

Strike and changing workplace relations in a Chinese global factory

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ABSTRACT

This article engages with the debate around global capitalism and labour politics in the context of China. Data were drawn from fieldwork on a Taiwanese-invested factory, where a strike was staged in 2004 spreading from one department to the whole factory. After it ended, the protest encouraged further struggles in the factory and inspired workers in other factories. While the original-place-based networks and their attached gangsters had previously divided and pacified workers, the function of place-based networks and gangsters were dramatically changed in favour of the workers' interests during the strike. The author further argues that the expansion of capitalism in China has raised the marketplace and workplace power of workers but their associational power is impeded by the state socialist legacy.

1 INTRODUCTION

The relocation of production to the developing world in the era of globalisation has dramatically restructured class relations. The subsequent decline of workplace collectivism and working-class identity has dominated the literature of labour studies since 1979 (Linden and Voss, 2002; McBride, 2006; Silver, 2003). However, from the 1990s onwards, scholarly attention has been paid to the rise of workers' militancy and organising strategies in the newly industrialised countries (NICs) (e.g. Hutchison and Brown, 2001; Moody, 1997; Munck, 2002; Silver, 2003; Wood *et al.*, 1998). Since 1978, China has been gradually integrated into global capitalism. Today the country is well known as a 'global factory' and has been the biggest receiver of foreign direct investment since 2003. Despite its pivotal role in the global political economy and the size of its new industrial labour force, labour protest in China has been significantly weaker than in other NICs such as South Korea, Brazil and South Africa. Through an ethnographic case study of a factory owned by a Taiwanese business group in South China producing for the US and European markets, this article explores how labour's power in the workplace is shaped by Chinese state policy and the development of global capitalism. As I will show, rapid expansion of capitalism in China has raised the marketplace and workplace power of workers, although their associational power is impeded by the state socialist legacy. Managers used both the traditional forces of

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local-based networks and their attached gangsters to divide and pacify workers but the function of local networks and gangsters was dramatically changed in favour of the workers when more structural class power was gained.

2 GLOBAL CAPITALISM AND LABOUR IN NICs

Globalisation has become the 'common sense' of our era (Munck, 2002), but its nature and impact are widely contested in different academic disciplines. For many, 'globalisation' is a 'new historical epoch' which is conceptualised as the 'information age', 'post industrial society' and so on (Castells, 1997; Frobel *et al.*, 1980; Zolberg, 1995). According to the 'new international division of labour' thesis of Frobel *et al.* (1980), manufacturing work which had provided security for organised workers and their families in the West is now relocated to the developing world with its abundance of unorganised and low-cost labour. Such a 'race to the bottom' phenomenon has pointedly weakened both workers' associational and structural power on a global scale (e.g. Chan, 2003; Chan and Robert, 2003; Coates, 1989; Ross, 2000). On this basis, class-based labour analysis has been challenged empirically and theoretically and replaced by non-class-based identities such as gender, race, ethnicity and religion.

This notion, however, has been rejected convincingly by those who perceive 'globalisation' as a new stage of capitalist expansion (e.g. Cohen, 1987; 1991; Wood *et al.*, 1998). They have argued that capitalism is a continuously changing process and globalisation is indeed 'global capitalism'. Inspired by this thesis, international labour studies has paid special attention to the upsurge of labour movements in the NICs (e.g. Hutchison and Brown, 2001; Moody, 1997; Munck, 2002; Silver, 2003).

Borrowing from Wright (2000), Silver (2003) suggested a framework to evaluate the impact of globalisation on workers' power. According to Wright, workers have 'associational' and 'structural' power. The former results from the formation of collective organisation while the latter consists of marketplace and workplace bargaining power. This article applies these concepts to evaluate the possibility of and obstacles to increasing workers' power under globalisation in China.

3 CHANGING LABOUR POLITICS IN CHINA

The transformation of China from a state-planned economy to a market-oriented one was driven by labour market reform. A household-based production contract system (*Jia Ting Lian Chan Ze Ren Zhi*) was introduced in 1978 to liberate and release a huge number of peasants from the collective and forced labour of communes. According to the national census in 2000, the number of rural-urban migrant workers in China was as high as 120 million. Peasant migrant workers represent 57.5 per cent of the manufacturing workforce (Lee, 2007). From the middle 1990s to the early 2000s, state-owned enterprises were privatised and caused millions of state workers to be laid off or to retire early (Cooke, 2005; Lee, 2007). Waves of protests were launched by the *Xia Gang* (laid off) workers for compensation, jobs and social security. Responding to this phenomenon, most of the publications on workers' protests in contemporary China have focused on state workers (e.g. Cai, 2002; Chen, 2003a; 2006; Hurst and O'Brien, 2002; Lee, 2000; 2002; 2007). However, the re-employment programmes initiated by the central state, which also addressed the problem of enterprise reform and compensation, remarkably pacified activism among the laid-off workers and pre-empted its political threat (Johnston, 2002).

As far as migrant workers are concerned, their working and living conditions are typically appalling under capitalist exploitation: low pay, long working hours, despotic management and an unsafe environment (Chan, 2001; Cooke, 2005; Lee, 1998; Pun, 2005). The arbitration procedure was the main channel to solve individual and collective disputes between migrant workers and their employers (Lee, 2007). However, local authorities are passive to enforce the law because of their patron–client relationship with the business. As a result, more workplace spontaneous strikes have been staged by migrant workers in recent years. According to Taylor *et al.* (2003: 175), ‘in recent years, workers [in foreign-owned enterprises] more frequently resort to strikes to express their complaints’.

