

Faltering standardization: Conflict and labour relations in China's taxi and sanitation industries

Hao ZHANG* and Eli FRIEDMAN**

Abstract. *The marketization of municipal services in China's cities from the 1990s triggered a wave of strikes beginning in the 2000s that provided an impetus towards standardization and the re-regulation of employment conditions. On the basis of a study of the sanitation and taxi industries in the cities of Wenzhou and Guangzhou, the authors find that local governments have utilized three strategies in promoting standardization: unionization, public policy implementation and business consolidation. Although outcomes vary across the cases considered, institutionalization remains weak at best and conflicts persist. The article concludes by presenting a schema for comparing the different strategies identified in these cases and those historically institutionalized in the West.*

Keywords: *labour relations, collective bargaining, standardization, service sector, working conditions, strike, China.*

1. Introduction

The most discussed feature of Chinese labour relations in recent years has perhaps been the recurrent waves of extra-institutional conflict. Marketization in the 1990s and early 2000s created a highly fractured and conflict-ridden employment landscape in many industries (Elfstrom and Kuruvilla 2014). As in many other countries attempting to move out of middle-income status, union and government officials in China have more recently sought to move past a *laissez-faire* approach to the labour market by standardizing employment conditions.

* School of Labor and Human Resources, Renmin University of China, email: zhang-hao@ruc.edu.cn (corresponding author). ** School of Industrial and Labor Relations, Cornell University, Ithaca, NY, email: edf48@cornell.edu. This research was supported by a grant from the National Social Science Foundation of China (Grant No. 19CSH037). The authors are grateful to the "China's Cities: Divisions and Plans" project of the Cornell Center for Social Sciences.

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However, this process has been hampered by the Chinese State's fear that working class interest aggregation may produce political instability. As a result, unions face major obstacles in conducting multi-employer bargaining as a means of standardization, and most initiatives have remained confined to the firm or municipal level. Are these experiments successful in standardizing and improving employment conditions? Our research aims to assess the strategies that local governments have pursued as well as the consequences for the institutionalization of new forms of employment relations.

Our key finding is that, in the absence of centralized bargaining arrangements, local governments have employed three approaches to encourage standardization of employment conditions: unionization, public policy implementation and business consolidation. We have found that these efforts have by and large failed to standardize employment conditions, and labour conflict remains an issue. Processes of marketization have produced new institutional arrangements and interest groups that have subsequently frustrated efforts for reform – a situation we term “faltering standardization”.

Our research contributes to the literature in a number of ways. First, we provide a schema of standardization strategies and, in particular, we show how the State pursues standardization in the absence of effective collective bargaining coordination at the sectoral level. We contextualize these strategies by comparing them with standardization efforts in other national settings. Although many scholars have focused on unions' efforts towards standardization, we provide evidence that collective bargaining is not necessarily the decisive factor in standardizing employment conditions. This suggests a mode of labour relations quite distinct from that in early-industrializing countries. We also contribute empirically to academic research on Chinese and post-socialist labour issues. Although taxi and sanitation strikes have received extensive media attention in China, there has been little academic research on dynamics within these industries. Some recent scholarship has examined sanitation workers' strikes in Guangdong Province (Xu and Schmalz 2017), but the literature is inconclusive on how post-socialist States can respond to such extra-institutional labour conflicts, particularly outside the manufacturing sector. Lastly, we import and reconstruct the concept of standardization in the Chinese context, in order to account for some peculiarities of post-socialist politics.

The remainder of this article is set out as follows. In the second section, we define employment standardization and discuss its objectives, examining two traditional standardization models as points of comparison with the approaches taken in China. The third section presents our case studies of standardization initiatives in the taxi and sanitation industries of the Chinese cities of Guangzhou and Wenzhou. The fourth section discusses our findings and the concept of faltering standardization, which the fifth section considers in the light of developments since our case studies were carried out in 2013. The final section sets out our conclusions and identifies areas for future research.

2. Employment standardization

We use the term “standardization” to refer to any process in which an increasing share of a workforce in a given industry and region comes under a single set of employment conditions regarding not only wages but also fringe benefits

and other working conditions. Standardization can take place within an individual organization – for instance, when temporary workers are converted into full-time employees – but it often extends beyond single workplaces, seeking to achieve parity among workers across different employers in the same industry.

2.1. Objectives of standardization

The primary objective of standardization is to achieve compression and uniformity in employment conditions across multiple employers, particularly in order to take wages out of competition. Such arrangements can potentially benefit both workers and employers, since both may be trapped in fierce price competition in the labour and/or product market (Kochan and Katz 1988). In Western countries, labour unions generally prefer standardization to firm-by-firm arrangements, to avoid pitting workers against each other. Although employers tend to prefer to retain wage determination within their own workplaces in order to maintain control and flexibility, they may sometimes favour multi-employer wage standardization, especially when the labour market is tight, since such standardization may reduce the likelihood of strikes and contentious bargaining at the firm level (Sisson 1987).

