

## I

## Introduction

In 2011, there were labor strikes at more than sixty automobile factories across Guangzhou in China. While there was no evidence of cross-firm coordination, it was clear that the high-profile strike at Honda Nanhai in Foshan inspired a wave of unrest across the region. In response to the protests, however, state authorities displayed surprisingly lenient attitudes. The *People's Daily*, the mouthpiece of the Communist Party of China (CCP), commented that during the incidents “both labor and management did not display any extreme or irrational behavior,” signaling that the government did not perceive the protests to be drastic.<sup>1</sup> According to Chen Wei-guang, the then chair of the Guangzhou Federation of Trade Unions, the strike wave was not met with state violence because workers stayed away from politics and only sought job-specific economic gains:

[W]e believe that the demands of the workers are justified. But we hope that such economic disputes do not develop into political incidents and will not disrupt social order. This is our bottom line. [...] We have to say that our strikes have been very orderly, there were no walkouts from the factories to the streets, no destruction of machinery, no playing of politics. Everything remained in the framework of disputes within factories.<sup>2</sup>

To a lay observer, the Chinese regime's tolerant response to the protests might be surprising given its authoritarian nature. Yet in China and other authoritarian states, such as Vietnam and Egypt, political leaders have permitted limited forms of popular protest while repressing politically threatening mobilization. As Chen Wei-guang's remarks show, there is a

<sup>1</sup> Li, 2010b.

<sup>2</sup> Lüthje et al., 2010.

critical distinction between economic and political contention that has been central to defining the Chinese regime's response to workers' collective action. While the regime tolerates what it defines as "economic" protests within individual workplaces, it punishes those that breach the physical boundary of the firm. This distinction has created silos for workers' collective action, because economic protests must be contained within individual firms. Labor protests in China have thus been characterized as "cellular activism."<sup>3</sup>

Despite the prevalence of labor unrest in China, it has generally been assumed that the regime is resilient to worker discontent. Most labor protests seek job-specific economic gains, such as higher wages and better working conditions, and exhibit little political activism. With severe restrictions on independent labor organizing inside and outside the firm, workers have limited resources to generate and sustain a labor movement. A growing body of literature suggests that these relatively frequent, but apolitical, protests could be a sign of the regime's political resilience rather than of its instability.<sup>4</sup> An apolitical protest allows the regime to collect information on the location of grievances and gives workers space to air their discontent: This combination of information gathering and de-escalation undermines revolutionary threat from below. Apolitical protests are assumed to function as a "safety valve" or a co-optative device, by rewarding disgruntled workers with material benefits. Yet we still have a limited understanding of what these apolitical protests actually mean for the Chinese regime's political resilience in the long run.

The prevalence of apolitical labor protests is puzzling, given the many historical examples of collective action of disgruntled workers becoming politicized and morphing into a pro-democracy movement.<sup>5</sup> From the early episodes of democratic transition in western Europe and Latin America to more recent waves in Asia, rapid economic changes such as industrialization and globalization have birthed an industrial labor force that is both interested in and capable of promoting democratic transition.<sup>6</sup> The pro-democracy labor activism in these regimes also started out as small-scale economic protests about wages and working conditions, but these protests failed to deradicalize labor discontent. Even though independent union activities were repressed, workers in many

<sup>3</sup> Lee, 2007a.

<sup>4</sup> Lorentzen, 2013; Dimitrov, 2013; Lorentzen, 2017; Li, 2018.

<sup>5</sup> Rueschemeyer et al., 1992; Collier and Mahoney, 1997; Wood, 2000; Koo, 2001; Beinin, 2009; Dahlum et al., 2019.

<sup>6</sup> Rueschemeyer et al., 1992; Koo, 2001; Silver, 2003; Seidman, 1994.

authoritarian regimes developed strong antiregime identities and transitioned the job-specific economic protests into militant labor activism.

Has the regime's policy of tolerating isolated economic protests within workplaces enhanced workers' overall political loyalty? Do protests that only focus on economic issues imply that workers do not link their everyday grievances to the regime? Why is it that Chinese workers appear to be empowered enough to stage relatively frequent protests, but rarely turn their collective action toward a social or political goal? In this book, I look inside China's factories and examine workers' thoughts and behavior to uncover the political implications of state-labor relations in contemporary China.