Lee’s (2007) recent study tried to provide a connected account of labour protests in China by comparing laid-off state workers in the North and migrant peasant workers in South China. Lee observed, ‘three major types of workplace grievances that often lead to labor arbitration, litigation, and protests . . . (1) unpaid wages, illegal wage deductions, or substandard wage rates; (2) disciplinary violence and dignity violences; and (3) industrial injuries and lack of injury compensation’ in South China (*ibid.*: 165). According to her, it was only after the arbitration procedure had failed to protect workers’ legal rights that the victims were then forced to ‘radicalisation’ by walking out onto the streets. This article contests Lee’s generalisation by providing evidence of the form of workers’ solidarity and militancy during industrial conflict ignited by an attempted rationalisation and its impact in the community.

The role of ethnicity is ambiguous and controversial in the (dis)formation of workers’ collectivism (Belchem, 2002). Smith and Pun’s (2006) case study found that it is the kinship, original place and peer networks which prevail in factory-provided dormitories, that provide a base for workers’ protest. Sargeson (2001: 51) went further to emphasise the transitory potential of place loyalty noting that ‘even organizing that appears to centre on place-of-origin might actually aim to educate workers politically and pave the way for more inclusive arrangements’. This article explores how the role of original-place network is changed under the new market and policy conditions.

Before going into details of the case, I will give a brief account of the research method and the background of the city and community in which the factory is located.

4 THE FACTORY, VILLAGE AND CITY

I spent one year conducting research into workplace relations in the city of Shen Zhen from 2005 to 2006. Shen Zhen was established as the country’s first Special Economic Zone (SEZ)¹ in 1981. After two and half decades, it has been transformed from an agricultural county to a metropolitan city with a population of 10 million.

During the first half year, I interviewed workers with strike experience from more than 10 factories to grasp the general pattern of labour conflict. Then I chose one of them, the ‘China factory’, for deeper investigation. The factory was set up in 1992 by a Taiwanese businessman. At its outset, the factory had only 20 to 30 workers. It had expanded rapidly to a workforce of 9,000 in 2004. The factory is located within a

¹ The SEZ was granted special status in the tax and trading policies. Alongside other measures, the profit tax of overseas investment was 15 per cent compared to a national rate of 30 per cent; local foreign trade firms were allowed to run their businesses independently from administrative control of the ministries; imported materials for producing export products were exempted from tariffs.

community² which I call 'Militant village'. Militant village is one of the biggest *Min Gong Cun* (peasant workers' villages)³ in Shen Zhen. With a territory of 9.8 square kilometres and 180 registered firms⁴, official data in 2002 showed that more than 50,000 temporary and 2,200 permanent residents were settled in the community. The former are mainly migrant workers and the latter previous local peasants who were granted the status of citizenship after urbanisation. My selection of this factory and community was based on two considerations. First, workers in the strike showed the highest level of militancy and had reported more follow-up protests after the strike; second, a good rapport and relationship were developed with several skilled workers in the factory. From the wide-ranging interviews, I had found that skilled workers and supervisory staff always play a core role in strikes.

I lived with some veteran workers of the factory in a privately rented room just opposite their factory estate for six months. During the period, visits were paid to the workshops, factory-provided dormitories and workers' homes outside the factory. I talked with over 100 workers in their social and community life as well as inside the factory. A research diary was kept regularly. Twenty workers were chosen for deeper follow-up interviews. The strike had broken out almost two years before my fieldwork. Therefore, key information about the formation and development of this strike relied on interviews with the skilled workers and floor-level supervisors who were said to have taken a leading role during the dispute. Non-matching information was repeatedly cross-checked to gain the most reliable answers. All names in this article are pseudonyms.

5 STRIKE AND CONFLICT IN THE FACTORY

The stones flew from us just like bullets raining from the sky. The policemen could only protect themselves with shields [A worker describing their confrontation with the police].

The dispute was aroused by a new policy which demanded that workers punch an attendance card during the lunch break. The lacquering department workers, who worked on the upper floors, were agitated as they spent a long time in the line. A department-based hunger strike took place first. Besides requesting the abolition of the policy, strikers promptly demanded that their wage rate be equal to the legal minimum wage. When the managers did not fully satisfy their demands, the strike exploded to the whole factory.

In the beginning, workers in this department posted up a notice calling for a strike, but there was no response from other departments. Some workers then walked out to the highway. Seven workers were arrested by the police and others were driven off. As

² Community is the lowest-level administration unit, which was, in Shen Zhen's case, transformed from a production brigade in Mao's era and a rural village before its urbanisation.

³ For a description of space, power and informational social networks within the *Min Gong Cun*, see Zhang (2001). In 1958, a *Hu Kou* (household certificate) system was introduced by central government to prevent rural peasants from moving to urban areas. From 1984 onwards, a temporary residential system was implemented in Shen Zhen. Peasants are allowed to live in the city with a temporary residential certificate (*Zan Zhu Zheng*) if they can prove that they are in employment. However, they are denied all of the benefits a permanent resident can enjoy. Working life in the city is transient and temporary (Pun, 2005; Solinger, 1993). Most of the migrant workers settled in factory-provided dormitories or temporary settlements in *Min Gong Cun*. As soon as they lost their jobs, they were deprived of the possibility of living in the city as they are not entitled to any social benefits and it was assumed that they would return to their home village, where a piece of farming land was guaranteed them under the *Hu Kou* system.

