1 What Should We Be Looking for in Industrial Relations in China?

William Brown

Managing work is never easy. Worker discontent can arise over pay, effort levels, job control and much else. Both employers and employees devote considerable effort to stabilising their relationship, and they are generally successful. But when worker discontent is co-ordinated, it can lead to work stoppages and costly disruption. This in turn can have expensive consequences for the wider society. Most countries have experienced periods of turbulent relations between employers and workers. Governments feel obliged to intervene, not only to limit the damaging repercussions of worker action but also to prevent employers from treating their workers in ways that are socially unacceptable.

The result is a complex structure of agreements, laws, procedures and informal rules, applied at any level from the international sphere to the whole nation, and all the way down to the individual place of work. These cover the substantive details of the terms on which workers are employed. They also provide the *procedural rules* by which those details are fixed and challenged and changed. These procedural rules provide an essential scaffolding of legitimacy to relations between employers and workers. They include, for example, whether workers should be dealt with individually or as a group, and on which issues they should be consulted or have the right to negotiate. They set out what to do in the event of a dispute and at what organisational level agreements should be reached. They also specify whether, and how far, such rules should be influenced by the government.

The way in which employers, workers and the state interact to shape these rules is the subject matter of industrial relations. To some extent the term ‘industrial relations’ can be used interchangeably with ‘employment relations’ and ‘labour relations’. Industrial relations will be used in this chapter because it reflects a particular intellectual tradition which has focussed on the policy implications of different institutional

The author is grateful for the comments of Chang Kai, Paul Marginson, Jackie Scott and Chris Wright, and for the support of the Leverhulme Trust.

arrangements. Fundamental to industrial relations are the power relationships between employers, workers and the state. Within countries, these vary between firms and between sectors. They vary over time, as market circumstances and political regimes change. The power relationships also differ between countries, each reflecting the character of its country's distinctive political and economic history and its legal and institutional traditions.

What should we be looking for in describing the emerging industrial relations of China? In particular, what sort of industrial relations is evolving in China's growing market sector? What clues might there be in the changing ways in which Chinese employment is being managed as employers respond to the growing pressures of competitive markets? We should not be searching for replicas of the institutions of the Western developed world. The growth of the modern Chinese economy has been so recent, and so rapid, and from so unique a cultural, political and legal past, whatever is emerging there will be unlike anywhere else. We can, however, look for some underlying features that might constrain and shape the power relationships that are implicit in employment in market economies. The purpose of this chapter is to discuss what these features are as background to the account of China that follows.

The Inherently Collective Nature of Employment

For employers, work is difficult to buy. Simply hiring workers does not get work done. They then have to be trained, equipped, managed, monitored and motivated to work with the required skill, effort and care. The employment contract is often described as 'open ended' because of this. The productivity of workers depends to a great extent not on them as individuals, but on how well or how badly their employer manages them. The implicit contract of employment is also open ended in the sense that, for anything other than short-term employment, what is expected of the worker alters in unpredictable ways as time passes. The technologies used, the consumers' demands and the skills required are all subject to change, and the worker will be expected to adapt to these.

Another reason why work is difficult to buy is that its content is usually difficult to specify. There is no objective measure of 'hard work' in terms of worker input. Even if one could measure it, other than by the number of hours worked, workers differ in what they personally find difficult, tedious, fulfilling or stressful. There is usually no objective measure in terms of outputs either. The management techniques of 'work study' or 'industrial engineering' were developed in the early twentieth century to enable the monitoring of workers' inputs by measuring their outputs.

The main challenge was how to be consistent in measuring outputs from the very different sorts of work that are typically being carried out within the same premises. How do you compare how hard people are working when they are engaged in diverse tasks? While these techniques approach the measurement of job performance systematically, their assessment of what is a ‘standard effort’ and their scaling around that are essentially normative and a matter of judgement. In the end, the appropriate level of effort and quality of work are what the worker’s supervisor or, increasingly, highly automated surveillance says they are. That, in turn, depends upon what the targets set by the higher management require, subtly modified by the prevailing norms of the workplace in question.

