

# **Study on Industrial Relations and Collective Bargaining in China**

## **1. Introduction**

Employment relations and industrial relations in China have undergone tremendous transformation along with China's journey towards a market economy in 1978. After 30 years of economic transition, China has become the 'factory of the world'.

In 2008 which marks the 30<sup>th</sup> anniversary of economic reform (1978-2008), China has introduced a series of high profile labour and social legislation such as the Labour Contract Law, Employment Promotion Law, and Labour Dispute Mediation and Arbitration Law. This signals China is entering into a new phase of economic and social development, after the turbulent 1990s when the old social contract was discarded while a new social order was yet to emerge.

Changes in the 2000s are not confined to labour law regime. China has accelerated industrial relations institution building, which includes the creation of tripartite consultation bodies from central down to district levels, the promotion of collective bargaining and wage negotiation and concerted union organizing campaign. As a result, China now boasts one of highest union densities and collective bargaining coverage has also risen rapidly since early 2000s. Considering that concept of collective bargaining was virtually unknown till early 1990s in China, this is a remarkable progress.

At the same time, however, labour conflicts of various forms – whether formal complaints to the arbitration councils, wildcat strikes or street protests – within and outside the formal labour relations system have been also on the explosive growth since 1990s. The simultaneous growth of collective bargaining coverage and labour protests/disputes indicates that the institutionalization of industrial relations by the official industrial relations actors may not be producing desired effects of social harmony.

This paper will attempt to offer an overview of industrial relations and collective bargaining developments since early 1990s. In the following section, this paper will describe political, economic and social context of the industrial relations developments. In the section three, the paper will analyze key features of emerging industrial relations regime in China, including political imperatives behind the industrial relations development, new legal framework of industrial relations, tripartism, employers' organizations and finally recent union organizing campaign. The section four will offer an overview of collective bargaining and analysis of a new attempt to develop coordinated bargaining in interaction with the government policy framework. Also a preliminary attempt to examine effectiveness of union governance and collective bargaining in improving working conditions at the workplace will be made. In the final section, major findings will be summarized.

## 2. Context of Industrial Relations and Collective Bargaining in China:

The 2000s has witnessed a sudden surge of concerted efforts to build new industrial relations practices. This move can be understood properly against social upheavals caused by China's move towards a market economy at unprecedented scale and pace for the last 30 years. The economic reform has turned China, once in complete isolation from the global trading system, into the 'factory of the world' and the fourth largest economy (check). The economic growth of the past 30 years enabled China to reduce poverty at largest scale and fastest pace in the world history. The economic transformation has also brought sweeping changes to social and economic structure.

- In 1978, only 17.8% of population lived in urban areas, but it went up to 43% in 2005
- In 1978, 71% of total workforce worked in agricultural sector, it went below 50% in 2005 as the secondary and tertiary industry accounted for around 20% and 30% respectively
- In 1978, virtually all workers worked in public sector whether in urban SOEs or rural collective farms. In 2005, more than 80% of workers work in non-public sector, including household farmers who made up 47% of total workforce.

In the 1980s, the economic reform produced benefits for all, reviving rural economies, narrowing urban-rural gaps and lifting majority of population from the poverty without producing clear losers in the process (Naughton, 2005). However, as China's economic growth became increasingly dependent on urban export sectors in 1990s and the economic reform reached the crucial stage of affecting public enterprises in urban area, the economic reform began to produce clear winners and losers in the Chinese society, generating high social tensions.

### 2.1 Growing inequality and declining wage share of GDP

For the last 30 years, China has become one of the most unequal societies from one of the most equal (albeit equalization of poverty) societies. In 2005, China's Gini coefficient reached 0.46, surpassing India and the Philippines which were known for their extreme degree of unequal distribution of incomes. According to Asia Development Bank inequality has been growing faster in China than most other developing countries. Inequality has grown between regions, industries and occupations.

After a brief period of rural economic revival in the early years of the economic reform in 1980s, the rural economy lagged far behind the urban economy. As a result, the urban-rural per capita income has become 3.33 to 1 in 2007, worse than 2.6 to 1 in 1978. The ratio of GDP per capita of the richest to the poorest province grew from 7.3 in 1990 to 13 in 2003. The decentralized fiscal regime in China tends to widen the regional gaps, as it is evidenced by the fact that the richest province has more than 8 times per capita public spending than the poorest province.

Ratio of the average wages of highest paying industry to lowest paying industry has grown from 1.76:1 in 1990 to 4.88:1 in 2005. Under China's highly decentralized minimum wage system, the highest local minimum wage (in Shenzhen, Guangdong province) has become 2.25 times higher than lowest local minimum wage in Jiangxi province.

Overall, it is believed that real wage growth for workers – particularly those with low skills – lagged behind overall productivity gains and GDP growth. As a result, the wage share of GDP has declined from 52% in 1999 to 40% in 2007, while the private consumption declined from 47% to 37% of the GDP during the same period ([http://www.rgemonitor.com/emergingmarkets-monitor/254606/should\\_china\\_raise\\_wages](http://www.rgemonitor.com/emergingmarkets-monitor/254606/should_china_raise_wages)).

Host of factors are at work in widening income gaps and declining wage share of GDP, including government policy favoring urban industrialization geared toward export-oriented economic development at the expense of rural population, decentralized fiscal policy regime (which penalizes underdeveloped localities), artificial barriers between rural and urban labour markets (which puts rural workers in a disadvantaged position vis-a-vis their urban counterparts), unbalanced bargaining power between employers and workers (due to weak labour market institutions such as trade unions and collective bargaining) and others.

The growing income/wage gaps and the rapidly declining wage share of GDP have become one of top concerns of the country's political leadership and policy-makers for two reasons: firstly, the declining wage share lies at the heart of the country's economic imbalance. The slow wage growth has led to much slower private consumption growth relative to overall economic expansion in China, causing a continuous decline in the share of consumption in GDP while leading to a rising dependence on export and investment as drivers of the country's growth. In turn, it creates a possibility of global trade conflicts with major trading partners. Secondly, the widening income/wage gaps, if unchecked, can threaten social cohesion and stability.