⁴ There are more small firms which are unregistered and so out of the official figures.

a response, a handful of young male workers ran to different workshops to break down the general electricity switches. All of the workers were then plunged into the strike. Thousands gathered at the factory entrance. At noon, the factory requested the workers to elect their representatives. There was no formal election, but 10 male workers stood up voluntarily. A negotiation was held in the afternoon. However, at the end, the 10 male workers disappeared from the factory. To the workers' understanding, they were paid 30,000 yuan each and were forced to leave the factory.⁵

The strike carried on. Some strikers rushed into the administrative office and drove the Taiwanese general manager (GM) and local factory manager out to the factory entrance. Threatened by some workers, the GM promised to raise wages according to the law. However, the pledge itself was not enough to satisfy workers any more. Workers from the lacquering department organised a petition to the government office to demand the 'return' of their representatives. Yet they were stopped by the riot police and persuaded by Labour Bureau officials to come back to the factory and negotiate with the management. The top Taiwanese managers, however, had escaped from the factory violence. During the night, plans to properly organise factory workers were prepared.

At 8:00 AM the following day, 4,000 to 5,000 workers rallied on the highway and headed to the city government. At 1.00 PM, as more workers from other factories joined in, the number of demonstrators reached 7,000 to 8,000. A big confrontation then occurred. Workers lobbed stones and bricks at the police, who in return used water cannons to force them away. Failing to drive away the workers, the police sent plainclothes officers into the crowd. After a brutal battle, the workers were forced to retreat back to their factory. According to witnesses, 15 workers were arrested, and 30 were injured and sent to hospital.

A general meeting was called by the GM with the attendance of Labour Bureau officials and the police, where he apologised and promised that the factory's policy would fully comply with the law. The 10 representatives never returned, but the curtain then fell on the strike. Those arrested were released after one or two weeks. Yet, department-based strikes, media-catching protests and collective complaints became endemic in this factory afterwards.

Before a detailed description of workers' empowerment, an evaluation of the role of original-place-based networks and gangsters in the formation of the strike will be presented in the next two sections.

6 TRANSFORMING LOCAL NETWORKS

As a common practice, until 2005, China factory recruited workers by posting an advertisement outside the factory. The power to hire a worker rested with the personnel department after a consultation with the department head. As the wage in this factory was comparatively higher than other factories, vacancies were highly competitive. Although announced as open recruitment, many workers were admitted to the factory through introduction by a *Lao Xiang* (fellow from one's homeland) or a friend in the factory, or by paying an introduction fee from 400 to 800 yuan to an intermediary who had relations with a department superintendent or personnel officer. Moreover, the department superintendent had the power to promote shop and line supervisors.

⁵ 7.8 yuan is roughly equal to 1 US dollar.

The factory provided dormitories for all of the workers and deducted 50 yuan from their monthly salaries for rent and bills. As usual, living conditions in the dormitories were terrible, with four pairs of bunk beds for eight workers per room.⁶ The light was switched off at 11:00 PM and visitors were strictly prohibited. Fines were imposed for disobeying the dormitory rules. As a result, more than 30 per cent of the workers gave up the dormitories⁷ and rented private rooms in the village. The rent ranged from 150 to 250 yuan per month. There were many corner shops in the village, most of which were run by workers or ex-workers. Besides selling wines, drinks, cigarettes and cooking sauces, the shops rented instruments for playing '*Ma Jiang*', a traditional Chinese game with four players. The corner shop was one of the meeting points for *Lao Xiang*. When *Lao Xiang* spoke their own dialects with each other, they described others as '*Wai Sheng Ren*' (out-provincials), except Guang Dong people who were described as '*Ben Di Ren*' (locals).

However, workers' social life was more complex than a single native place line. There were many cross-provincial peer groups. Peer groups were formed on the basis of age, gender, position in production, economic status and consumption pattern as well as the original place. Male workers with higher income spent their leisure time in the hair salon, massage shop, disco, *Ma Jiang*, restaurant and bar, while younger and ordinary workers with lower income played snooker, skated, watched movies and surfed the internet or simply enjoyed free performances in the street. The boundary of locality was further blurred during the protest.

Inspired by Harvey (1982; 2001), who highlighted 'temporal' and 'spatial' dimensions of labour politics in global capitalism, Smith and Pun (2006) argued that the 'dormitory labour regime' in China that was designed to control workers also facilitates workers' rebellion by providing a common living space. Space was also important in developing workers' networks and activism around the China factory but the boundary was extended from the dormitories to the wider community out of the factory: corner shops, food stalls, pubs or just the streets. It was also in many corners of the village that workers discussed and made preparations for the demonstration the night before the big confrontation. Workers' living and struggle experience in the urban space facilitated formation of a cross-provincial solidarity.

7 LOCALITY-BASED GANGSTERS IN LABOUR CONTROL

Original-place gangsters were very active in the village. Many provincials had their own gangs, but each province gang had their own main activities. For example, the Si Chuan gang was notorious for collecting protection fees, while its Gui Zhou counterpart was involved in drug smuggling and robbery. The Gui Zhou gang had declined in the village in recent years as a result of the government's campaign against drugs, its dominant position was then replaced by the Si Chuan gang;

Blackmail, burglary and violence prevailed in the village. A local newspaper reported that a network of unemployed workers from a county of Gui Zhou province depended on robbery for a living in Militant village:

People are robbed almost every day . . . They [the criminals from a county in Gui Zhou] will not think about what they will do tomorrow . . . just simply rob as soon as they run out of money . . . After they

⁶ See Pun (2005), Pun and Smith (2007) and Smith and Pun (2006) for a detailed portrait of dormitory life.

