting of the economic bubble of the 1980s, and before the take off of the export-orientated sector, it was not economically an auspicious time for launching a final assault on the entrenched positions of China's 'labour aristocracy'.

As a consequence, in the initial phase of the second wave of reforms the leadership of the CCP tended to shy away from creating widespread redundancies, and instead concentrated on changes that effectively weakened and undermined the solidity of the *danwei*. It is true that by 1996 the policy of 'letting go of the small' had begun to be implemented in earnest. This led to widespread bankruptcies and rationalisations and thereby to increasing redundancies in the smaller enterprises. However, as we shall see, it was not until 1997 - eight years after the events of Tiananmen Square - that the leadership of the CCP finally bit the bullet and began a programme of mass redundancies in large-scale industry, and in doing so struck at the heart of the old *danwei* system.

As we have pointed out, one of the consequences of the first wave of economic reforms had been a ballooning central government deficit. During the period of retrenchment following the Tiananmen Square crisis, the central government had been able to impose stricter budgetary and monetary controls that in effect shifted this deficit onto the balance sheets of SOEs. As a consequence, as more and more SOEs reached financial autonomy they found themselves saddled with large deficits, mounting debt and recurrent cash flow crises. Indeed, in 1994 it was estimated that more than 60% of all SOEs could be considered to be making a loss.

Profit and loss now became the overriding concern of factory managers. Not only did they have the fear of the sack if they failed to turn a profit, with greater financial autonomy they also had the hopes of diverting profits into their own pockets. Driven by such hopes and fears the factory bosses were soon to be transformed into efficient 'personifications of capital'. In the heat produced by such financial pressures and opportunities any lingering of the old paternal ties towards the *danwei* no doubt soon evaporated. Now immediately confronted with the 'need' to cut the bloated wage bill and concentrate management efforts on producing a profit, the factory bosses were far more amenable to further economic reform and the dismantling of the *danwei*.

As a consequence, along with this transformation of the factory bosses, the initial phase of the second wave of reforms saw an acceleration of the transfer of the administration of the welfare functions of the *danwei* to various levels of the state administration. Thus for example housing, that had been provided by the *danwei* for its workers, was now sold off to those tenants willing to buy it. The administration and maintenance of the remaining unsold housing stock was then transferred to the municipal authorities. Health care, which had been provided and administered directly by the *danwei*, along with the payment of pensions, was off-loaded onto various state-run insurance schemes. The enterprise now provided for health and pensions at arms length through the regular payment of contributions to these various insurance funds.

As a consequence, workers were still linked to their workplace insofar as their particular entitlement to welfare benefits was still determined by their membership of the *danwei*. However, the old personal and paternalistic ties that had existed between the management and workers within each *danwei* were transmuted into impersonal financial entitlements. The worker who had welfare problems could no longer go to the familiar factory manager, the Party secretary of the enterprise or the Party committee but now had to deal with unfamiliar bureaucrats of various state agencies.

Although the imposition of financial pressures and the transmutation of the welfare provisions of the *danwei* went a long way towards dissolving the solidity and collusion of workers and management in the SOEs, employment guarantees still remained a major roadblock to the transformation of SOEs into profit-orientated corporations. By the late 1990s, the redundancies caused by the policy of 'letting go of the small', and by the tentative restructuring of larger SOEs in various pilot areas, had already resulted in growing unrest. Yet, at the same time, the economic recovery of the early 1990s was beginning to run out of steam. This, combined with increasing foreign

competition, exacerbated the financial position of the state-owned industries weighed down by over-manning. If the continued bailing out of loss-making SOEs with state loans was not to reach a point of no return then full-scale restructuring could not be delayed for much longer.

As a consequence, at the 15th Party Congress in September 1997 it was announced that there would be a concerted drive to restructure and rationalise large-scale state-owned industries across the whole of China.¹³ Thus, the 'iron rice bowl' of employment guarantees for China's 'labour aristocracy' was to be finally smashed. However, drawing on the lessons of the various pilot restructuring schemes, measures nation-wide were proposed to mitigate the impact of the restructuring on the tens of millions of workers that were going to lose their jobs. This principally took the form of what was has been dubbed the 'three guarantees'.

Firstly, workers in their 40s and 50s, who had been employed before the introduction of individual labour contracts, were to be offered early retirement with a pension commensurate with the status of their *danwei*.

Secondly, workers who were to lose their jobs, but had been employed before labour contracts were introduced in 1986, would not to have sever ties with their former *danwei*. These workers known as *xiagang* are instead on furlough from their old post. Officially their old enterprise does not need their services at that time but could re-employ them if they were needed and therefore these workers are not officially unemployed. Special re-employment centres were set up to provide transitional support for these workers and were to be funded partly by the SOE making the redundancies, partly by the local authorities overseeing the SOE in question and partly from the central government. These re-employment centres would take on the responsibility of paying unemployment benefits and in providing retraining for the *xiagang* for up to three years, as well as help these workers to find new employment. After the three years are over the re-employment centre can terminate their relationship with the worker, and with that the worker's relationship to their *danwei*.

Finally, municipal governments were to provide a basic safety net of unemployed benefits for all urban workers that had been made redundant. This was to ensure financial support for both those laid-off workers too young to qualify as *xiagang*, as well as those *xiagang* who were still unemployed after three years.

These 'three guarantees', together with the bankruptcy and labour laws passed in the mid-1990s which prescribed detailed procedures for laying-off workers, seemed to provide substantial protection for China's old working class caught up in the turmoil of the restructuring of large-scale industry. Indeed, the leadership of the CCP widely proclaimed these safeguards as evidence of their continuing commitment to socialism. However, it was one thing to make grand proclamations of policy, it was quite another to ensure they were properly funded and implemented.

The responsibility for implementing these 'three guarantees' was left to the initiative of factory managers and lower- and middle-ranking party-state officials, who often

¹³ This programme of restructuring was given added urgency by the financial crisis that was sweeping across East Asia at the time, and which many feared would destabilise the Chinese economy.

had their own priorities for the limited amounts of funds at their disposal. For many factory managers, the prospect of major restructuring opened up the opportunity for large-scale investment in new plant and machinery necessary to consolidate their enterprise's competitiveness. Often already saddled with large debts, any extra money that was permitted to be borrowed from the state banks in order to meet the costs of restructuring could be seen as being wasted if it simply went to paying laid-off workers to do nothing. Likewise, local authorities eager to attract foreign capital to their areas by large-scale investment in infrastructure and joint ventures could also be tempted to divert money earmarked for funding the 'three guarantees'. In addition, the more unscrupulous factory managers and party-state officials were often in a position to divert the funding of the 'three guarantees' into their own pockets.

However, whether funds, which were often far from being sufficient in the first place, were diverted in order to further capital accumulation or directly to swell the personal fortunes of the expanding 'red bourgeoisie', it was at the cost of workers. As disputes arose between restructured SOEs and the various state agencies, payments to pensioners and *xiagang* were often seriously delayed, paid intermittently or were far less than was due. At the same time, municipal governments used whatever excuse they could find to disqualify laid-off workers from claiming the basic unemployment benefits.

As a result, the implementation of the 'three guarantees' fell far short of the promises that had been made by the CCP leadership. Millions of laid-off workers and pensioners were plunged into poverty and obliged to supplement whatever welfare benefits their families could extract by becoming street vendors or undertaking whatever casual employment they could find.

As we shall see, it was this contradiction between the promises made by the CCP leadership and their actual implementation by what are often regarded as corrupt Party officials and factory managers that was to form the matrix within which the struggles of China's old working class has developed.

3. Struggles of the Old Working Class

3.1 The *danwei* and the restructuring

Although, as we shall see, the concerted drive announced at the 15th Party Congress to restructure China's old large-scale industry to some extent still remains incomplete, it must be said that it was to result in a major triumph for the leadership of the CCP. In less than five years an estimated 25 to 30 million jobs were axed, (i.e. more or less equivalent to the entire working population of the Untied Kingdom!). As a result, in this brief period, the last vestiges of the *danwei* system, which had once been viewed as one of the central pillars supporting the power of the CCP, was swept aside.

Yet despite millions being plunged into poverty in some of what had once been the most important cities in China, there was no mass movement of opposition that seriously challenged the rule of the regime. Indeed, it may be argued that the principle response by most of China's old 'labour

aristocracy' to the full-scale assault on their entrenched position was one of hopeless resignation.¹⁴ Why was this?

Of course, a major factor that must not be forgotten is the authoritarian and repressive nature of the Chinese state. The Chinese regime has repeatedly proved both willing and able to use widespread executions and lengthy prison sentences of hard labour when its rule has been in anyway threatened. In the late 1990s the repression meted out to workers in the months following the crushing of the Tiananmen Square protests was no doubt still fresh in the memory of the Chinese working class.