#### 1.1 CENTRAL ARGUMENTS

My central argument is that the Chinese regime has been successful at demobilizing the labor movement but has not been able to depoliticize labor discontent. I offer a theoretical framing of the CCP's approach to state-labor relations as *atomized incorporation* and show that, by allowing workers to make job-specific economic claims but denying their political voice as citizens, the regime has only incorporated workers in a limited way. This limited state of incorporation means that protests only express small economic issues and offer a channel to materially co-opt those individuals and groups who are capable of demanding economic gains. It, however, also means that workers' social and political grievances are not tempered in a lasting way. The protests grounded in narrow economic issues reduce the immediate threat of broad mobilization, but labor discontent in China is increasingly politicized and in the long term could challenge the stability of the regime.

In the "economic" realm that is defined by the state, workers appear to have been permitted substantial leverage as economic agents. They are able to use their market power to target their employers and extract concessions. The state's leniency toward the more aggressive style of protest that proliferated in the early 2010s, as seen at the Honda protest, revealed the regime's toleration of workers that use the market to discipline their employers. Workers' demands often exceeded the legal minimum conditions but remained apolitical; most of the demands concerned job-specific economic targets such as wage increases or wage arrears.

The argument that the Chinese regime undermines social organization and individualizes contentious behavior is not new.<sup>7</sup> Scholars who study

<sup>7</sup> White et al., 1996; Goldman and MacFarquhar, 1999.

popular contention in China have emphasized citizens' atomized state as a barrier to broad mobilization. It has been argued that the regime has succeeded at breaking collective grievances down into individual ones by deploying a wide range of tools such as law, state-controlled union, and nongovernment labor organization.<sup>8</sup> Even when citizens engage in collective action, their actions have been characterized as “cellular,” “fragmented,” and “parochial.”<sup>9</sup> It has also been stressed that in order for popular protests to remain contained, the regime has to accommodate the demands of protesters to a certain extent.<sup>10</sup> In other words, the *incorporating* element enables atomization.

What has been less explored is the inherent challenge in trying to achieve these two apparently conflicting goals: incorporation and atomization. How effective is the incorporation if it should accompany atomization? What is the nature of incorporation that enables the atomization of workers, and can this type of incorporation appease workers' discontent? In this book, I focus on theoretical and empirical investigations of this contradiction. In doing so, I highlight the importance of connecting macrolevel theories to microlevel analyses. In macrolevel theories, the prevalence of apolitical contention has been understood as a sign of the regime's success in maintaining political resilience. These analyses offer useful insights about the advantages of allowing small-scale contention. In this book, however, I also show that the underlying assumptions in the existing arguments need to be examined at the microlevel, from the workers' perspective. On the basis of two years of in-depth fieldwork, I study and describe how different workers behave and think about their firm, society, and government in this evolving economic and sociopolitical environment.

A close look at the dynamics of collective action within and across firms shows that only a fraction of workers have resources for collective action, such as social networks, the support of external actors, and intelligence about the horizontal and vertical organization of the firm. My analyses demonstrate that atomized incorporation has been successful at reducing the immediate threat of broader mobilization because it allows those with such resources to make claims and receive concessions. Material co-optation of those who are capable of initiating collective action could be important given prevalent grievances about the central government and broader society among migrant workers that I find.

<sup>8</sup> Lee, 2007a; Su and He, 2010; Friedman, 2014; Gallagher, 2017; Chen and Gallagher, 2018; Fu, 2018.

<sup>9</sup> Perry, 2002; Lee, 2007a; Chen, 2018.

<sup>10</sup> Lorentzen, 2017; Chen, 2018.

Yet I also show that the absence of political claims in worker protests is not necessarily a sign that the regime has succeeded in appeasing workers. Many workers who have political grievances do not use protests as a channel to express their demands. The majority of workers who lack the resources for collective action are even more discontented with their position in the broader social structure and frustrated with the central government. The concerns of the majority, however, are not contested, because atomized incorporation does not provide a platform for these workers. This suggests that many workers with substantial discontent are left out. To understand the implications of atomized incorporation, therefore, I argue that it is also important to understand what is *not* currently contested in labor protests.