⁷ 48.7 per cent of the migrant population in Shen Zhen live in privately let 'peasant' residences (Guo Wu Yuan Yan Jiu Shi Ke Ti Zu, 2006).

get a mobile, they will sell it for several hundred yuan, and then go to a cinema or an internet bar for entertainment, until the money runs out again [*Southern Metropolitan Daily*, 16 November 2005].

I met one of my own county men from eastern Guang Dong who kept a small food stall in the street in the first week of my stay in the community. The first thing he reminded me was to be careful for outside provincial gangsters, especially the Si Chuan.

Lao Xiang: You are not working here, then why do you come to live here? It is a very dangerous place, you know, it is an outside provincials nest, they are very rude. But fortunately, we also have many people here. Some years ago, some little outside provincials attempted to extort us; it is almost impossible to do business here. In several cases, they were beaten by us without lenience, only by doing so they dared not to bully us again. You know, people from our county are not to be bullied.

The author: How did they extort you?

Lao Xiang: By collecting protection fees.

The author: How much did they want?

Lao Xiang: It was uncertain, from hundreds to thousands of yuan. If one group successfully got it, another group would come too. It was impossible to do business if we did not fight back. Now if one of our county people has an incident, others will come in a minute [to help]. No one dares to bully us now.

The author: Who is the most powerful group of the outside provincials?

Lao Xiang: [It is] those from Si Chuan. They have most people, and are also the most violent.

Superintendents and supervisors lived and spent their social life in the village. At the age of 30 to 40, the superintendents' salaries ranged from 3,500 to 5,000 yuan, and the supervisors from 2,000 to 3,000. Their consumption power was undoubtedly greater than that of ordinary workers. Many superintendents even bought a house to settle their family in the village. With similar age and consumption preferences, the middle-level staff mixed with the 'big brothers' of the gangsters in their social life. They became friends, or directly involved in the game of 'brothering', in order to prevent blackmail, burglary or demanding a 'protection fee'. Through this connection, the gangsters extended their influence from the community to the workplace. The following story accounted for how and why the gangsters could penetrate into the workplace.

One day, a Si Chuan skilled worker used his own card to enter the factory but left with a night-shift worker's card. A security supervisor uncovered the abuse and requested him to hand in his own card. The worker gave his card to the guard and threatened revenge. The next day the supervisor was brutally beaten by eight Si Chuan men in the village.

As an exchange, a 'mutually beneficial' relation between the heads and supervisors and the 'big brothers' developed. The 'big brothers' introduced their subordinate 'brothers', *Lao Xiang* or relatives into the factory, and the heads and supervisors gained protection and cooperation from the gangsters. Workers with gang relations, although not necessarily possessing the appropriate level of skills, might be promoted to the position of skilled workers and then supervisors. This range of workers functioned as a coercive force to oppress resistance from ordinary workers. After promotion, if workers proved to be unable to perform their duties, they would not be downgraded. Instead, other workers would be promoted to do the work. As a result, the number paid on the wage scale as skilled workers and supervisors was far more than those who really performed these duties.

Seven out of the 15 department superintendents were from Hu Bei, four from Hu Nan, three from Si Chuan, but most of the ordinary workers, skilled workers and

supervisors were from Si Chuan, followed by Gui Zhou in second place. This irregularity can be explained by two factors. First, the scale of migration from the provinces of Si Chuan and Gui Zhou overwhelmed the village and so the factory. Second, the Si Chuan gang, and Gui Zhou gang at a previous stage, was the most 'influential' in the village.

There was no significant overt management-labour conflict before 2004. Ordinary female workers were kept quiet by the control strategy based on place and gender politics, but physical conflicts among experienced and skilled male workers in the line of original place were very common. Gui Zhou and Si Chuan provinces were most notorious for their violence. Through the stories of Chen, an ordinary worker, and Li, a skilled worker, we can grasp how locality was manipulated as a divisive base and control strategy in the workplace with the help of gangsters.

Chen, at the age of 36, was an obedient ordinary worker from Gui Zhou. One day, in 2004, his supervisor from Si Chuan asked Chen to check a batch of irregular products. The work did not get paid as Chen was a piece-rate worker and the work was not his normal duty. Chen then complained to the supervisor. The Si Chuan man's response to Chen was, however, to punch him. He was seriously injured.

'Why did this Si Chuan man become so mad at you?' I asked Chen.

'He knows many "brothers" outside, so he is too impudent within the factory. Even our department head is scared of him, and worried that he might ask those [gangsters] outside to disturb him'. Chen answered.

'Did you file a complaint to the factory?' I followed.

'No. [He] will punch you as soon as you speak, not to mention filing a complaint. But after I was beaten by him so seriously, I really thought of not working here anymore. I wanted to spend some money to ask somebody to take revenge, but finally gave up. If I really did so, I would put myself in trouble too. You know, I have a wife and children at home. Of course, money was also a consideration,' Chen replied.

Before his promotion, the line supervisor was an ancillary worker whose salary was higher but supervisory work was easier than production line work. He was said to have gang connections.

