State-Owned Enterprise Reform And The Labor Force In China

By Kazuyoshi Uehara**, Kyoto University

I: Introduction

China’s economic reform has been gradual compared to the radical reform of the former Soviet Union and Eastern Europe.

First, China’s reform aims to reduce the shock from increased unemployment and weaken resistance from vested interests in the preservation of state-owned enterprises (SOEs).

Second, the reform permits “a large number of other enterprises with diversified ownership to increase production output for the purpose of absorbing the unemployed labor force” (Sato, Tsuneakira 1997, 27).

The relative success of the reform has been met with favorable evaluations (MacMillan and Naughton 1992, Lin Yifu, Fang Cai, Li Zhou 1995, Rawski 1997).

When the Fourteenth Chinese Communist Party (CCP) Congress (October 1992) set the agenda for “establishing a socialist market-oriented economic system,” Chinese reform entered a new stage. Full-scale movement toward a market economy was listed as a clear objective.

Reform of SOEs is complicated by the existence of vested interests, particularly those of SOE employees and government officials overseeing SOEs. The objective in the new stage of reforms is to reform and rejuvenate SOEs, especially state-owned large and medium-sized enterprises, through the introduction of public funds to form share-holding companies.

To do this, the government’s direct control and jurisdiction over SOEs must be minimized. This includes dissolving governmental administrative control over industrial sectors; reorganizing, unifying and restructuring governmental administrative sectors; separating government administration from enterprise management; and liberating SOEs from their burdensome responsibilities in social policy, welfare and security.

Moreover, the reform absorbs public assets from small and medium-sized enterprises, and injects them into industries promoted by the government, or large enterprises and enterprise groups. The reform revitalizes the state-owned economic sector as a whole rather than saving all SOEs, so it is clear that the reform will eventually confront vested interests.

However, the latest stage of SOE reforms has not been fully successful. In fact, the results have been an increasing number of debt-ridden enterprises caused by the worsening management of SOEs; a rapid increase in unemployment and layoffs; and frequent labor disputes.

To deal with this situation, the Fifteenth CCP Congress (September, 1997) and the first meeting of the Ninth National People’s Congress (March, 1998) reaffirmed the reform tasks set at the Fourteenth CCP Congress.

Leaders agreed it would take three years to rescue state-owned large and medium-sized enterprises, and that this would be accomplished by restructuring certain industries, encouraging mergers & acquisitions, purging bankruptcies, and establishing a modern enterprise system in
key state-owned large and medium-sized enterprises (i.e., introducing private capital to reform the SOE shareholding system).

It was also decided at these meetings to focus on resolving the worsening unemployment and layoffs (Li Peng, 1998). The new agenda was set in the wake of increasing resistance from vested interests.

This article focuses on the types problems this new stage of SOE reform has caused for workers. In addition, it tries to clarify three points:

First, the increase in unemployment and layoffs is not merely a part of the economic cycle, but is an unavoidable consequence of the transition to a market-oriented economy.

Second, the change in labor relations from employees-versus-State to employees-versus-enterprises not only led to the increase in unemployment and layoffs, but also triggered the reorganization of the relations between enterprise management and workers, and between government administration and enterprise management.

Finally, increases in unemployment, layoffs and labor disputes will intensify the conflict between enterprise management and workers, and will create conflict between the Party and workers.

II: The Present Situation Of Unemployment, Layoffs And SOE Reform

1. Current Status Of Unemployment And Layoffs

Tables 1, 2 and 3 examine urban unemployment and layoffs.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Unemployed</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>5,300,000</td>
<td>5.3%</td>
</tr>
<tr>
<td>1980</td>
<td>5,415,000</td>
<td>4.9%</td>
</tr>
<tr>
<td>1985</td>
<td>2,385,000</td>
<td>1.8%</td>
</tr>
<tr>
<td>1986</td>
<td>2,644,000</td>
<td>2.0%</td>
</tr>
<tr>
<td>1987</td>
<td>2,766,000</td>
<td>2.0%</td>
</tr>
<tr>
<td>1988</td>
<td>2,962,000</td>
<td>2.0%</td>
</tr>
<tr>
<td>1989</td>
<td>3,779,000</td>
<td>2.6%</td>
</tr>
<tr>
<td>1990</td>
<td>3,832,000</td>
<td>2.5%</td>
</tr>
<tr>
<td>1991</td>
<td>3,522,000</td>
<td>2.3%</td>
</tr>
<tr>
<td>1992</td>
<td>3,639,000</td>
<td>2.3%</td>
</tr>
<tr>
<td>1993</td>
<td>4,201,000</td>
<td>2.6%</td>
</tr>
<tr>
<td>1994</td>
<td>4,764,000</td>
<td>2.8%</td>
</tr>
<tr>
<td>1995</td>
<td>5,198,000</td>
<td>2.9%</td>
</tr>
<tr>
<td>1996</td>
<td>6,528,000</td>
<td>3.0%</td>
</tr>
<tr>
<td>1997</td>
<td>5,700,000</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Source: “Chuugoku Toukei Tekiyou” (China Statistics Summary)

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Unemployed Youth</th>
<th>Youth Unemployment/Total Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>2,491,000</td>
<td>47.0</td>
</tr>
<tr>
<td>1980</td>
<td>3,625,000</td>
<td>70.6</td>
</tr>
<tr>
<td>1985</td>
<td>1,969,000</td>
<td>82.6</td>
</tr>
<tr>
<td>1986</td>
<td>2,093,000</td>
<td>79.2</td>
</tr>
<tr>
<td>1987</td>
<td>2,351,000</td>
<td>85.0</td>
</tr>
<tr>
<td>1988</td>
<td>2,453,000</td>
<td>82.8</td>
</tr>
<tr>
<td>1989</td>
<td>3,090,000</td>
<td>81.8</td>
</tr>
</tbody>
</table>