The distinction between economics and politics is arbitrary in the sense that workers' economic struggles are a product of the political system and national policymaking.<sup>11</sup> Low-wage workers' economic circumstances in contemporary China are in part due to a legacy of institutional discrimination. Rural-to-urban migrant workers who have been the backbone of the low-skilled labor force in manufacturing and service industries have not enjoyed equal access to residency rights and public goods. The household registration (*hukou*) system in China segregates citizens according to rural or urban origins, as well as by local and nonlocal registration, and determines eligibility for public services that are fundamental to quality of life, such as housing, medical care, and schooling. In practice, this has meant that unskilled rural workers who move to urban areas to work in rapidly industrializing centers are denied access to the benefits of the modernizing economy that their labor makes possible. Even though the institutional elements of discrimination have disappeared over time, its social legacies persist and continue to undermine migrant workers' career progression, life chances, and integration into urban society.

By treating economics and politics as distinct, however, the regime has framed workers' everyday struggles as the discontent of a few "bad apples" than a systemic flaw. While this framing might have delayed the formation of workers' critical consciousness about the structural origins of their plight, I find that many workers do eventually make this connection. Because the *hukou*-based restrictions make it difficult for migrant workers to integrate into urban communities, they are likely to have high levels of labor mobility. This mobility undermines the community-building that would support sustainable labor activism, but at the same time, it has exposed workers to the idea that their situation is the product

<sup>11</sup> Wood, 1995.

of a system, maintained by the central government, that prevents them from fully participating in the economic and social affluence enjoyed by the urban population.

The grievances that are targeted at the central government might not pose an immediate threat to the regime. Yet the widespread discontent suggests that the regime's capacity to monitor and punish defectors will become increasingly important. As many historical cases of pro-democracy movements demonstrate, labor grievances are easily fed into alternative platforms of antiregime mobilization. Due to the labor force's size and capacity to disrupt production, it is often perceived by antiregime activists as an attractive group to mobilize. This means that as labor grievances increase but are not channeled into available platforms of claim-making, it could become ever more necessary for the regime to isolate workers from each other and from other groups and suppress potential insurgencies. I suggest that the Xi regime's seemingly outsize response to recent cases of labor mobilization reflects these concerns. At the same time, even when disgruntled workers do not directly join antiregime activities, there are other more subtle forms of noncooperation that workers can engage in. These actions are more difficult to police and could pose a challenge for state-labor relations, which I elaborate in Chapter 8.

## 1.2 ATOMIZED INCORPORATION

### 1.2.1 The Setting: Political Costs of Labor Coercion

China's rise in the world economy has been touted as a model case of economic development. Scholars have argued that economic success is a major factor in the CCP's ability to maintain authoritarian rule concurrently with rapid economic growth. China's path of economic reform has been characterized as "reform without losers" and postulated to have provided "performance legitimacy" for the regime by delivering a better quality of life for its citizens. Contrary to the conventional assumption that growth creates a middle class that desires political freedom, many argue that Chinese citizens perceive that the CCP is the facilitator of economic development and have "accepted authoritarianism."<sup>12</sup>

This book, however, commences with the observation that China's rise also created socioeconomic conditions that could lead to conflict in state-labor relations. China's economic transformation was driven by rapid industrialization that lured large numbers of migrant workers

<sup>12</sup> Wright, 2010.

from rural China to select geographical regions. Economic reform clearly created losers, and one of the most disadvantaged groups was migrant laborers. In the 1980s and 1990s, when the regime promoted foreign direct investment and export-oriented industrialization, workers' well-being was largely ignored. It is well documented that the rural population has not experienced the same benefits of economic growth that the urban population has enjoyed. Rural-to-urban migrant workers, in particular, have been the backbone of the growth of the urban economy, but they experience social, economic, and political marginalization in urban areas.<sup>13</sup>

Many factors could have contributed to the extent and nature of marginalization, but it is clear that the Chinese regime's institutionalized exclusion of rural migrants has played a critical role. The *hukou* system was introduced as part of the planned economy as a means of mobility control, but it persisted in the postreform era. In the 1980s, rural residents were permitted to leave their farmland for urban jobs, but they were denied permanent residency rights and access to the welfare benefits available to urban residents. Similar to the apartheid system in South Africa, this semipass system helped labor-intensive sectors to minimize labor costs and accelerate capital accumulation<sup>14</sup>; at the same time, it contributed to the emergence of migrant workers' collective identity as those who "*dagong*," which can be translated as "work for someone else" but is used almost exclusively to indicate migrants' low-skilled employment and marginalized status.<sup>15</sup> The effects of structural discrimination persist, restricting the social and economic mobility of migrant workers and their children in urban areas. Migrant workers' shared experience, Pun and Huilin (2010) find, "precipitated anger, frustration, and resentment conducive to the emergence of the workers' consciousness."<sup>16</sup>