Yet the fear of repression by itself is perhaps an insufficient explanation for the failure of a united workers' opposition to this concerted drive to restructure China's old large-scale industry, particularly given the sheer scale and rapidity of this frontal assault on the *danwei*. To provide a full explanation we may suggest a number of reasons that are rooted not only in the corrosive effects of nearly two decades of 'market style' reform but also in the very nature of the *danwei* itself.

Firstly, as we saw in section 1, the *danwei* was not produced out of a process of class struggle. They had been relatively privileged cross-class communities, which under Mao had united managers and workers with the party-state. As we have mentioned, the economic reforms gave the *danwei* a certain degree of autonomy from the party-state that allowed a space for the growth of workers' militancy. But as we also pointed out this militancy had to a large degree depended on the complicity of the factory managers. However, as the factory managers were transformed into 'red capitalists' with the corporatisation of the SOEs in the 1990s this complicity soon evaporated.

Yet the economic reforms did not only undermine the unity of management and workers but also undermined the integrity and cohesiveness of the *danwei* as a workplace-centred community. The rapid expansion of both small-scale industry in the 1980s, and the export-orientated sector in the 1990s, opened up the possibility for many to leave the old industries and seek work elsewhere. With permanent urban residency rights under the *hukou* system, those workers with transferable industrial skills had a distinct advantage over migrants in the emerging labour markets, which could lead to relatively well-paid jobs outside the *danwei*.

Furthermore, from the late 1980s onwards a number of employment practices in the *danwei* enterprises evolved that served to facilitate the transfer of workers to the new industries. Firstly, with the large excess capacity in many of the old industries there was often plenty of time for workers to moonlight in the new industries, with factory bosses frequently turning a blind eye. Secondly, there was the widespread practice known as 'one family: two systems' where some members of a family household retained the job security and benefits of working in the *danwei*, while others – often the younger members – took the advantage of the higher but less certain wages possible in the non-*danwei* sectors. Thirdly, there was the practice in which the worker's

¹⁴ In her interviews with people in the rustbelt regions of northeast China, Ching Kwan Lee estimated that less than one person in twenty had taken part in any form of protests. For a discussion of the limited response of both workers and peasants to China's economic transformation see Marc Blecher, 'Hegemony and Workers' Politics in China', *The China Quarterly* 170, 2002.

job in a *danwei* enterprise was reserved while they tried out working in the new industries.

As a result, by the late 1990s, particularly in the SOEs in the SEZs, there had already been a large exodus of workers from the old large-scale industries leaving a shrunken and ageing workforce behind. The *danwei* was thereby left hollowed out and had become little more than a shadow of its former self. It is perhaps no surprise that in such areas the acceleration of restructuring led to many hastening to follow the well-trod paths into the new industries, abandoning what remained of the *danwei* to crumble with little opposition or resistance.

However, in the heartlands of the 'socialist construction' of the 1950s in northeast China, where the bulk of the large-scale industry was concentrated, there had been little development of new industries. In this rustbelt region there was little alternative to working in the old industries other than unemployment, casual employment or self-employment as street vendors. Why was there not any concerted opposition to the drive to restructure the old industries amongst the millions of workers in this region? To answer this we have to look more closely at the nature of the *danwei*.

As we saw in section 1, the *danwei* originated in the transplantation of the Chinese village community. As such they preserved the inward looking character of traditional peasant communities and with this the suspicion of outsiders that might compete for land, or as was the case for the *danwei*, privileged jobs. This inward looking nature of the *danwei*, combined with the strict hierarchy between *danwei*, can be seen to have inhibited any inter-*danwei* solidarity. In fact, what is remarkable, with a few notable exceptions, which we will consider in due course, is the absence of any struggles against restructuring that went beyond particular *danwei*.

As we shall see, the Chinese state was able to exploit this parochialism to contain opposition to restructuring to each *danwei*. As a consequence, the Chinese state was able to pick off each *danwei* one by one. By tentatively moving from the smaller and easier to the larger and harder *danwei* it had been possible to build up a momentum of reform that eventually appeared to be irresistible.

However, although it served to inhibit the development of a united movement against restructuring, the legacy of the *danwei* often facilitated collective opposition *within* each *danwei*. As life-long neighbours and work colleagues it was very easy for members of a particular *danwei* to mobilise, even long after their particular work place had been closed down or rationalised. Furthermore, in the face of potential repression from the authorities, the *danwei* community provided high levels of trust and solidarity necessary to initiate often prolonged struggles around issues arising from the restructuring that directly affected members, and former members, of particular *danwei*.

Thus, as we shall now see, although the full-frontal attack on the entrenched positions of the old 'labour aristocracy' did not lead to a unified movement of opposition, it did lead to numerous and widespread conflicts and protests linked to particular *danwei* that were ultimately to become a serious problem for China's ruling class.

3.2 A plethora of protests and the legacy of the *danwei*

The drive to restructure SOEs since the mid-1990s has certainly given rise to a plethora of protests. When the time

came around for an enterprise to be sold off, merged with other enterprises or just simply downsized and rationalised then there would be different implications for the various constituent groupings within the *danwei* affected. For the older workers, who were likely to be pensioned-off, there would be the uncertainty of how much their pension would be worth, and who was going to pay it? Likewise for the middle-aged workers who were likely to be laid-off and join the ranks of the *xiagang*, the question would arise over how much they would receive in redundancy payments from the re-employment centre; as well as how much the centre would contribute on their behalf to pension funds until they found work.

For those younger workers who were likely to be laid-off the issue was whether they would be able to claim any unemployment benefits at all. While for those who retained their jobs there would be the issues of whether they would have to transfer to new workplaces, and what their new terms and conditions would be in their new labour contracts.

However, although it may have had a different impact on each of the various constituent parts of the *danwei*, restructuring would usually confront everyone at the same time. If the factory managers and local party-state officials attempted to push restructuring through too fast, or failed to give sufficient reassurances to the workers concerned, then they could easily risk provoking a unified and often prolonged struggle against their proposals. Indeed, it seems that struggles and protests against restructuring became a fairly common occurrence at the end of the 1990s.

Yet conflicts have also arisen long after the process of restructuring has been completed. Promises and reassurances made at the time of restructuring, often to defuse workers' opposition, are not always kept. Enterprises, struggling to pay off the debts occurred through restructuring, often stop paying their workers for a time, or alternatively fail to keep up their contributions to pension funds or the re-employment centres. Disputes may arise over how the obligations to former workers are shared between the enterprise and the various state agencies that were involved in the original restructuring. As a result; workers might find that they are not being paid their wages; pensioners may not be paid their pensions; and laid-off workers may find their redundancy pay cut off. All of which may provoke protests from the various constituent parts of the former *danwei*, either separately or together according to circumstances.

Thus, alongside the struggles against the immediate restructuring of SOEs there has been a proliferation of protests by various constituent groups of the former *danwei*, which have arisen in the aftermath of previous waves of restructuring. Indeed, it may be argued that the various underhand ways used by factory managers to push through restructuring and defuse opposition has often only served to store up trouble for themselves later on.

3.3 Militant pensioners

Perhaps the most widely reported protests that arose during the period of restructuring have been those of the militant pensioners. The sight of groups of pensioners, ranging from a few dozen to several thousand, noisily demonstrating outside offices of the local Party or state agencies or else deliberately blocking traffic, was to become common place in many of China's major towns and cities during the late

1990s and early 2000s, particularly in the towns and cities of the northeastern provinces. Indeed, pensioners have frequently been by far the most vociferous and, as we shall also see, the most successful in demanding the implementation of the government's promises and social guarantees.

Why have the pensioners been so militant? Why have they proved to be so successful? And what implications has this had on the struggles of other groups of former *danwei* workers?

An important aspect of traditional Chinese culture, particularly amongst the peasantry, had been the veneration of the old. This traditional veneration of the old had been recognised by Mao and had been given its due importance within the socialist ideology of the CCP. Indeed, in persuading peasant families to come to the city it had been important to promise that the *danwei* would provide everyone with due respect and security in their old age. Hence, although *danwei* workers may have had to work long hours for wages that were little above subsistence, they always had the solace of knowing that they could expect that the *danwei* would provide them with an early and secure retirement.

For a generation of workers that had worked all their lives in the *danwei*, the prospect of now facing an uncertain old age was perhaps particularly galling. What is more this was the generation that had lived through and often participated in the political turmoil of the Cultural Revolution. The former Red Guards and rebel workers amongst this generation of workers have certainly not been slow in expressing their anger clearly on the streets.