The second objective of standardization is to establish class compromise at the societal level. This will not automatically result in the upward convergence of wages and conditions across the industry, however. That will depend on the relative bargaining power of labour. In Western countries, where standardization often centres on a well-institutionalized collective bargaining system, labour unions have historically participated in the process and strived for higher wages. But firms and States may also take these opportunities to impose wage constraints, especially during times of economic contraction (Eichengreen and Iversen 1999). In China, however, an effective collective bargaining system has not been well institutionalized (Kuruvilla and Zhang 2016). Union presence in several high-profile employer-initiated cases of regional collective bargaining was very weak and ended up heavily relying on the support of local government (Wen and Lin 2015) or merely following the employers' (often the leading firms') bargaining agenda (Zhang 2020).

Lastly, under certain circumstances, the State may promote standardization for the sake of both efficiency and equity. Both centralized (at the national level) and decentralized wage determination (in individual firms) have been shown to be favourable to promoting economic growth and reducing unemployment (Calmfors and Drifill 1988). Centralization can also generate more distributive effects, namely through more welfare expenditure (Brandl and Traxler 2005) and lower pay inequality (Wallerstein 1999).

Although it is unclear whether the Chinese Government has set out a deliberate strategy to advance economic development through the standardization of employment conditions, it is evident that responding to labour insurgency and rebuilding a class compromise in the conflict-ridden market economy have been a high priority in recent years. To judge from Western experiences, standardization may be an effective strategy for achieving these goals. As a way of illustrating the specificity of the Chinese case, we first describe two models of wage standardization, namely the European corporatist model and the

Japanese firm-led coordination model. Each of these models reflects the distinctive political economic conditions of the respective country or region in which it has developed, and embodies several important strategies for facilitating the standardization of employment conditions across multiple employers and industries.

2.2. Approaches to standardization

2.2.1. The European corporatist model

In the post-war era, Western European States were particularly quick to accept that unions and multi-employer bargaining play an important role in realizing wage standardization and industrial peace and in advancing a Keynesian economic model. This model was based on corporatist state governance, where centralized labour unions served to coordinate interests across labour groups and negotiate settlements with employer associations representing the interests of capital at the sectoral or national level (Schmitter 1974).

Under these arrangements, unions played a decisive role in representing labour. In the United Kingdom of Great Britain and Northern Ireland, local standardization efforts started prior to the Second World War, long before centralized wage coordination was institutionalized (Sisson 1987). Although labour unions did not lead many of these efforts at their outset, unions were found to take part in enforcing and further centralizing the “common rules” negotiated between trades and employers, extending their application to entire districts and even to the national level (Webb and Webb 1897, 178).

In the United Kingdom and beyond, decentralization of bargaining structures started in the late 1980s (Katz 1993). In an era of union decline, the preservation of multi-employer bargaining structures has hinged on the capacities of employer associations (Traxler 2010). Governments have also played an important role, either by directly pressuring employers into centralized bargaining (Sisson 1987, 81–90) or by enshrining in law centralized collective bargaining structures and the mandatory extension of collective bargaining agreements to an entire industry or country (Traxler 1998).

2.2.2. The Japanese firm-led coordination model

In comparison with Western Europe, in the post-war era East Asian countries generally had strong governments and relatively weak civil society. Accordingly, the European corporatist model with centralized union bargaining has not been widely institutionalized in these countries. Instead, wage standardization efforts have involved informal processes and coordination. In Japan, collective bargaining was historically instituted at the firm level, but the bargaining process has been widely coordinated at the industry or inter-industry level (Sako 1997).

This coordination process is led by large firms – as opposed to industrial unions or employer associations – through hierarchical leadership. During the “spring wage offensive” (*shunto*) season every year,¹ large firms’ collective bargaining agreements (especially in metalworking industries) become de facto

¹ Referring to annual wage negotiations between enterprises and unions in Japan.

wage guidelines against which smaller firms benchmark (Weathers 2003). This pattern-setting approach was also found in key sectors of the US economy until the mid-1980s (Kochan and Katz 1988). In Japan, however, it has a much wider scope and influences wage-setting both within and across industries, sometimes including even the public and non-union sectors (Sako 1997).