Table 2: Rate of Youth Unemployment
<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Laid-off Workers</th>
<th>No. of Re-employed Included</th>
<th>Not Yet Employed Laid-Off Workers</th>
<th>Laid-off Unemployment Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>A</td>
</tr>
<tr>
<td>1993</td>
<td>3,000,000</td>
<td></td>
<td></td>
<td>2,134,000</td>
</tr>
<tr>
<td>1994</td>
<td>3,600,000</td>
<td></td>
<td></td>
<td>3,202,000</td>
</tr>
<tr>
<td>1995</td>
<td>5,640,000</td>
<td></td>
<td></td>
<td>5,731,000</td>
</tr>
<tr>
<td>1996</td>
<td>8,916,000</td>
<td>3,580,000</td>
<td>5,336,000</td>
<td>3,821,000</td>
</tr>
<tr>
<td>1997</td>
<td>14,352,000</td>
<td>4,800,000</td>
<td>9,552,000</td>
<td>5,731,000</td>
</tr>
</tbody>
</table>

Source: 1993-95 is from Hu Angang 1998. The number of laid-off workers in 1996-97 is from the “Chuugoku Roudou Toukei Toukei Nenkan” (China Labor Statistics Almanac) 1997, 1998. The number of reemployed is from the “Chuugoku Toukei Tekiyou” (China Statistics Summary)

Notes for interpretation:
1. The number of laid-off workers is calculated by adding the previous year’s balance to the current year’s newly laid-off workers.
2. The not-yet employed laid-off workers is calculated by laid-off workers minus the reemployed number. Those who do not wish to be reemployed have declined for some reason.
3. The not-yet employed laid-off workers included in the laid-off unemployed, who do not have a job with income, indicate real unemployment. A estimates that, within the balance of laid-off workers, 40% are unemployed. B estimates that figure at 60%.

Definition Of Terms

The “urban unemployed” in Table 1 refer to those from urban non-agricultural households, of working age (males aged 16-50, females aged 16-45), who are able to work but have no job and are looking for employment opportunities with government organizations and employment service agencies.

The “unemployed youth” in Table 2 are those aged 16-25 who could not continue their education or enlistment, who are junior high or high school graduates and who want a job or to change jobs (Japan Labor Research Organization 1997, 197).

The majority of this section looks not at the shift from employment to unemployment, but at those waiting for their first job or looking for work: the so-called “waiting unemployed”.

The definition for “laid-off worker” in Table 3 changed in 1998. The old definition is based on the idea that, due to enterprise production and management conditions, workers have already left their jobs and are not engaging in other work within the enterprise, but still retain an employment relationship with the enterprise. By retaining this relationship, workers not only receive a basic living allowance but can also participate in enterprise housing distribution.

The new definition includes those full-time workers (excluding temporary part-time workers recruited from rural areas) who began work before the 1986 implementation of the Labor Contract System, or those workers who worked during their contract period after such implementation. Due to enterprise production and management conditions, they have already left their jobs and are not engaging in other work within the enterprise. They have not terminated the employment relationship with the enterprise and have not found other work in society (Chen Feng 1998, 24).
The new definition excludes those who have found other work in society, but Table 3 is based on the old definition. In Table 1, “laid-off workers” include the current year’s laid-off workers added to the balance from the year before. “Laid-off workers not yet employed” are comprised of the number of laid-off workers minus the number of those re-employed according to published figures (the number of laid-off workers not yet employed in 1997 are based on my own estimation).

However, laid-off workers not yet employed also include those workers who retain employment relations with their former employers without having found other jobs. These are the so-called “hidden employed,” and the actual number is difficult to determine.

In 1997, laid-off workers who were “engaged in work with various forms of income” were estimated to be 6,700,000, or 47% (China Newsletter, 3.12.98). Again, according to a sample survey made by the Labor and Social Security administrations, 60% of the laid-off workers not yet employed collected certain types of income. In Table 3, based on the above-mentioned information, among laid-off workers not yet employed, the percentage of actual unemployment for laid-off workers is estimated to be 40% (A) and 60% (B).

The above explanation is limited. As a result, Tables 1, 2 and 3 can provide only limited information, the most insufficient category being the increasing numbers of workers from agricultural households who work in the city (agricultural workers) but who are excluded from the categories of registered unemployed workers and temporary laid-off workers.

Changes In Unemployment Patterns

The tables do, however, illustrate three points about changes in unemployment patterns since 1993, soon after the reforms and opening up policy were introduced:

1. The numbers of unemployed have increased sharply. Since 1993, not only was there no further full-time re-employment of laid-off workers, but there was also no “hidden employment.” When adding this number to the official unemployment figure, the increase in unemployment after 1993 is notable.

2. The percentage of unemployed youth among all the unemployed has decreased sharply. The category of those becoming unemployed is growing faster than the category of those waiting for their first job. Thus, since 1993, the unemployment of middle and older age workers has become a major problem.

3. The difference between the increase in laid-off workers not yet employed and the increase in registered unemployed workers has been growing.

Enterprises, Regions, Sectors, And Age Groups Affected By Layoffs

Layoff patterns exhibit four characteristics, for which there are a number of explanations (Hu Angang, 1998, Zhen Rongjun, Zhou Liqun 1998, for example). I will briefly introduce these.

1. Laid-off workers are concentrated in SOEs, particularly those of small and medium size. Among laid-off workers (the current year’s new laid-off workers added to the balance from the year before, hereinafter treated as the same), those from SOEs were 5,737,000 in 1996 and 7,870,000 in 1997, or 64.3% and 68.4% respectively, accounting for over two-thirds of the state-owned labor force (Hu Angang, 1998, 53). Among laid-off SOE workers in 1997, 6,070,000, or 77% of the state-owned labor force, were from state-owned small and medium-sized enterprises (Employment Problems In Structural Adjustment, Task Groups 1998, 66-67).

2. Unemployment is concentrated in the northeast. From the number of laid-off workers as a percentage of the total number of workers for each region in 1998, we learn that Liaoning
Province had the highest rate with 14.2%, followed by Heilongjiang Province with 13.8%, Hunan with 11.2%, Shanghai 11.1%, Jiangxi 11.0%, Hubei 10.5%, Jilin 10.3% and Sichuan 9.5%.

Moreover, expressing the number of laid-off workers for each region as a percentage of laid-off workers nationally, we find that Liaoning had the most laid-off workers, 1,180,000, accounting for 13.2% of the national total. This was followed by Heilongjiang with 935,000 workers forming 10.5%, then Sichuan with 687,000 workers (7.7%), and finally Hubei with 574,000 workers (6.4%). The total number of laid-off workers in three provinces in the northeastern region is 2,530,000 workers, accounting for 28.4% of the total (Hu Angang 1998, 53).