Indeed, an important basis for the mobilisation of the pensioners has been a widely shared nostalgia for the Maoist era. After all, under Mao they, the industrial workers, had been exalted as the 'masters of society'. The corruption and haughtiness of factory and Party bosses had always been held in check by the frequent political mobilisations and campaigns that would allow the workers to get their own back on officials that had stepped out of line. Although militant pensioners usually conceded the inevitability of the economic reforms, they expressed a determination that, having worked and struggled to build 'socialism', they were not going to allow the socialist state to renege on its promise of looking after them in their dotage. What is more, they were certainly not going to allow themselves to be cheated of their rights by the corrupt Party cadres and factory bosses.

For the elderly leadership of the CCP, which is anxious to cling on to the last vestiges of 'socialism with Chinese characteristics', the arguments put forward by militant pensioners are difficult to dismiss. However, pensioners' protests also enjoy a wider popular sympathy, particularly amongst the urban working class. This is not merely due to the persistence of the traditional cultural values of venerating the old – such values would soon disappear if they were not materially reproduced – but because for many of the precariously employed urban working class, particularly in the rustbelt regions, pensions paid to parents or grandparents are now the only source of relatively secure and regular income for the family. The defence of pension rights therefore affects far more than pensioners and, as such, has become something of a bottom line for many in the urban working class, regardless of age.

As a result, in order to contain discontent, the party-state, at both central and local levels, has accepted a tacit agreement to treat pensioners as a special case. Pensioners' demonstrations and disruptions are usually treated with a certain degree of respect and leniency, while their grievances are more often than not dealt with promptly. Indeed, Ching Kwan Lee has estimated that as much as 90% of pensioners' protests result in significant concessions from the authorities.¹⁵ The success of pensioners' protests has given rise to the expression 'squeezing the toothpaste' – that is the harder you squeeze the more you get out (i.e. the more people you can get out on the streets, and the more disruption you can cause, the greater the concessions you can expect).

Of course, the willingness of the authorities to concede to the demands of protesting pensioners has only served to encourage more such protests. However, it has also served to contain them. As Lee*** has pointed out, in order to preserve their special treatment pensioners have often distanced themselves from other protests by workers and the *xiagang*.

3.4 Keeping the lid on

Few, if any, of the protests that arose from the drive to restructure the SOEs seems to have sought to challenge the inevitability of economic reform, let alone going so far as to question the continued rule of the CCP. Instead, for the most part, the concerns expressed by these protests have centred on what was seen as the corrupt implementation of reforms by local Party officials and factory bosses, and consequently the failure to honour the social guarantees proclaimed by the central government. As such the protesters have remained within the official Party line that any problems arising out of restructuring of the SOEs were merely due their corrupt implementation.

In keeping with this most protests pivoted around the formally authorised process of passing resolutions at works assemblies and petitioning successively higher ranks of the party-state. However, in presenting their petitions and documentations of malpractice and corruption of local officials and factory managers, the protesters have usually sought to make themselves heard through large demonstrations and direct action. Major roads and railways have often been blocked for days on end, Party and state offices have been invaded, and, in order to prevent the removal of plant and machinery, factories have been occupied. In response the police have usually harassed, arrested and detained whoever they saw as the ringleaders.

If the protest can be sustained long enough, and cause sufficient disruption, then high ranking Party bosses will sooner or later feel obliged to step-in in order to resolve the matter before it gets out of hand. So long as the protesters have confined their actions to the pursuit of what the higher authorities recognise as their legitimate grievances, then the intervention of the Party boss will more often than not lead to the reprimand of the local party-state officials and factory managers and limited concessions to the demands of the protesters.

¹⁵ See Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*, University of California Press, London, 2007.

Of course, from the point of view of China's ruling class the frequent intervention of high-ranking officials in response to the protest and direct action in favour of the workers has had the disadvantage of encouraging even more protests and disruptions. Even official figures put the number of 'labour disputes' in the state-owned sector at over 75,000.¹⁶

However, such interventions have served to sustain the notion, against it must be said rising cynicism amongst the working class, of the essential benevolent paternalism of the leadership of the CCP and has helped focus much of the anger over the impact of restructuring against local party-state officials and factory managers. Furthermore, timely concessions have provided an incentive for protesting workers and former workers to go through the approved official channels. After all, if the protesters confine themselves to 'legitimate' issues connected with their membership of their former *danwei*, then they have been able to take quite disruptive action knowing that the local police and authorities will be wary of being too harsh in their response, for fear of the possible reprimands they may face if higher officials become involved in the dispute. On the other hand, if the workers go beyond the limits of their *danwei* and take 'politically subversive actions' such as organising with workers connected with other *danwei* then they expect the full weight of state repression to come down on them.

Thus the legacy of the *danwei* combined with timely interventions on the part of the higher party-state officials served to contain the growing pressure caused by the drive to restructure SOEs launched in 1997. However, the limits of such containment were to be reached with the widely reported mass protests that broke out in Liaoyang, Daqing and Fashun during the spring of 2002.

Liaoyang Liaoyang is a large industrial town in the northeastern province of Liaoning. Like most industrial towns in China's rustbelt, Liaoyang had been hard-hit by the restructuring programme. By 2001, out of the town's 1.8 million residents, only 216,892 were still officially in work. Whereas the vast majority of the working population had once been employed in the various state-owned factories, it was now estimated that 80% of the town's workforce was dependent on low-paid casual work.

At the centre of what was to become the mass protests of spring 2002 was a long running dispute at Liaoyang Ferro-Alloy Factory.¹⁷ This metalworking firm had originally employed over 12,000 workers, however, by 2002 the workforce had been more than halved through a series of lay-offs over the previous four years. Much of the misfortunes of the factory was to be later shown in court to be due to large-scale embezzlement and fraud - amounting to

more than Rmb 8 million - perpetuated by the firm's management in collusion with the Liaoyang Party secretary and future mayor of Liaoyang - Gong Shangwu.

This series of lay-offs, exacerbated by suspicions of serious corruption, had led to growing frictions between the workers and management. The workers had followed the usual route of petitioning the authorities and by holding a number of demonstrations and protests, including the blocking of the main highway between Liaoyang and Shenyang, but to little avail. Matters began to come to a head when in May 2001 proposals were put forward to declare the firm bankrupt. As a result of management illegally removing plant and machinery from the factory in the middle of the



night before bankruptcy proceedings had been properly completed, several thousand workers, *xiagang* and pensioners held a demonstration outside the factory gates. This had led to violent clashes with the police. Over the next few months the local authorities deployed heavy policing methods to intimidate workers and restrict the protests against the bankruptcy proceedings.

However, the decisive turning point, to what had up until then been a rather unexceptional dispute, came on the 3rd March 2002. On that day the police detained three workers' representatives who had been due to attend a meeting to ratify the bankruptcy proceedings. In response to this provocative act by the authorities, the 'Unemployed Workers of the Bankrupt Ferro-Alloy Plant' took the decisive decision to call on all the workers and unemployed of Liaoyang to join them in protesting against the police's action and began distributing posters and leaflets across the town. Over the next few days a joint organising committee emerged, which included representatives from several former *danwei* from across Liaoyang.

On the eve of the demonstration called by the 'Unemployed Workers of the Bankrupt Ferro-Alloy Plant' the situation was further inflamed when it was reported on television that Gong Shangwu had claimed at the National People's Congress, which was at the time in session in Beijing, that 'there were no unemployed in Liaoyang'! The following day '15,000 workers from piston, instruments, leather and precision tool factories' of Liaoyang joined the workers, *xiagang* and pensioners of Ferro-Alloy Factory in a demonstration which now included the demand for the removal from office of Gong Shangwu.

¹⁶ There were 327,152 reported labour disputes in China in 2000, 24% of which were in SOEs. See Tim Pringle, 'Industrial Unrest in China - A Labour Movement in the Making?', *China Labour Bulletin*, January 31st 2002.

¹⁷ For a far more detailed history and account of this dispute and that of Daqing and Fashun see 'Paying the Price: Workers' Unrest in North East China', *Human Rights Watch*, August 2002, Vol. 14, No.6. Also see Trini Leung, 'The Third Wave of the Chinese Labour Movement in the Post-Mao Era', *China Labour Bulletin*, June 2nd 2002. Also see Erik Echholm, 'Leaner Factories, Fewer Workers Bring More Labour Unrest', *New York Times*, March 18th 2002.

In the face of this rapidly developing situation, which was threatening to get out of control, the local authorities sought to buy time by entering into negotiations with representatives from Ferro-Alloy Factory. But on March 17th one of the leading figures in the protests, Yao Fuxin, was seized by the police. The next day between 30,000 and 80,000 people came out on the streets to march behind a huge portrait of Mao to demand the release of Yao Fuxin.

