

INFORMALITY IN CHINA'S COLLECTIVE BARGAINING

A Thesis
Presented to the Faculty of the Graduate School
of Cornell University
in Partial Fulfillment of the Requirements for the Degree of
Master of Science

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January 2015

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ABSTRACT

I argue, in this case study of Tianjin's auto industry, that informal institutions and processes result in effective negotiations and substantial outcomes, even though formal institutions – employers' associations, industrial unions, autonomous unions in workplaces, and a legal basis for strikes – are either absent or not providing favorable conditions for collective bargaining in China. In particular, I have found that spontaneous wage coordination amongst employers and amongst unions have occurred and imposed wage constraints to individual firms on the one hand, and on the other, some firm unions have actively engaged in informal negotiations to challenge the wage constraints as well as appease discontented workers. I also discuss causes, mechanisms, and effects for each of the two levels of informality.

BIOGRAPHICAL SKETCH

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ACKNOWLEDGMENTS

I am grateful for support for this thesis from Cornell University's East Asia Program for the Hu Shih Travel Grant Award.

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INTRODUCTION

Collective bargaining has been written into law in China for 20 years. The ACFTU (All-China Federation of Trade Unions), however, only launched a campaign in 2006, to increase collective bargaining coverage and reduce industrial conflict (Kuruville and Zhang 2014). China is probably the only country in the world that is currently witnessing both rapidly expanding collective bargaining agreement coverage and the centralization of regional bargaining structures, in contrast to the global trend of declining coverage and increasing decentralization (Katz 1993). Collective contracts approved by China's labor department, the Ministry of Human Resources and Social Security (MOHRSS), grew from 0.24 million contracts covering 64 million workers in 2000 to 1.56 million covering 157 million workers in 2013 (MOHRSS, 2006-2014).

The formal institutional structures of collective bargaining, in China have not, in the eyes of critics, delivered positive bargaining outcomes for Chinese workers. Studies have highlighted issues like the absence of freedom of association and the right to strike (Taylor et al. 2003; Chen 2007), the limited autonomy of firm-level unions from employers (Clarke et al. 2004; Chen 2007; Chan and Hui 2013), and the state's tendency toward top-down campaigns and direct interventions (Taylor et al. 2003; Wu 2012; Chan and Hui 2013). Consequently, the majority of collective bargaining agreements tend to be formalistic, repeating the minimum legal provisions, prompting critics to suggest that the formal institutional arrangements for bargaining have largely failed in China.

Drawing on field research in Tianjin's auto industry, I argue that informal institutions potentially deliver positive agreements for workers even though the formal processes do not involve substantive negotiations. I find that multi-employer wage coordination takes place informally, even without the existence of formal employers' associations or industrial unions. In

addition, I argue that firm-level unions in China are not as useless as that painted by prior research, as union leaders, although structurally subordinated to employers admittedly, serve as informal middlemen, facilitating successful negotiations between employers and workers.

LITERATURE REVIEW

Dominant industrial relations frameworks have identified three key players in the domain of collective bargaining, respectively workers/unions, employers/employers' associations, and the state (Dunlop 1958; Kochan, Katz, and McKersie 1986). According to the current literature, however, existing, formal institutional arrangements, as far as these players are concerned, are unlikely to result in effective negotiations between employers and workers in China for both social and political reasons.

First because Chinese workers do not have freedom of association and the right to strike, the prospect for genuine collective bargaining is limited (Chen 2007; Taylor et al. 2003). Even though regulations provide that workers are entitled to bargain with their employers regarding wages and working conditions, the Trade Union Law (2001) has required that every union must be affiliated to the ACFTU, making it the only legal representative of workers in collective bargaining. As a post-socialist union, the ACFTU maintains a double identity as being both the state's apparatus and a workers' organization (Chen 2003), and installs unions in workplaces usually without workers' consent, and often workers do not even know that they are represented. Unions established in this way are thus usually weak and subordinated to employers, and are unlikely to be assertive on behalf of workers (Taylor et al. 2003; Clarke et al. 2004; Howell 2008). In addition, current labor laws in China fail to provide a legal basis for strikes (Taylor et al. 2003). Without the right to choose their representatives and to strike, much of the negotiation processes and therefore collective bargaining agreements are rendered formalistic.

Although the ACFTU launched a campaign to increase collective bargaining coverage in 2006, the way it is implemented and its outcomes are problematic. Both the ACFTU and the MOHRSS, a key partner of the union, have articulated targets in terms of the number of

enterprises in which collective bargaining is to be instituted. To achieve these goals they have implemented a rigid quota system translated down to regional and grassroots levels. Thus, unions and employers are encouraged and commanded to sign collective contracts, often without engaging in real negotiations and implementation at the workplace (Wu 2012). They often use a basic template agreement that generally does not stipulate substantial worker protections or benefits beyond the legal minimum, resulting in contracts that are largely similar and described in the literature as “formalistic” (Clarke et al. 2004; Warner and Ng 1999).

While unions often fail to achieve meaningful contracts for workers, studies have identified cases where workers’ spontaneous strikes have led to successful one-off wage negotiations (Chen 2010; Elfstrom and Kuruvilla 2014) – the most widely known one is the 2010 auto workers’ strike in a Honda supplier’s plant in Foshan, which resulted in negotiations that won workers significant wage increases. This strike-triggered bargaining model does not serve as a feasible mechanism, however; it seems unlikely that workers will be able to constantly capitalize on wildcat strikes to gain wage increases without the lead of grassroots unions and a legal basis for strikes. Though not rare, strikes are discouraged by both local governments and the official union. And in most cases that workers do not go on strike employers still unilaterally determine wages in China (Chan and Hui 2013).

Although Western experience provides the insight that employers’ associations can serve as important forces to resist decline of bargaining when strong unions are absent (Traxler 2000), such positive effects are unlikely to happen in China. Employers sometimes favor collective bargaining, especially multi-employer bargaining, because it takes wages out of competition and therefore serves to stabilize the workforce. But employers’ associations in China generally lack legitimacy among and thus governing capacity over their members (Friedman 2014). Some local

employers' associations occasionally initiate multi-employer wage arrangements, such as in the Wenling knitwear industry bargaining, a concerted effort to tackle a labor shortage and rising turnover, which was later legitimized when local government and official union joined the negotiations (Wen and Lin 2015 forthcoming). Friedman's (2014) study on a similar case in the Rui'an eyeglasses industry, however, found that implementation of such an industry-wide contract failed because workers were not represented at all in the bargaining process and therefore unlikely to monitor the implementation of the contracts in workplaces.

Lastly, while the state's supportive policies – e.g. legally bound institutions such as extension rules – could theoretically play a determinant role in maintaining collective bargaining coverage and structures (Traxler 2003), in China the state faces a dilemma. On the one hand, the whole project of collective bargaining is run by the state, mainly targeted at reducing the increasing strikes. On the other hand, it is questionable if the state wants genuine collective bargaining. With the concern of political stability (Chen 2003) the state is reluctant to grant workers the legal right to strike and to freely associate, and runs the collective bargaining campaign through a top-down process, ignoring grassroots institution building to represent workers' voice. It also encourages collective bargaining, among other labor protective projects, at the most decentralized firm level, while sees multi-employer bargaining only as a strategic supplement and limits it strictly at or below the municipal level (Friedman and Kuruvilla 2015). This dilemma of the state regarding collective bargaining has therefore led to formalistic negotiations that have not functioned well in reducing labor unrest in a short run. While the number of collective contracts expanded from 0.703 to 1.555 million from 2009 to 2013 (MOHRSS 2006-2014), during the same period reported strikes increased from 32 to 656 (Kuruvilla and Zhang 2014), almost 15 times faster.

The state therefore sometimes finds itself having to mediate when a strike occurs, or mediate collective bargaining in order to avoid strikes. And paradoxically – given the literature’s general criticism of the ACFTU’s subordination to the state – state-mediated collective bargaining is in general more genuine than non-mediated bargaining (Chan and Hui 2013). The state mediates collective bargaining via a quadripartite framework, which involves local governments, official unions, the employer(s), and the workers (Chen 2010). For instance, a year after the 2010 strike, the local government and official union intervened to mediate the 2011 contract negotiations, in order to avoid recurrences of strikes in the firm. In most other cases, where the state does not intervene, collective bargaining exists only in form rather than in substance (Chan and Hui 2013).

In summary, formal institutional arrangements in China do not seem to be favorable for collective bargaining in general, and especially for multi-employer bargaining, where there are few effective bargaining structures. The union and the state prefer expanding collective bargaining coverage via formalistic agreements to actually implementing contracts, and favor one-off mediations when faced with workers’ resistance. This results in collective bargaining not being institutionalized at most workplaces. But most studies on China’s collective bargaining are focused on these formal institutions of collective bargaining, and therefore conclude that collective bargaining in China is largely formalistic and ineffective. Yet, collective bargaining is a process that includes interaction between actors through formal structures as well as informal methods, which has been overlooked, and is the focus of this study.