3. Unemployment mostly occurs in the manufacturing industries, especially the textile, electronic, machinery and chemical industries. These industries are characterized by reckless investment, redundant construction, excess supplies, overstocked goods and idle facilities (Employment Problems In Structural Adjustment, Task Group, 1998, 67; Zhen Rongjun, Li Zhouqun 1998, 50).

Laid-off workers in manufacturing industries accounted for 47.8% of the total number of layoffs. Specifically, the textile industry contributed 15.5%, and the machinery manufacturing industry 8.3% (China Economic Times, March 4, 1998; Hu Angang 1998, 54).

In Shanghai in 1996, laid-off workers in the textile manufacturing industry accounted for 30.2% of total laid-off workers, the meter/measuring instrument manufacturing industry accounted for 28.6%, light industry accounted for 19.9% and the metallurgical industry accounted for 14% (Zhen Rongjun, Li Zhouqun 1998, 50).

4. Unemployment mostly occurs among the middle-aged and old-aged groups, as illustrated in Table 4. It should be noted that many unemployed workers aged 36 to 50 are members of the generation sent to the countryside during the Cultural Revolution. They returned to urban areas as the opening policy began (Hu Angang 1998, 58).

<table>
<thead>
<tr>
<th>Age</th>
<th>% of Total Layoffs</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-25</td>
<td>3.9</td>
</tr>
<tr>
<td>26-30</td>
<td>12.3</td>
</tr>
<tr>
<td>31-35</td>
<td>20</td>
</tr>
<tr>
<td>36-40</td>
<td>20.1</td>
</tr>
<tr>
<td>41-45</td>
<td>19.2</td>
</tr>
<tr>
<td>46-50</td>
<td>13.1</td>
</tr>
<tr>
<td>51-55</td>
<td>5.2</td>
</tr>
<tr>
<td>66+</td>
<td>5.6</td>
</tr>
</tbody>
</table>

Source: “Chuugoku Keizai Jihou” (China Newsletter) 1998

2. Five Main Causes Of Increasing Unemployment And Layoffs

Next, I will discuss the major cause of the rapid increase in unemployment and layoff. There are a number of opinions concerning this topic. First, let’s introduce the five most recognized causes.

1. Change in the Economic System. It is inevitable that with a shift to a market economy and reorganization in favor of smaller, more efficient companies, SOEs carrying a large number of excess workers had to discharge many workers into society (Chen Jiagui 1998, 5, He Chunlei 1998, 14-15). The inadequate absorption of non-SOEs (Hu Angang 1998, 60) also contributed to the problem.

2. Structural Adjustment. With advancements in industrialization, the employment-absorption capacity of primary and secondary industries has weakened. These sectors had been the major absorbers of the labor force (Chen Jiagui 1998, 6, “Employment Problems in Structural Adjustment,” Task Group, 1998, 67). The service sector, which is supposed to absorb laid-off workers from the primary and secondary industries, has not yet developed sufficiently to do so.
In addition, the oversupply situation caused by the shift from the seller’s market to the buyer’s market, redundant construction, (Hu Angang 1998, 59) and the withdrawal of SOEs from competitive industries (“Employment Problems of Structural Adjustments” Task Group, 1998, 67), are all structural adjustment factors.


4. Capital reform. The switch from extensive economic growth to intensive growth, and the encouragement of capital-intensive production technologies have lowered the absorption capacity of SOEs (Hu Angang 1998, 61).

5. Business Cycles. This refers to a cooling in domestic economic growth; as this occurred, unemployment and layoffs increased (Chen Jiagui 1998, 6).

As indicated in the introduction, the rapid rise in layoffs and unemployment since 1993 began at the same time as the next stage of SOE reforms. The increase in unemployment was more severe than for those waiting for their first job.

The remarkable increases in layoffs in SOEs, the old industries and the depressed industrial sectors confirm that changes in the economic system and structural adjustments are the most important causes. Technical innovation and capital reform are also main causes due to the fact that the government is promoting the shift from extensive to intensive economic growth patterns.

Perhaps most important, as indicated by Hu Angang, is that with the lowering of the actual bank loan interest there was a sudden rise in the cost of labor, and it is obvious that enterprises prefer to select technology-intensive projects over labor-intensive projects (Hu Angang, 1998, 61).

There is some dispute as to whether business cycles act as a main cause as well. The GDP growth rate was 14.2% for 1992, 13.5% for 1993, 12.6% for 1994, 10.5% for 1995, 9.6% for 1996 and 8.8% for 1997. Certainly there was a big drop following the peak in 1992.

However, the growth rate, while decreasing, remains in the high range. Tying this to the increase in unemployment and layoffs only increases the difficulty of resolving unemployment while maintaining comparatively high economic growth (For example, Yuan Shouqi 1998, 9).

The problem, as indicated by Niu Renliang, is that there seems to be no prospect for the solution of the employment problem despite the fact that high economic growth has been maintained (Li Dibing 1998, 10).

Thus, the first four factors, particularly the changes in the economic system and structural adjustment, adequately explain unemployment and layoffs. Changes in the economic system is the determining factor because it deals with SOEs through the adjustment of divested interests, causing structural adjustment of SOEs.

Whatever happens, it is clear that the increase in current unemployment and layoffs is an inevitable result of the new round of economic reforms.

III: Changed Relations Between Management, The Labor Force, And The Party

1. Changes In Employee & Employer Relations

Previous System

Up to now, all who worked for SOEs (hereinafter called “factory workers,” referring to all people working in the enterprise) were employed by the State. Within an enterprise there was no
employment autonomy and “factory workers” had no freedom in selecting types of work. That is, the assigned position of a particular “factory worker” was decided by the State.

Capital and labor relations were, in essence, the State versus factory workers. The details of the relations were determined by the State through political measures, laws, administrative orders, etc, which had final authority. It was impossible to release or terminate these employer/employee relations legally without approval of the State (Fu Zhiming 1998, 29).

Within their industrial field, “factory workers” were divided into classes of managers (administrators/executives, general management), technical specialists and general workers (workers on the first line of production, support crew and logistics personnel), according to wage levels and division of labor.