The response of the authorities was to launch a major clampdown. On March 20th detachments of the 'Peoples' Armed Police' (PAP) (i.e. riot police) were sent in to Liaoyang and set up check points on all the major roads. Further demonstrations were attacked by the police and those identified as ringleaders were arrested. Although protests continued for another two months, the authorities' swift repression had served to break the momentum of the movement.

The authorities were clearly anxious to stamp out the Liaoyang movement before it set a dangerous precedent for similar towns and cities elsewhere in China's rustbelt. As the Human Rights Watch report puts out in its comments on the trial of Yao and other leaders of the movement, 'the state controlled *Liaoyang Daily* described the "putting up of posters in public places and making links [co-operation among workers from different factories]" to be evidence of criminal activity'.¹⁸ This perhaps makes explicit the real fears of the authorities.

Daqing Daqing is a town in the province of Heilongjiang, close to the Russian border, with a population of around 2 million. Following the discovery of oil in 1958, Daqing became a major centre for China's oil industry. By the 1970s, oil wells around Daqing were producing 50 million cubic metres of oil a year. The town was prosperous with wages reported to be twice the national average.

Under the pressure of cheap imported oil, and with increased competition from cheap foreign imports, China's oil industry had become a prime target for restructuring by the late 1990s. The Daqing oil fields were taken over by a new state company, PetroChina, which issued shares on the New York and Hong Kong stock markets in April 2000. Under pressure to make a profit quickly to meet the demands of its new shareholders, PetroChina had launched an aggressive programme of lay-offs. By 2002 it has been estimated that more than 80,000 workers had been laid-off. However, this still left PetroChina with considerable ongoing commitments to its former workers. So, the company offered its *xiagang* workers what was presented as a generous severance deal. With a single payment of up to Rmb 100,000 (U.S.\$12,000) in some cases, the company proposed to buy off its obligations with each *xiagang* worker once and for all.

However, having accepted the deal, it soon became clear to the laid-off workers that they had been seriously misled. As the company began to renege on many of its assurances that it had originally made, and it became clear that they would have to make their own pension fund and health insurance contributions, unrest amongst many of the *xiagang* began to grow. The last straw came with the announcement that the company was to withdraw heating allowances, which had traditionally been paid to former workers.

In response the *xiagang* formed an independent organisation known as the Daqing Petroleum Administration Bureau Retrenched Workers' Provisional Union Committee, and on March 1st 2002 held a demonstration of 3000 outside the company's Daqing headquarters. Within four days they were able to mobilise more than 50,000 to block trains heading for Russia. Further demonstrations followed, culminating in the occupation of the Daqing Oil Management Bureau at the end of March. The publicity caused by the success and sheer scale of the actions taken by Daqing workers led to solidarity strikes and demonstrations breaking out amongst oil workers across China.



As with the developments that were then occurring in Liaoyang, it was clear to the authorities that the situation was getting out of control. As in Liaoyang, the Daqing authorities responded with a wave of repression. First of all it was announced that anyone still employed who either themselves or had relatives participating in the protests were liable to be sacked. Detachments of the PAP were then sent in to establish roadblocks around the occupied offices of Daqing Oil Management Bureau to prevent demonstrations in support of the occupation. Finally the authorities gave the occupiers a deadline to end the occupation. This brought the occupation, which had lasted several weeks but which was now largely cut off from support, to an end.

As late as May, the Daqing Petroleum Administration Bureau Retrenched Workers' Provisional Union Committee was able to mobilise an estimated 20,000 to demand the release of those arrested at the end of the occupation. But, as in Liaoyang the determined hard line taken by the authorities had been sufficient to take the momentum out of the protest movement. As in Liaoyang, many of those identified as ringleaders were subsequently prosecuted and given lengthy prison sentences.

Fashun Fashun is a town in the Liaoning province of northeast China with a population of over two million. Fashun has a long history of coal mining dating back to the twelfth century. With the programme of rapid industrialisation launched in the 1950s, Fashun emerged as one of China's most important centres for both coal production and other associated heavy industries.

¹⁸ 'Paying the Price: Workers' Unrest in North East China', *Human Rights Watch*, August 2002, Vol. 14, No.6, p.25.

However, by the 1990s, with many mines already well past their peak, the state owned mining companies in Fashun found themselves in severe economic difficulties. As early as 1994 there had been proposals to lay-off 20,000 miners, but through industrial action and large-scale protests the companies had been forced to back off. In 1999, however, the Longfeng State Mine was permitted to declare bankruptcy, leading to the loss of 100,000 jobs. The next year 24,000 miners were laid-off at the Tiger Platform mine. These lay-offs, combined with the restructuring in other industries, meant that by 2001 there were more than 300,00 xiagang in Fashun.

Ever since 1998 there had been protests by retired miners over the non-payment of pensions, which had often involved the blocking of railway lines. However, in March 2001 the situation took a decisive turn. As a result of various disputes over severance payments, as many as 10,000 laid-off workers from coalmines, cement and steel works, and petrochemical factories began regular blockades of the main railways and roads into Fashun.

As in Liaoyang and Daqing, the authorities called in the PAP to break up this united action of Fashun's xiagang. Despite the concerted attempt by the authorities to prevent the blockades, they continued for several weeks until they eventually petered out.

3.5 The aftermath of the spring of 2002

The severe repression of the protests in Liaoyang, Daqing and Fashun, made it quite clear to China's working class the consequences of stepping beyond the limits of 'legitimate protest'. Any attempt to go beyond the framework of their former danwei and link up with other workers would be swiftly and ruthlessly crushed. Yet, at the same time, the wave of struggles in the spring of 2002 was certainly a shock for the Chinese ruling class. The Chinese state could no longer be confident that it could contain the social unrest arising from the continued programme of restructuring China's old industries.

As we have mentioned, the restructuring process had tended to move from smaller SOEs, where resistance was likely to be weaker, to the larger SOEs, where the opposition of a larger numbers of workers could be more difficult to contain.¹⁹ In this way the leadership of the CCP had sought to create an irresistible momentum for the programme of restructuring. However, in those industrial sectors where the economic pressure for reform was particularly great, such as the coal and oil industries, managers of large-scale SOEs, as we have seen was the case in Daqing and Fushan, were able to jump the gun.

Already in 2001, concerns amongst the leadership of the CCP of the consequences for social stability of allowing the programme of restructuring of the larger SOEs to proceed too rapidly had led to the proclamation requiring all proposals for the reform of companies with a turnover greater than fifty million yuan to be approved by the Supreme Court.²⁰ The impact of the protests in Daqing and Fushan must have certainly underlined such concerns.

Furthermore, as Liaoyang had shown, as more and more workers laid-off from different small- or medium-sized enterprises found themselves experiencing the same problems, the potential of such workers and pensioners linking up across the boundaries of their former *danwei* was increasing.

As a result, a change of tack was announced at the 16th Party Congress held at the end of 2002. Under the new leadership of Hu Jintao social peace was to be given a greater priority. Much to the chagrin of Western neo-liberal commentators, the programme of restructuring SOEs was slowed down and more central government funds were found to help meet the 'three guarantees'. As China's economy has taken off in the last few years the government has been able to afford to buy off potential dissent by maintaining the over-manning of some of the very large SOEs.

However, the problems of maintaining social peace facing China's ruling class have not been merely confined to those arising from the restructuring of SOEs. Hu Jintao's emphasis on social peace was also prompted by social unrest in the countryside: a source of social conflict that has proved far more difficult to defuse than that of China's old working class, as we shall now see.

4. Peasants Struggles

4.1 The failure of 'market reforms' and the plight of the peasantry

Following the great famine of the early 1960s, the re-organisation of the Chinese countryside into communes had led to a steady increase in both total agricultural output and the amount procured for the urban areas by the state. Although the Commune system had not transformed China's agriculture, it had led to gradual improvements in transportation of agricultural products, more efficient water conservation and irrigation systems, and the spread of mechanisation – all of which had served to improve agricultural productivity.

However, by the mid-1970s the state's procurement of grain had begun to slow down and stagnate. Indeed, as we have previously mentioned, it was in part the fear, in the face of an increasingly recalcitrant peasantry, that the state would no longer be able to feed the growing population of the cities that helped Deng Xiaoping persuade the leadership of the CCP to introduce market reforms into the countryside in 1978.

Yet, although the introduction of market incentives did succeed in producing a sharp increase in agricultural production in the short term, it failed to provide a long-term solution to the problem of the backwardness and low productivity of Chinese agriculture. Indeed, in many respects it was a step backwards. The break up of the communes and the introduction of the household responsibility system meant that most peasant households ended up with plots of land that were far too small to allow for the efficient use of mechanisation or the application of modern farming techniques. It also meant that basic infrastructure, which had indirectly enhanced the productivity and output of agriculture – such as roads and irrigation systems – whose upkeep had been the responsibility of the Commune, fell into disrepair. Thus although market incentives proved more effective than the old methods of exhortation and coercion in

¹⁹ See Yongshun Cai, 'The Resistance of Chinese Laid-off Workers in the Reform Period', *The China Quarterly*, No. 170, 2002.