Informal Institutions and Collective Bargaining: Informal institutions – socially shared rules that are mostly unwritten and outside of official sanctions (Helmke and Levitsky 2004) – are

common in industrial relations and collective bargaining in the Western world (Dunlop 1958; Katz and Kochan 1988). For instance, informal bargaining concerning piecework, overtime, and working hours used to exist between contractors (general contractors and craftsmen) and workers, many of which circumvented existing union agreements in the US construction industry in 1960s, despite restrictive formal contracts. Under the right circumstances, these arrangements grant both flexibility to businesses and satisfy workers' non-pecuniary needs when formal bargaining has failed to do so (Whelchel 1971).

Further, where centralized bargaining institutions are absent, wage coordination has still existed informally in both liberal and coordinated market economies. For instance, in the US pattern setting was a form of coordinated bargaining once commonly employed in major industries like auto and steel, and even in inter-industry arenas. This approach features patterns in wages and conditions set up by lead firms' union agreements, with other firms in the industry strategically following these patterns in their own bargaining (Katz 1985; Katz and Kochan 1988). In Japan, during the "Spring Wage Offensive" (*chunto*), a similar pattern emerges out of intensive discussion and information sharing amongst key parties, which results in collective agreements with coordinated wage adjustments across firms (Katz and Kochan 1988).

With the world-wide decentralization of collective bargaining (Katz 1993), the European models that traditionally featured relatively centralized bargaining started to reduce their reliance on formal bargaining structures and adopt more informal arrangements. An emergent model called "coordinated" or "organized decentralization" is able to both set a general framework agreement at a relatively central level, and, contrast to formal centralized bargaining, give more options and flexibility to the lower levels to negotiate their own compromises (Sisson and Marginson 2002).

There are a number of reasons why we might suspect that informal processes play a substantial role in collective bargaining in China. As a legacy from the Maoist era and as a residual of the “rule of man” rather than law, institutional arrangements in China tend to have an informal aspect that leaves sufficient space for authoritarian ad hoc intervention (Lubman 1999). In addition, social psychologists suggest that the Chinese society (Hwang 1987) and organizations (Tsui and Farh 1997) are constructed based on the *guanxi*: informal as opposed to institutionalized social connections. This means that individuals’ access to social capital and resources is often determined by invaluable *guanxi*-based networks rather than formal institutions or the market. *Guanxi* calls for harmony and avoidance of direct conflicts between individuals (Leung et al. 2011). People therefore tend to resort to informal solutions when faced with potential conflicts in order to avoid ruining their *guanxi* (Hwang 1997-1998; Ledeneva 2008).

These factors have historically resulted in informal arrangements in various institutional domains in China. For instance, during the early reform era, the state tacitly allowed private businesses to register as collective firms or pay to use a SOE’s name to actually run a private business. This process enabled the state to incorporate capitalism into the CPC system despite the legal constraint on privatization before the late 1980s (Tsai 2006). In rural China, when official approaches to finance the provision of public goods fail to offer enough resources, village leaders at times resort to seeking resources from community-based institutions, such as cadres, temple and lineage groups (Tsai 2002). In the area of conflict resolution, non-binding mediation by the People’s Mediation Committees exists at all stages of the dispute resolution in China as an organic supplement to the legal system in addressing civil disputes (Minzner 2011). Mediation is also promoted as a first step before arbitration and litigation in labor dispute

resolution in China. 60% of the 1.6 million formal labor disputes were mediated prior to arbitration in 2012 (Gallagher et al. 2015), including disputes concerning workers' legal rights, such as back pay (Halegua 2008).

The state's preference for informal resolution is further encouraged by the central government's recent political agenda of establishing a "harmonious society" and establishing harmonious employment relationships in particular. Thus the historical and growing importance of informal institutional arrangements makes it worth investigating informal interactions in collective bargaining in China.

METHODOLOGY

Tianjin's auto industry is an important case for understanding informality in China's collective bargaining, for three reasons.

First, Tianjin is a least likely case that indeed has significant collective bargaining and employment relations outcomes. On the one hand, formal institutional structures and processes in Tianjin's auto industry bargaining represent a traditional Chinese case and therefore seem to be unlikely to result in non-formalistic bargaining agreements according to the conventional knowledge about China's collective bargaining. Collective bargaining in Tianjin relies heavily on the official union structure, with only limited firm unions' autonomy from the management or mobilization of grassroots workers. This is distinct from an area like Guangdong, which has the most progressive union reforms and formal bargaining procedures, such as the direct union election and relatively advanced local legislation on collective bargaining (Kuruvilla and Zhang 2014). On the other hand, however, Tianjin has significant bargaining outcomes – over 10% wage growth in every bargaining round in each of the firms studied – as well as relatively stable workforce (a lower turnover) and only a few known strikes, unlike the auto industry in many other places (Meng et al 2011; Zhang 2008). If these outcomes cannot be explained with reference to Tianjin's formal institutional structures and bargaining processes – given that they are even less developed than the other said regions – informality in bargaining is likely to be an important explanation.

Second, Tianjin's auto industry is dominated by a single value chain, which makes it an ideal case for looking into this issue with only minimal inter-chain effects on wages. Unlike most other auto cities in China that have two or more major players in the local auto industry (Lütjhe et al. 2013), Tianjin's auto industry is dominated by the Toyota value chain. This chain is

constituted by F-T Motor – a joint venture mainly invested by Toyota and a state-owned auto corporation named FAW (First Auto Works) based in China’s rustbelt – and its 209 local first-tier suppliers, as well as an unknown but enormous number of part suppliers at even lower levels of the chain. F-T Motor assembled half a million cars in 2012, accounting for 60.7% of all motor vehicles manufactured in the city in that year (Sinocars 2013). Considering the fact that many suppliers produce auto parts for more than one assembler, the actual proportion of the Toyota chain in Tianjin’s auto industry is even larger than this number. Since my key interest is in the informal wage coordination within a regional value chain, this case of single dominant chain provides a context with only minimal potential inter-chain wage effects.

Third, Tianjin is an important but understudied city. Tianjin is one of the major cities of Northern China. The city’s GDP growth rate has put it in the top four provinces/municipalities for the period 2000-2013, and Tianjin ranked fifth in GDP among China’s cities in 2013, only second to Shanghai, Beijing, Guangzhou, and Shenzhen (NBS 2014). While the fast economic development has led to increasing labor issues, such as migrant workers and a labor shortage (Li 2013), however, Tianjin is largely overlooked in the sphere of labor research (with only one major exception by Blecher (2002)). Indeed, most of our knowledge about China’s industrial relations in general and collective bargaining in particular comes from studies focused on Southeastern China – the Pearl River Delta and, to a lesser extent, Yangtze River Delta. Although we can probably find the most advanced industrial relations systems or future possibilities in these reform-harbinger areas (Friedman 2014), the way that Tianjin’s industrial relations system works and develops may be able to better illustrate a more traditional but also more typical Chinese model.

I purposefully sampled five firms within the local Toyota value chain in Tianjin. During preliminary research in 2012, I found that informal wage coordination existed between an assembly firm – F-T Motor – and its part suppliers. I therefore selected firms within the Toyota chain to further observe this coordination through intensive fieldwork from 2013 to early 2014. I included F-T Motor first, from whom I got a list of its 209 local suppliers, 100 of which had conducted collective bargaining by 2013, according to Tianjin Bureau of Human Resources and Social Security (TJBOHRSS). I then selected from these 100 suppliers four firms that differ from each other in terms of their relationship with F-T Motor, in order to rule out confounding factors such as ownership and investment.

Specifically, as shown in Figure 1, T Transmission represents firms with the closest relationship with Toyota, as it has 93% Toyota's share and is therefore completely under Toyota's control. My second supplier firm, F-T Engine, is half-owned by Toyota. Toyota equally shares with FAW the right/duty of management. At the next level, D Electronics has a pure investment relationship with Toyota, as it has only a minor (7%) share of Toyota's, and Toyota does not have any say in its daily operation and management. On the other end of the continuum, I have included GS Battery, which is totally owned by GS-Yuasa and has only a buyer-supplier relationship with Toyota. See Table 1 for relevant demographic information on the five firms.