While labor discontent grew, the success of export-oriented industrialization absorbed the surplus labor from the countryside and the labor market tightened. From the mid-2000s, labor-intensive sectors experienced acute labor shortages and high turnover rates. The more competitive labor market meant that bargaining power shifted in favor of migrant workers. Making use of their enhanced bargaining position, disgruntled workers began to express both passive and active resistance,

<sup>13</sup> Chan and Senser, 1997; Solinger, 1999; Wang, 2005.

<sup>14</sup> See Wintrobe (1998) for a political economy analysis of the apartheid system that can also be applied to the Chinese *hukou* system. Alexander and Chan (2004) make a direct comparison of the two.

<sup>15</sup> Pun, 1999.

<sup>16</sup> Pun and Huilin, 2010, p. 496.

from job hopping – “voting with feet” – to labor strikes and street demonstrations. Once considered a docile and cheap source of labor, migrants now make up the majority of workers who participate in protests.<sup>17</sup>

Another outcome of this tight labor market was that the efficiency and contribution of traditional labor-intensive industries to the Chinese economy declined. Migrant laborers’ wages, which had stagnated until the early 2000s, began to rise rapidly.<sup>18</sup> The increased labor costs reduced the competitiveness and profitability of labor-intensive sectors and the regime responded by reorienting its growth model. The central government began to promote industrial upgrading, high-technology development, and domestic innovation. The socioeconomic conditions that contributed to growing labor assertiveness, therefore, are endogenous to the logic of the regime’s earlier development strategy. China pushed for export-led growth and adopted a coercive approach to migrant labor, but as a result it faces a changed environment for state–labor relations: There are widespread worker grievances, workers’ bargaining power in the labor market is increasing, and the two-digit growth rates that previously gave workers hope that the benefits of economic growth would be universally realized are no longer possible.

How the Chinese regime manages state–labor relations in this critical period has important political implications. Many authoritarian regimes have faced pro-democracy labor movements when these socioeconomic conditions were present in the aftermath of rapid economic expansion: Labor militancy was “manufactured” in Brazil, industrial workers’ antiregime identities emerged in South Korea, and continued labor insurgency triggered a political negotiation that led to democratization in South Africa.<sup>19</sup> Observing China’s economic transformation, Silver (2003) predicted a strong labor movement would emerge and argued that it is “also likely to play an important role in widening and

<sup>17</sup> While official statistics on labor protests are not publicly available, various sources suggest that migrant labor has become the major group of contenders. In 2010, for example, migrant workers’ labor disputes comprised nearly seventy percent of all labor disputes in Beijing (“Migrants make up seventy percent of labor dispute cases (*laodong zhengyi anjian nongmingong zhan qicheng*)” 2011). A more recent analysis of protest incidents on social media finds that migrant workers have engaged in the largest number of protests in recent years (Goebel, 2019). There are also some patchy, but informative, data to show that migrant workers’ protests have increased in number. For example, Wen (2012)’s study indicates that migrant workers’ protests in Guangdong almost doubled between 2000 and 2004, reaching 4,008 cases in 2004. Feng (2008) shows that the number of migrant workers involved in collective action increased from around 160,000 in 2001 to more than 250,000 in 2005.

<sup>18</sup> Wang, 2010; Cai and Du, 2011.

<sup>19</sup> Seidman, 1994; Koo, 2001; Wood, 2000; Wintrobe, 1998.



deepening processes of democratization.”<sup>20</sup> The structural origins of rising labor unrest suggest that the regime needs to adopt a fundamentally different approach to state–labor relations to achieve political stability in the long run.