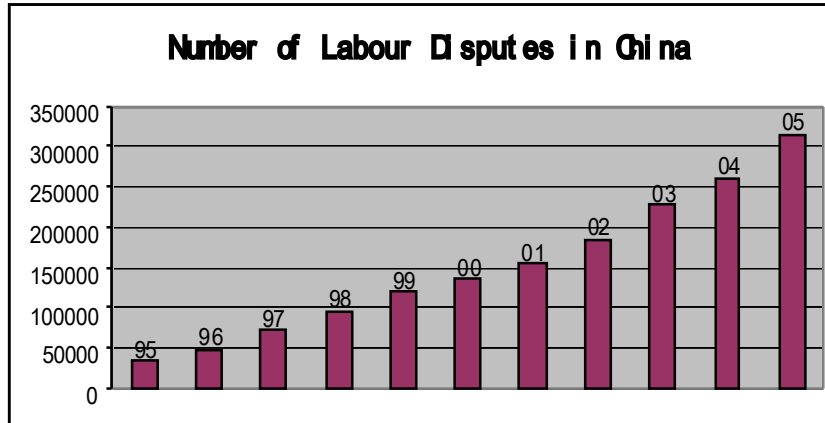
## 2.2 Explosion of social conflicts and labour disputes

Along with greater disparity undermining sustainable economic development, China has witnessed explosive growth in social conflicts in general and labour disputes in particular for the last two decades. The incidences of 'collective protests' of various natures rose to 60,000 in 2003 from around 10,000 in 1993<sup>1</sup>. The fact that labour related protests accounted for 46.9 per cent of the collective protests in 2003 clearly demonstrate that labour issues have become a major source for social tension and conflicts in China. The

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<sup>1</sup> 'Collective protest (quntixing shijian)' refers to various collective actions, often outside China's legal procedures. The collective protest can take place over variety of issues, including labour, land, environment and others. The data is collected by the Public Security Bureau, which is seldom made public. China does not produce data on strike action, as the right to strike is not mentioned in any of Chinese legislation. Instead, the Ministry of Human Resources and Social Security collects data on labour dispute cases referred to local arbitration council. When this paper refers to statistics on labour disputes, it means the number of cases officially referred to the arbitration council.

number of labour disputes referred to local arbitration councils across China has shown explosive growth as shown in the graph x. The growth rate of labour disputes was somewhere between 30 and 50% a year in the 1990s. Even though there is no reliable data on strikes, it is commonly believed that strike actions are on the rise as well.



Note: This is the number of labour disputes referred to China’s labour arbitration councils. This is not the number of strike. There is no official statistics on strikes, which are believed to take place in considerable number.

The explosive growth of various forms of labour conflicts in 1990s and early 2000s is closely associated to the transformation of China’s economy from centrally planned to a market economy, resulting in upheaval in employment regime in both state and non-state sectors. Before the reform, China maintained an unusually strict barrier between urban and rural population, preventing rural population from moving into urban labour market where state-owned enterprises (to lesser extent collective enterprises as well) offered life-time employment with considerable social benefits such as medical insurance, pension and housing attached to jobs<sup>2</sup>. The market reform challenged both rural-urban division and stable employment relations in SOEs. Millions of rural population moved to coastal cities of China in search for urban jobs created by non-state enterprises in coastal areas where special economic zones were established. In spite of some recent improvements, rural migrant workers did not enjoy same legal rights and social benefits such as medical insurance and pension, as their urban counterparts did. The second-class citizen status allowed employers to exploit migrant workers by forced overtime for excessively long hours in hazardous working conditions and often non-payment of wages as well.

At the same time, the restructuring of public enterprises – SOEs, collectives, and township and village enterprises (TVE) - entered a decisive phase in 1990s with large scale lay-offs. The share of the public enterprise collapsed from 25% of the labour force in 1996 to only 7% in 2003. As a result, from the mid 1990s to early 2000s, 30 million workers lost their jobs in the SOE sector alone as some SOEs went bankrupt while others made drastic reduction in their workforce for survival. Workers who were laid off or in a

<sup>2</sup> As Naughton noted, China was dualistic egalitarian society before the economic reform (Naughton, 2005). Under the planned economy, China maintained a dualistic society where urban residents enjoyed far better living conditions at the expense of vast rural population. But within rural and urban sector, there was high degree of egalitarianism.

danger of being laid off took protest actions against SOEs' failure to honor their liability in terms of pension, medical and housing benefits.

As Lee put it, SOE workers in the rustbelt of China undertook *protest out of desperation* over the unfulfilled government commitment to provide *goods of collective consumption*, while migrant workers in the sunbelt of China undertook *protest against discrimination over wages and working conditions* in newly emerging non-state sectors (Lee, 2007). The old social contract was discarded by the state, while the new social contract was yet to emerge. This situation led to the explosive growth in labour conflicts in both sunbelt and rustbelt of China throughout 1990s and early 2000s.

If unchecked, widening income gaps of all sorts and explosive growth of labour conflicts could threaten social stability of China. Yet China lacked labour market institutions and labour politics which could address the above problems of achieving 'equity through voice mechanism' in 1990s when protests of workers in rust- and sun-belt of China converged to produce social tensions.

### 2.3 Industrial relations developments in 1990s

In hindsight, it is fair to say that 1990s was a crucial period of laying basic legal foundations for market-based employment relations and industrial relations in China, as China took an important first step of introducing various legal regulations including the very first Trade Union Law (1992) and Labour Law (1994). Since the Cultural Revolution in 1960s, China's employment and labour relations were administered without national laws<sup>3</sup>.

The Labour Law was an attempt to create new legal norms governing contract-based employment relations, while introducing legal provisions for collective bargaining<sup>4</sup> and labour dispute settlement. However, legal provisions of the Labour Law were far too sketchy or abstract to provide any meaningful protection to workers exposed to entirely new market-based employment relations, while they offered convenient legal grounds to convert state sector jobs (known as iron-bowl job or life-time employment) into contract based ones. It cannot be underestimated, however, that the adoption of the Labour Law was significant for evolution of modern industrial relations in China because it laid down legal foundations for collective bargaining and formal mechanism of dispute settlement for the first time since mid 1950s<sup>5</sup>. With the new legal provisions, All China Federation

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<sup>3</sup> During the Cultural Revolution period, even the operation of ACFTU was suspended until Deng Xiaoping decided to rehabilitate the national union as a part of his reform programmes in late 1970s.

<sup>4</sup> In all legal documents, China uses the term *jitixieshang* (collective consultation) instead of *jititanpan* (collective bargaining). Though industrial relations practitioners increasingly use *jititanpan* in recent years, the official term for 'collective bargaining' in China is still *jitixieshang* as it does not have a connotation of conflict or confrontation. Considering that right to strike is still not officially recognized, the term *jitixieshang* may better describe the current situation of collective bargaining in today's China, as collective bargaining can function fully under *shadow of a possibility* of industrial actions.

<sup>5</sup> Collective bargaining was actively promoted in the early years of People's Republic of China. But as Mao declared China's transition towards socialist stage in mid 1950s, the unitarist labour relations system of

of Trade Unions (ACFTU) made its first nation-wide attempt to carry out collective bargaining in the mid 1990s.

But actual progress on the ground was very limited for a number of reasons in the 1990s. The Party-State's goal was firmly set on economic development, to be achieved at any costs. The 'race-to-bottom' of lowering labour standards was underway between provinces in their fierce competition to attract more investment, while struggling to deal with the legacy of socialist economy in their efforts to restructure the public enterprises. Under this atmosphere, enforcement of labour laws was often conveniently ignored. As local governments did not regard rural migrant workers as their citizens deserving legal protection, labour law meant little for hundred millions of rural migrant workers.