Figure 1. Sampling Strategy

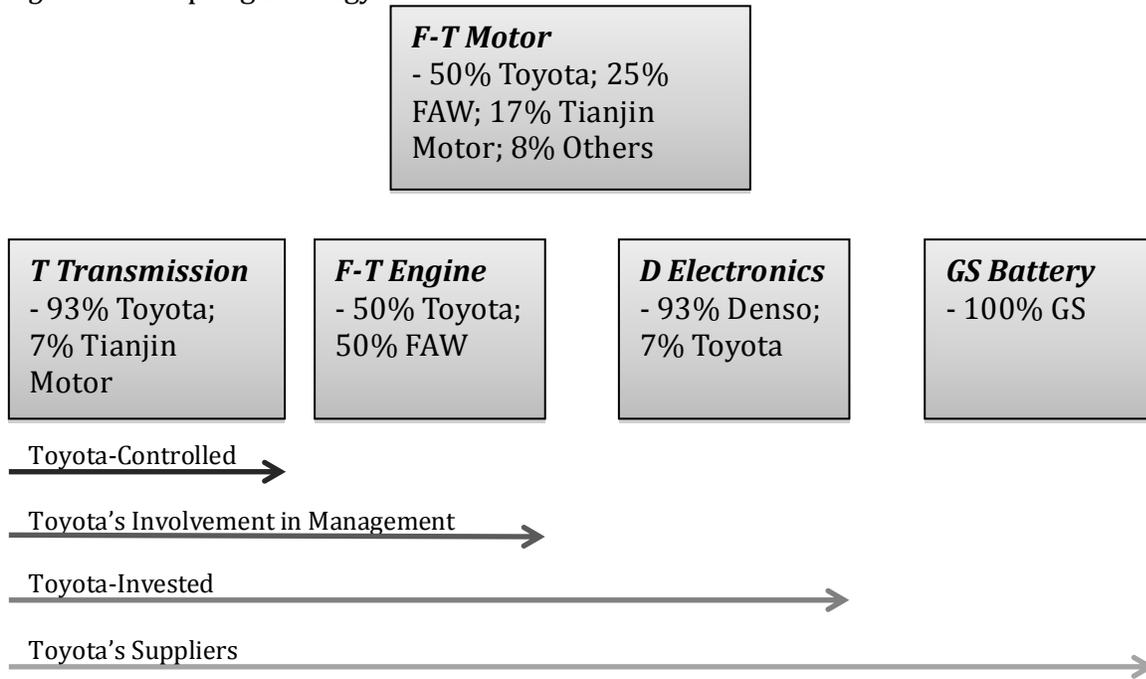


Table 1. Demographic Information of the Five Firms

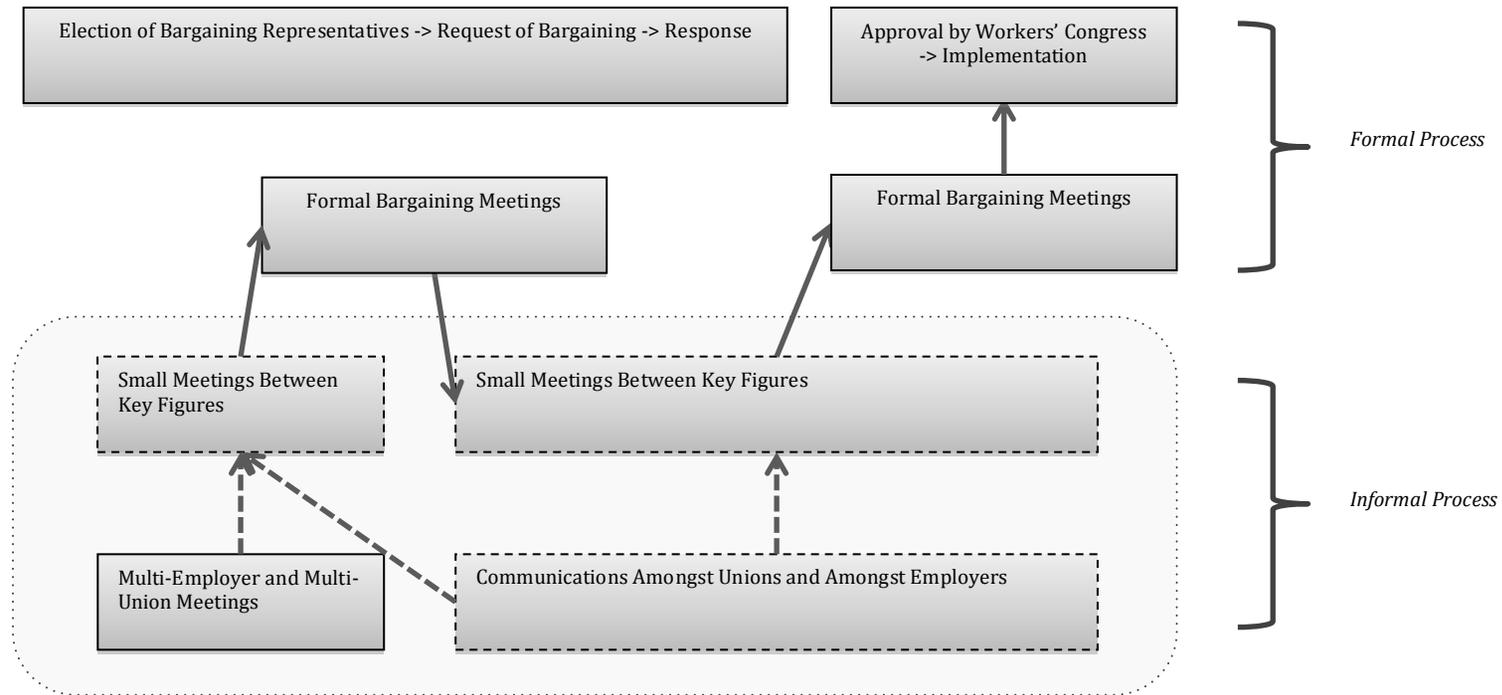
		F-T Motor	T Transmission	F-T Engine	D Electronics	GS Battery
Production	Products	The cars	Constant Velocity Joint, differential, front and rear axle, and transmission shaft	Auto engine	Navigator, fuel pump, electronic control unit, dashboard etc.	Lead storage battery
	How Much for Toyota	N/A	100%	100%	80%	14.30%
Year of Establishment		2000	1996	1996	1997	1993
First Bargaining		2003	1999	2003	2008	2011
Number of Workers Employed		13,000	929	1,923	1,006	1007
Annual Turnover		< 5%	10%	3%-4%	< 1% (non-dispatched workers)	0.3% (non-dispatched workers)
Basic Wage for the Lowest-end Frontline Workers (CNY)		2050 (dispatched workers)	2,200	2,300	1,950	2,100

The data that this study draws on come from four major resources. First, I conducted 45 semi-structured interviews, lasting from 15 minutes to 6 hours, with bargaining representatives from employers and unions, union officials, human resource managers (HRM), and workers to try to understand the bargaining process. I also conducted unstructured interviews with relevant officials from labor bureaus and official unions at both city and district levels. Second, as important verification and supplementary sources, a considerable quantity of archival documents and online resources are collected, including detailed minutes of bargaining meetings, collective contracts, and other internal documents about how workers' opinions are collected, how bargaining representatives are elected, and how employers and unions' bargaining strategies are devised. Third, non-participant observation of all workshops offers me a general understanding of the production process and technologies adopted in different firms. Lastly, I was also able to gain access to a major database – owned by the Tianjin Bureau of Human Resources and Social Security (TJBOHRSS) – of all collective contracts that had been officially approved by the bureau from 2008 (the year the database was established) to 2013. Only data about firms as far as this study is concerned are used here.

RESULTS

I have found two levels of informality in the collective bargaining processes in Tianjin's auto industry, respectively informal wage coordination across firms and informal negotiations within firms (shown in Figure 2 and summarized in Table 2).

Figure 2. The Bargaining Process in Tianjin's Auto Industry



- Full-line Arrows: Procedural Flows
- Dashed Arrows: Information Flows
- Full-line Boxes: Formal Procedures
- Dashed Boxes: Informal Procedures

Table 2. Two Levels of Informality in Local Toyota's Value Chain

	Level	Cause	Mechanisms	Effects
Informal Wage Coordination	Local value chain	The “Total Amount”	Formal and informal social networks	To even industrial wages and may also reduce turnover
Informal Negotiations	Firm	Employer and union’s preference for informality	Firm union as a middleman	To maximize wage growth and appease workers

Informal Wage Coordination across the Regional Value Chain

As shown in this subsection, informal wage coordination largely exists in Toyota's value chain in Tianjin, featuring a pattern and *de facto* wage constraint established by the lead firm – the assembler, F-T Motor – for cost and production stability concerns, and suppliers consciously following the pattern. The coordination is realized via various formal and informal social networks amongst employers as well as amongst unions, and serves to level the wages and is thus also likely to reduce the turnover of the local industry.

Cause: the “Total Amount”: The wage coordination originates from the concept of “original-cost reduction” (*genka teigen* in Japanese). The main idea is that the assembly firm (F-T Motor) requires its parts suppliers to annually reduce the prices of parts, in order to be cost effective and preserve market share. Specifically, “account transparency” is required within the value chain,¹ namely a supplier must disclose how much of the price of a specific part consists of production costs and how much is its own margin. The supplier also has to specify how the claimed cost, including labor cost, is distributed across each minimal production procedure of the production process. Therefore, Toyota can clearly see the labor cost, not only in aggregate, but also for each type of worker and each production procedure.² To amplify further, Chairman Wang of the GS union, who is also the Director of Logistics for GS, talks about the annual negotiations with Toyota.

“If Toyota requires the price to be reduced by 5% next year, do we accept or not? We have to give a reason. This reason has to be very detailed. This battery we sell for how much, my profit is 2%, and cost 98%, and how much of the cost is workers' wages...How are they determined? If your wages are too high, sorry, that is your problem, and I cannot help. I will either ask you to reduce the price, or go for other suppliers. So no one dares to claim their wages are high.”³

¹ Interview of Union Chairman Zheng, F-T Engine, September 17, 2013.

² Interview of HRM Zheng, F-T Engine, October 16, 2013.

³ Interview, January 16, 2014.

Therefore, this system of original-cost reduction gives suppliers a strong motivation to adopt a strategy of following and coordinating with the assembler on wage growth in collective bargaining.