Li was a 34-year-old man from Si Chuan. In 2003, he was hired as a welder, introduced by an 'influential' friend in both the factory and the village. He was promoted by the superintendent to be a repair technician on the first day. In the first week after he joined the factory, he joined in to help one of his *Lao Xiang* who was fighting with a Hu Nan man. It was a policy of the factory to dismiss immediately any workers who fought physically in the factory. But in reality, unless the Taiwanese manager found out about the case, the local supervisors would just close their eyes. In 2004, Li had a quarrel with a line supervisor about the distribution of work, which Li thought was unfair to him in favour of the supervisor's *Lao Xiang*. He resigned from the job and seriously beat the supervisor when they met up in the street. The supervisor then asked an influential *Lao Xiang* to buy Li a dinner. Li accepted the apology and went back to work in the factory again.

As Ostercher's (1986) study of Detroit workers suggested, the working class is highly divided on the bases of age, skill and original place. Other studies in the United States also found that original-place-based gang networks played a pivotal role in labour market and community life in the early 20th century (e.g. Padilla, 1992; Thrasher, 1927). In the context of China, Perry (1993: 245), in her seminal study of strikes in 1920s Shanghai, indicated a similar phenomenon with the United States: 'Denied the security or status of the skilled worker, such individuals often resorted to

gang networks in search of protection. Gangs helped rural immigrants make the difficult transition to urban life'. In contemporary China, gangsters continue to play a significant role in workers' social and working life. The resemblance of China with the United States is a result of similar recruitment patterns that relied on migrant workers (Perry, 1993). However, as can be seen, origin-place division and origin-based gangsters were also exploited by the management to control the ordinary workers and divide the more privileged skilled workers. It might not be an intention of the top Taiwanese management to manipulate gangsters in the workplace, but without sufficient knowledge of the local context and production process, they had no choice but to apply an informal management strategy that relied on the local supervisory team. The supervisory staff, as first-generation migrant workers, retained personal contacts, loyalty, tradition and custom from their own original places and brought them into the production regime. This apparently perfect strategy was not always in line with the interests of the factory owners, especially when the factory expanded to a large size and efficiency was a more important concern (Nelson, 1975). When a rationalisation programme was introduced in the middle of 2004 to minimise the autonomy and privilege of skilled workers, the first target of the reform was to discipline the behaviour of the range of 'false' skilled workers whose attendance was barely controlled. It was also from this point that the function of localism and gangsterism totally changed.

8 THE TRANSITIONAL ROLE OF LOCALITY

On the surface, the strike in 2004 was triggered when workers in the lacquering department found that they did not have enough lunchtime. However, it was not the sole reason for the vanguard role of workers in this department. The wage structure and its linkage with place politics provided an ultimate explanation.

In 2004, the municipal minimum wage was 480 yuan per month with a 40-hour working week. The weekday overtime pay was 1.5 times and weekend overtime was twice the normal working rate (2.87 yuan per hour). But in this factory, like most others, workers were paid below the standard. An ordinary worker's basic salary was 450 yuan, covering eight-hour days from Monday to Saturday. Overtime work out of the 48 hours was paid at an hourly rate of 2.4 yuan. An ordinary worker usually got 700 to 800 yuan by working 14 hours per day and seven days per week. On top of the basic salary and overtime pay, which was universal for all, workers got extra subsidies based on job post, skill qualification and working environment. A line supervisor had a 400–500-yuan post subsidy, and a workshop supervisor 700–800 yuan. The skill subsidy depended on the workers' skill level at the supervisor's discretion, while the environmental allowance was universal to workers in the same department. Workers in the lacquering department got a 300-yuan environmental allowance per month, which was the highest and far ahead of the second place department of 140 yuan, justified by workers there having to breathe in the toxic chemicals.

With the highest subsidy, jobs in this department were most competitive and attracted many workers with a gangster background. As pointed out, most workers with gangster backgrounds did not properly perform the work duties, the most significant difference between posts in various departments for them was not the nature of the work, but the pay. Because of the dominance of the Gui Zhou and Si Chuan gangs, most workers in this department were also of Si Chuan or Gui Zhou

origin. As the purpose of the new punching policy was to prevent workers from staying out of the factory after lunch, this group of workers was the real target.

When the ordinary workers saw some people were preparing big banners, amplifiers, a fund-raising box and calling others to join the demonstration in the street, they did not personally know them, but could recognise they were line supervisors from their uniforms and physical appearance. Yet this did not mean that workers from other provinces, positions and departments were passive. The group of furious young men who switched off the electricity was said to be agitated by the strike leaders. During the night of preparation for the demonstration, the mass of workers widely discussed their disappeared representatives, the strike and demonstration. Many of them, indeed, spontaneously made their own protest slogan boards.

On the day of the main demonstration, the trend of cross-province, department, gender, position and even factory solidarity became even more apparent. A fund-raising box in the rally read: 'For our common interests, please put your money in'. Demands were clearly stated in two big banners: 'return our ten workers' representatives'; 'China factory doesn't raise wages, violating the labour law!' Whether joining in the demonstration or not, no worker told me that they did not support the two demands. But factors propelling workers into the protest were various. Prolonged discontent and a sense of unfairness could equally account for many workers' enthusiasm as well as the wage demand. Li explained why he joined in:

Having worked here for such a long time, I deserved a higher wage. You saw the salaries of friends and relatives of the Hu Bei head were increased promptly and frequently. Two times in a year! These guys worked less than me, but their salaries were higher than me, that was why I felt uncomfortable. I would not feel regret if I was arrested, even though I have got two children at home.