On the other hand, trade unions were not ready to cope with new reality of market-based employment relations. In fact, ACFTU was facing its own crisis. Between 1995 and 1999, ACFTU lost 17 million members due to the large scale restructuring of SOEs. While losing its members in their traditional organizational base of SOEs, ACFTU struggled to adjust their functions and to find their feet in a rapidly expanding non-state sector with little success. Collective bargaining campaign was largely a formalistic exercise, resulting in collective agreements which were no more than mere copy of legal minimum conditions. With the Party-State's policy priority firmly on economic growth at whatever costs, trade unions under the control of the Party-State had neither political motive nor organizational incentive to push for representation of workers.

The overall progress in 1990s was very limited due to the above mentioned circumstances.

### 3. Industrial Relations Development under the policy paradigm shift of 2000s

#### 3.1 'Building harmonious society' and corporatism with Chinese characteristics

A turning point came in early 2000s when the new leadership of Hu Jintao shifted the Party-State's policy priority. Under the overarching slogan of 'building harmonious society' and 'people centered development', the new political leadership set ambitious goals of redirecting China's economic and social development strategies towards a more balanced development: balancing rural and urban development through support for rural development; sustainable development through better environmental protection; balance between export and domestic sector development, and; balance between economic efficiency and social equity. This shift was obviously a political response to the social tensions and economic imbalance built up during 20 years of uneven economic development. It is yet to be seen whether the proclaimed goals can be achieved as the political masters of the country desire. In democratic polities, the above-mentioned balance is usually ?? achieved through a democratic policy making process where

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socialist economy emerged where there was supposed no separation of interests between workers and 'enterprises'. Until 1990s, collective bargaining did not take place at all (except a very few experiments in 1980s – mostly in foreign joint ventures).

competing stakeholders, through pluralistic political system and associational politics, articulate their positions and produce compromise solutions. In the absence of competitive democratic process, the Party-State in China tries to aggregate and incorporate all stakeholders' interests through its hierarchical links with various associations which are provided with monopoly right of 'representing' and 'serving' their designated constituencies.

It was in this context that the Party-State discovered a new value of trade unions as a key pillar of social management to stabilize the 'core social relations', i.e. labour relations, with a realization that trade unions should be able to function as a 'protector' of workers – not just as a subordinate partner of the government - within the parameters set by the Party-State. The institutionalization of new industrial relations practices such as collective bargaining and tripartite consultation gained a new importance as they are seen not only as a social safety valve but also as an economic mechanism to reduce the gaps generated by unbridled market forces. This is why, for example, the promotion of collective bargaining – including wage negotiation and regional/sectoral bargaining – was mentioned by Prime Minister's government report to the National People's Congress and found its place even in the government's five year social and economic development plan. With such a strong political support coming from the top political leadership, it is not surprising to find that the local Party apparatus and governments have suddenly come to support institutionalization of collective bargaining<sup>6</sup>. Trade unions and the work of building encompassing industrial relations system have become crucial parts of the Party-state's 'pre-emptive corporatist' strategy which aims to pre-empt social conflicts by expanding the sphere of the monopoly union and incorporating workers into official systems of industrial relations (Lee, 2007).

Under the above strategy, China has begun to witness waves of initiatives taken by the State and social partners – ACFTU and China Enterprise Confederation (CEC) – with a view to improving the legal framework for employment relations and industrial relations, and to building new institutions of industrial relations such as tripartite consultation mechanisms and collective bargaining at various levels in 2000s.

#### **Major development of labour laws and industrial relations in 2000s**

- 2000: implementation decree on collective wage negotiation, issued by MOLSS
- 2001: revision of Trade Union Law
- 2001: establishment of national tripartite consultation committee for coordination of industrial relations
- 2001: National Tripartite Committee issued 'Joint Notification for Promotion of Collective Bargaining and Collective Agreements'
- 2003: At the 14<sup>th</sup> National Congress, ACFTU announced its new policy of actively organizing rural migrant workers
- 2003: ACFTU began its experiment of direct election of enterprise union leaders in some localities
- 2004: revision of Provisions on Collective Agreements, by MOLSS
- 2006: National Tripartite Committee issued 'Common Views on Promoting Regional/Sectoral Collective Bargaining
- 2006: ACFTU made a breakthrough in organizing Wal-Mart branches

<sup>6</sup> In many localities, the vice-mayors of the municipalities act as the head of tripartite industrial relations task force responsible for promotion of orderly collective bargaining and other labour relations priorities.

- 2007: National People's Congress (Chinese legislature) adopted Labour Contract Law, Employment Promotion Law, and Labour Disputes Mediation and Arbitration Law, all of which came into effect in 2008
- 2008: Shenzhen municipal people's congress adopt a new regulation on 'harmonious industrial relations' which for the first time offer an official procedures handling strikes, giving partial recognition to strikes.

### 3.2 Creating legal and regulatory framework for industrial relations in the 2000s

The legislative reform of China's industrial relations in the 2000s started with seemingly trivial changes made to the 1992 Trade Union Law in 2001. The revision of the Trade Union Law in 2001 neither altered the political environment for union operation nor addressed the representational deficiency of the trade unions at the workplace. However, it has opened up several new and significant institutional opportunities for the ACFTU. Firstly, the revised Trade Union Law put 'safeguarding the legitimate rights and interests of workers' as the basic duties and functions of trade unions before protecting the 'overall interests of the entire Chinese people', while the 1992 Law made the safeguarding the workers' rights as additional duties after the overall interests of the entire Chinese people<sup>7</sup>. Secondly, the revision opened new ways to organize workers in small enterprises, by stipulating that workers can set up a joint trade union if their enterprises are too small (i.e., employing less than 25 workers, which is threshold for organizing an enterprise union). This seemingly small change opened a space for Chinese trade unions to experiment various forms of trade unions (such as street level unions, sectoral unions) for workers in SMEs who are usually difficult to organize. This change contributed not only to the increase in trade union membership but also to the emergence of new forms of collective bargaining at local and sectoral level, going beyond traditionally enterprise centered union model and collective bargaining, as we will see later. Thirdly, Articles 33 and 34 of the revised Law provides a legal basis for unions' participation at the government policy level on a wide range of labour and social policy issues, and tripartite consultation at various levels on major issues of labour relations. Based on these provisions, tripartite actors in China have begun to establish tripartite consultation committees (TCCs), opening a space for trade unions at various levels to mobilize supports of the government and employers' organization in pursuing their agenda.