Among the different classes, there were differences in salary and social privilege that were determined by government policy. The differences between the classes were not significant and were relatively stable, and the flow between classes was also small. These class levels were subsumed into one “industrial worker class,” emphasizing the mutual benefit of class differences and suppressing class-consciousness (Feng Tongqing 1996, 203, edited by Li Peilin, 133-134).

The increase in unemployment and layoffs drastically changed the relations between the State and factory workers. Enterprises may now freely allocate their human resources, leading to dramatic changes among the different classes.

**Effects Of Labor System Reform**

Next, let’s look at the changes in employer-employee relations caused by labor system reform, which is one of the important issues of SOE reform.

Labor system reform started right after the introduction of economic reforms and the opening up policy and was truly launched in 1986. In July of that year, the *Provisional Regulations on the Implementation of the Labor Contract System in SOEs* and the *Provisional Regulations on Labor Employment in SOEs* were announced.

According to the regulations, enterprises must follow the labor contract system when hiring employees. The labor contract decides employment conditions, employment periods and the rights and duties of both parties.

As it recognizes the free choice of enterprises and workers, it destroys the government’s unified distribution of workers through the life-long employment system. It aims to change the employment relation between the State and the “factory worker” to a relation between the enterprise and the worker.

Enterprises and workers may now decide, terminate and enter into contracts autonomously. With the establishment of enterprise employment rights, enterprises may freely allocate labor resources and control the labor flow.

However, at this stage, the labor contract system was enforced only for new employees. Full-time workers employed prior to July 1986 were excluded from the new contract system.

Workers bound by labor contracts in 1992 made up less than one-fifth of the entire workforce. Although the new contract system explored a new means of labor system reform, its impact on the original system was still limited.

In 1992, the new contract system was applied to all workers employed by the State, not only new hires (*The Decision on the Revision of the SOE Labor Contract System Reinforcement Provisional Regulation*, State Council, No. 99).
In 1995 there was a dramatic increase in the number of workers signing contracts with enterprises, and in 1996 the percentage of contracted workers exceeded half of total SOE workers. Approximately half of the workers were still not covered by contracts, however.

The central government’s decision to implement the labor contract system in the whole labor force was a bold one in the wake of increasing unemployment and layoffs.

Furthermore, it indicated that the government recognized the change of employment relations to enterprise versus workers, the right of enterprises to allocate freely its entire employee base, and the right of employees to change their jobs.

2. Changes In Class Relations

The drastic reform of the labor system greatly changed the structural differences among the classes. Let’s look at the change after the contract system was extended to all the workers.

First, there have been large changes in the relations among the classes of administrators/executives and the general management, technical specialists and general workers (hereinafter, the workers).

The change in employment relations from the State versus workers to enterprises versus workers is the change to a new structure in which the management represents the enterprise. The management is the employer that hires and manages employees; the workers are the employees that are hired and managed by the management.

Thus the difference between management and workers got wider. As the labor contract system unfolds and labor becomes more mobile, the management to recruit talented and competitive workers and begins to establish different wages and treatment for different employees. Labor hiring is further tied to the market and business conditions.

Second, the income difference between classes has widened. As mentioned, as labor mobility improves, employers cut back surplus labor and retain talented workers by offering attractive salaries and perks. For management and executives, in 1995 the annual salary system was introduced (Chang Kai 1998, 377). For technical specialists, an income reward system was introduced. Science and technology innovations now can be sold at various markets. But for general workers, there is no special reward system.

From Table 6 we see that in 1991, the average incomes of contracted workers differed both between SOEs and non-SOEs (private, joint-venture and foreign-funded enterprises) and between the different classes within an enterprise (according to Li Jiang, 1993, 266, the percentage of contracted workers in SOEs was 16.9% and in non-SOEs, 55.2%).

The wage difference in SOEs was not wide in 1991 but in non-SOEs, where there was a large percentage of contracted employees, the income difference is significant. Thus the income difference among employees is becoming similar to that in foreign-funded companies.

<table>
<thead>
<tr>
<th>Class</th>
<th>Enterprise Type</th>
<th>Living Space Per Capita (sq. m)</th>
<th>Annual Income (RMB)</th>
<th>Monthly Income (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>SOE</td>
<td>14.4</td>
<td>3,417</td>
<td>262</td>
</tr>
<tr>
<td></td>
<td>Non-SOE</td>
<td>46.7</td>
<td>9,124</td>
<td>751</td>
</tr>
<tr>
<td>Technicians</td>
<td>SOE</td>
<td>11.1</td>
<td>3,081</td>
<td>239</td>
</tr>
<tr>
<td></td>
<td>Non-SOE</td>
<td>21.2</td>
<td>7,927</td>
<td>612</td>
</tr>
<tr>
<td>General Workers</td>
<td>SOE</td>
<td>12.9</td>
<td>2,935</td>
<td>216</td>
</tr>
<tr>
<td></td>
<td>Non-SOE</td>
<td>19.8</td>
<td>5,624</td>
<td>373</td>
</tr>
</tbody>
</table>

Source: Edited by Feng Tongqing, original publication: “Chinese Factory Worker Conditions and Mutual Relations”, China Social Sciences Publishing Company, 1993
Since I lack more recent supporting material similar to that of 1991, I offer the example of a key
government enterprise I visited on January 20, 1999, the Northeast Pharmaceutical Group.

In 1998, the wage range for employees with academic degrees was RMB 260-800 (US$31-97),
and allowances and benefits depended on the value of contributions. The objective of the
differentiated wage system is to retain talented employees. For R&D departments, a different
allowance system was adopted.

In addition to a monthly salary ranging from RMB 1800-3500 (US$218-423), special rewards are
given to contributors on a project base. An income disparity was then established between office
personnel and production workers. Production workers earned RMB 200-300 (US$ 24-36) per
month, and sales staff had a contract system based on commission. It is clear that the disparity in
earnings between classes is widening.

Third, the change in class relations and the widening income disparity has reduced the status of
general workers by and large and increased conflicts with the management.

The government is trying to ease the conflicts by enhancing the functions of worker
representative associations and labor unions to protect the rights of employees against
infringement (such as laying off employees without passing the employee representative
associations).

In September 1994 the Labor Law was passed. The law stipulates that workers participate in
enterprise management and preserve their interests by attending worker representative
associations, and grants them equal rights with management (Article 8).