Setting aside this elusive nature of the content of work, its price – the wage paid – is also notoriously difficult to determine. Labour markets provide very imprecise price mechanisms. For varied reasons, there is typically a substantial dispersion of wages paid within the same small geographical area by different employers for duties with apparently the same job description. But if labour market mechanisms are relatively forgiving, individual workers are not. Besides workers’ concern with the extent to which their pay meets their basic material needs, they also tend to be acutely sensitive to what they see as unjustified differences in pay for comparable duties. The closer the source of comparison, socially as well as spatially, the more anxiously it is watched. Workers have no sense of what they are ‘worth’, whatever that might mean, in any general market sense. How could they? But they have an acute sensitivity to what they consider to be ‘fair’ in terms of their immediate social environment. This is partly because, for all of us, so much of our own self-esteem is tied up with our concern about how our peers and colleagues perceive us. For better or worse, paid work for most people is a central source of their self-esteem. As individuals, we take very seriously what we are paid relative to those around us, simply because it is a uniquely concrete indicator of how our own very particular social world values us.

This has important implications for the productivity of workers. It is often said that pay provides a valuable method of motivating employees to work harder. There is a lot of uninformed enthusiasm for performance-related pay and other payment by results. In practice, however, the effective use of variable payments of this sort is very difficult. They are appropriate to a rather limited range of production technologies. Indeed, for most managers the dominant aspect of pay is not its potential as a motivator, but concern that it can unintentionally be a powerful de-motivator of workers. A manager’s constant anxiety is that something untoward might disrupt the established pay differentials between jobs, the differentials that their workers have come to perceive to be ‘fair’. A similar nagging anxiety is that inter-personal differences in payments reflecting different individual performance may be thought unjustified by the workers concerned. Such adverse responses can sour relations and undermine the sort of co-operative behaviour that is usually essential for productive working. Experienced managers have good reason to be extremely cautious in using any discretion they have over pay (Brown and Walsh, 1994).

It is the unavoidably normative aspect of both the content of work and of its payment that makes work so hard to buy. Notions of 'fairness' are never far away. They are inherently based on social comparison, and usually on comparison using limited and flawed information. This complicates the immediate social interaction aspect of employment, whether or not trade unions are present. However much employers try to treat their workers as individuals, those workers are irretrievably locked into comparisons with their work-mates. Furthermore, because workers interact socially at work, many of their attitudes and expectations are collectively formed. It means that a critical aspect of work management is the legitimacy, in the workers' eyes, of the process that determines what they do and what they are paid for doing it. It has to be got right if workers are to be motivated to work hard. To this process we now turn.

The Power Relationship Between Employer and Employee

The social aspect of work matters because workers interact so much. Rumours, grumbles, gossip and jesting about work are unavoidable and inevitably shape workers' attitudes. This becomes much more significant if workers get themselves organised, whether as informal groups or, even more, as trade unions. Such organisation is likely to harden attitudes and reinforce expectations. It also raises the possibility that workers might take concerted action to strengthen their position with their employer, for example, by them all threatening to cease work. Strike action is an important part of the history of organised labour in all countries.

Fundamental to industrial relations analysis is that it is concerned with power. The employment relationship unavoidably involves a power relationship. All social and economic activities are, of course, criss-crossed by power relationships. We experience them, for example, within our families and in our local communities, quite apart from at higher levels. They are usually tacit, and rarely exposed by open conflict. We manage them through unremarkable everyday routines of negotiation, avoidance, guidance, custom and law. But they are particularly important in industrial relations because the way in which the power relationship between employer and worker is shaped, mediated and regulated has a profound impact on the terms on which workers are employed. It is a major determinant, for example, of what they are paid, whether they are trained and how they are treated at work.