In the early 2000s, China adopted also a number of national-level regulations aimed at promoting collective bargaining and wage negotiation. In early 2000s, MOLSS adopted an Implementation Decree on Collective Wage Negotiation (2000). The Implementation

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<sup>7</sup> The article 6 of the 1992 Trade Union Law stipulated that "in addition to safeguarding the overall interests of the people of the whole nation, trade unions should safeguard the legal rights and interests of staff members and workers". But the revised Trade Union Law says that "the basic duties and functions of trade unions are to safeguard the legitimate rights and interests of workers and staff members. While protecting the overall interests of the entire Chinese people, trade unions shall represent and safeguard the legitimate rights and interests of workers and staff members".



Decree intended to promote wage negotiation as a major way of determining wage increase and distribution. As most collective agreements were little more than replication of legal minimum conditions, they often failed to address wage increase and distribution issues. The policy-makers and ACFTU increasingly began to see that wages should be determined through negotiation within the market principle, and that without addressing wage issue collective bargaining would be of little relevance. With the adoption of the above decree and creation of wage negotiation section within the ACFTU at national level, ACFTU began to promote wage negotiation in particular in addition to promotion of collective bargaining in general.

The revision the Provisional Regulation on Collective Agreement in 2004 also helped trade unions and employers in spreading and developing new practices of collective bargaining by making clarification of procedural rules on collective bargaining, and expanded scope of collective bargaining agenda, and introduced the concept of 'bargaining in good faith'.

And a number of joint communiqués issued by the National Tripartite Consultation Committee was instrumental in promoting collective bargaining. For example, 'Common Views on Promoting Regional/Sectoral Collective Bargaining' issued by the Committee in 2006 gave a great impetus for spread of the regional/sectoral collective bargaining practices. Until the Labour Contract Law gave legal recognition to regional/sectoral bargaining (article 53 & 54) in 2007, there was no legal foundation for collective bargaining beyond enterprise. Chinese labour laws in 1990s supposed that industrial relations existed only at the enterprise level. Therefore, the tripartite "Common Views" played a crucial role of giving a political support for regional/sectoral bargaining which was underway on pilot basis in some localities and therefore of encouraging other localities to develop regional/sectoral bargaining.

Although the Labour Contract Law (2007) is primarily about legal norms on individual employment relations, it is likely to have direct and indirect impact on collective bargaining development in China. Firstly, the Labour Contract Law requires employers to have consultation with trade unions or workers' representatives in making decisions on such matters as dismissal and redundancy, and also in drafting or revising work rules (company rules). Secondly, entire Chapter 5 of the Law codifies what has been already been in practice, including wage negotiation and regional/sectoral bargaining, reaffirming the legal foundations for those practices. Thirdly, there are likely to be indirect effects through the Law's better protection of individual workers' rights such as improved rules for non-fixed contract, improved rights of job-agency workers. With better job security and improved legal rights, workers are more likely to seek improvement of their working conditions through 'voice' mechanism (i.e. collective bargaining) rather than 'exit' mechanism.

In addition, it is to be noted that local regulations play a significant roles in shaping local industrial relations developments. In a number of provinces, the provincial people's congresses (provincial legislature) adopted provincial regulations which tend to offer more favourable legal environments for trade union and collective bargaining

developments. At present, 22 provinces (out of total 31) adopted their own regulations on collective bargaining. ACFTU is planning to lobby for a separate national law on collective bargaining based upon experiences gained from local regulations in most provinces. Most recently in 2008, Shenzhen municipal legislature passed a new regulation aimed at regulating strike actions by allowing lawful 'stoppage of work' can happen after 30 days of mandatory cooling-off period. Though far short of international standards on right to strike, this is seen as a significant move because this is the first official regulation which gives a legal recognition to the strike phenomena after the right to strike was removed from the Constitution of the country in 1982.

In spite of new legal initiatives, China's legal framework for industrial relations remains problematic as it does not recognize either freedom of association or right to strike. In the absence of freedom of association, the ACFTU, which is given an official monopoly of workers' representation, does not face credible challenges which can trigger genuine union development. The absence of official recognition of right to strike makes it hard for unions to mobilize a collective pressure on employers in a hope either to break deadlocked negotiation. While the Party-State's strong support for trade union agenda of organizing and collective bargaining appears to work as a functional equivalent of strike action in balancing bargaining power under the current political atmosphere, this can work only as far as the Party-State continues to support union initiatives. The absence of freedom of association and right to collective action is likely to invite more government intervention, when the government intends to achieve social harmony in the form of more equitable labour market outcomes. The freedom of association and right to strike are fundamental conditions for industrial relations to produce equitable labour market outcomes through voluntary interaction between two parties. In the absence of those rights, whether it wants or not, the government would have to intervene in every step of the way towards achieving social policy goals as industrial relations system without those rights is not likely to produce social equilibrium through voice mechanism.

### 3.3 Institutional cloning of tripartite consultation systems in China

As described in the above section, the Revision of the Trade Union Law created a legal foundation for tripartite and bi-partite (government-union) consultations at various levels. Based upon these provisions, tripartite actors in China have begun to establish tripartite consultation committees (TCCs), starting from the creation of the National TCC in 2001<sup>8</sup>. The national TCC is headed by the vice-minister of the Ministry of Labour and Social Security (MOLSS), the vice-chairperson of the ACFTU and the vice-president of the CEC. The TCC has been established to improve coordination among the three parties in their efforts to develop harmonious labour relations, reflecting the overriding concern of the Party-state to maintain social stability through better labour relations (Lee and Clarke, 2003).

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<sup>8</sup> It is to be noted, however, that tripartite consultation mechanism was established in a number of municipalities (such as Nanjing and Dalian) on experimental basis in late 1990s before the establishment of the National TCC.

By 2004 TCCs had been established in all provinces and most municipalities. Now tripartite joint efforts are being made to set up TCCs at district level. The pace at which TCCs have spread down to the lower levels of administration clearly indicates that this ‘institutional cloning’ of tripartite mechanisms was apparently conducted in a top-down manner. There is a certain degree of local variations in the actual operation of TCCs. For example, it has been reported that there are local TCCs (such as those in the Heilongjiang province) where broader labour policy issues such as employment and social security policy issues are discussed among the three parties. However, in most cases, TCC’s mandate is generally limited to narrowly defined labour relations issues such as the promotion of collective bargaining, joint inspection of labour law enforcement and sometimes, new local regulations on industrial relations, as it is defined by the guidelines at the national level. In spite of the apparent top-down bureaucratic manner and limited scope for the agenda, the institutionalization of TCCs has been a catalyst of recent industrial relations evolution in China. TCCs have become a major vehicle for spreading new practices of collective bargaining across localities and sectors, as we will see later.

There has been scepticism about the nature of tripartism in China, which questions the value of tripartism in the absence of independence of the parties involved. For this reason, some have called it ‘multi-headed monologue’. It certainly appears that the TCCs at local levels are more about implementing joint decisions made at the national level rather than consulting for joint decision-makings, and that each actor’s policy choice is constrained by Party-State’s political and policy imperatives.