The law also stipulates that in order to prevent the infringement of workers’ rights, labor unions
must be established to represent workers in signing group contracts concerning wages, length of
workdays, insurance and welfare with employers (Articles 33-35).

Despite the law, progress was minimal.

According to a survey of the 5,400 employees at the 1997 meeting of The National General
Industry Union, 52% of employees did not enjoy the right to participate in enterprise
developments and managerial decisions, 63.2% did not enjoy the power to select enterprise
leaders, 63.1% did not enjoy the right to take part in distribution within the enterprise, and 59.4%
did not enjoy treatment as leading players in the enterprise. Furthermore, 64.7% reported
insufficient relations with directors (Edited by Yu Xing 1998, 325).

Class-consciousness is also becoming more apparent. Conflicts between administrators/
executives and general workers is evolving into class divisions. Drastic reforms to the labor
system, as stated above, are largely changing the structural differences between classes, and are
encouraging class divisions between administrators/ executives and general workers.

3. Changes In Party And Administrator Relations

Labor system reforms have not only changed labor and capital relations and class relations, as
seen in sections 1 and 2, but have also changed the relations between the enterprise in-house
political structure and administrators/executives.

That relationship (from the mid-1950s to the mid-1980s, excluding the 10-year Cultural Revolution
period) was demonstrated best by the enterprise leader liability system implemented under Party
committee directives.

In a simplified version of the enterprise ruling structure, there was a Party committee (the in-
house political structure) with discussion-leading/decision-making authority over strategic
enterprise problems. Enterprise executives had the power to appoint and dismiss members of the committee.

There was also an enterprise leader who implemented the Party committee’s strategic decisions, directed everyday production activities, and democratically managed the industry unions in accordance with Party committee directives. Those unions in turn were responsible for the “factory worker” delegate associations.

This above type of ruling structure was unique to China, especially with respect to the relationship between the Party committee and the enterprise leader. In the former Soviet Union and Eastern Block countries, political parties did not get involved in administration, but directed from the sidelines. In China, the Central Party was directly involved in enterprise administration through the Party committees.

This system depended upon keeping the enterprise leader under the rule of the Party organization, i.e, it aimed to prevent enterprise leaders and executives from becoming an independent class (Uehara Kazuyoshi 1993, 42).

Important operational power was concentrated in the Party committees, which took responsibility for operational liabilities, but operation efficiency was not a particular concern.

The role of “factory worker” delegate associations and industry unions to participate in and observe the management of operations was a pure formality so long as the Party committee was in complete control of important operational power.

In 1984, the enterprise leader liability system under the direction of the Party committee was restored experimentally.

In September of 1986, the “People’s Industrial Enterprise Ownership System Factory Head Scheme Act,” the “Chinese Communist Party People’s Industrial Enterprise Ownership System Base Structure Construction Act,” and the “People’s Industrial Enterprise Ownership System Factory Workers Delegate Association Act” were announced and officially introduced.

These acts gave decision-making power over major problems in production management and administrative management to the enterprise leader, and unified the responsibility–power relations of enterprise operations.

The role of the Party committee was limited to ensuring that enterprises were operating in accordance with basic Party policies and national plans and strategies. The participation in enterprise operations of “factory worker” delegate associations presupposed the maintenance of enterprise leaders’ operational decision-making power.

Moreover, of the fixed number of members in the enterprise managerial committees that cooperate with enterprise leaders’ decisions on important enterprise operational problems, one-third were required to be “factory worker” delegates including the industry union head.

This stipulation and the widening of the scope of factory workers’ managerial jurisdiction to the enterprise workplace and all structural levels ensured that factory workers’ participation in operations was multilaterally enforced (Japan Labor Research Organization 1997, 297-300).

The enterprise leader liability system, as seen above, tried to reform the up to now unified power structure of the Party committee through the enterprise leaders’ unified power structure.

The central organs of the Party and the government promoted this system, but met with resistance from the vested interests of the enterprise in-house political structure (Uehara Kazuyoshi 1994, 199).
The role of that structure as “political center” became clear as a result of the events of June 4th, 1989 at Tiananmen Square. After this, the Party committee either nominated the enterprise leader, or held group discussions with enterprise directors over the middle-level management recommended by the Party committee.

The committee participated in discussions of important enterprise problems and officially received and recognized any opinions and proposals put forward (Zhang Yanning 1990).

However, the “restoration of the Party committee by the enterprise ruling structure” (Japan Labor Research Organization 1997, 300) is an exaggeration. The enterprise leader liability system did not stop just because a display of the political party’s role as a “political center” was demanded.

The “restoration” of the Party committee to a position of “Leadership” was not institutionally recognized. Restoration was limited to the restoration of fixed power to “Councilors”, who had previously been “Directors/guarantors.”

Thus, this restoration was not a revolution leading to a unified power structure under Party committees. It led instead to a two-fold power structure of Party committee and enterprise leader.

However, because enterprise leaders sought to exclude the intervention of the Party committees in enterprise operations, conflict erupted between the enterprise leader and the Party committee, causing confusion in enterprise operations and a change in the relationship between both parties.

The Fourteenth Central Party Congress (November, 1993) took place as it was becoming clear that pursuit of a ‘socialist market economy’ would require the reorganization of SOEs into joint-stock enterprises and the formation of a new enterprise ruling structure.

In this new structure, the stockholders’ committee would be the new “power structure,” the board of directors would be the operational management, and the auditing committee, elected from the board of directors, would be the supervisory control system for operations.

Under this new system, the president is responsible for operational management. The question was now what kinds of relationships there would be between the general stockholders’ committee, the board of directors and the auditing committee, in particular the relationship between the Party committee, the board of directors and the president.

At this time, the role of “factory worker” delegate associations and industry unions was taken over by stockholders’ meetings and executives meetings, and is only a formality (Japan Labor Research Organization 1997, 305).

To clarify the relationship between Party committees, the board of directors, and the president, the Fourteenth Central Party Congress Third Plenary Session stated that “the Party structure within the enterprise has the role of political center, and must guarantee and observe the implementation and enforcement of central Party directives and national plans/strategies.”

By returning to the 1986 class provisions, SOE administrators/executives tried to guarantee the operations power of joint-stock enterprises’ board of directors and general managers of operations (hereinafter, administrators/executives) from the beginning.