²⁰ Yongshun Cai, 'Resistance', p.343.

making peasants work harder, they failed to bring about a widespread modernisation of Chinese agriculture.

As a result, by the mid-1980s the spurt in agricultural output that had been brought about by the reforms had begun to peter out, leading to serious food shortages. These food shortages contributed to the economic and political crisis of the late 1980s that, as we have seen, were to lead to the events of Tiananmen Square in the spring of 1989, and were eventually to oblige the state to temporarily reintroduce grain requisitioning. The problem of food shortages, caused by the continued backwardness of Chinese agriculture, persisted well into the 1990s, and was only resolved when the rising export of manufactured products was able to provide the foreign exchange necessary to buy food from abroad.

It may be true that many peasants, who have had the advantages of both being in close proximity to booming urban markets and having favourable connections with local party-state officials, have been able to transform themselves into modernising capitalist farmers in the last thirty years. However, this has not been the case for the vast majority of China's agricultural producers whose production techniques have made little or no progress in the last three decades. Indeed, in many respects the situation for the majority of peasants was to become worse following the introduction of market reforms. First of all, with the break up of the communes access to free health care and education was lost. Then, following the widespread bankruptcies due to the economic retrenchment in the early 1990s, tens of millions were made redundant in the countryside, depriving many peasant households of an important supplement to their incomes earned through farming. Finally, China's entry into the WTO has led to substantial cuts to tariffs on agricultural imports, thereby increasing foreign competition and reducing the prices Chinese peasants can expect to obtain on what they sell on the market.

Thus, although a few million may have become rich capitalist farmers, hundreds of millions have remained impoverished peasants. Indeed, apart from the remittances that they may receive from family members who have migrated to the cities, for the vast majority of China's rural population the rapid expansion of the past three decades has largely passed them by. This has been particularly the case for peasants in the remote regions of China's interior.

4.2 Peasant insurrection and secessionism

There has been a long tradition in China, particularly during periods in which the imperial power has been on the wane, of peasant-based armed rebellions that, in defiance of the central authorities, have set up self-governing areas in the remote and less accessible regions. Perhaps the most documented of such rebellions being the Taiping rebellion of 1850–1864. Indeed, it was in accordance with such traditions that Mao had established the 'red bases' from which he fought the Nationalists and the Japanese occupying forces during the 1930s and 1940s, and from which he launched the final assault on the cities to take power in 1949.

During the 1950s, and greatly accelerated by the programme of 'Soviet-style' rapid industrialisation, the centre of gravity of the CCP shifted towards the cities. Indeed, the political mobilisations of the peasantry and the Party, and the subsequent establishment of rural communes, through the GLF can be seen as a means by which Mao had sought to both counter the urbanisation and bureaucratisation

of the Party and re-invigorate its roots in the peasantry. Yet, although the communes had served to strengthen the Party's hold over the peasants, through the close supervision of agricultural production, Mao could not sustain the enthusiastic support amongst the peasants for the Party forever – particularly after the disastrous famines that had followed the GLF.

As the peasants continued to be squeezed by low prices and high taxes to provide the surplus necessary for industrialisation and were subjected to forced labour to build roads and irrigation works by the Commune authorities, memories of the Party as liberators from the plundering of warlords and Japanese soldiers had begun to fade by the 1970s. The Party was now seen by the peasant as being represented by the tax collector or the overseer, rather than as the fellow peasant PLA soldier fighting the oppressors. The introduction of market reforms can therefore be seen as a retreat of the CCP from the countryside as the party-state took a more arms length relation to the peasantry. This loosening of control over the countryside was particularly marked in the more remote and inaccessible areas of China's vast interior.

Following the agricultural reforms and the abolition of the communes, local authorities had become increasingly dependent on the revenues they could now retain from the profits of the TVEs, as government grants were cut back. In the poorer regions of China's interior local authorities had tended to lose more in government grants than they could gain from the revenues they could obtain from their TVEs. As a result they began to levy arbitrary fees and taxes on the peasantry to make up the short fall. As a result, there emerged growing frictions between local Party cadre and state officials and peasants. This was to become worse with the economic retrenchment at the end of the 1980s.

By the early 1990s, in some of the more remote districts, peasant insurrections began to break out in which party-state officials were driven out and autonomous areas established. In 1997 these insurrections began to reach a large-scale with armed uprisings breaking out in less remote areas in the central provinces of Anhui, Henan, Hubei and Jiangxi, each of which involved tens of thousands of participants.

Many of these insurrections were inspired by religious ideologies based on the resurgence of old folk religions. However, most seem to have been inspired by a neo-Maoism, taking on such names as the 'Anti-Corruption Army of the People, Workers and Peasants', and adopting the forms of organisation of the old PLA and the CCP of Mao's time. In June 1999 the 'Southwestern Yangzi Column' organised a series of rallies in thirteen townships in the Chongqing region that denounced the CCP as 'being corrupt and unfit to rule'.²¹ For these insurgents, the CCP was seen as having been taken over by capitalist roaders and as such had betrayed the peasant-based socialism of Mao. They could see themselves as building a new Communist Party on the basis of a new PLA.

By the end of 1990s these peasant movements had reached a scale that if left unchecked could have seriously challenged the authority of the CCP. As a consequence, the Chinese government was obliged to take action. First of all, the army was sent in to these autonomous areas to restore

²¹ Kathy Le Mons Walker, "Gangster Capitalism" and Peasant Protest', *Journal of Peasant Studies*, Vol. 33, No.1, 2006, p.13.

central government authority and crush the insurgency. Then the government announced a series of measures to defuse the situation. A series of anti-corruption campaigns were launched, which have seen even quite high-ranking officials prosecuted. Elections were introduced for the appointment of village officials and the government clamped down on the levying of arbitrary taxation by local authorities. Further steps were then taken to placate the peasantry following the appointment of Hu Jintao as president. In 2004 it was announced that agricultural taxes were to be phased out over two years. Reviving the Maoist policy of opening up the 'western frontier', extra state investment has been made in furthering economic development in the remote regions. In 2005, proposals were put forward to provide a basic social security system for China's rural population. 'Five Guarantees' are to be granted the old, unemployed, the disabled and young that will ensure they have regular supply of food and clothing together with a minimal standard of housing, medical care and a decent burial.

As a result, the wave of peasant insurrections in the more remote regions has subsided in the last few years, although there are still no-go areas for the central authorities in some of the more inaccessible districts. The state has therefore been able to defuse peasant insurrections by spreading out some of the benefits of the rapid accumulation of industrial capital to the entire rural population. However, for many peasants in the more populated eastern and southern regions of China, the rapid industrialisation and urbanisation over the last decade has been more of a curse. Indeed, since the 1990s there has been growing peasant protests over the expropriation of land and the degradation of the environment.

4.3 Capital accumulation and the land grab

The rapid accumulation of capital in the last ten or so years has led to an increasing demand for land. As small towns and villages have been transformed into vast cities, which then demand water, power and roads, vast tracts of land have been built upon. Much of this land has been arable. Indeed, in the last few years there has been growing concern on the part of China's economic planners about the rapid loss of agricultural land to construction projects. It has been estimated that between 2000 and 2005 over 6 million out of China's 128 million hectares of farmland was lost to the process of urbanisation and industrialisation.²²

This ravenous demand for land has meant that there is huge potential for 'development gain' as land used for construction is worth many times more than it is for use as farmland. However, the peasants do not own their land. All land is still ultimately owned by the state. The peasants lease the land directly from the village or township authorities. However, high state authorities have the right to appropriate any land in the 'public interest'. Thus peasants have had no legal claim on the vast windfalls that have arisen with the rapid industrialisation and urbanisation of the past decade or so.

In the case of large high profile projects run directly by central state ministries, such as the Three Gorges dam, which displaced over one million people from their homes, their

has been relatively generous compensation, combined with concerted efforts to prevent corruption.²³ However, in most cases collusion between corrupt village and county party-state officials has meant that peasants have been left with derisory compensation for the loss of their land. As a result peasants have ended up being given a pittance in compensation and then find themselves shoved into hastily built dormitories. Meanwhile corrupt officials have been able to make vast fortunes.²⁴

Yet China's peasants have not only been excluded from the gains of the rapid accumulation of capital, they have also often suffered from the environmental impact that has come in its wake.