However, it should be noted that there is a growing divergence among the three parties in the TCC at various levels, as the highly contested process of legislative debate on the Labour Contract Law has demonstrated. ACFTU represented voices for better legal protection of workers’ rights and interests against both local and foreign business positions. The recent adoption of a series of pro-worker legislation appears to have become a wake-up call for business communities in China to strengthen their ability to influence over law and policy-makings. In turn, this is likely to facilitate each party to sharpen their positions, leading to further divergence among official industrial relations actors.

#### 3.4 Employers’ organization and tripartite consultation mechanism

A particularly tricky problem has arisen in the process of institutional cloning of TCCs at lower levels of the government administration: the absence or the underdevelopment of employers’ organizations at lower levels of the administration. The China Enterprise Confederation is the only officially designated organization of employers in China. However, CEC does not have its branch at lower level of the administration such as some cities and most districts where TCC have been set up. At the lower level of administration where CEC has no branches, representatives of employers are sometimes ‘elected’ from influential employers of the localities as an interim measure until a CEC branch is established. In this regard, the state’s imperative of replicating TCC has been driving the

institutional ‘implantation’ of quasi ‘employer’ organizations’ down to municipal and district levels in China.

Another problem with employers’ representation is CEC’s state-owned enterprise origin. The CEC was established by the State Trade and Economic Commission (STEC) as China began to experiment with the decentralization of the management of SOEs at the beginning of the 1980s. Its purpose was to maintain links between STEC and the SOEs that had formerly been under the direction of the State Planning Commission. In 1998, STEC authorized CEC to act as the representative of all enterprises in industrial relations matters and in 1999 issued instructions to all provincial governments requiring them to delegate this authority to CEC (Lee and Clarke, 2003).

This historical origin of CEC poses a problem for employers’ representation. Due to its origin linked to SOEs, CEC is yet to develop an organizational capacity to represent all types of employers. Other associations, which are supposed to represent foreign invested enterprises, local private enterprises and other forms, are nominally made to be affiliated to the CEC as its associational members. However, this nominal association does not make the CEC a genuine representative of all types of employers in China.

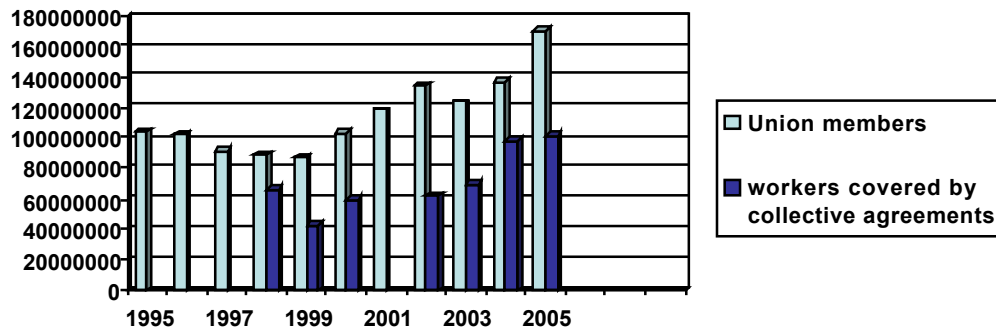
Among other business associations, *Gongshanglian* (the organization of local, private businesses) is believed to be the most powerful organization, representing Chinese private businesses (neither foreign nor public enterprises). Top leaders of *Gongshanglian* concurrently hold senior positions within the National People’s Congress and the National Political Consultative Body. Recently, *Gongshanglian* has begun to officially challenge CEC’s monopoly of employers’ representation at the tripartite consultation process, demanding their participation<sup>9</sup>. In a number of provinces, provincial *Gongshanglian* organizations have already succeeded in getting into the provincial tripartite committee under the so-called 3 + X formula. The *Gongshanglian*’s participation is likely to make tripartite system a more real forum of contested decision-making.

### 3.5 ACFTU’s organizing campaign

Perhaps the most important progress in the 2000s is the expansion of trade union organizations. In early 2000s, ACFTU’s organizing campaign gained momentum. In fact, the 13<sup>th</sup> National Congress of ACFTU was a crucial turning point, as it adopted a resolution for organizing campaign under the slogan of ‘Set up unions wherever workers work’. The graph shows that trade union membership has expanded rapidly since 2001, reversing the decline in the 1990s.

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<sup>9</sup> This unusual act of open challenge appears to be associated with the overall unhappiness of Chinese domestic private employers with the new Labour Contract Law. As a formal member of the tripartite consultation committee, CEC was directly involved in the legislative debate on Labour Contract Law. Many private employers think that the Law is clearly biased towards workers. *Gongshanglian*, as an organization representing Chinese private capital, must have felt that they needed to be a part of the tripartite consultation committee in addition to other channels of influence they have secured.



The rapid increase in trade union membership is closely associated with the revision of Trade Union Law and the 2003 decision for organizing migrant workers<sup>10</sup>. First of all, as noted earlier, the revision of Trade Union Law opened new ways to organize workers in small enterprises. Different forms of trade unions (such as street unions or regional/sectoral unions) were already tried on experimental basis in a limited number of localities before the revision. But the revision accelerated the spread of trade union organizing beyond the enterprise level, enabling local trade unions to organize workers who were previously often out of reach of trade union organizing.

Secondly, the decision at the 14<sup>th</sup> National Congress of ACFTU in 2003 to formally accept rural migrant workers as a part of ‘working class’ and therefore legitimate part of trade unions accelerated the unionization drive. As of the end of 2006, 40.9 million rural migrant workers were organized, recording 24.1% annual increase from 2005, which is higher than overall growth rate of union membership of 13.1%. The ACFTU decision to organize rural migrant workers was a part of the overall Party-State policy of gradually integrating rural and urban labour markets by gradual removal of institutional barriers and discrimination.

Finally, ACFTU has begun to attempt ‘bottom-up’ organizing campaign to organize enterprises with strong anti-union stance, as the famous campaign to organize the Wal-Mart stores in China in 2006 demonstrated<sup>11</sup>. Local union officials traditionally approached employers, without even contacting workers, to get employers’ permission to set up trade unions. If employers agree to unionization, trade unions at higher levels often let employers decide how to set up enterprise unions, leading to many enterprise ‘unions’ controlled by employers. In the face of Wal-Mart employers’ resistance, however, ACFTU approached rank-and-file workers, persuading them of unions’ advantage. After gaining 25 workers’ support, ACFTU declared unionization of a Wal-Mart branch and demanded recognition of the union branch by employers. This approach, which is a major departure from the traditional organizing, is followed by some local unions.

<sup>10</sup> Until 2003, rural migrant workers were not regarded as a part of working class. Therefore, rural migrant workers who are working in urban labour markets were in principle outside the unions’ organizing targets.