From 1993 to 1994, the Party’s participation at the enterprise level continued to deteriorate. According to the author’s enterprise survey at this time, even where a Party committee existed (which was not always the case in the new enterprise system), that committee’s objective was often the “pursuit of profits” (Uehara Kasuyoshi 1993, 45). Thus, the new stage of SOE reforms had made administrators/executives the nucleus of enterprise operations.
The relationship between the Party committee and administrators/executives again changed after the Fourteenth Central Party Congress of September 1994. At this meeting, there was a “Resolution of many important problems concerning the strengthening of Party construction.”

The January 1997 “Communication in Relation to Activities That Further Strengthened and Improved SOE Party Construction” reemphasized the role of the enterprise in-house political structure as “political center”.

The Communication stipulated that the Party committee participate in important decisions concerning operational plans and development projects and the appointment and dismissal of middle-level-and-above management. Before important decisions, administrators/executives must listen to and respect the Party committee’s opinions. The Communication also said that members of the Party committee and the board of directors may overlap.

Meanwhile, the Fifteenth Central Party Congress stated that “there should be a firmly constructed enterprise directives group, indicating the role of the enterprise Party committee as political center; it should uphold the policy that provides the foundation for a sincere workers’ class.”

The restrictions on the Party committee’s role made by the Fourteenth Central Party Congress were dropped. Hence on the pretext of insider control of state-owned assets by enterprise administrators/executives and workers, the power of the enterprise political structure was strengthened for the second time (Li Dongming 1997 17).

However, this second power strengthening did not “restore” the Party committee to a position of “leadership.” It did not even bring back the simple two-fold power structure of the late 80s. Because the role of the enterprise leader liability system and the Party committee as a “political center” caused conflicts with administrators/executives and disorder in enterprise operations especially after the formal recognition of the overlapping membership of the Party committee and the board of directors, the effectiveness of enterprise operations was tested.

In this overlap method, the president is also the Party committee deputy secretary while the vice president is also the Party committee secretary. The members of the Party committee are requested to acquire administration/executive abilities.

This method is intended to unify the Party committee and administrator/executive groups, further changing the relationship between the enterprise in-house political structure and administrators/executives. As a result, the Party tends to side with administrators/executives vis-à-vis general workers.

Thus, based on these fluctuations in the relationships between Party, administrators/executives and workers, how does one realistically deal with labor disputes over unemployment, layoffs and changes in employment contracts? How do resolutions of these disputes affect workers?

IV: Workers And Dealing With Unemployment, Layoffs And Labor Disputes

1. The “Reemployment Project” And The Government, Administrators And Workers

As indicated in the introduction, solving the unemployment and layoff problems is a major concern at present. The central Party and government have been working to devise a social security system with unemployment insurance and old age insurance. The establishment of re-employment projects for laid-off workers by the reemployment service center, and the establishment of a minimum living security system began in May 1998.

“The Basic Living Security and Reemployment Construction Congress for Laid-off Workers from SOEs” established a re-employment service center for laid-off workers from SOEs. The service center provides laid-off workers with a basic living allowance for a maximum of three years, as
well as unemployment insurance for a maximum of two years and old age insurance, and offers reemployment training and job guidance.

The operational fee for the service center is shared equally by the government (The central government for central enterprises and the local government for local enterprises), enterprises and society (in the form of donations to the unemployment security fund). The idea of establishing a minimum life insurance security system was also introduced.

During the first quarter (1Q) of 1998, the proportion of laid-off workers entering the service centers was 12.6 % (People's Daily Report October 14 1998). However, by November those entering the service centers made up 99.2%, and those receiving the basic living allowance reached 93.7% (People’s Daily January 11th 1999). Thus, the government unemployment and lay-off policy progressed dramatically after the last half of 1998.

There are three problems inherent to this policy, however.

First, the fact that this policy treated the situation as one of temporary layoffs rather than unemployment spawned its own set of problems. The measures taken lessen resistance from workers, as the government enterprises and society bear the cost of lay-offs, and the setting of a three-year limit reduces the cost.

The new measures were thought to serve as financial compensation for the failure of Party and government policies, but enterprises resented having to shoulder one-third of the costs of such compensation. On the enterprise side, actions were taken to lower the portion of enterprise liability as much as possible.

Second, different types of workers are differently classified in terms of their relations with their former employers, and are compensated differently, causing conflicts between these groups. As indicated, workers whose work contract period has expired, agricultural workers and those who have voluntarily left their jobs are excluded from classification as “laid-off workers”.

These groups, except for agricultural workers, skip the “laid-off” stage and go straight to classification as “unemployed”. As such, they are entitled to unemployment insurance. Yet many of those whose contract periods have expired have actually been laid off. Meanwhile, agricultural workers, the lowest ranked in the three-tiered system, are not provided unemployment insurance (Edited by Liu Shimin 1997, 89-90).

In large cities, such as Beijing and Shanghai, 50-60% of agricultural workers have contract periods lasting longer than half a year, and 20% have contract periods lasting over three years, with such periods lengthening in recent years (Yung Yansheng 1997, 100).

What were once classified as “agricultural workers” are now classified as “industry workers who do not have urban families” (Zhao Xue 1998, 16). This is a great deal of prejudice against these workers, who are also paid a lower wage for doing the same work. The three-tiered system thus widens conflicts between workers.

It was inevitable that enterprises would increasingly employ agricultural workers to save on lay-off compensation. This may also cause conflicts between workers.

Third, the question remains as to how much the re-employment service center can support the costs of providing living allowances, social security, and, in particular, reemployment.

In Table 7, according to a survey in February 1997 of 55 cities and 17 provinces, most laid-off workers find new employment through local friends and relatives. SOEs seldom contribute to reemployment efforts. The question remains as to how much effort enterprises should put into reemployment support activities when they are having difficulty bearing the costs associated with the activities.
Table 7: Assessment Of The Role Of Employment Introduction Support

<table>
<thead>
<tr>
<th></th>
<th>Very Little Support</th>
<th>Comparatively Little Support</th>
<th>Normal</th>
<th>Comparatively Large Support</th>
<th>Very Large Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relatives and friends</td>
<td>21.1%</td>
<td>11.7%</td>
<td>20.5%</td>
<td>20.9%</td>
<td>25.7%</td>
</tr>
<tr>
<td>Newspaper Ads</td>
<td>46.2%</td>
<td>19.1%</td>
<td>21.0%</td>
<td>6.9%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Community Employment Introduction System</td>
<td>53.7%</td>
<td>17.7%</td>
<td>21.0%</td>
<td>4.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Level of previous post</td>
<td>53.1%</td>
<td>13.3%</td>
<td>16.6%</td>
<td>2.6%</td>
<td>4.3%</td>
</tr>
</tbody>
</table>


Thus, the government and Party’s must resolve not only the conflicts between the Party and enterprises (outlined earlier), but also conflicts between groups of workers.