This coordination model led by large firms provided favourable conditions for Japan's macroeconomic performance in the post-war era because it imposed wage restraints without raising resistance from low-wage workers (Sakamoto 2004). In recent decades, however, this model has faced major challenges. With the continuous expansion of non-standard employment, it has become increasingly difficult for the union wage patterns of large firms to be diffused to that precarious workforce, which is very often female-dominated and non-unionized (Suzuki 2010), rendering this coordinative standardization model ineffective.

2.3. Regional sectoral collective bargaining in China

In China, the entire wage determination system is still highly decentralized (Friedman and Kuruvilla 2015) and we do not aim to identify a national model in this article. Scholarship on China's labour relations is characterized by a notable dilemma: influenced by research from liberal democracies, scholars have mainly focused on standardization experiments conducted by official unions, such as regional sectoral collective bargaining (Liu 2010; Pringle 2011; Friedman 2014a; Wen and Lin 2015; Lee, Brown and Wen 2016). But this collective-bargaining-centric approach to local wage standardization has faced major obstacles in China. The State has consistently viewed independent unions as an existential threat and employers have been highly successful in controlling firm-level unions (Chen 2003). Chinese unions are supposed to play an administrative function in attempting to enforce the wishes of the State in the workplace. As a result, most collective bargaining in China has been rendered ineffective and enforcement failures are prevalent within regional sectoral bargaining (Kuruvilla and Zhang 2016).

Given the State's reluctance to wholeheartedly embrace a collective-bargaining-centric approach, regional sectoral bargaining following the European model of interest representation is unlikely ever to constitute the bulk of wage standardization efforts in China. We expect to see "Japanese-style" firm-led standardization efforts here and there (see, for example, Zhang 2020), but they are unlikely to be successful in the absence of effective employer networks and institutionalized collective bargaining in the corresponding firms. This article moves beyond the focus on sectoral bargaining through a grounded approach to examining how the Chinese State standardizes employment conditions and addresses industrial conflict.

3. Studying municipal services in Guangzhou and Wenzhou

By "municipal services" we refer to the infrastructural services that facilitate movement of people, goods and information through urban spaces. There are a number of good reasons, besides their absence from the literature, to investigate

sanitation and taxi services. Given the particular economic geography of these services, we might reasonably expect that any tendencies towards standardization would be more fully developed here than in other service industries, such as inter-regional transport, or in the manufacturing and natural resource extraction sectors. Taxi and sanitation services are by their very nature confined to a small geographic area. And given that city streets are necessarily “consumed” socially, it is nearly impossible to subject these services to an effective market-based form of accounting. As the State will always be involved in regulating the use of urban space, there is greater immediate potential for standardization than in other services or in manufacturing. Furthermore, any disruption in such services could have an immediate knock-on effect for a host of other industries – a prospect that gives the State additional incentives to stabilize labour relations. Lastly, even when privatized, these municipal services are place-specific, thereby nullifying the threat of capital flight.

This article is based on 129 semi-structured interviews conducted in 2013 with taxi drivers, sanitation workers, managers, union and local government officials, and workers in non-governmental organizations in Guangzhou and Wenzhou – two large, wealthy and market-oriented Chinese cities that have pursued distinct standardization strategies.² The interviews were conducted and recorded in taxis, on the street and in people’s homes. We have supplemented this primary data with official documents and media reports, which were important in verifying information and piecing together the historical trajectories of these industries. Media and internet sources were particularly important for our research on the taxi industry in Guangzhou. In this regard, owing to their relevance to the outcome of strategies implemented during the period of study, we mention online reports and analyses of various events and developments that took place after our fieldwork had concluded. With these exceptions, our four case studies are based on developments that had taken place in these industries by 2013.

3.1. Public policy and unionization in Guangzhou

Over the three decades prior to our study, the city of Guangzhou – located in Guangdong Province’s Pearl River Delta, ground zero for China’s economic reform – had pursued a model of development that was highly reliant on low-cost, labour-intensive industry. In response to exceptionally high levels of worker unrest (Chan 2010; Elfstrom and Kuruvilla 2014), unions in Guangzhou, including industry-level unions, have been proactive in initiating labour-protective programmes (Friedman 2014a). Although industry-level unions are not geared towards collective bargaining, they have been able to leverage their “soft power” within the one-party-state system to facilitate the promulgation of relatively pro-labour public policies. So, although Guangzhou is widely known for its harsh working conditions and high levels of worker unrest, since the mid-2000s it has also developed a reputation for being at the forefront of experimentation in labour relations.

² The section on sanitation in Guangzhou also draws on a small number of interviews conducted from 2008 to 2009.