<sup>11</sup> While organizing unions in MNCs has been a priority since late 1990s, it was President Hu Jintao’s urge in March 2006 to set up trade unions and party organizations in foreign invested enterprises, which prompted ACFTU to take a prompt action.

As a result of ACFTU's concerted efforts with significant political support by the Party-State, China now boasts of one of highest trade union density in the world. However, the officially reported number of trade union members in China is most likely to have a statistical 'bubble', exaggerating real bargaining power of Chinese unions. The number is more likely to be a result of local union cadres' competition to report the achievement of the target numbers rather than genuine trade union organizing. The fact that fee-paying members' ratio to total membership has constantly declined in recent years may be an indirect evidence that the quantitative outcome of union organizing campaign has only loose relations with genuine process of unionization and therefore strength of workers' organizations at the workplace.

Nevertheless, organizing of rural migrant workers, experiments of new forms of trade union organizations and new ways of bottom-up organizing create new opportunity for Chinese trade unions to expand their sphere of influence and to try new ways of collective bargaining as we will see in the following sections.

## 4. Collective bargaining developments in 2000s

### 4.1 Overall features of collective bargaining developments in 2000s

Under the new political imperative of the current political leadership, collective bargaining development gained a crucial momentum in 2000s, helped by improved legal framework, tripartite support and expanded union members in a variety of new forms of trade unions. First of all, collective bargaining coverage has expanded at unusually rapid pace. Particularly the number of collective agreements and workers covered by those agreements has surged since 2001, which was the year that TCCs began to be established. In 1999, 'only' 42.7 million workers were reported to be covered by collective agreements. But this number increased to 61.6 million, 97.7 million and 128 million in 2002, 2004 and 2007, respectively. Secondly, the number of workers covered specifically by wage agreements has shown modest but steady growth. In 2002, 27.4 million workers were covered by wage agreements<sup>12</sup>. The number has recorded modest growth - 35.3 millions in 2004 and 39.6 millions in 2007. Thirdly, collective bargaining has begun to take place at multiple levels of the economy, not just at the enterprise level. This new development was closely associated with experiment of diverse forms of trade union organizations (such as street union, regional/sectoral unions) paved the way by the revised Trade Union Law and facilitated by the tripartite 'Common Views on Promoting Regional/Sectoral Bargaining'. In 2007, 45.6 million workers were reported to be covered by these agreements.

Many observers – both foreign and domestic, including some officials of the government and ACFTU – agree that there are serious deficiencies in the current collective bargaining system in terms of the quality of the agreements and of the bargaining process. In this respect, a sudden increase in collective agreements can be more easily explained by

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<sup>12</sup> Before 2002, there was no official statistics on wage agreements and regional/sectoral agreements, as there was no nation-wide policy of promoting wage negotiations and regional/sectoral agreements.

bureaucratic competition to meet targets, than by a real increase in collective bargaining (as it is the case with the union membership). Indeed, many collective agreements tend to be a little more than a replication of the legal minimum conditions with minor modifications, while the collective bargaining process tends to be ritualistic preparation of joint document with little or formalistic involvement of workers and without a genuine process of negotiation (Lee, Clarke and Li, 2004; Taylor, Chang and Li, 2003).

In this respect, it is interesting to note that while the number of workers covered by general collective agreements has shown a suspiciously high growth, the number of workers covered by specific wage agreements has grown at much more normal?? and slower pace. Workers initially did not show any responses to ACFTU's campaign for collective bargaining agreement, as they viewed it, with a reason, as another bureaucratic exercise of signing off a document with employers. When workers learned 'their union' was negotiating their wages with employer, however, workers' response was very different. Wage negotiations created a greater degree of immediate interest amongst workers in the conduct of negotiation in particular and the union's functions in general, because their vital interests were at stake. The author's field research confirms this pattern: wage negotiation increases interests and participation of union members in the union affairs, and in turn enterprise unions come under greater pressure to become more accountable to and more representatives of their members.

Also, the rapid spread of regional/sectoral bargaining deserves a special attention. Chinese trade union officials and academic observers attach increasingly high importance to this development, as regional/sectoral union organizations can be independent from individual employers' influences in theory and in practice. Indeed, a recent empirical study (Liu, 2008) found that regional/sectoral unions were generally more capable of articulating workers' demands in a same sector concentrated in the same locality, acting independently from individual employers. Some regional/sectoral agreements succeeded in negotiating higher minimum wages for various occupations than the mandatory local minimum wages set by the government. Labour shortage between 2003 and 2008 in industrialized localities created also an enabling environment for sectoral bargaining. During this period, employers were struggling with unusually high turn-over damaging their production and high frequency of labour disputes. Therefore, employers had collective self-interests to accede to the regional/sectoral bargaining when they were approached by local unions. The regional/sectoral bargaining is far more advanced geographically in provinces around Yangtze River delta (Zhejiang, Jiangsu and to less extent Shanghai), rather than in the Pearl River delta, Southern China, and in localities where small and medium sized Chinese enterprises are concentrated, rather than in localities where foreign or joint ventures are dominant players. This pattern appears to be associated with domestic employers' dense organizational network (and forward/backward industrial links among them), which enable aggregation of their individual interests into collective ones. Also, the regional/sectoral bargaining appears to be found more often in domestic service sectors such as hotels and restaurants, as they are shielded from global competition.

#### 4.2 Coordinated bargaining with Chinese characteristics?

In the previous section, the overall situation of collective bargaining has been described. This section attempts to analyze an emerging pattern of interaction between the government policy and collective bargaining at local level, which clearly displays Chinese characteristics based upon the author's field research in 2007. To illustrate the new pattern of interaction, we will review an interaction between government wage guideline policy and wage negotiation.

The Chinese government has a number of wage policy instruments designed to influence wage trends in labour markets, which include local minimum wage fixing<sup>13</sup>, wage information system<sup>14</sup>, and non-binding wage guideline at local level. Among them, the non-binding wage guideline is more directly related to wage negotiation. The guideline was introduced in 1990s as an instrument to influence or control wage trends in SOEs which were gaining their autonomy for wage setting. Then, the non-binding wage guideline was given an additional role as a guideline or reference for wage negotiators in all types of enterprises in parallel as wage negotiation began to be promoted in 2000s.

The author's 2007 field research found a unique pattern and mechanisms of interaction between the government wage guideline and wage negotiation, as described in the box.

**Interaction between government wage guideline and wage negotiation: A case of X city**

X city is a medium sized city in Yangzhi river delta with 2 million population. Local trade unions succeeded in organizing 660,000 workers out of total 680,000 workers.