2. Labor Disputes And Industry Unions, Political Parties And Workers

An increase in unemployment and layoffs and fluctuations in capital and labor relations cause an increase in labor disputes. Let us first explain the concept of labor disputes and the dispute resolution process used by governments and political parties.

Consider, first, the way in which labor disputes should be handled. The August 1993 “Enterprise Labor Dispute Resolution Law,” deals with disputes that occur due to a worker’s dismissal, expulsion and retirement, as well as a worker’s resignation and self-imposed retirement.

Depending on the enterprise, these disputes occur over wages, insurance, welfare, training, or employment insurance, and depend upon the enforcement of national provisions, or occur over the execution of labor contracts. The disputes involve both individual workers and groups.

Does the fact that the right to dispute is reserved for industry unions prevent workers from launching their own independent disputes? It is expected that responsible mediation will handle disputes smoothly through reconciliation and arbitration (Japan Labor Research Organization 1997, 246).

Dispute resolution is to be handled through the above-mentioned “Enterprise Labor Dispute Resolution Law” and “Labor Law.” Actual methods are as is described below.

First, workers and enterprise managers together determine a solution through consultation with the concerned parties. If this is unsuccessful, the next step is to file for mediation through the concerned enterprise in-house labor dispute mediation committee (hereinafter, the mediation committee).

In case of unsuccessful mediation, the next step is to file for arbitration through the labor dispute arbitration committee (hereinafter, the arbitration committee) within the concerned administrative area. If the concerned parties concerned skip the mediation step, they can file directly for arbitration through the arbitration committee. In case the decision of the arbitration committee is dissatisfactory, the matter may be brought before the court.

Below, concerning the mediation and arbitration steps of labor dispute resolution, we look the number of reported labor disputes, the conditions for resolution and the actions of the workers.
Look at Tables 8 and 9. There are no published figures before 1993 in Table 8 and before 1991 in Table 9. In the group disputes shown in the tables, groups of three or more workers identified the same cause for disputes.

### Table 8: Labor Dispute Cases Accepted By Enterprise Labor Dispute Mediation Committee

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>133,522</td>
<td>93,578</td>
<td>86,045</td>
<td>72,594</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>-29.9%</td>
<td>-8.0%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>31,998</td>
<td>20,380</td>
<td>16,936</td>
<td>14,529</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>-36.3%</td>
<td>-18.9%</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Workers Accepted</td>
<td>495,581</td>
<td>488,288</td>
<td>436,314</td>
<td>811,706</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>-1.5%</td>
<td>-10.6%</td>
<td>-28.6%</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>340,694</td>
<td>348,829</td>
<td>277,022</td>
<td>204,489</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>2.4%</td>
<td>-20.6%</td>
<td>-26.2%</td>
</tr>
</tbody>
</table>

Source: *China Industry Union Statistics Almanac*, 1995-98

### Table 9: Labor Dispute Cases Accepted by Labor Arbitration Committee And Their Growth

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>8,150</td>
<td>12,368</td>
<td>19,098</td>
<td>33,030</td>
<td>47,951</td>
<td>71,524</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>51.6%</td>
<td>54.4%</td>
<td>73.0%</td>
<td>45.2%</td>
<td>49.2%</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>548</td>
<td>684</td>
<td>1,482</td>
<td>2,588</td>
<td>3,150</td>
<td>4,109</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>24.8%</td>
<td>116.7%</td>
<td>74.6%</td>
<td>21.7%</td>
<td>80.4%</td>
</tr>
<tr>
<td>Workers Accepted</td>
<td>17,417</td>
<td>35,683</td>
<td>77,794</td>
<td>122,512</td>
<td>189,120</td>
<td>221,115</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>104.9%</td>
<td>118.0%</td>
<td>57.5%</td>
<td>54.4%</td>
<td>16.9%</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>9,100</td>
<td>19,468</td>
<td>52,637</td>
<td>77,340</td>
<td>92,203</td>
<td>132,647</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>--</td>
<td>113.9%</td>
<td>170.4%</td>
<td>46.9%</td>
<td>19.2%</td>
<td>43.9%</td>
</tr>
</tbody>
</table>

Source: Calculated from *China Statistics Almanac* 1994-98

Moreover, from both tables we see that the dispute cases (including group disputes) accepted by the mediation committee have been consistently declining, while the dispute cases (including group disputes) accepted by the arbitration committee have been consistently increasing.

Looking at the number of workers, in all dispute cases in 1995 and group disputes in 1994, both overall and group disputes rose dramatically in 1994. Even after this, they maintained strong increases.

This remarkable symmetry reflects the dramatic rise in the number of cases filed directly to the arbitration committee without going through mediation. The dramatic rise in the number of cases accepted by the arbitration committee, without approval by the mediation committee, is not a result of the dramatic rise in the number of cases brought before the arbitration committee (Japan Labor Research Organization 1997, 377). This point is seen in Table 10.

### Table 10: Filing For Arbitration In Cases Of Unsuccessful Mediation And % Of Cases Accepted By Arbitration Committee

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td>4,496</td>
<td>3,717</td>
<td>3,518</td>
<td>3,579</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>841</td>
<td>892</td>
<td>431</td>
<td>884</td>
</tr>
<tr>
<td>Total Cases Accepted by Arbitration Committee</td>
<td>23.6%</td>
<td>11.3%</td>
<td>7.3%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Group Disputes</td>
<td>56.7%</td>
<td>34.5%</td>
<td>13.7%</td>
<td>21.5%</td>
</tr>
</tbody>
</table>

Source: as with tables 8 and 9
Looking at cases filed for arbitration in the same financial year, the number of unsuccessfully mediated cases included in the number of cases accepted by the arbitration committee is not always necessarily accurate.