There is no shortage of historical evidence on how employers can treat workers when they have unlimited power over them. In Europe, within living memory, hundreds of thousands of workers were deliberately worked to death in forced labour camps. There are many reports in our contemporary world of circumstances where workers, who have no alternative way of earning a living and no prospect of escape, are employed under conditions that are widely seen to be harsh and degrading. These are extreme cases. But because some employers might exploit their power in ways that are generally unacceptable, most countries have laws setting out minimum standards for employment. One reason for these statutory minimum standards is that poor employment conditions impose external costs on the wider society. For example, they may result in occupational ill health and they may lead to the adverse consequences of workers' children growing up in extreme poverty. Another reason for governments' seeking to enforce minimum labour standards is, perhaps paradoxically, pressure from employers themselves. Most employers wish to be seen as 'good' employers, offering rates of pay and employment practices that are considered 'decent', which is difficult if other, 'bad' employers are able to outcompete them by cutting costs as a result of harsh labour practices.

Historically, it was the rise of trade unions which did most to redress some of the imbalance in the workers' power relationship with their employers. Initially, in the nineteenth century, it was workers with a common skill, working within a particular locality, who were most successful at organising themselves. Their employers were obliged to reach agreement with them because there was nowhere else to turn for that skill. Trade unions were later to use a variety of ways of increasing their bargaining strength, including organising workers at strategic bottlenecks in the production process and broadening their worker coalitions with other occupations. Perhaps their most effective strategy was mobilising political power through the electoral votes of their members. In this way they could help the introduction of legislation which gave them rights to organise and take action. By the mid-twentieth century, in most Western industrialised countries, trade unions were largely accepted as an integral part of a democratic society, with a range of rights enabling them to organise workers and to negotiate with employers as a routine process. Strike action, although important as a last resort, was generally rare.

Different Views of the Employment Power Relationship

The power relationship between employers and workers can be viewed in different ways, which imply different policy responses by government. The oldest perspective historically is that employers have an unchallengeable right to manage their workers as they see fit. This was asserted because employers own the place of work and supply the equipment used. They also hire and pay the workers, who can leave if they are dissatisfied. Underlying the implied moral authority of the employers is an assumption that the well-being of workers is aligned with the success of the enterprise for which they work. The implication drawn was that employers and employees have, in this respect, the same interests. This perspective, commonly referred to as *'unitarist'*, allows no role for trade unions and no opportunity to question managerial authority (Fox, 1974).

A contrary perspective, referred to as *pluralist*, views society as a patchwork of groups with often conflicting interests, and it considers that social stability requires them to reach compromises. The interests of workers and of the enterprise that employs them do overlap, but they are definitely not the same, according to this perspective. A weaker implication, which is essentially pragmatic, is that if their workers are organised in trade unions, employers will not be able to run the enterprise satisfactorily unless they are willing to negotiate with them. A stronger, normative version is that, by virtue of the contribution that workers make to the enterprise, they have an implicit moral right to be represented and to bargain. For both versions it follows that a pluralist employer expects there to be a two-way traffic within the employment relationship, accommodating shifts in relative power, and that the employer will provide workers with the rights and procedures that will facilitate this with minimum overt conflict (Flanders, 1970).

The distinction between unitarist and pluralist perspectives is useful in understanding different theoretical views of the employment relationship. Let us compare the implications of three ideologies which have been particularly influential in recent decades, those of free market economics, of Marxism and of pluralism. With the warning that brevity necessitates oversimplification, how do they differ in the way in which they deal with power at the workplace?

At the heart of economic analysis is the idea of markets, which use price mechanisms to maintain a balance between the supply of and demand for goods and services. The analysis of markets has opened up a range of

Cambridge University Press
978-1-107-11441-8 — The Emerging Industrial Relations of China
Edited by William Brown , Chang Kai
Excerpt
More Information

powerful understandings which have contributed greatly to improved living standards worldwide. But there is a normative aspect that is often associated with narrow interpretations of the central body of economic theory, which we can refer to as *free market* economics. This is that the unimpeded working of markets produces outcomes that are not only optimal in efficiency terms but also, in the longer run, optimal in social welfare terms. The distribution of income (or value added) as between profits and wages between the employers and the employed is therefore best left to market forces. Government intervention is only justified, in the free market view, when markets fail to operate, for example, in cases of monopoly suppliers.