In addition, the assembler also has an interest in stabilizing the labor market via wage coordination. Although F-T Motor and its suppliers collaborate in the product market, they compete in the local labor market. If any individual firm in the value chain shows a pronounced growth in wages, the whole chain may be put in trouble. A union leader, Shang, from F-T Motor confirmed the existence of this pressure with regards to his firm:

“You supply me. I increase [wages] by 10%, while you suddenly increase by 20%. What do you want to do? I suffer pressure from the competition, right? You rely on me to earn profits. What should I do if you increase wages by so much? How about others [other suppliers]? We have a stable value chain, but because of [your] doing so, workers are not stable any more, we will all be affected.”⁴

Therefore, a “Total Amount” (*zong'e*) of wage growth has emerged as a *de facto* wage constraint in the Toyota chain, implicitly requiring that no suppliers offer better wages than F-T Motor. As a local union official, Chairman Tian, explained to me,

“Many first and second-tier suppliers keep an eye on the wage growth of F-T Motor. This is vitally important. Why look at F-T Motor? I do not know if there is a written rule. There is probably none, but they must look at it...Toyota has a purchasing policy...to press down prices every year...So on wage growth, [suppliers] must look at the big boss' [F-T Motor's] face. Say next year's price can be 190 *yuan*, if you increase wages more than the big boss [this year], the price next year will be probably like 180 *yuan*. Many welfare benefits also follow the same [rule].”⁵

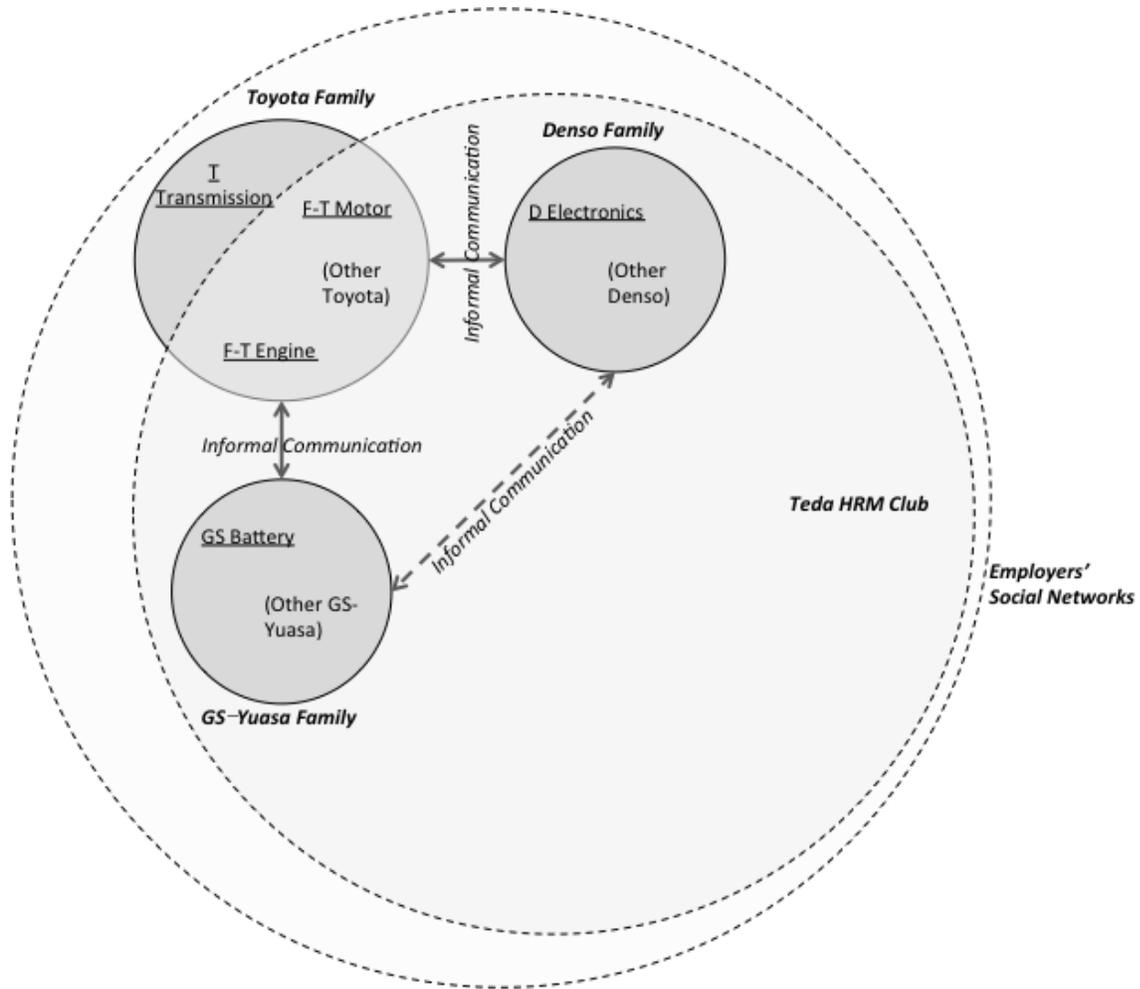
Coordination mechanisms: There is no industry-wide formal structure that specially deals with coordination of wages across firms, as there is neither an employers' association nor an industry level union in Tianjin's auto industry. Employers achieve coordination through two mechanisms;

⁴ Interview, October 30, 2013.

⁵ Interview, July 20, 2012.

while business meetings serve as platforms for coordination among firms within the same “family” of companies (defined by firms’ major investors), informal communication facilitates inter-family coordination (See: Figure 3). To begin with, business meetings are held within each company family. For instance, of the five cases, F-T Motor, F-T Engine, and T Transmission belong to the Toyota family, as they are all invested by Toyota, while D Electronics, which although has a minor investment of Toyota, only participates in the Denso family, as Toyota is not involved in its management. GS only participates in GS-Yuasa family meetings.

Figure 3. Employers' Wage Coordination Network and Mechanisms



Taking the Toyota family as an example, business meetings relevant to wage coordination in this system are structured at two levels, the presidential and human resource management levels. A monthly presidential meeting is held among eight Toyota family members in the Beijing-Tianjin area (all the seven other than F-T Motor of which are F-T Motor's suppliers). The meeting is aimed at facilitating discussion concerning all kinds of business and strategic issues among members. Intensive discussion regarding wages takes place in meetings before and during a bargaining season, which usually starts in April beginning with F-T Motor's bargaining. As the lead firm of the production side, F-T Motor is both willing and responsible to inform others of its bargaining strategy and the "Total Amount." Suppliers also communicate about their information, but most importantly, they receive the "Total Amount" and make adjustments to their own bargaining strategies accordingly.⁶ HR managers also have similar meetings for intra-family communication.

It is worth noting that although these intra-family firms are all invested by Toyota, it does not mean that wage coordination among them is dictated by Toyota. As shown in Figure 1, my key sampling strategy is to rule out investment and ownership by selecting firms that have different relationships with F-T Motor, from the least related GS (which is only a supplier with no Toyota investment at all) to the most related T Transmission (which is totally controlled by Toyota). T Transmission's wage policies might be highly influenced by Toyota by all means (even if without the wage coordination), but it is not the case for the others. Even for someone like F-T Engine (let alone D Electronics and GS) that is also in the Toyota family, Toyota owns only half of the firm and thus cannot unilaterally determine the wages without the agreement of board members from the FAW.

⁶ Interview, November 5, 2013.

In addition to business meetings, informal communications link different families that enable out-of-family firms like GS and D Electronics to coordinate with F-T Motor. For instance, F-T Motor and the Teda district labor bureau convened an HRM club that has a broad membership of F-T Motor and dozens of its suppliers located in the district.⁷ Underlying the aforementioned, personal networks between firm presidents as well as HR managers serve as a catch-all mechanism, ensuring that every firm has the chance to be informed of the “Total Amount” and not left out of the coordination. They make phone calls, visit and talk with each other in offices, various meetings and salons, and even local Japanese clubs and restaurants.⁸