4.4 The environmental impact of capital accumulation

As climate change has become a mainstream issue it has become well known that, with its rapid industrialisation, China is on course to overtake the USA as the world's largest emitter of greenhouse gases in the near future - if it has not already done so. More than 70% of China's electricity is generated by burning coal. Indeed, according to the *New York Times* "every week to 10 days, another coal-fired power plant opens somewhere in China that is big enough to serve all the households in Dallas or San Diego".²⁵ However, although this increase in greenhouse gas emissions is likely to have a serious long term impact on the world's climate, China's rapid industrialisation is having a far more immediate environmental impact for many Chinese people.

With an overriding drive to accumulate capital, China's red capitalists have given scant regard to the environment. Local party-state officials regularly turn a blind eye to the breach of even the minimal environmental regulations set by the CCP leadership. As a result, many of China's industries pump out vast amounts of highly toxic pollutants with little restraint.

China is now reputed to be home to sixteen of the top twenty most polluted cities in the world. Pollution has reached such a scale that it is causing serious health concerns on the part of the Chinese Ministry of Health. According to joint research by the World Bank and the Chinese Government, there are an estimated 750,000 premature deaths due to respiratory diseases caused by air pollution. However, what is far worse is water contamination. With many of China's rivers turned into open sewers and conduits for industrial effluent, an estimated 700 million people drink contaminated water, with 190 million people suffering

²³ The Chinese government allocated the equivalent of \$4,000 for each person that required relocation, half of which was to be paid directly in cash, the other on new housing and amenities. By 2001 140 officials were prosecuted for corruption - one of whom was executed and two given life sentences - as the Party took a hard-line to head off protests that money was being misappropriated. See 'Relocation for Giant Dam Inflames Chinese Peasants', *National Geographic News*, May 15th 2001.

²⁴ For example, a case study of a township in northeast Yunnan in 1999 revealed that peasants were paid 3000 yuan per mu as compensation. The land was subsequently sold for 150,000 yuan per mu. (a mu is about a sixth of an acre). See Xiaolin Guo, 'Land Expropriation and Rural Conflicts in China', *The China Quarterly* 166, 2001.

²⁵ *New York Times*, June 11th 2006.

²² See 'Food Security Fears as China's Farmland Shrinks', *Asia Times, China Business*, May 7th 2007.

illness as a result. It is said that 'all along China's major rivers, villages report skyrocketing rates of diarrhoeal diseases, cancer, tumours, leukaemia, and stunted growth'.²⁶

As a consequence, pollution is fast becoming a major issue in China. Officially registered complaints are rising by 30% a year, and in 2005 there were more than 50,000 recorded pollution-related protests. Perhaps one of the most well reported of such protests came this May (2007) in the city of Xiamen. After months of mounting protests over the proposed construction of a petro-chemical plant students and faculty at the city university are reputed to have sent out a million text messages calling on their fellow residents to protest. Despite threats from the university authorities to expel students and sack faculty taking part, this call led to a march of between 7,000 - 20,000 people.²⁷

Yet while such peaceful and predominantly middle class protests have been given particular prominence in the West - giving rise to hopes of a beginning of a Western-style environmental movement in China - the bulk of the protests against pollution have been by peasants. This is perhaps hardly surprising since it is the peasants that have borne the brunt of the environmental impact of pollution and environmental degradation.

If nothing else the Gobi desert is expanding by 1,900 square miles every year. This desertification, together with the resulting devastating sand storms which frequently sweep across northern China, forces millions of peasants to abandon their homes every year. Yet while such desertification may appear to be attributable to natural forces, the same cannot be said of industrial pollution. Industrial pollution not only causes illness, it contaminates land and spoils crops. It is estimated that as much as 10% of China's agricultural land is polluted. In addition China's peasants have to compete with growing industrial demands for water. Even when they obtain water to irrigate their crops it is often contaminated.²⁸

Unlike their middle class counterparts, peasant protesters usually lack the virtual connections with the world. As a consequence, peasant protests have to be particularly large or violent to break through the usual censorship imposed by the Chinese authorities. A recent example of protests that have reached such a scale were those in the Zhejiang province in the Spring and Summer of 2005.

In Huashui village, near the city of Dongyang, there had been nearly two years of protests following the construction of an industrial park which included thirteen major chemical factories. Villages had complained that the local river had become seriously polluted, their land had been seriously contaminated - leading to the withering of their crops - and that there had been an alarming increase in birth defects. Having petitioned the local, provincial and even national authorities with little effect, a small number of old age pensioners began a blockade of the service road into the industrial park. After two weeks this blockade had attracted huge support from local people from the surrounding

villages. On April 10th thousands of riot police were sent in to break up the blockade and were met by tens of thousands of protesters. The result was a serious riot. Buses and police cars were overturned, windows smashed and there were reports - subsequently denied by the authorities - of hundreds being injured (or even killed in some reports) on both sides. Afterwards the authorities sought to blame outside agitators for the riot and in July the factories were closed down.²⁹

Following the success of the protesters at Huashui, villagers from Meishan, also in the province of Zhejiang, began a blockade of Tian Neng Battery Factory over concerns that the factory was causing lead poisoning, particularly amongst local children. By the beginning of August the blockade had attracted the support of around ten thousand people and had succeeded in closing the factory for a week. Again the riot police were sent in, causing another riot in which the police were stoned and cop cars were overturned. After the riot, it was reported that attempts were made to burn down the factory. A few days later the authorities backed down and announced that a serious investigation would be made into the allegations made against the factory.³⁰

4.5 The nature of peasant protests

The protests against pollution in Zhejiang in the spring and summer of 2005 are perhaps rather exceptional. Indeed, although there are tens of thousands of peasant protests over land expropriations and environmental issues each year, it must be said that - even more so than their urban counterparts of the old *danwei* - the predominant attitude of the Chinese peasants is one of stoical resignation. As Xiaolin Guo has pointed out in his study of the expropriation of land from the peasants in Yunnan:

Lacking alternative means of living other than farming, villagers were totally at the mercy of the village cadres who controlled the vital resources that the households depended on for livelihood, and therefore could not afford to challenge them.³¹

Furthermore, to the extent that peasant communities are little more than agglomerations of individual households, then village solidarity can easily crumble in the face of both inducements and intimidation of by the local Party cadres.

When peasants do act together to resist land expropriations or fight against industrial pollution then, also like their urban counterparts, they usually follow the procedure of petitioning successively higher levels of the party-state. The notion of the paternal benevolence of the leadership of the CCP remains firmly entrenched amongst most peasants, and the problem is normally seen as being the corruption and greed of local officials. As a result the vast

²⁶ Figures and quote from Elizabeth C. Economy, 'The Great Leap Backward?: The Costs of China's Environmental Crisis', *Foreign Affairs*, September/October 2007.

²⁷ Economy, 'The Great Leap Backward?', *Foreign Affairs*, September/October 2007.

²⁸ Elizabeth C. Economy, 'The Great Leap Backward?'

²⁹ For reports see: 'Large Scale Riot Erupts in Huashi Town, Zhejiang Province', *The Epoch Times*, April 15th 2005, <http://en.epochtimes.com/news/5-4-1/27880.html>; Jim Yardley, 'Thousands of Chinese Villagers Protest Factory Pollution', *The New York Times*, April 13th 2005; and Economy, 'The Great Leap Backward?', *Foreign Affairs*, September/October 2007.

³⁰ See: Zhang Jianming and Shao Xiaoyi, 'Farmers Protest over Alleged Lead Poisoning', *China Daily*, 25th August, 2005.

³¹ 'Land Expropriation and Rural Conflicts in China', *The China Quarterly* 166, 2001.

majority of peasant protests remain small and confined to the legitimate avenues of protest.

However, because peasant villages are more remote from the centres of power, the prospect of high level Party bosses intervening in disputes are usually far less than with the protests by workers of the former *danwei*. Indeed, local Party cadre often employ hired thugs to intimidate larger peasant protests in order to avoid drawing the attention of higher authorities to the problem by calling for extra police. As a result when peasant protests do take off they tend to escalate much further and faster than those in the cities. As the examples from Zhejiang province show, once protests break out of the confines of the individual village communities they can often soon grow to include tens of thousands involved in pitched battles with either the police or hired thugs.

In some very exceptional cases, the situation has escalated so far that paramilitary forces called in to quell the protests have opened fire on demonstrators. Perhaps the most widely reported of such cases was the protests by peasants being removed from their land in order to build a dam at Hanyuan in Sichuan Province. In November 2004 it was reported a sit-in protest by ten of thousands of demonstrators attempting to prevent the construction of the dam was broken up by riot police and paramilitary forces who opened fire killing a large number of people. More recently, in December 2005, a demonstration over the expropriation of land to build factories in Panlong, in the province of Guangdong, developed into a full-scale riot. Armed police were sent in bearing automatic weapons and electric stun batons to put down the riot. It was reported that this resulted in up to sixty people being wounded, and a thirteen-year old girl being killed.³²

4.6 From peasants to migrant workers

Under both Mao and the first wave of reforms, capital accumulation had been to a large extent dependent on the exploitation of the peasants. However, the extraction of surplus labour from the peasants has become less important with China's integration into the world economy. Indeed, in the face of peasant unrest the state has been prepared to a limited extent to ease the conditions of the rural population. Hence, as we have seen, the main adverse impact on peasants in the current phase of capital accumulation has been the expropriation of land with minimal compensation and environmental degradation.