The city trade union federation started its campaign for wage negotiation in 2000. At initial stage of wage negotiation campaign, no labour relations actors were familiar with practice of wage negotiation, as wages were never properly negotiated before. In their efforts to promote the new practice of wage negotiation, the trade union federation together with the city labour bureau and CEC began to hire part-time 'wage negotiation councillors' who could provide advice and guidance to representatives of workers and employers at the enterprise level<sup>15</sup>. The councillors are trained not only in negotiation and facilitation skills, but also in various regulations regarding wage determination, including wage guideline policy.

<sup>13</sup> The first regulation on minimum wage was adopted in 1994 and revised in 2004. In line with a new government policy designed to increase wages of ordinary workers, MW across China has risen rapidly in recent years – particularly since 2004. Between 1994 and 2004, MW grew at 8% a year. Since 2004 when MW regulation was revised, it began to grow much faster – at 14%. Labour shortages which emerged around in 2003 also contributed to higher adjustment rates, as each locality competed to raise MW in a race to retain or attract more migrant workers, reversing the previous competition to keep wages low. As elsewhere, MW fixing is designed to protect workers from unacceptably low wages.

<sup>14</sup> The wage information system is to assist individual job-seekers and employers to learn about on-going wage rates for variety of occupations by regularly providing information about the on-going wage rates based upon local wage survey.

<sup>15</sup> In the beginning, the councillors were recruited mostly from either retired labour bureau officials or trade union officials. Now they are selected from qualified lawyers, accountants and other professionals. After joint selection by tripartite parties, these new councillors are trained in wage negotiation skills and relevant regulations. Then, each councillor will be assigned on part-time basis to assist workers and employers in a number of enterprises, often in the same sector.



Since 2004, the union federation has made a new attempt of ‘spring demand campaign’. Similar to Japanese *Shunto* (spring offensive) practice, the union federation attempted to coordinate and synchronize wage negotiation through its innovative ‘spring demand campaign’. Trade unions are encouraged to send their wage negotiation demands to their respective employers before or around the Chinese New Year (usually late January or early February). Within 20 days after employers receive trade unions’ demand, they are obliged, by law, to give their reply regarding their intention of bargaining, including timing of the bargaining. This means that the first round of bi-partite discussion regarding wage increase would take place mid March (or at latest late March). By April, most enterprises are likely to enter a final stage of wage negotiation between workers’ and employers’ representatives. And it is April when the non-binding city wage guideline – together with the publication of city-level wage survey result – is usually issued.

The system of ‘wage negotiation councillors’ and ‘spring demand campaign’ appears to offer institutional linkages between the government wage policy instrument and bi-partite wage negotiation process at enterprise level through human linkage of ‘wage negotiation councillors’ and through sequencing of spring demand campaign and April wage guideline (together with city-level wage survey result). This may create an indirect effect on bi-partite negotiators to take the wage guideline as a strong reference point in their final stage of wage negotiation

From Lee (2008).

The above model is not confined to the X city – many localities have introduced the system of wage negotiation councillors and synchronized collective bargaining initiatives, though there are local variations. The above model is still in the process of evolution<sup>16</sup>, and the author does not have any data to assess whether the above approach produced desired bargaining outcome across the board in the locality.

However, the above model displays a number of embryonic elements of Chinese style *mezzo*-corporatism, which appears to suit the Chinese political configuration under which industrial relations institutions are being shaped: 1) encompassing trade union organization covering majority of workers; 2) creation of deliberate human and organizational linkages among three parties and between industrial relations actors at city and enterprise level through ‘wage councillor system’, and; 3) ensuring the influence of the government’s non-binding wage guideline on wage negotiation through the above human/organizational linkages and through careful sequencing of wage guideline and wage negotiation.

## 5. Effects of trade unions and collective bargaining at workplace and beyond

We described a decade long process of institution building of China’s fledgling industrial relations, largely engineered by the Party-State and the official trade unions under the wing of ACFTU. As a result of concerted efforts by the Party-State and ACFTU,

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<sup>16</sup> According to the author’s interviews and investigation, the above model did emerge not by design, but by trial-and-errors over a decade in a limited number of localities around Yangtze River delta. Then, it gradually began to spread to other localities beyond the Yangtze River delta, primarily through ACFTU’s nation-wide organization which is relatively effective in promoting best practices across the vast country.

collective bargaining has spread across China and have come to cover majority of workers in China – as far as the official number is concerned. Then, can China's new industrial relations arrangements produce desired labour market outcomes as it does in other developed economies?

Trade unions in developed economies demonstrated, admittedly until the neo-liberal globalization took hold, that trade unions could contribute to more equitable labour market outcomes in terms of narrower wage gaps, and standardization of wages across firms and sectors, primarily through collective bargaining. Also, existence of trade union tends to lower turn-over of employees, as workers would choose to improve their working conditions through 'voice' rather than 'exit' (Freeman and Medoff, 1984). All these outcomes are closely associated with trade union as democratic and representative organizations where majority rank-and-file workers can have bigger say in formulation of unions' bargaining strategies. The well-functioning voice mechanism is likely to produce more equitable outcomes. Not much is known about unions and collective bargaining's effects on labour market outcomes in China.

### 5.1 Effects of political incorporation of trade unions: A double edged sword

At political level of decision-makings, Chinese trade unions have shown their effectiveness in pursuing their agenda. Of course, the political support of the Party-State was crucial for pro-worker legislation such as the Labour Contract Law and other initiatives. Throughout the legislative process, the ACFTU has shown its political and technical capacity and savvy to overcome mounting oppositions from both domestic and foreign capital. It is not confined to labour politics at national level. ACFTU has successfully put their agenda into the provincial and municipal legislative bodies which led to adoption of local regulations favourable for unions' operation and collective bargaining. In this respect, the newly created tripartite consultation committee was also useful vehicle for local trade unions to translate those new regulations into practice by mobilizing support of the local government and employers' organizations for spread of collective bargaining and other initiatives. With enhanced political influence at various levels, it would be fair to say that Chinese trade unions produce positive outcomes for workers in the form of better legal provisions and of building new institutions.

The enhanced political influence of trade unions is closely related to a significant elevation of ACFTU leadership's political profile within the political structure of China. In 1995, there were only 5 provincial trade union federation chairpersons who were also vice-president of the provincial legislatures (out of 31 provinces), and 6 chairpersons who were members of the provincial party's standing committees. These numbers have increased to 9 and 7 respectively in 2001, and 12 and 11 in 2006.

However, the concurrent appointment of union leadership and senior party/political posts is a double edged sword. It can certainly enhance trade unions' political influence over legislative and decision-making process, particularly when they need to overcome oppositions of the increasingly powerful lobby of business community in China. At the

same time, a deeper incorporation of trade unions into the formal state structure allows the Party-State to exercise more direct control over the trade unions.