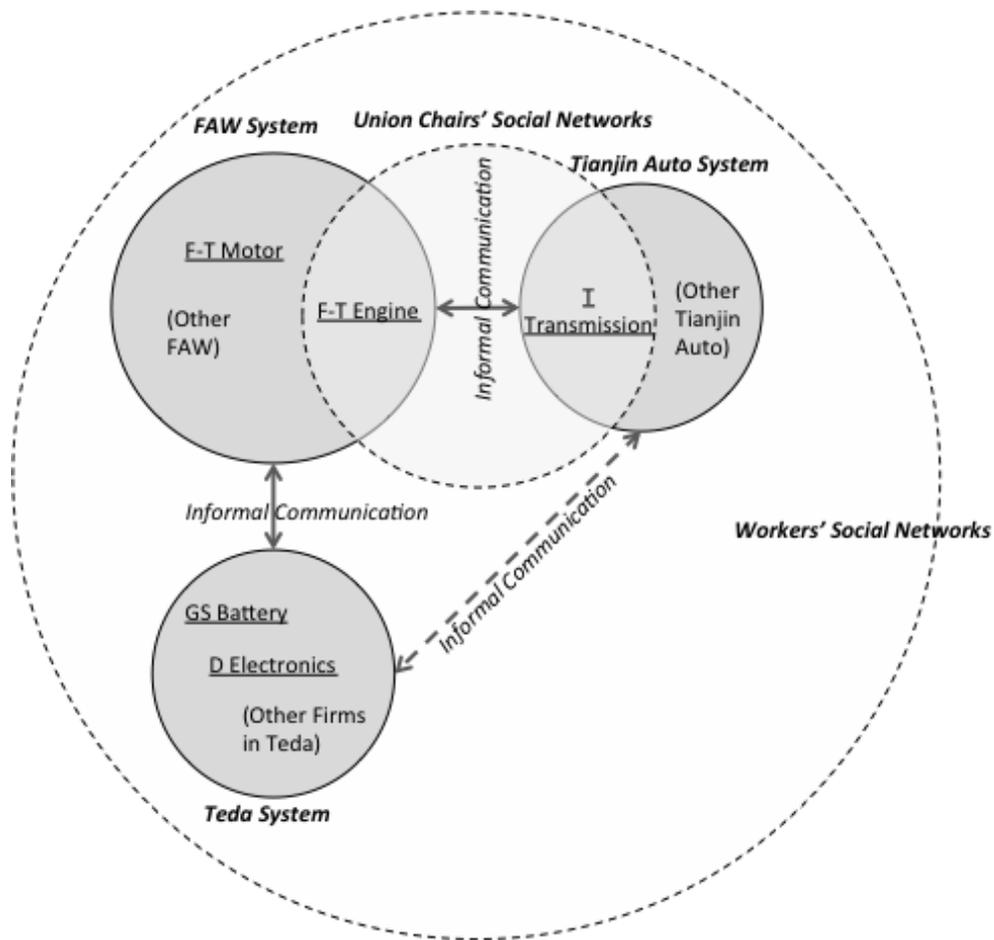
Unions’ coordination is built in a similar social network, namely with both intra-system meetings and inter-system communications (See: Figure 4). Firm unions are primarily grouped by the JVs’ Chinese investors’ party-union systems. For instance, whereas F-T Motor as an employer falls into the Toyota system, its union actually belongs to the FAW system in wage coordination. Meetings are held within each system, some of which specifically deal with collective bargaining. For instance, Chairman Zheng from F-T Engine and the TJBOHRSS convenes a FAW system’s union chair meeting every March. Union chairs from 11 local FAW-invested firms (all of which are suppliers of F-T Motor) participate in the meeting, sharing information and discussing bargaining strategies for the upcoming negotiations. Communication continues after a meeting is closed and lasts throughout the bargaining process. That way, unions can update each other concerning the progress of their bargaining and devise strategies accordingly.⁹

⁷ Interview of Zheng, October 16, 2013.

⁸ Interview of Pang, November 5, 2013; Interview of Zheng, October 16, 2013; Interview with Wang, October 15, 2013.

⁹ Interview of Chairman Zheng, F-T Engine, July 19, 2012.

Figure 4. Unions' Wage Coordination Network and Mechanisms



Official unions have constructed platforms for inter-system communications. For instance, the Teda district union has facilitated meetings of all the district's unions in Japanese firms, as a counterpart of the Teda HRM Club. Although these meetings do not specifically deal with collective bargaining issues (actually the primary concern of the local union official to establish this mechanism is to avoid strikes), they do serve as a platform where union leaders start conversation and extend the communication to after the meetings.¹⁰

Underlying all of these, there are the union chairs' personal networks, which link most of the systems and ensure an extensive coverage of communication. Chairman Wang from GS said: "We union chairs are in a pretty good relationship. Major firms like us, AX, BX (pseudonyms given by the author) etc., we at least meet every month, eating and drinking together."¹¹

In addition, the social networks of workers – based on friendship, kinship, hometown fellowship, old school ties, and/or even virtual world (online) connections – guarantee that basically all firm unions are interlinked to varying extents. My interviews with workers indicate that they get wage information of other firms in various ways – including certain online bulletin boards that people display their salary sheets – and share with unions or make demands accordingly. D Electronics' union Chair, Yan, showed me a copy of the 2008 collective contract and wage and benefit policies of F-T Motor, and told me:

"Look, this is what we got in 2008. Our workers are so capable that they got their collective contract. These are supposed to be confidential, but I do not know through what approaches they got this... This is their wage increase in 2008... Look at their benefits, they are very comprehensive, and high... So every year when we bargain we refer to them – they have this welfare, we should also have it."¹²

¹⁰ Interview of Chairman Wang, January 16, 2014.

¹¹ Interview, January 16, 2014.

¹² Interview, July 20, 2012.

Effects of wage coordination: Systematic evaluation of whose (unions' or employers') coordination is more effective is beyond the scope of this study, but a powerful indicator is drawn from comparing unions' initial demands and employers' initial offers. As listed in Table 3 about the 2013 bargaining round, while employers' initial offers were largely the same, unions had divergent demands. In other words, employers' coordination tends to be more effective in that they have a consistent bargaining strategy, whereas unions' coordination seems unable to offer them a unified agenda that can counter the lead-firm's "Total Amount" at the industry level.

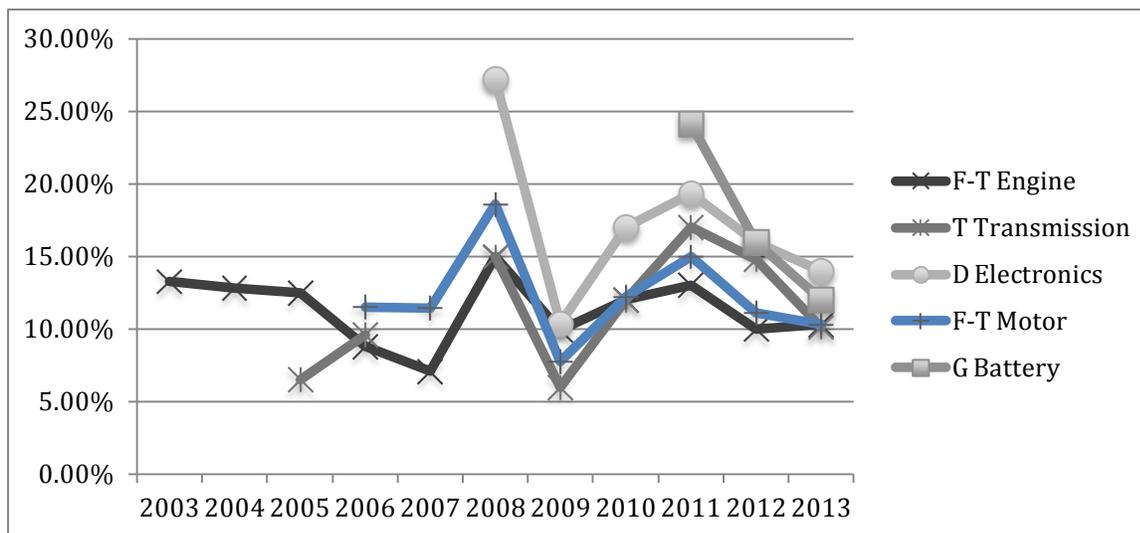
Table 3. Employers' Offers, Unions' Demands and Gains by Firms (2013)

Average Growth	F-T Motor	T Transmission	F-T Engine	Denso	GS
Union's Initial Demands	15.00%	20.00%	N/A	22.50%	N/A
Contracted Wage Growth	10.30%	10.10%	10.30%	14.00%	12.00%
Employer Offers	9.50%	10.00%	10.00%	10.00%	10.00%

(Note: Not every union had specific demands before the bargaining. Some unions adopted a strategy that they had the employers to offer first and added in more to the offer via bargaining. This is the case that the “N/A” represents.)