Yet, although the current accumulation of capital may be less dependent on the exploitation of peasants as peasants, it is dependent on the extraction of surplus labour from peasants as migrant workers. It is to this transformation of peasants into a newly emerging working class that we shall now consider.

5. The new emergent working class

5.1 Capital accumulation and the formation of the new working class

As we have previously mentioned, the economic and financial retrenchment that came at the end of the 1980s

boom had a major impact on the TVEs. It has been estimated that more than twenty million rural workers lost their jobs across China. For many peasants, work in the TVEs had provided a vital supplement to their meagre incomes derived from farming. Now, not only made redundant from the rural factories, but facing a squeeze on their farm incomes with rising costs of farming inputs, these peasants were often desperate to find work. As a result, these redundant workers provided a ready pool of cheap, already factory-trained and compliant labour-power that was to become necessary for the rapid growth of the export-orientated sector financed by foreign direct investment.

With the rapid accumulation of industrial capital that has occurred over the last fifteen years vast numbers of peasants from across China have flocked to cities to work in the new industries and construction sites as migrant workers. Some estimate that the migrant workforce has now grown to well over 100 million. It is on the basis of what only can be described as the super-exploitation of this vast cheap and compliant labour force that the enormous transformation of China over the last decade or so has been achieved.

Yet the process of proletarianisation of these peasant migrant workers, brought about by the rapid accumulation of capital in the new export-orientated sectors, has only gone so far. Under the *hukou* the legal status of migrants is still that of peasants. As such, migrant workers have no permanent right of residency in urban areas and are excluded from various entitlements urban residents enjoy. However, as peasants, they do have a lifelong right to claim land for their use in the village where they are registered in accordance with the needs of themselves and any dependents.

Most migrant workers, a large proportion of which are young women, expect to return home to their village once they have saved up enough money to marry and have children, or to look after elderly relatives. For migrant workers from poorer areas of the countryside, a large part of the wages they earn over and above the bare living costs in the city are sent back to relatives in the countryside to supplement their incomes earned from farming. Such remittances are essential just to make ends meet. For migrants from richer areas, where farming is more or less sufficient to provide a basic living income, wages are saved up for social advancement within the village community. The money is saved to pay school fees for their children or to else to build the big status symbol of the Chinese village – a brick house.

As a consequence, migrant workers remain rooted in the countryside. In terms of both legal status and social attitudes and ambitions the migrant worker remains a peasant first and a worker second. Both this legal status and social identity has served to weaken the position of migrant workers in their relation to both state and capital.

Firstly, there remains a major divide between the peasant migrant workers and the more privileged urban working class, who no doubt see them as competitors. Migrant workers are often regarded with disdain as country bumpkins. Such attitudes have made it very difficult to develop any collective action or organisation between the old working class and the newly emergent class of migrant workers.

Secondly, their status under the *hukou* system means that the migrant workers' legal position in the city is very precarious. If they find themselves in trouble with the

³² Howard W. French, 'Police in China Battle Villagers in Land Protest', *New York Times*, January 17th 2006.

authorities then they can easily lose their temporary residency papers, and with them their job. They then have to live and work illegally in the city, or else make the often long journey home to their village of origin. Furthermore, migrant workers often find themselves having to live in the factory dormitories. Although this may at times facilitate the organisation of workers at a particular factory because they all live as well as work together, it usually means workers are more reluctant to make trouble since losing their job means having nowhere in the city to live.

Thirdly, the widely held expectation that sooner or later they will return home to the village has meant that a predominant attitude of migrant workers has been to keep their heads down and avoid trouble. The notion that however hard conditions in the factory may be, it will not be forever, has tended to lead to an attitude of stoical resignation rather than resistance.

Finally, the temporary and transient nature of migrant labour has made it difficult to build up relations of trust and solidarity between workers – let alone any degree of organisation. The workforce in a factory or at a building site can be in a permanent state of flux as workers arrive in the city and go back to the countryside either for good or for brief periods. Also with migrant workers being drawn from across China it means there are always cultural divisions and prejudices that have to be repeatedly overcome.

As a result of their weak position, the struggles of the migrant workers have been, at least up until recently, rather limited. Yet this does not mean that migrant workers have been entirely docile. On the contrary, they have increasingly attempted to fight against their exploitation by capital through using legal methods. Legal disputes and state mediations between workers and employers have skyrocketed since the early 1990s with 100,000 cases being dealt with each year. In Shanghai, for example, the number of law suits each year increased by 600% between 1995 and 2005, with 75% deemed to have been settled in favour of the workers.

5.2 'Market socialist' labour law in theory and in practice

Through a series of labour laws introduced since the early 1990s the Chinese state has set up an elaborate system for the regulation of labour contracts, which claim to provide substantial protection for the interests of workers under 'market socialism'. Provincial and municipal governments are obliged to set minimum wages that all employers under their jurisdiction are obliged to pay. The law limits the normal working week to a maximum of forty hours. Employers are legally obliged to meet minimum health and safety requirements and employees have to be given written labour contracts specifying in detail their pay and conditions.

In order to enforce these labour laws, and to ensure 'harmonious relations between employers and employees', there is a prescribed three-step procedure for settling labour disputes. Firstly, either the employers or the workers can petition the local state-run Labour Bureau to mediate in a dispute. Secondly, if this mediation fails, then either party can take the issue to adjudication by a tribunal made up of local representatives of the official trade union, the employers' organisations and the government. Finally, either party can make an appeal against the decision of the adjudication tribunal to a court of law.

In theory China's labour laws would seem to provide workers with a substantial degree of protection. But, of course, in practice the situation is very different. The local party-state usually has overriding vested interests in the accumulation of capital and can be counted on by employers to turn a blind eye to even the most blatant violations of the 'socialist' labour laws. Most migrant workers, for instance, have no written contracts. They often have to work 18 hours a day, seven days a week, with only one day off a month. Scant regard is given to health and safety and workers often have to work in appalling conditions and there are frequent accidents and injuries. Employers often make arbitrary deductions from wages. Indeed, it is common for wages not to be paid at all for several months when orders are slack.

On top of all this labour discipline is often enforced through abusive, degrading and violent treatment of the workers. There are instances in which the entire workforce has been obliged to strip naked before leaving the factory in order to check no one has been stealing; while workers often rate employers by how much they allow supervisors to beat their employees.³³

Nevertheless, through persistent and concerted efforts it has been possible for migrant workers to use the labour laws and official disputes procedures to gain some limited redress for their treatment by their bosses. However this, it must be said, is usually an uphill task. First of all most migrant workers are ignorant of their legal rights. When they do find out they can petition the Labour Bureau to mediate in a dispute with their employers they are often dismissed by officials as no more than ignorant country bumpkins. Furthermore, if the employer is determined to see out the dispute then the workers have to seek costly legal advice in order to take the matter to adjudication or ultimately to court. With workers often desperate for money, time is usually on the side of the employer, who can easily string proceedings out.

Yet, workers can often hurry matters up through collective direct action. The close connection between the party-state and employers means that political pressure can quickly produce results. Petitions by isolated individuals are easily dismissed or delayed, but by downing tools and marching down to the Labour Bureau offices or by blocking traffic party-state officials can be made to take the dispute more seriously. Public demonstrations, which threaten to link up with the other workers in the city or to get out of hand, are usually sufficient to persuade the local authorities to put pressure on the employers to settle or at least not to delay proceedings.

China's migrant workers have therefore been able to gain concessions through legal channels backed up by collective direct action. Indeed there are an increasing number of workers who both know the legal and procedural intricacies of China's mediation and adjudication process, and are able to organise their fellow workers to press their claims. As a result, migrant workers have become increasingly successful in using the law to win concessions.

However, at best such success has only gone a little way towards mitigating the super-exploitation of the migrant workers. Yet in the last couple of years there are signs of

³³ See Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*, University of California Press, London, 2007.

important changes in the bargaining position and militancy of the new Chinese working class.

5.3 Times are a changing

As we have pointed out, the legal, social and temporary nature of migrant workers' position has seriously inhibited the militancy of China's new emerging working class. However, the fundamental factor in their weak bargaining position has been simply the economic factor of the supply and demand of labour-power. With what appeared as an inexhaustible supply of labour-power, the bottom line has always been that the employer could always replace his entire workforce if needs be. If the current worker force would not accept the pay and conditions on offer there were always many more coming from the countryside who would.