### 1.2.2 Toward Atomized Incorporation

How do authoritarian regimes dissipate labor discontent and ensure cooperative state–labor relations? I argue that in response to the changing socioeconomic environment, state–labor relations in China have evolved away from labor coercion to what I theorize as “atomized incorporation.” Atomized incorporation is a form of incorporation because it brings the interests of a formerly excluded group into policymaking and produces policy benefits for the group. There is incorporation in the form of channels of claim-making for the marginalized group, which offers a pathway for political participation. However, incorporation is *atomized* because the channels are only available to *atomized* subgroups and not to the collective.

Atomized incorporation differs from the most commonly discussed strategies of labor control in authoritarian states – state corporatism and market-based repression – because it neither fully represses labor nor does it acknowledge its organized interests.<sup>21</sup> Comparative theories on state–labor relations in authoritarian regimes propose a variety of tactics that authoritarian regimes adopt to enhance workers’ loyalty, but many have focused on the regimes’ control of *labor unions*. The seminal works discuss state corporatism as a model of labor control, which presumes organized labor.<sup>22</sup> Ruling elites might use semidemocratic institutions such as parties and legislatures as a platform to negotiate labor demands and reduce labor unrest, but this also assumes that labor’s interests are organized and represented in an institutional framework.<sup>23</sup> When there is little labor organizing activity, it is postulated that the regime represses labor.<sup>24</sup> Yet, in a substantial number of nondemocracies, workers are unorganized but not always repressed.<sup>25</sup>

In theory, Chinese workers are organized and represented by the All China Federation of Trade Unions (ACFTU). Similar to corporatist

<sup>20</sup> Silver, 2003, p. 73.

<sup>21</sup> Valenzuela, 1989.

<sup>22</sup> Valenzuela, 1989; Collier and Collier, 2002; Cohen, 1982.

<sup>23</sup> Kim and Gandhi, 2010.

<sup>24</sup> Valenzuela, 1989; Deyo, 1989.

<sup>25</sup> A few studies stress that we have a limited understanding of state–labor relations in nondemocratic regimes where labor is not organized. See, for instance, Robertson (2010).

labor unions, the ACFTU has a monopoly on labor representation at the regional, industrial, and enterprise levels. However, the ACFTU has not been able to mediate state–labor relations in a meaningful way because it largely functions as an extended body of the state under the control of the CCP. Because it is subjugated to state interests and has limited resources, the ACFTU has not been able to function as an organization to represent and control workers. In particular, migrant workers were not acknowledged as part of the working class and were only recognized as an official constituency by the ACFTU in 2003. When labor disputes do arise, the ACFTU usually channels them back to legal and administrative bodies that undermine workers’ collective action.<sup>26</sup> As a result, few workers consider the ACFTU to be a meaningful representative of their interests. While the party-led trade unions are not able to represent workers’ interests, the regime strictly limits autonomous labor organizations out of fear of workers becoming radicalized. There have been some attempts at independent labor organizing, but they did not survive state repression, particularly since the suppression of the Tiananmen Square democracy movement.<sup>27</sup>

Since 2003 the regime has instead adopted pro-labor policies that offer channels of claim-making to marginalized workers, as long as they remain unorganized. When an authoritarian regime declines to engage in centralized bargaining with organized groups, these claim-making channels can provide information about the groups’ demands, as long as the channels remain limited in scope.<sup>28</sup> The Chinese regime’s tolerance toward protests for job-specific economic gains, which I call “atomized protests,” has been an important element of atomized incorporation, in addition to the establishment of the rule of law and channeling of labor grievances into committees and courts.<sup>29</sup> The tolerated space of contention has been codified in informal rules with an implicit warning that those who cross

<sup>26</sup> Chen, 2004; Chen and Gallagher, 2018.

<sup>27</sup> During the Tiananmen Square protest in 1989, some independent labor organizations such as Beijing Workers’ Autonomous Federation (BWAFF) got involved (Walder and Gong, 1993). Their appearance in Tiananmen Square was supposedly an important factor leading to the leadership’s decision to crack down on the movement. Workers’ involvement fed into Deng’s fear that the Tiananmen protest could turn into a broader political movement such as the Solidarity Movement in Poland (Feigon, 1990; Perry, 1994). The Chinese leadership since then has maintained tight restrictions on independent labor organizing.

<sup>28</sup> Dimitrov, 2013; Lorentzen, 2017.

<sup>29</sup> Gallagher, 2017; Chen, 2018.