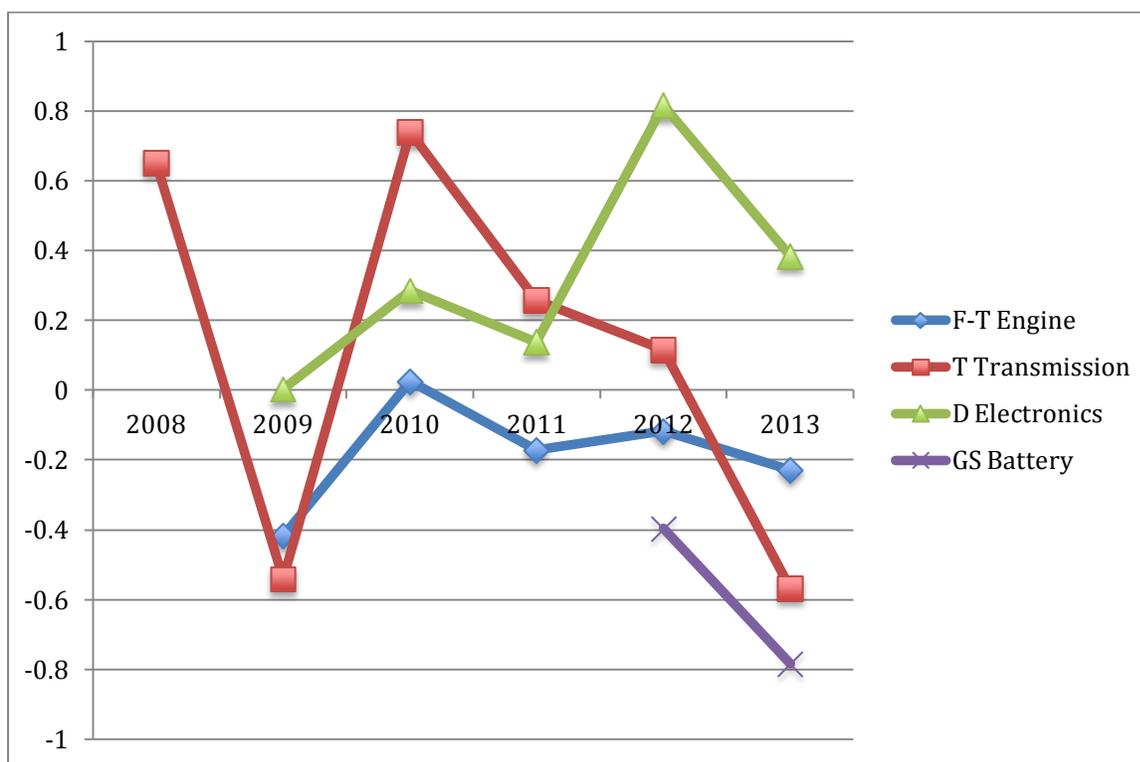
As a result of this unequal effectiveness of wage coordination, industrial wages are largely leveled, and it is always the employer of F-T Motor – as opposed to the coordinative effort of the unions – that sets the tone for the wage growth of the local value chain in a bargaining round via the “Total Amount.” There are two ways to follow the “Total Amount” as a wage constraint. If we consider nominal wages, all the firms tend to use F-T Motor as a key benchmark and not to offer better wages. Some degree of wage coordination on this is thus prevalent. For instance, nominal wages for entry-level frontline workers across all firms are largely similar nowadays (See: Table 1). Because wage structures are not comparable across firms so that a supplier cannot find, however, for every level of its workers, a benchmark in F-T Motor’s wage system, the wage growth achieved in a bargaining round has become another key indicator of the wage-level that suppliers intentionally match with the “Total Amount.” Regarding this, wage increases in these firms always followed the general trajectory of F-T Motor, as shown in Figure 5, which depicts wage growth rates achieved in bargaining in each firm across a decade. This pattern is all the more astonishing if compared with these suppliers’ very different profit growth rates in these years (See: Figure 6). Hence, clearly there is some degree of coordination across firms.

Figure 5. Contracted Wage Growth by Firms (2003-2013)



(Source: collective contracts collected during the fieldwork)

Figure 6. Profit Growth by Firms (2008-2013)



(Source: TJBOHRSS)

It is noteworthy that although suppliers by and large follow the trajectory established by F-T Motor, firms' relative positions with regard to nominal wages sometimes allow space for some bargaining. For example, both GS and D Electronics used to have a pronounced wage gap with F-T Motor. Employers in these firms were therefore willing to and indeed did offer reasonably higher wage growth than F-T Motor in some years – when unions were able to push them to do – as long as their nominal wages after adjustment did not outstrip F-T Motor. Nevertheless, as wage gaps between suppliers and F-T Motor gradually narrow, their wage growth has also been converging most recently (See: Figure 5), indicating that the space for individual firms to bargain and outstrip the “Total Amount” has also been increasingly limited.

The leveled industry wages may have further produced an effect on workers' turnover. Theoretically, wage coordination serves to stabilize a workforce at the industry level in that it evens wages across firms and hence decreases turnover. In fact, the turnover in these firms is generally low. The five firms' turnover rates are respectively reported as < 5% (F-T Motor), 10% (T Transmission), 3%-4% (F-T Engine), < 1% (D Electronics), and 0.3% (GS) (See: Table 1).¹³ T Transmission's high turnover likely lies in its relatively tough production and working conditions (according to my observation of the workshops). All other firms including GS that has 80% migrant workers,¹⁴ however, have less than 5% turnover, in contrast to the auto industry in other parts of China that is found by Zhang (2008) to have commonly adopted a high-turnover strategy. In particular, Sun Yat-sen University's International Center for Joint Labor Research (2013) had a survey on 345 workers from 11 auto companies in Guangzhou, which indicates that

¹³ The reported turnover data of GS and D Electronics do not include dispatched workers, which admittedly may somehow underestimate the situation. This, however, does not deny the fact the general turnover of the local industry is still significantly lower than many other cities. In addition, my interviews with both workers and management suggest that there is no wage difference in these five firms between dispatched workers and other entry-level frontline workers, which implies that even if turnover is higher among dispatched workers, it is due to other factors but not wages, therefore not undermining my argument here that the leveled industry wages might have an effect of reducing turnover.

¹⁴ Interview, Chairman Wang, January 16, 2014.

38.6% of the sample reported less than one year's length of work in the current firm, suggesting some astonishingly high estimate on yearly turnover of the local auto industry.

I have no intention to infer assertive casualty between the low turnover and the wage coordination, because, after all, turnover is linked to a lot of other factors. Nevertheless, there is some evidence to suggest that wage coordination and consequently leveled industrial wages have successfully decreased workers' desire to quit a job. Workers interviewed from all five firms shared the rhetoric of "in the middle" when asked to evaluate their own wages and benefits relative to the industry. This "in the middle" feeling had several variants: "similar," "not bad," "pretty good," "better than others," "better than average," "middle level," "mid-up level," "just ok," "just so so," and "largely the same." Everyone is in the middle – this can only mean that everyone is similar. Therefore this rhetoric of "in the middle" is a reflection of both the reality that wages in the industry are largely evened, and the fact that workers have by and large accepted this reality and are satisfied with their current situation because of this comparative justice.

Therefore, despite the growing labor market power of the workers as a result of the labor shortage in this area, job-hopping does not seem to be an effective strategy that workers would frequently resort to in order to increase their incomes – Workers' labor market power has hence been weakened by the wage coordination. In this way, wages are kept at a relatively low level without significant workforce instability in Tianjin's auto industry.

Informal Negotiations within Firms

Having examined the informal wage coordination across the local value chain, I in this subsection turn to informal negotiations within individual firms. The wage coordination has set

up patterns that impose wage constraints to individual firms, and therefore at times generate disagreement of workers in collective bargaining. As already suggested, despite the constraints, there is still room left for firm unions to bargain, largely due to the nominal wage gaps that exist, though gradually diminishing, between suppliers and the lead firm. As will be shown, this bargaining space is therefore where firm unions serve as a middleman to both maximize wage growth via informal bargaining, and appease discontent workers through intra-organizational bargaining. These effects occur in different degrees across firms, contingent on a union chair's personality and capacity, and probably more importantly, the workers' associational power.¹⁵

Firms' preference for informal negotiations: As depicted in Figure 2, a formal collective bargaining process typically includes procedures of election/nomination of bargaining representatives, requests of bargaining (by either party), responses (by the other party), several rounds of formal bargaining meetings, and approval by the workers' congress. Both existing studies and my own research here have found that this process is largely formalistic for reasons such as lack of worker involvement and absence of real negotiations. My findings differ from other studies, however, in that I have also revealed a hidden process underlying the formal procedures, namely informal negotiations among parties, which contain both real negotiation and substantial workers' participation by demonstrating their power in various ways.

Varying degrees of informal communication between parties probably exist in all negotiations. But in Tianjin's auto industry's collective bargaining, informal negotiations between key parties – firm unions, workers and employers – play an even more important role

¹⁵ Defined as workers' ability to associate – with or (mostly indeed) without the lead of a formal organization such as the union – and use collective actions such as strikes to influence employers' behaviors. It can be categorized as workplace bargaining power in the classic conceptualization of workers' structural power (Wright 2000; Silver 2003).

than formal ones, mainly because informality is preferred to formal procedures by both unions and employers, as it offers a space for bargaining without disturbing superficial harmony. My interview with Chairman Wang from the GS union demonstrates this points well:

“So all our [formal] meetings do not argue...because no outcome will be finalized if we argue. I designed our meetings, with no argument in any of them, but just communication...There are four meetings all together, two of which are the company’s idea expression, while the other two of which are the workers’ representatives’. The last meeting determines the plan – After the company lays out the final plan, workers agree (laughing). This agreement is achieved before the final meeting...[which is] just like a formalistic procedure, to formally announce the plan...If someone has opinions, we communicate and clarify completely. Until s/he says OK and everyone agrees, we do not go for the [final] meeting.”¹⁶

This is not unique to GS but indeed true for all the firms, as confirmed by many other interviewees. In addition, informal meetings are also welcomed by the management, as indicated by an HR manager, Zheng, from F-T Engine:

“Now both parties can understand each other better, about wage growth. This is the effect of informal communication. Before, workers used to not understand us.”¹⁷

Mechanism: A union official – usually the union chair – serves as a middleman between the employer and the workers, which is crucial to the success of informal negotiations. A union chair has both economic and political motivation to do so. Economically, as a wage earner, s/he certainly wants to maximize his/her own wage growth. Politically, a consensus being reached between workers and the employer prospectively benefits the union chair, who, as an employee, is also seeking an administrative career in the firm. As collective bargaining is probably written in a union official’s job description, successful collective bargaining is an important indicator of his/her yearly job performance. Besides, a union leader also has an interest in gaining a “strong mass basis” (being esteemed and supported by the masses) by achieving for the workers an

¹⁶ Interview, January 16, 2014.