The default implication of this view of economics is that whatever impedes a free market is likely to reduce economic growth and social welfare. It implies not only that the organisation of workers in trade unions but also that the collusion of employers in employer associations are anticompetitive and consequently to be discouraged. In contemporary political debate it is associated with hostility to institutions that are perceived to introduce labour market rigidities, such as collective agreements and statutory labour standards. It implies the unitarist assumption that employers should be free to manage workers as markets require, rather than the pluralist assumption that procedures should be made available to enable workers to voice and protect their own interests. The unitarist perspective is sometimes loosely associated with the use of 'human resource management', but that is mistaken. Human resource management techniques are fully compatible with a pluralist approach to employment relations, insofar as they do not prohibit negotiation with employees.

Marxist analysis of market economies starts with some features of the pluralist perspective. In a market economy, described as 'capitalist', the interests of employers and workers necessarily differ. In particular their interests differ over how profits should be divided between them. In practice, this distribution is determined by their power relationship, which will reflect worker organisation, market forces and state intervention. Where Marxism is distinctive from pluralism is that it embodies particular theories both of the relationship between employers and workers in a market economy and of how that relationship might be changed. A fundamental division in capitalist societies is seen to be between the owners of enterprises and those who work in them. The dynamic for change is theorised to be a unified working class replacing the owners and the governmental system they support, and in the process ending the market economy. The outcome, by implication, would be a new form of economy in which employment relationships are essentially unitarist because the workers would have replaced the managers and taken over the government, and would have done so without losing their allegiance to their class. The Marxist approach has a more qualified view of trade unionism than pluralism; unless trade unions increase working-class consciousness and revolutionary potential, they are seen as compromising with capitalism and delaying its overthrow.

The *pluralist* approach is concerned with understanding how a market economy is managed and reformed rather than with how it might be overthrown. It can encompass a range of political views which are anything from conservative to socialist in terms of their aspirations for the distribution of income and wealth. The central focus is on providing different interest groups with some sort of representative voice, and with establishing procedures, accepted by all concerned, through which power can be channelled and compromises achieved. In pluralism, unlike in the free market and Marxist approaches, market mechanisms are of secondary significance. They provide the context, within which pluralist institutions such as trade unions operate, rather than the forces that should either dominate economic life or be overthrown to create a better society. The pluralist attitude towards markets is cautious and critical (Heery, 2016). For pluralists, in certain circumstances, markets may further the efficient allocation of resources. But supposedly freer markets may not necessarily be in the interest of the society as a whole, not least because markets can be shaped by particular interest groups. That is why all contemporary economies are, to a greater or lesser extent, 'mixed' economies, with varying degrees of state ownership and regulation. As we shall see, state (sometimes called 'public') sectors and market (sometimes called 'private') sectors make very different demands of pluralist approaches to the employment relationship.

Institutionalising the Power Relationship through Collective Bargaining

Arrangements that involve trade unions in the management of the employment relationship are generally called *collective bargaining*. They arise when an employer manages aspects of the employment relationship by engaging with employees not as individuals, but as a group that is organised with some degree of independence of the employer. By dealing formally with the trade union, the employer grants it *recognition*. Collective bargaining covers a spectrum of engagement. At the lighter touch end is consultation on employment matters, which involves no more than the exchange of information and views and the discussion of options. The outcome may or may not result in the employer's altering their intended actions. *Collective consultation* does not necessarily involve any formal agreement, written or otherwise. It will be argued in Chapter 7 that this is the predominant form in China. At the more formal end of the collective bargaining spectrum, the employer makes proposals, the workers' side makes counterproposals and a negotiation takes place to achieve a mutually acceptable compromise. This is then recorded in a *collective agreement*, which is mutually binding until both sides are persuaded that there should be a renegotiation. In practice, collective bargaining usually involves a mixture of consultation and negotiation, depending upon the issues (Kochan, 1980).