Both Hershatter (1986) and Honig (1986) argued that a strike is not an ideal scene to study class consciousness, as workers' participation might be, for example, forced by gangsters, or motivated by traditional loyalty, rather than by modern class consciousness. As shown in this case, even though workers were forced by the gangsters to stop their work at the beginning, they were well aware that it was in their own interest to do so. In the later stage, when the organisers used banners and amplifiers to call others to join the demonstration, all of the participants turned up voluntarily. Some of the workers did not join, but this was because of their comparatively weaker 'marketplace bargaining power' than consciousness. Chen, for example, said:

If you went, they could sack you; you could see all leaders were sacked, and some were even beaten. It is not easy to find a job for people of my age. I should consider my wife and children who depend on me.

In addition to workers in China factory, the unemployed and workers from other factories also joined in the rally. The success of the struggle exerted a knock-on effect on other big factories in the village. Struggles to demand wage adjustments according to the law broke out in almost all of the eight big factories (with more than 1,000 workers) in the village. Not only did workers learn from China factory, but government and management also drew lessons. In some factories, as soon as the strike took place, the management informed the government and locked the factory up. The factory estate was soon surrounded by the police. The factory owners responded promptly to enhance wages. In other factories, the management announced wage adjustments unilaterally. As a result, in all of the eight big factories in the village, wage policy became fully compliant with the law within three months.

In late 2004, the company opened a giant factory in the neighbouring city of Hui Zhou. Workers' strike experience was soon transferred to the new factory by hundreds of supervisors and skilled workers who were dispatched to help set up the new factory. The first factory-wide strike took place in Hui Zhou in December 2004. I visited the Hui Zhou factory in March 2006 and found that workers there knew well the stories of the strike in Shen Zhen. Department-based stoppages and complaints to the Labour Bureau then became an endemic culture in both factories. In both factories, the turnover rates soared after the strikes and the management kept on recruiting workers to fill up the significant number of vacancies.

The classic study of Gouldner (1954) showed that there should be some informal leaders to lead, plan and coordinate a wildcat strike. This study identified that a group of Si Chuan and Gui Zhou original workers in skilled or supervisory positions with gangster connections in the lacquering department had acted behind the scenes. One of the significant moments that forced workers to stop work was the violence incited by the gangster network on the second day of the strike. According to an informant:

A group of young men of around the 20s from the lacquering department ran away to different departments, turning off or even breaking down the general electricity switches. The older sophisticated skilled workers and gangsters in the department will not show their faces (*chu mian*). They only acted behind to incite others who were furious and flush. Those who tried to stop them were severely hit to the ground.

In the evening of the third day, on every corner of the factory estates, skilled workers were discussing the action of the next day. With the money raised from workers, some of them paid a decoration shop to make two big banners. Others spontaneously prepared their own slogan boards for the demonstration. In the early morning of the fourth day, the message was widely spread out among ordinary workers. 'In dormitories, private buildings, and even street corners, there were people asking others "go to the city government",' a worker recalled. Later on, two big banners were hung out. There was no department head at the scene, but supervisors took a leading role. Several workers in factory uniform, who were said to be line supervisors by informants, began to direct the workers around the banners with amplifiers. Some workers acting as 'pickets' stopped vehicles and buses heading to the highway, and suggested they should use other roads. Instead of confrontation with the police at the first junction, workers adopted an alternative strategy. As soon as the mass arrived at the junction, a leader announced with an amplifier, 'Listen, we don't walk into the main road.' Then workers began to flood onto the pavement.

9 RATIONALISATION AND LABOUR RESISTANCE

After the strike, a new series of reforms was introduced by the management targeted at the politics of locality.

First of all, more production was relocated to a new factory in an outlying city where rent and wages were much lower than in Shen Zhen, and some auxiliary procedures were outsourced to other factories in the village, where labour law was not enforced. As a result, the number of workers was reduced from 9,000 during the strike to 6,000 in 2005, and working hours were dramatically diminished as overtime work bears extra payment. However, the strike experience in the old factory was transmitted to the new factory and strikes for pay rises broke out in the new factory as well.

Second, an internal contracting system was planned. Under the proposal, the department superintendents were required to finish a certain amount of qualified

output with a lump-sum payment to their department. The new system, however, generated conflict of interest among different levels of supervisory staff, and was totally broken down by a resistant strike in the factory's biggest department. After its failure, the piece rate was suggested to be extended to the original time-rate departments. And again, workers in the same department planned another strike to oppose the piece rate.

Third, some workers who normally had good relations with gangsters or department superintendents and so did not perform work properly were dismissed or dispatched to other posts. The affected workers used media-catching high-profile action to fight back. They climbed to the roof of the factory building and then called the media and threatened to jump from the top. The factory was forced to pay them severance compensation. A series of similar actions only came to an end after the police arrested some workers.

Fourth, the power to recruit workers was removed from the department heads and personnel officers by outsourcing the service to a job agency. The first attempt was to exclude workers from two specific counties in Si Chuan and Gui Zhou, where workers were most prone to gang activities. Yet, shortage of experienced and skilled workers, especially after a tide of resignations after the strike, forced the management to accept some veteran workers from these two counties. For workers' recruitment as a whole, local supervisory staff's power was weakened but not entirely eliminated. The hidden introduction fee became a formal administration fee paid to the job agency, but those who had relations with the supervisors were still guaranteed job opportunities.