However, in the last couple of years there have been increasing reports in the business press of serious labour shortages. These were first in the southern provinces where capital accumulation has been most rapid; such as Guangdong province which is reported to have 2.5 million unfilled jobs. Complaints about finding and retaining both skilled and unskilled labour have now spread to other major industrial cities in China.³⁴

It is not certain why the supply of labour-power is no longer keeping up with rapidly increasing demand but we may suggest two possibly important reasons. Firstly, as we have seen, the peasant struggles over the past decade have led to the government making important concessions. First the cut in agricultural tax that began in the early 2000s, followed by its final phasing out in 2006, has eased the position of many peasant households. Such tax cuts, combined with the prospects of increased welfare provision offered by the five guarantees, mean that there is less pressure on peasants to look for work in the cities.

Secondly, there are the generational effects of the one child policy introduced in the early 1980s. The policy limiting families to having only one child freed many women to work first in the TVEs during the 1980s and then in the new export-orientated sectors in the 1990s. However, while this policy served to increase the supply of workers, particularly women workers, it is now having the reverse effect. Twenty years after the introduction of the policy the numbers of young workers, who are most likely to become recruited as migrant workers, has begun to fall sharply.

Whatever the reasons for these labour shortages it has increased both the bargaining position and the assertiveness of China's new working class. The last two or three years have seen an increasing number of reports of collective action and strikes. In some cases whole workforces have simply refused to work and returned to the countryside. More frequently there have been short spontaneous strikes, in some cases leading to hundreds of workers rampaging through factories smashing up the machinery and attacking supervisors and bosses.³⁵

³⁴ See for example: 'How Rising Wages are Changing the Game in China', *Business Week*, March 27th 2006.

³⁵ See for example the report of the riot at a shoe factory in Dongguan, 'In China, Workers Turn Tough: Spate of Walk Outs May Signal a New Era', *Washington Post Foreign Service*, November 27th 2004. And the report of riots in a toy factory also in Dongguan by Donald Greenless and David Laque, 'An Unhappy

Yet while most strikes have been short and sharp, there have also been reports of more concerted and organised industrial action. An example of this occurred at the Japanese-owned electronics firm Uniden.³⁶ During the winter of 2005, the ten thousand workers at the Uniden factory came out on strike five times. The workers attempted to organise an independent trade union around the following general social democratic demands:

- Basic wages should be in line with the minimum wages as stipulated by law;
- The company must pay for workers' basic insurance as stipulated by law;
- Women workers to receive one month's maternity leave;
- Compensation for overtime should be 150-300 percent of basic wages;
- No compulsory overtime as stipulated by law;
- Workers shall set up their own trade union;
- No deduction of wages when workers take sick leave;
- Food and housing allowances;
- Increase wages according to seniority.

Fearing that the Uniden workers would succeed in developing an organisation that went beyond their own workplace, the Chinese state cracked down in April 2005 and the main strike leaders were arrested.³⁷

As a result of these labour shortages and the increased assertiveness of the workers, wage rates have begun to rise. As local party-state bosses compete to attract workers to their areas, minimum wages set by the provincial and municipal governments have been raised by 20% and are being more vigorously enforced.³⁸ Whereas it was quite common for actual wages rates to be below the legal minimum, they are now usually much higher. Indeed, as many employers now complain, actual wage rates, which for more than a decade had failed to keep up with inflation, are now rising at over 10% a year – twice the rate of price inflation.

Already, some foreign companies have begun relocating production to countries where labour is cheaper such as

Toy Story: Unrest in China', *International Herald Tribune*, July 28th 2006.

³⁶ See Wong Kam Yan, 'A Second Wave of Labour Unrest in China?', *Socialist Outlook*, Summer 2005.

³⁷ Although the Chinese state is prepared to allow a certain degree of industrial action it draws the line at any workers' organisation independent of the party-state that goes beyond a particular workplace. There have been many people, both workers and intellectuals that have been arrested for attempting to set up trade unions. See *China Labour Bulletin* for a list of detained labour activists. However, the state has also attempted to pre-empt the formation of independent labour organisations. In order to head off the growing militancy and organisation of the newly emerging working class the official party-state trade union organisation – the All China Federation of Trade Unions (ACFTU) – has taken a far more proactive role in representing workers' interests. What is more the Chinese government has been insisting that major foreign firms recognise the ACFTU. Indeed, in November 2004, under pressure from the government, Wal-Mart, rather reluctantly it seems, agreed to recognise the ACFTU.

³⁸ See Tom Mitchel, 'Shenzhen Plans Rise of Up to 23 Percent in Minimum Wage', *Financial Times*, April 19th 2006.

Bangladesh and Vietnam. Yet without the large-scale state directed investment in infrastructure that is readily provided by the Chinese state, the degree to which capital will be able to relocate outside is likely to be limited. Other companies are seeking to relocate production in China's less developed interior. However, while such capital flight may alleviate the severity of the recent labour shortages, it is becoming increasingly clear that capital is having to accept that the seemingly endless supply of cheap and compliant labour provided by China is coming to an end.

The shortage of labour is not only leading to greater worker militancy and rising wages, it is also beginning to undermine the *hukou* system. Migrant workers have long been hostile to this system which effectively designates them as second class citizens. However, now employers, eager to attract and retain workers, are clamouring for an end to this system that prevents the 'free movement of labour'. It is expected that at the forthcoming 17th National Party Congress proposals will be announced for pilot schemes where the *hukou* system will be relaxed or abolished. With the abolition of the *hukou* system a longstanding and particularly pernicious division in the working class will be eradicated.

5.4 The new emergent working class concluded

So, as we have seen, in the last few years labour shortages have led not only to a greater militancy on the part of China's newly emergent industrial working class, but also what would seem to be the beginning of the end the divisions created by the *hukou* system. Yet, at the same time, as China is beginning to move up the product chain to produce more sophisticated commodities such as cars and machine tools, the composition of China's new industrial working class is beginning to change. In the future there will be an increasing demand for permanent skilled and semi-skilled workers rather than migrant peasant workers.

However, it must be said that we are at an early stage in such changes. It is certainly far too soon to say whether such developments will lead to China's new industrial working class to become a conscious and organised subject.

Conclusion

As we have seen, contrary to what it may appear at first sight, the immense economic transformation of China has resulted in widespread, and at times quite intense, resistance from both workers and peasants. However, with perhaps the exception of the peasant insurrections at the end of the 1990s and the wave of mass protests in northeast China in spring 2002, such resistance has not come anywhere near threatening the continued rule of the Chinese party-state, let alone derailing the process of rapid capital accumulation.

Through the combination of making timely minor concessions and the ever present threat of repression, the Chinese state has, for the most part, succeeded in restricting social protests to narrow and parochial issues and focussed on the malfeasance and corruption of local party-state cadre. By such means the Chinese state has been able prevent the generalisation of workers and peasants struggles in conscious class conflicts against the party-state itself. Indeed, the CCP leadership is still able to sustain the popular perception that they are paternalistic 'socialists' doing the best they can to protect the interests of the masses.



Furthermore, although it has produced widespread resistance and social unrest, the rapid accumulation of capital has also provided the Chinese state with revenues and resources to defuse and head off class conflict by making quite substantial material concessions. As profits and taxes from the rapidly expanding export sector have poured into the state's coffers, it has become possible to maintain the subsidies on the larger unstructured SOEs as well as cut the tax burden on the peasantry in the last few years. Thus, although the Chinese state is certainly very wary of the dangers involved in the steady increase of protests and social unrest, so long as the economy keeps booming it seems likely that the authorities will be able to keep a lid on the situation. However, as we have seen, there are signs that China will find it increasingly difficult to provide world capital with a plentiful supply of cheap and compliant labour-power.

Due to the limitations of our sources,³⁹ the emphasis of this article has been on the struggles of *danwei* workers that occurred several years ago. Important as they are for understanding China in the current era, they are, what may be termed conflicts of class de-composition, or what Beverly Silver has called Polanyi-type struggles.⁴⁰ As Silver has shown in the particular case of the car industry, capital may take flight from class conflict and find a new home but it cannot escape its nemesis forever. Having alighted in China, capital is in the process of summoning into being a new working class, as the peasant migrant workers turn into a fully-fledged proletariat. No doubt the struggles of this new working class will become increasingly important in the future. But it is perhaps too early to say much more. The new Chinese working class is still very much in the making.

³⁹ In writing this article we have, like anyone else in the West writing on China, faced the problem of finding reliable information. Lacking any direct contacts we have had to rely on reports in the business pages of the bourgeois press and the burgeoning, but often dated, academic literature and case studies.

⁴⁰ See the review of Silver's *Forces of Labour* in this issue.