An important decision for the employer, historically, was whether they should engage in collective bargaining on their own or whether they should coordinate their bargaining activities with other employers. In the early years there was little option. Whether or not trade unions were a threat, employers who were in competition with each other in a local market for a product often saw advantage in adopting a common front to 'take wages out of competition' by colluding on labour issues. Their incentive to do this was greatly increased when labour began to be organised in trade unions. In an economy of small firms in competition with each other, it made no sense for a trade union to organise workers in just one firm. Anything the union won for their members in that one firm might jeopardise their jobs by weakening the firm's chances of competitive survival. Consequently, the objective for unions was to organise the workers at all the firms in competition with each other, which further encouraged the employers to form a united front. They would unite in an *employer association* which ideally included all the firms competing in that particular product market in their geographical area. This employer association would negotiate with the trade union to achieve a collective agreement that would set out common terms on key issues such as wage rates and hours of work, covering all their employees in those groups represented by the union.

These *sectoral* collective bargaining arrangements, sometimes called *multi-employer* arrangements, proved to be very robust. The same agreements would cover many employers within specific industries, within specific regions. They became the main form of collective bargaining in Western Europe in the twentieth century. As markets were extended geographically by improved transport, in most countries they became national arrangements. From the employers' perspective, if trade unions could not be avoided, this was a good way of restricting their influence. Sectoral collective bargaining frustrated the union strategy of using strikes selectively to pick off weaker firms. It provided common pay scales, which reduced the scope for employees to complain about unfair pay comparisons. It provided a solid basis for encouraging all firms to provide uniform skills training to their workers. Often the agreement would be linked to a *dispute resolution procedure*, whereby irresolvable disagreements between the management and the union within a firm could be conciliated by knowledgeable people at the higher, sectoral level. Perhaps most important of all, by focussing the trade union's attention on concluding agreements that covered a whole sector, it meant that the union's influence within the workplace would be reduced. Sectoral agreements protected the employers' day-to-day freedom to manage their workers.

There were also advantages to the trade union. Because employers were committed to granting recognition to the union for sectoral bargaining purposes, it improved the recruitment and retention of union members and enhanced union legitimacy at the workplace. There was pressure for any employer who refused union recognition to follow the rates and conditions set out in the relevant collective agreement, even if they were not formally linked to it. Union leaders could live with a lesser role for workplace union activists if this was accompanied by an enhanced role for themselves and more centralised union discipline (Clegg, 1976). There was also a deeper benefit in terms of sharing the profits. Insofar as there was imperfect competition in the sectoral product market, the sectoral agreement made the union in effect complicit, to the benefit of its members' pay, in sharing with the employer any excess profits that could be extracted from customers.

Last but not least, there were also advantages for the state. These include securing social peace and, in effect, depoliticising industrial relations by delegating regulation to private actors in a way which secured comprehensive regulation of the labour market. The continuing resilience of sectoral collective bargaining in continental western and Nordic Europe over many decades owes much to the legal support that has been provided by their governments, to which we shall turn shortly.

Despite these benefits, in some countries there were particular circumstances under which employers felt that, if they had to deal with trade unions, they would prefer to do so on their own. Rather than join with other employers in sectoral bargaining, they chose to engage independently in what is usually called *enterprise* bargaining. By contrast with multi-employer bargaining, it is sometimes referred to as *single-employer* bargaining. This enterprise bargaining was an early feature of some unionised industries of Japan and of the United States, for example. They were dominated by comparatively few very large enterprises, which saw little benefit to be gained from colluding with their smaller competitors to influence the labour market.

For some countries, a decline in sectoral bargaining has been quite recent. In Britain, in the later twentieth century, enterprise bargaining