Fifth, a fine system was strictly enforced. Especially for piece-rate workers, output targets were increased and fines were deducted from wages if the worker could not reach the target. A new worker reported that he was deducted as much as 260 yuan from the basic salary per month. The penalty agitated many workers. They filed complaints to the Labour Bureau, but the bureau answered that the issue was not regulated by law. Workers then sidetracked their discontents to demand social insurance that is required by law and finally forced the factory to contribute insurance for all of the workers backdated two years. Over 3,000 workers quit the factory during December 2005 in order to get a refund of part of the social insurance contribution, and this exacerbated the problem of 'labour shortage' for the management.

Research in the United States from 1880 to 1920 suggested that rationalisation, as a result of factory expansion, sparked workers' consistent resistance (Nelson, 1975). This finding is well confirmed by this case. As has been shown, most of the rationalisation measures targeted the politics of place in the labour market, management structure and workplace culture. The purposes were to replace informal control by person with a formal rule. However, none of these policies could be implemented without challenge. Eighty per cent of the factory's products are exported to the United States and Europe, with Wal-Mart as its biggest customer. During my fieldwork in other factories, owners always complained that giant buyers like Wal-Mart kept requesting a lower price in return for a larger quantity of orders. In 2004, along with the rationalisation programme in Shen Zhen, the China factory invested 150 million US dollars in their new factory in order to expand production and lower cost. In the face of keen market competition, it seemed that expansion and rationalisation were dual strategies of the management to survive in business. While expansion was not easy, given the widely reported 'shortage' of peasant workers (*Min Gong Huang*), at least of skilled and experienced labour, rationalisation brought a new wave of labour protests. Workers in this case, like their counterparts in many other factories,

exploited the opportunity to strive for higher wages and better protection. This form of protest was overlooked by Lee's (2007: 175) study where she pointed out that 'Worker solidarity peaks at the point of collective exit from the factory, occasioned by plant closure or relocation'. The struggle over wages, working conditions and management policy is a more sustainable protest, which generates solidarity and class consciousness in the workplace.

10 THE ROLE OF THE 'SOCIALIST' STATE

The modernisation of the factory regime in the West was accompanied by the rise of trade unionism as a grievance channel (Nelson, 1975). In China factory, a trade union was set up after the strike, yet it is a typical Chinese foreign-invested enterprise trade union which is part of the management.⁸ Like other foreign-invested factories in the country, most of the workers in the factory did not acknowledge the existence of the trade union at all. A study of workplace relations in She Kou, the first export processing zone in Shen Zhen, showed that the traditional role of the socialist trade union as a mediator prevailed in the 1980s (Leung, 1988). However, upon the sudden inflow of both foreign capital and inland migrant workers after 1992, the official trade union was unable to maintain its position in the workplace. After the Tiananmen democratic movement, some student activists tried to organise and establish independent trade unions. Yet they were all mercilessly suppressed (Lee, 2007; Leung, 1998). Responding to these new challenges, a new version of the Trade Union law was announced in 1992 and amended in 2001 to enhance the trade union's representative and mediating role, but at the same time tighten up the control of higher-level trade unions over their affiliates to pre-empt independent trade unionism (Chen, 2003b). Yet, as many researchers have pointed out (e.g. Chan, 2001; Clarke *et al.*, 2004; Cooke, 2005), most unions were controlled by the management and were not even able to perform the socialist 'transmission-belt' role.

As a result, it was the local state administration which took a key part in mediating conflict and coordinating interest conflict, especially during and after the strike. An individual rights-based regulation framework was established by the mid-1990s to replace the former 'socialist' administrative regulation (Clarke *et al.*, 2004; Ng and Warner, 1998; Taylor *et al.*, 2003). In 1993, the 'Enterprise Minimum Wage Regulation' was issued by the Ministry of Labour. Under the regulation, local governments are given the autonomy to formulate their own legal minimum wage. More significantly, a labour law legislation was introduced in 1994. The law laid down a foundation for workers' legal and contractual rights, a system for solving labour disputes as well as collective contract and collective consultation between the trade union and management (Clarke *et al.*, 2004). The right to strike has not yet been recognised by the law since it was removed from the constitution in 1982 (Taylor *et al.*, 2003), but any action to disrupt social order is illegal under Section 158 of the Penal Code.

The state took a series of measures to stabilise labour relations after the outbreak of the strikes in China factory.

At the town level, on the one hand, propaganda was carried out among workers under the slogan 'protecting rights, don't forget obligation; protecting rights should abide with the law'. A total of 15,000 copies of booklets on labour laws were distrib-

⁸ See Chan (2006) for an account of the development of trade unionism in China.

uted among workers. 'A labour dispute administrative compliant guideline' and an unpaid wage hotline were installed in all communities, industrial zones and enterprises with more than 200 workers. The guideline suggested unauthorised assembly, demonstrations, marches and strikes were illegal. Workers were encouraged to make complaints, but this should only be done through representatives, and could not bypass the lower level of administration (*Yue Ji Shang Fang*).

On the other hand, a systematic monitoring project was implemented on the factories with unstable labour relations. A 'labour-dispute-prone enterprise engagement mechanism' was established to persuade factories to comply with the law. All of the 2,000 factories in the town were categorised into four signals: red, yellow, blue and green. The most dangerous factories were subjected to special monitoring. The 52-strong labour station officials were retrained in labour law and state policy. Each official was responsible for monitoring certain factories. As a result, 2,286 complaints were filed by workers to the station from January to July 2005. Compared with the first seven months of 2004, the numbers of reported serious labour dispute cases and enterprises that seriously violated the law were reduced by 65 and 86 per cent, respectively.