¹⁷ Interview, October 16, 2013.

attractive collective contract. This “mass basis” was repeatedly mentioned when I asked about how the union chair was selected in a firm.

In addition, an employer usually does not have effective means other than the union to channel the workers’ opinions and grievances, which creates for the union the space to be a middleman. Interviewed workers are in general not enthusiastic about collective bargaining, and those active few who are willing to express their opinions only like to share them with the union, while other communication mechanisms like the HRM department do not seem to have their trust. An employer that wants to listen more to workers due to growing labor power and instability thus often expects the union to play a role:

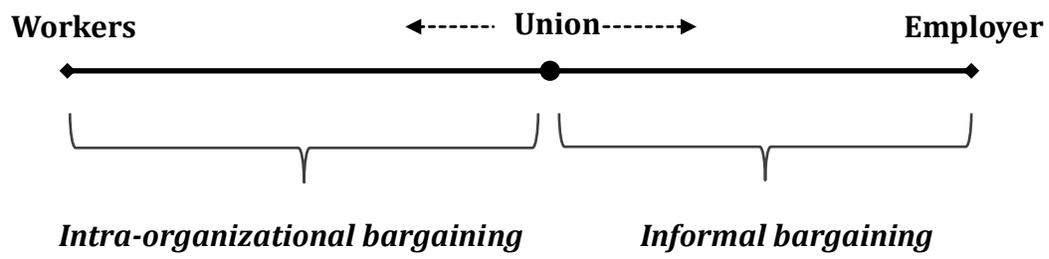
“Especially something like [wages], about Chinese conditions and something related to workers’ interests, what to do in order to meet the workers’ expectation, sometimes the Japanese do not completely know, right? So they respect the Chinese’s opinions.”¹⁸

Thus, a strategic union leader can capture some of the information flow between the employer and workers, and successfully function as a middleman in collective bargaining.

Two types of informal negotiations: Figure 7 illustrates two types of informal workplace negotiations identified in the cases. As shown, a union sits as a middleman between workers and the employer, so that its position falls on a continuum with both ends respectively as workers and the employer. The space on the right side of the continuum (between the employer and the union) is named informal bargaining here, whereas the left-sided space of the continuum (between the workers and the union) is typical intra-organizational bargaining (Walton and McKersie 1965).

¹⁸ Interview with Director Pang, November 5, 2013.

Figure 7. Informal Negotiations at the Workplace



Specifically, when the union is more willing to represent workers, i.e. when its position is closer towards the left end, a union leader tends to spend more effort in the informal bargaining with the employer, in order to maximize the total wage growth. In Chairman Wang's own words, his meetings with the employer take the form of "shooting the breeze." What is being conveyed to the employer is not only information, i.e. what the workers demand, but also pressure, namely how stubbornly the workers are demanding it, and what might happen (the potential costs) if the demand is not fulfilled.

Conversely, the more a union is allied with the employer, the more likely a union official is engaged in intra-organizational bargaining, i.e., focusing more on appeasing workers and/or reconciling interests between different worker groups regarding the distribution of the total gain. This is when a union chair feels pressure from the employer and needs to strategically extract workers' (usually the workers' representatives') consent via small meetings – "intimidation and bribery" in Wang's term.

In most cases, these two types of bargaining coexist, although with different relative space, and occur alternately throughout a bargaining process, as illustrated by Wang:

"This is the process of communication. In between each [formal] meeting, I am the middleman. Once the company offers a plan, I assemble small meetings with the four bargaining representatives. They express their opinions. However, I need to do proper communication and explanation. Then I by myself go to the central management of the company in private. I communicate with them about workers' opinions and dangers underlying these."¹⁹

Effects of informal negotiations: Informal negotiations therefore serve to on the one hand challenge the "Total Amount" and maximize wage growth, and on the other hand appease workers and facilitate successful bargaining. To what extent does each effect occur is linked to the relative space for a union to engage in the two types of informal negotiations, and therefore

¹⁹ Interview, January 16, 2014.

varies across firms. In general, a union usually has to engage in intra-organizational bargaining with workers, because of their structural subordination to the employer and thus responsibility for harmonious employment relationships. Some union leaders, however, can strategically use the employers' concern of workplace stability to gain space for informal bargaining. Especially in circumstances where workers have demonstrated their associational power, some union leaders are able to transfer the power into substantial bargaining outcomes. Here I use two bargaining cases to illustrate this variation. As shown in the cases, the union in T transmission simply appeased workers under the pressure of "Total Amount," whereas the GS's union, when faced with workers' threat to strike, seeks to both maximize the total wage growth, and adopt more strategic methods to appease workers by reconciling interests between different worker groups. I start with the case of T Transmission's 2013 bargaining round.

T Transmission is a JV founded in 1996 by Toyota (94.7%) and Tianjin Motor (5.3%) – a local state-owned motor corporation. It currently employs 929 workers, and supplies constant velocity joints, differentials, front and rear axles, and transmission shafts only for Toyota.

In the 2013 bargaining round, disagreement sprang from the rigid "Total Amount." The employer initially offered a 10% wage increase and did not want to concede more than 0.1% in the bargaining, as F-T Motor had earlier set up a "Total Amount" of 10.3%, as confirmed by Director Pang:

"The company meant to be 10%...But later we considered the union, and in order...not to let them lose face in front of workers, [we conceded 0.1%]...I remember last year we conceded 0.5%, this year even 0.5% was not possible. 0.5% is too much and would trump the assembly firm. Therefore, however they disagree, we have determined our mind that 0.1% it is...People were not satisfied, but this it is."

This irritated workers, as "they felt the 0.1% was like mocking them."²⁰

²⁰ Interview, November 5, 2013.

Workers expressed their dissatisfaction and disapproved the tentative agreement in the workers' congress – Chinese workers are legally granted with the right to ratify a tentative agreement via a firm's workers' congress before the agreement is enforced. About what exactly happened in the meeting, Chairwomen Yang recalled:

“When everyone sat together and voted by a show of hands, some people did not raise their hands. This somewhat affected the atmosphere [of the vote], and people seemed to believe it should be even higher. As a result, only slightly less than half of the workers' representatives voted.”²¹

While both the union and the management admitted that this incident did exert pressure on them, they did not find it hard to appease workers. In response to my question of why the employer did not consider conceding more after the disapproval, Pang said:

“Now that labor-capital relations are relatively stable in our company, basically we have confidence that there will not be a strike or something alike. If [labor relations were] not stable and the base is not solid, maybe we would [concede more].”²²

Faced with the hardline employer, although it seems to be a hard decision to make, the union finally decided to comply with the company and lobby the workers. A union official, Wang, complained to me:

“There is an issue here, that we must let workers understand that we will have nowhere to earn money if the company does not benefit. So we have to consider the company's operational situation... From the union's perspective, to be frank, it is not hard [to be in line with the company]. But from my personal perspective, I am stuck in a quandary, with workers on the one side and the company on the other. You cannot say we are working for the company – We do not wholeheartedly embrace either sides, but strike a balance in between, which is hard.”²³

The union thus, in collaboration with other departments, used small meetings to convince workers' representatives to agree after the workers' congress. Pang recalled:

²¹ Interview, October 15, 2013.

²² Interview, November 5, 2013

²³ Interview, October 15, 2013

“After coming back...I asked everyone [in my department]. Of course it was not like you have to raise your hand, but just ask why you disagree, what is your opinion, this kind of thing...From the company’s view, no matter how much wage growth, department directors and section chiefs have to explain to people, and win their agreements, somewhat like exerting some pressure. So ultimately we had a second congress meeting, and the contract was approved.”²⁴

In contrast, the GS’s 2011 bargaining round showed a very different scenario in that the union followed a more integrative bargaining approach (Walton and McKersie 1965), seeking to reconcile interests of the employer and workers as opposed to simply appeasing one side.

GS is a subsidiary of GS-Yuasa (Japan), the third biggest storage-battery producer in the world. As one of GS-Yuasa’s two major factories in China, GS (Tianjin) has inherited the parent company’s long-term buyer-supplier relationship with Toyota and many other Japanese car makers in China, providing various car batteries to Toyota (F-T Motor), Nissan and other auto assemblers. It currently employs 1,007 workers in its main plant in Tianjin’s Teda District.

Workers in GS had a strike in 2008. The strike was triggered by a variety of issues, the major one of which concerned static wages during the several years prior to the strike. Workers shouted a slogan of “no wage growth in the past eight years” and demanded a wage increase, among others. The wildcat strike was finally resolved with the employer’s concession, under the mediation of the local government and official union. Three years later, in GS’s 2011 bargaining round – the first bargaining after 2008 – workers again demonstrated their associational power by threatening to strike when their representatives were not satisfied with the employers’ initial offer.