## 5.2 Changing union governance and collective bargaining at the enterprise and local level: what do unions do?

Understanding workplace labour relations in China is very challenging. Labour relations at the enterprise level display a great degree of diversity arising from their locality and different types of enterprise ownership. Also rapid changes are underway at the workplace in response to changing legal environment, policies of the official industrial relations actors at higher levels and labour market situation.

Generally speaking, trade unions at the enterprise level are mostly seen as ineffective. The ineffectiveness of trade unions at the workplace is well reflected in various surveys which showed over and over again that workers' satisfaction with trade unions was usually very low.

The ineffectiveness of enterprise trade unions can be explained by the fact that enterprise union chair posts are occupied by either senior party figure (like SOEs where party organizations are well established) or managers (like non-state enterprises where party organizations are relatively rare). According to a survey of 524 union heads conducted by China Institute of Industrial Relations (2007), 49.6% of union heads held concurrently leading party positions, while 34.9% of them held managerial positions. Even in companies where unskilled production workers are majority, trade union leadership usually comes from high echelon of the management. Enterprise unions cannot become effective in representing workers and bargaining collectively when union leaders are actually managers. Therefore, both foreign and local observers of China's trade unions and industrial relations tend to conclude that Chinese trade unions are ineffective.

But there are newly emerging evidences that some trade unions might become more effective at the workplace in offering some benefits such as higher wages, shorter working hours, and better social insurance coverage in some localities. Zhejiang University research group undertook a survey of 205 enterprises and 3,700 workers in six cities in Zhejiang province to measure unions' effects, to see whether Chinese unions can produce similar effects as Freeman and Medoff (1984)'s study found in US. They grouped workers into four types: union members whose union leaders are elected; union members whose union leaders are not elected; non-union worker of a company where union leaders are elected, and; non-union worker of a company where union leaders are not elected. After controlling all other factors such as ownership, sector, size and others, the study found that union members whose union leaders are elected were more likely to have higher wages, shorter working hours and better social insurance coverage among others.

Lee and Liu have taken one step further (Lee and Liu, 2009, forthcoming) through their survey of 500 enterprises in four major cities in China (Shenzen in Southern China,

Shanghai and Hangzhou in East China, and Changchun in Northern China). Their study tries to see effects of union related independent variables - such as union structure (whether enterprise unions have well established delegation structure down to workshop or team level), unions' participation in collective bargaining and joint consultation, and direct election of enterprise union leaders – on various human resource management practices such as lay-off, job security, training, intra-firm wage inequality, additional social benefits (such as supplementary pension and medical insurance scheme). The preliminary result shows that intra-firm wage inequality is negatively associated with union structure and union's participation in collective bargaining and joint consultation. The study finds that direct election of enterprise union leaders are not directly associated with wage (in)equality outcome, but it is positively associated with unions' participation variable. Therefore the direct union election variable would indirectly contribute to wage equality through improving unions' participation (including collective bargaining). The study also finds that among unionized enterprises, the level of labour conflicts is negatively associated with independence of union leadership, well-established union structure down to workshop level and practices of unions' participation in management decision-making. Also, when unions actively participate in the management decision-making either through joint consultation or collective bargaining, workers' voluntary turnover rates and frequency of collective redundancy is likely to be lower than enterprises without established practices of unions' participation in the management decision-making. In addition, the practice of unions' participation in the management decision-making is closely associated with less use of short-term contracts and more use of open-ended contracts, even after controlling all other factors. The above result clearly shows that the new practices of collective bargaining have significant effects on reducing intra-firm wage inequality and improving job security, among other things.

The above two surveys try to capture changing union governance in China and its impact on wages and benefits at the workplace. In recent years, there has been a growing recognition among trade union officials at political levels that employers' dominance of enterprise unions is a great hindrance to well functioning trade unions and therefore a hindrance to 'building harmonious labour relations' as well, as it is desired by the Party-State. This recognition of the problems with enterprise unions has led to a number of experiments in various localities in China. Since 2003, ACFTU has begun to experiment the direct election of enterprise union leaders in some localities. In fact, Zhejiang province, which is covered by the two studies, is seen as a pioneer of various experiments of union reforms (direct election) and collective bargaining (regional/sectoral bargaining).

As described in earlier section, regional/sectoral union organizing and collective bargaining can prove to be effective way of overcoming weakness of traditional enterprise unions, as they are more effective in articulating workers' interests, acting independently from individual employers' influence. Within typical regional/sectoral union structure, workers' representative congress composed of union representatives of different enterprises within the bargaining unit function as a decision-making body in charge of formulating, reviewing and ratifying collective agreements.

Recently, there emerged a new approach called ‘socialization (*shehuihua*) and professionalization (*zhuan'yehua*)’ of trade union cadres. This is an attempt of local trade unions to recruit professional union organizers and negotiators, not from within the enterprise union but from ordinary citizens with relevant professional backgrounds and interests, who will be trained as professional union negotiators and activists. They are usually sent to enterprise unions to help the unions in protecting workers rights and negotiating better terms. Given the political incorporation of the local union apparatus into the local political structure, so-called socialization and professionalization of union cadres, while ensuring their independence from individual employers, can become an effective instrument for local unions to implement the Party-State policy lines down to enterprise level. Combined with ‘wage negotiation councillors’ system, this attempt could be an instrument for aligning enterprise level labour relations development with overall policy directives of the government at local level.

## 6. Discussions

As described in the above sections, there has been a rapid expansion of industrial relations institutions in China since early 2000s, which includes trade union membership, collective bargaining and tripartite social dialogue mechanisms. The speed and scale of the state-driven institutionalization of industrial relations in China is unprecedented in the modern history of industrial relations. This process is driven by the Party-State, as a key pillar of its pre-emptive corporatist strategy to stabilize labour and social relations, and to address social and economic policy challenges.

A key question for industrial relations practitioners and researchers is whether China’s new industrial relations can deliver outcomes for workers and society, measured by better working conditions, more voices for workers, and more equitable distribution of economic gains. Predominant views among seasoned observers – not only foreign but also local observers - have so far been sceptical about impacts of the new industrial relations practices on labour market outcomes. There are number of legitimate reasons to be sceptical. Trade unions are seen as lacking representational foundation, while collective bargaining is often believed to be a matter of formality without involving genuine negotiation between the labour market parties.

As we have seen above, however, there is a growing body of evidences that trade unions and collective bargaining might be beginning to create impacts on labour market outcomes, including less intra-firm wage inequality, better social security provisions at the firm level and better job security. We do not yet have deeper knowledge on how trade unions at workplace level carry out their functions, which lead to better labour market outcomes for workers. It would require a series of well-structured case studies of workplace industrial relations, including trade union dynamism at the workplace and, both formal and informal process of labour-management interaction at the workplace.

In any case, the recent industrial relations developments in China require broad attention of international community of industrial relations researchers and policy-makers, as the Chinese pattern of IR development appears to be distinctively different from others. It poses an intellectual and policy challenge which IR research community needs to respond.