At the city level, the minimum wage rate was enhanced at an unprecedented rate. The minimum monthly wage was increased from 480 to 580 yuan on 1 July 2005 and further to 700 one year later. When I finished my fieldwork in August 2006, it was the factory's peak season. As there were not enough workers in the factory, workers had to work almost seven days a week. The working hours were similar to the regular hours of 2004 before the strike, but workers' salary was double that of two years before, as the minimum wage rate was enhanced and overtime work was paid at rates required by law.

With his powerful concept of the 'politics of production', Burawoy (1985) indicated a regulation function of the state in the shaping of workplace relations. As an extension to Burawoy's theory, Steinberg (2003) pointed out that the labour regime is in fact embedded in legal institutions. The development of labour politics in contemporary China well confirms the significance of the state and law. Moreover, this case also exposed the active role of workers' shopfloor activism in influencing the wider state and union policy, as witnessed in the UK in the 1960s (Hyman, 1989).

How far is the ongoing legal reform in China capable of stabilising workplace relations? In his study of strikes in Vietnam, Clarke (2006) commented that socialist 'right-based' administrative regulation is not sufficient to settle the new rising 'interest-based' workplace conflicts. Similarly, the Chinese local state has also tried to use administrative mechanisms to stabilise industrial conflict. Although there are some short-term effects, the structural paradox resulting from the lack of a representative body cannot be removed.

It seems that the central state also recognised the deficiency of an individual rights-based framework and the need for a 'collective' instrument in the workplace to solve the conflict and stabilise the labour force. The new Labour Contract Law was legislated in 2007, under which the role of the trade union is strengthened. With strong state support, the ACFTU has launched an historical high-profile campaign to unionise migrant workers in foreign-invested factories since 2006 by targeting transnational corporations like Wal-Mart, McDonald's and KFC. But without freedom of association and the right to strike, the possibility of these reforms to provide workers with a collective means of bargaining must be regarded sceptically.

11 CONCLUSION

Workers in this case showed a high level of militancy allowing the possibility and limits of radical workplace struggle to be explored in detail. However, the significance of informal leaders in a strike and the prevalence of quitting and complaints after a strike, as well as the strategy of the local state and management to constrain workers' struggle by pressuring the leaders, improving law enforcement and increasing wages, were common across the region. This case study clearly shows that labour mobilisation during the strike was on the basis of workers' common interests rather than local or sectional interests. As workers themselves put in the fund-raising box, the strike is 'for our common interests'. Individual workers have different reasons when deciding whether or not to join in the protest. But whether they joined in or not, workers learned from this protest that strike and collective action was an effective means to improve their wages and working conditions and then passed on the experience. It provides a strong foundation for the further development of class consciousness. The state-enforced monopoly of the ACFTU limits the possibility of translating this into class organisation, which is why we continue to find informal locality and community-based networks playing a significant role.

Although the native-place boundary and its attached gangsters were usually exploited by management to divide and pacify workers, they could function in the interests of workers when their structural power was increased. In this case, the strike was a turning point. Moreover, as time goes on, with common experience of social life, workers' native place attachment has the potential to be transformed into a more open cross-provincial class-based network in the community (Sargeson, 2001).

Lee argued that 'Chinese workers can hardly be described as having much marketplace, workplace, or associational bargaining power' (Lee, 2007: 24). But, as this case shows, Chinese migrant workers have significantly enhanced their 'marketplace bargaining power' and 'workplace bargaining power' with the further development of capitalism. Their wage standard, for example, was significantly increased after the strike. It can be accounted for by two reasons: first, the shortage of labour or workers' 'marketplace bargaining power'; second, the wave of strikes or workers' 'workplace bargaining power'. The high turnover rate and the consistent resistance in the workplace are new forms of workers' struggle which reshape the class power balance. In this regard, this research contests the simple pessimistic thesis of 'working-class crisis' under globalisation.

However, workers' associational power in China is still fundamentally weak. The trade union which was formed in this case did not play its primary role. Without a representative body in the workplace to channel the interests of workers, workers understandably staged other forms of protests, from quitting and complaints to stoppages, strikes and demonstrations, to express their grievances. This has made workplace relationships highly unstable. The failure of the rise of independent trade unionism and so of a labour movement in China was basically attributed to the tradition of 'socialist' trade unionism and the powerful authoritarian state in China. This background makes the development of labour politics in China depart from its counterparts in the West as well as in the older generation of NICs.

While highlighting the essential role of local and historical context in labour politics under global capitalism (Harvey, 2001), the finding in this case specially suggested the stage of global capitalism and the development of state power (Hutchison and Brown, 2001), alongside cultural factors, had significantly shaped the specific features of

labour politics in China. On the one hand, the new generation of migrant workers' confidence to join the strike, especially those with higher skill, was strengthened as their 'market power' was enhanced due to the concentration of global investment and procurement in China. On the other hand, the state retained its capacity to pre-empt a labour movement by manipulating the official trade union and conceding to workers. The capacity of the state, however, relied on the extent of workers' solidarity and consciousness developed in their tradition, community and culture (Fantasia, 1988) and the changing economic conditions. It is the continual growth of the economy that has provided the leeway for the state to increase the minimum wage and improve legal protection.

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