Table 4 summarizes the initial offer of the employer (Plan A), the demand of the workers (Plan B) and the final contract (Plan C). As shown, the main disagreement between workers and the employer was two-fold. The first concerned the form of the wage growth, namely, if it should

²⁴ Interview, November 5, 2013

be in a fixed rate – as offered by the employer – or in a fixed amount – as demanded by the workers’ representatives. Workers’ representatives, four out of the five of whom were blue-collar workers, preferred a lump-sum wage increase for everyone, because wage growth at a fixed rate would further enlarge the existing wage gap between the blue and the white collars. Second, there was also a big gap in terms of the total amount between Plan A – 12% of wage growth that equals to 369 *yuan* for each blue collar worker and 520 *yuan* for each white collar – and Plan B – 800 *yuan* for everyone. In particular, the 800 *yuan* would trump the “Total Amount” and was therefore hard for the employer to accept.

Table 4. Employers' Offer, the Workers' Demand, and the Contract in GS's 2013 Bargaining Round

Plan A	Plan B	Plan C
<p>An umbrella <i>wage growth of 12%</i></p> <p>In all, on average, 369 <i>yuan</i> for the blue collar, and 520 <i>yuan</i> for the white collar.</p>	<p><i>A lump-sum wage increase of 800 yuan</i> for everyone</p>	<p>An increase of the <i>seniority allowance to 30 yuan/year of service</i></p> <p>In all, on average, 579 <i>yuan</i> for the blue collar, and 663 <i>yuan</i> for the white collar.</p>

Two formal meetings in all were held. The minutes of the meetings show that, in the first meeting, which took two and a half hours, both parties put forward offers and demands, and the president and the union chair called an end to the meeting before any negotiation started.

Actual negotiations immediately occurred after this meeting. One of the workers' representatives, Li who was also an activist in the 2008 strike, told Chairman Wang that they were all ready for another strike if their demands were not fulfilled. In order to bring both sides to a consensus, Wang – a capable and experience union chairman with more than 20 years' working experience in GS – has worked out Plan C. He found that the workers' Plan B was backed up by the rhetoric of “no wage growth in the past ten years,” which was apparently a variant of the “no wage growth in the past eight years” that emerged from the strike of 2008. Wang then realized that crucial to the impasse was that senior workers were not satisfied with the offer:

“ ‘No wage growth in the past eight years.’ Speakers of this slogan at least have an eight-year length of service. These workers have dedicated their youth all here, and then? When they are 30 plus now, it is very hard for them to find another job...If the enterprise cannot fulfill their lives' [needs], they can only go on strike, because they cannot quit...A junior worker with a 2-3 years' length of service does not want to strike. No need, why bother? I will just quit if I am not fine...But workers with more than ten years' experience will choose to live or die together with the enterprise.”²⁵

Inspired by this finding, Wang came up with a solution of bringing seniority back, i.e. restructuring the wage system by reactivating the seniority allowance that once played a key part but was marginalized with the introduction of the performance pay in 2003. The new plan significantly increased the seniority allowance from 11 *yuan* per year of service to 30 *yuan*. That way, a senior worker got a wage increase of more than 800 *yuan*, while a junior worker got less,

²⁵ Interview, January 16, 2014.

which averaged out to a final wage increase of 579 *yuan* for the blue collar workers, and 663 *yuan* for the white collar workers.

Both the employer and the workers accepted this plan after rounds of informal bargaining with the former and intra-organizational bargaining with the latter. On the one hand, significant wage growth (much more than Plan A) was gained for all workers. In particular, the plan satisfied senior workers who would otherwise constitute the core of strikers. Wang ascribed the concession of the employer to the workers' threat to strike, noticing that growing workers' power has necessitated the employer's listening more to the workers in wage determination:

“The management suffered pressure from both the society [value chain] and investors. But the reason that we could reach this is the strike [in 2008]. Without the strike, I am afraid the president would not dare to submit such a plan to the board...After the strike, as management, he dares to make requests in front of investors...Before, whatever you asked, investors would question why, why 20%? You had no reason. Now [he can] say, we used to have a strike, and without this [amount of wage growth] we cannot appease workers. It is all the result of the strike.”²⁶

The plan also kept the total wage growth at a reasonable level that outstripped the “Total Amount” but within an acceptable range, on the other hand. More importantly, it broke the solidarity between senior and junior workers, and a potential class conflict was renegotiated into an intra-class conflict and a strike was avoided for the employer.

As shown, the two unions took up different positions on the negotiation continuum as depicted in Figure 7; While T Transmission's union ultimately surrendered to the hardline employer and focused on intra-organizational bargaining to appease workers, the GS's union was able to use both informal bargaining to challenge the “Total Amount” and maximize the wage growth, and intra-organizational bargaining to appease workers by strategically distributing the total gain between two worker groups. This difference somehow lies in union officials' distinct

²⁶ Interview, January 16, 2014.

personality and political capacity admittedly, but is mainly due to the different space left for them to engage in informal bargaining, which is further determined by the workers' power in a firm. Specifically, GS's successful bargaining relied on the workers' associational power demonstrated by the 2008 strike which made their threat to strike during the 2011 bargaining sound real. On the contrary, although workers in T Transmission expressed their discontent via the workers' congress, which did bring some trouble to both the employer and the union, it was not seen as a major problem – the employer knew that they lack associational power and are thus easy to appease.

DISCUSSION

As shown, while formal institutional structures are not likely to result in effective collective bargaining, players – the lead firm, employers, unions and workers – exert influences on the wage determination in various alternative informal ways in Tianjin’s auto industry. At the industry level, spontaneous wage coordination amongst employers and amongst unions occurs through formal and informal social networkers, instead of an employers’ association or an industrial union. Employers’ coordination results from the “Total Amount,” which imposes wage constraints to the regional value chain by leveraging the assembler’s control over its suppliers, whereas the unions’ coordination, as a response, is less effective in that it does not provide a unified bargaining strategy that firm unions can capitalize on to counter the “Total Amount.” This finding enriches the literature by suggesting that although a decentralization approach has been adopted for the state’s institutional design in industrial relations in general and collective bargaining in particular in China (Friedman and Kuruvilla 2015), centralized arrangements, if preferable for grassroots players, can emerge in informal ways. In particular, employers may have the motivation to coordinate on wages, and if not faced with coordinative challenges from the labor side, the coordination serves as *de facto* wage constraints that maintain industrial wages at a relatively low level.

In individual workplaces, however, this wage coordination has at times generated disagreement at the bargaining table. Particularly, workers are often unsatisfied with the limited wage growth that an employer is willing to offer under the “Total Amount,” which places the firm union in a unique position to mediate between the two parties, further leading to two types of informal negotiations, namely informal bargaining with the employer, and intra-organizational bargaining with workers. Due to a firm union’s structural subordination to the employer, union

officials usually have to employ proper intra-organizational bargaining to somewhat appease workers, whereas informal bargaining against the employer does not necessarily take place in every firm's every bargaining round. If and how effectively informal bargaining happens is somehow associated with a union leader's personality and capacity – if s/he is willing and capable to strategically confront employers and challenge the “Total Amount” – but most importantly, the workers' power is determinant.

Workers – although most of whom are still ignorant of the bargaining, consistent with findings in elsewhere China (Friedman 2014) – are found in this case to demonstrate their power intentionally (associational power by threatening to strike, and institutional power²⁷ by disapproving a tentative agreement) or unintentionally (labor market power by simply quitting their jobs) to influence bargaining outcomes. It seems that more effective informal bargaining is likely to happen when workers unite and show their associational power. Workers are empowered by legal institutions and the tight labor market as well, admittedly, which may also serve as leverages in the bargaining. These are not always a major concern of the employers', however – After all, legal institutions are not effectively implemented in Chinese workplaces, and the labor market power has also been largely weakened by the wage coordination.

In any case, the said power dynamics are occurring without strikes or the state's mediation, which are regarded as preconditions for genuine collective bargaining in China in the literature (Chan & Hui 2014). In this process, a firm union takes an active role in facilitating workplace communication and bringing workers and the employers to a consent, in contrast to existing studies that found non-democratically-elected firm unions in China to be useless (Chen 2003; Taylor et al. 2003; Chan and Hui 2013). Actually, Clarke et al. (2004: 244), among others,

²⁷ Defined as “the capacity of workers to influence the behavior of an employer by invoking the formal or informal rules that structure their relationship and interactions” (Brookes 2013).

did notice that the existing collective bargaining framework can potentially cast a union in the role of a mediator between workers and the employer, while my study has revealed that strategic union leaders are doing so in an informal way and could at times gain substantial bargaining outcomes, meanwhile keeping formal bargaining procedures harmonious and formalistic.

CONCLUSIONS

In this paper I argue that informal institutions and processes result in effective negotiations and substantial outcomes, even though formal institutions (employers' associations, industrial unions, autonomous unions in workplaces, and a legal basis for strikes) are either absent or not providing favorable conditions for collective bargaining in China. I have specifically found two levels of informality in Tianjin's auto industry bargaining, namely informal wage coordination across a regional value chain and informal negotiations at the workplace, and also discussed causes, mechanisms, and effects for each level.

Although Tianjin's auto industry is an important case for us to understand the informality in China's collective bargaining, it is by no means representative. The central contribution of this study lies in that it opens an arena that traditional studies on China's collective bargaining have largely overlooked, i.e. informal institutions and processes, while future research is therefore encouraged to explore informal bargaining processes in various production and institutional settings, and identify different informal institutional arrangements in the broader sphere of China's employment relations.

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