However, although the number of cases that passed through the mediation committee and were brought before the arbitration committee is approximately the same, the percent included in the cases accepted by the arbitration committee is interpreted as having a rapidly dropping trend.

It is clear that cases filed directly to the arbitration committee have increased, inviting a decline in the number of cases accepted by the mediation committee.

It is thought that the below points are the reason for the increase in the direct application to the arbitration committee rather than to the enterprise level mediation committee.

First, the structure and composition of the mediation committee do not favor the worker. The mediation committee is formed by a “factory worker” delegate recommended by the “factory worker” delegate association, a corporate delegate appointed by the enterprise leader, and an industry union delegate appointed the industry union committee.

The industry union delegate is in charge in order to facilitate mediation. However, the industry union is under the control of the Party committee, which usually sides with administrators and executives. Under these conditions, the mediation committee is unlikely to be completely impartial.

A survey of labor disputes in Shanghai supports the opinion that mediation based on the law is extremely difficult. The responsibility for the outbreak of labor disputes rests to no small extent with the enterprise, but demands that enterprises compromise meet with fierce criticism (Zhou Pisheng, Sun Weixin 1998, 18).

There is evidence to support the fact that the structure and composition of the mediation committee favor the enterprise. The survey revealed that workers view the mediation committee is an “Executive management gang” or “All part of the same gang as the enterprise president”. Thus, it is inevitable that in the absence of trust, workers skip the mediation process and go straight to arbitration (Zhou Pisheng, Sun Weixin 1998, 18).

Second, the survey reveals that in some cases the mediation committee itself advises filing directly for arbitration (Zhou Pisheng, Sun Weixin 1998, 18).

The remarkable symmetry between the decline in the number of the cases accepted by the mediation committee and the sudden rise in cases accepted by the arbitration committee demands that Party and governmental measures concerned with dispute resolution—establishment of the mediation committee, as seen above—be made more impartial.

Though an investigation is needed into whether the arbitration committee responds to workers expectations or not, there is, in fact, a formative problem.

First, we must examine the composition of the arbitration committee. According to the “Labor Law” (Article 81), it is comprised of a labor administrative management sector delegate, the same level industry union delegate, and an employer delegate, with the person in charge of the labor administrative management sector working at its head.

In the “Labor Dispute Resolution Law” (Article 13), the employer delegate becomes the representative of the government-appointed general economic management sector.

Thus, the employer delegate system and organization is based on unclear conditions. In the present situation, the general economic management sector delegate has become a constituent member.
There has been criticism concerning the fact that sometimes the committee is composed of two worker delegates and a government delegate, and lacks an employer delegate (Lao Haipo 1998, 12). Certainly one of the problems is the lack of employer delegates.

However, the real question is: “Can making an employer delegate a constituent member solve the problem?” Does the government, being independent from workers and employers, take a neutral stand? While the unification of Party and administrators/executives is proceeding, it must be said that the system does not favor the workers.

Moreover, the status quo of a committee once again composed of only a government delegate and a worker delegate is a problem from the viewpoint of the above mentioned industry union conditions. If anything, the essential structure not only lacks an employer delegate, but can also be said to lack a worker delegate.

V: Conclusion

This manuscript has examined broadly the effect of the current stages of SOE reforms on workers. It is inevitable that the increase in unemployment and layoffs and the fluctuations in class relations, especially class divisions between administrators/executives and the general worker, have propelled further shifts towards a market economy and SOE reform.

Today, China can journey along the “basic accumulation” process of market-oriented economic development. The problem is that conflicts between workers and parties who have promoted this process have continued to increase. How can those parties deal with this problem while adhering to “socialism”? That remains to be seen.

Notes

1) This article uses the concept of workers to mean those who are employed by others, blue and white-collar workers who receive workers’ wages and salaries as a fundamental living base. In other words, it is used to describe the concept of all workers excluding administrators and executives who stand on the employer’s side. These excluded administrators and executives are also called “factory workers (Personnel, workers)”.

Originally the concept of “factory workers” pointed to all personnel, including administrators and executives, of state-owned and urban group-owned enterprises as well as national organizations and the science and cultural research unit. As it may invite confusion, when “factory workers” are separated from administrators and executives the unified concept of “workers” is used.

2) The research of the Japan Institute of Labor (Japan Institute of Labor 1997) is that since the Tiananmen incident, up to today “the power of the Party committee rests on a enterprise ruling system,” but as it has been tried to be shown in this article, the resumption of “leadership” by the administrators and executives of the enterprise political structure is not only real, but the conflicts and discord between both parties are very different from the relationship of both parties up to now.

3) Furthermore, as indicated by Hirako Tomonaga 1991, in terms of the relationships between the Party and administrators, technicians and intellectuals in The Soviet Union and Eastern Europe, this point is based on the idea that “As long as Socialism has faith in its principles, when under normal circumstances workers are denied autonomy, it can do nothing but continue to take a negative attitude towards the increase in “Specialist administrators’” social power " (Hirako Tomonaga 1991, 134).

4) In this article, we have come to see an enterprise ruling structure distorted by the relationship between the Party committee and administrators/executives within the enterprise. In terms of
the enterprise ruling structure, it is important to include the examination of the establishment of the inspection correspondent system (May 1998) and the central large-scale enterprise construction committee (July 1998). This point is seen within section 1 of this article and Uehara 1999.

5) According to the survey, the education of agricultural workers is 65% for those graduating from junior high, 21.6% for those graduating from high school, secondary colleges and secondary technical college, 11.2% for those graduating from elementary, 1.4% for illiterate and semi-illiterate and 0.7% for those graduating from university, technical colleges and above (Zhao Xi 1997, .15).

This cultural standard certainly is by no means inferior when compared to laid-off workers among whom 62% graduated from junior high or below, 29% who graduated from high school, 4.87% who graduated from secondary college and 3.8% who graduated from university, (Hu Angang 1998, .55).

Currently, agricultural workers perform mainly the strenuous, heavy, dirty and dangerous work and are able to live separately from workers of urban families. However, the question is how long they can continue to live separately from the point of view of the above stated education? At least from the enterprise standpoint, it is not necessary to confine agricultural workers who are low cost and have a comparable education to Three K workplaces (dirty, dangerous, heavy).

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