3.1.1. Guangzhou taxi services and public policy responses to instability

As has traditionally been the case throughout China, the Guangzhou Bureau of Transportation issues a limited number of licences to taxi companies. As of 2008, the 71 companies in the city (*Guangzhou Ribao* 2008) were a mixture of private and state-owned firms. Two state-owned firms (Jiaotong and Guangjun) and one majority-private firm (Baiyun) dominated, and the rest of the market was divided among a number of smaller firms. The dominant firms were of great importance in setting informal standards in the industry in a way that was simply not possible in the much more decentralized system in Wenzhou. The city counted approximately 35,000 taxi drivers in 2008 (*Renmin Wang* 2008a) and some 18,000 cars by 2011, most cars being shared by two people (*Yangcheng Wanbao* 2011).

Before 2006, 70 per cent of Guangzhou's drivers owned their own vehicles (*Nanfang Dushi Bao* 2006). But in March of that year the Bureau of Transportation announced that all individually owned taxis would be decommissioned within three years and that, henceforth, companies would purchase the cars and drivers would pay the companies a more substantial monthly fee. The purported aim of the reform was to reduce market risk for drivers and to ensure they had access to health insurance and pensions.

The implementation of this subcontracting system engendered widespread dissatisfaction. Drivers found that their income dropped dramatically, and they continued to be vexed by the seeming arbitrariness of the fees imposed by companies, increased fuel expenses and the local government's failure to keep unlicensed cabs off the road. A strike called for 15 November 2008 was averted after the authorities caught wind of it and issued drivers a one-time 1,500 Chinese yuan subsidy. But the drivers were unimpressed and put out a call for collective "tea drinking" on 1 December 2008. Although the ensuing strike was short in duration, it caused major disruption and the drivers' dissatisfaction was made plain. In response, the local government ordered an 800 yuan reduction in monthly fees and the elimination of "random" fines and parking fees.

Over the next few years, the government worked towards eliminating the subcontracting relationship and implementing a system of regular employment. In early 2013, the two largest taxi companies in the city announced that they were implementing this system. The stated intention was similar to that of the 2006 reforms: to ensure that drivers had a stable salary, health insurance and a pension and that they enjoyed at least four days of rest per month. Given that the reforms were being promoted by the largest companies in the industry, "Japanese-style" firm-led standardization seemed possible. Under this system, drivers were to receive 1,600 yuan in base wages and a 200 yuan bonus for reaching their quota. For each shift, they were required to pay 370 yuan to the company, anything beyond which they were allowed to keep. The taxi companies assumed responsibility for the purchase and maintenance of vehicles and for paying for fuel and insurance. By May 2013, 6,000 drivers from the Baiyun and Jiaotong corporations had reportedly signed labour contracts (*Zhongguo Guangbo Wang* 2013).

But by the autumn of 2013 the move to treat drivers as regular employees had not improved the situation. One driver complained, “Driving isn’t worth it anymore, you can’t earn anything ... They want 10,000 each month, and we can only earn 4,000 ... our wages aren’t enough to eat on” (November 2013 interview).³ Drivers reported wages of 3,000–5,000 yuan, a marked decline from their pre-2006 levels. Although drivers confirmed that the 800 yuan reduction in monthly fees was implemented after the 2008 strike, most said that the benefit had long since been erased by new fees.

It appeared that the government had again failed to address drivers’ basic concerns. A document that was widely circulated on an online forum listed a variety of grievances, including allegations that drivers were frequently asked to sign blank contracts that the company would subsequently revise. What is more, there were reports that companies had forced drivers to sign a statement saying that they received wages, when they had in fact received no such payments (December 2013 interview). Although drivers were supposed to be regular employees, they complained that they frequently had to pay companies one-time bribes – euphemistically referred to as “tea fees” – of more than 5,000 yuan in order to secure access to a car. And many reported that the companies were still not making the legally required social insurance payments.

Meanwhile, the trade union had done little to provide workers with alternative mechanisms for addressing their mounting grievances. This inaction certainly did not come from an inability to recognize the problem. In November 2008, the All-China Federation of Trade Unions (ACFTU) noted that “Taxi drivers lack a reasonable and easy grievance mechanism thereby resulting in a series of various kinds of mass incidents” (*Renmin Wang* 2008b). In April 2011, the Chairperson of the Guangzhou Federation of Trade Unions (GZFTU) promised that a sectoral union for taxi drivers would be established within three years (*Guangdong Xinwen Wang* 2011). But by late 2013 there was still no evidence of progress in this regard.

The superficial stability in the industry was once again shattered when drivers went on strike in October 2014. A widely circulated call to strike spelled out the problems in no uncertain terms: “Since 2007, the government has increased the number of vehicles, leading to an obvious decline in drivers’ income. With rapid inflation, we can’t meet even our basic daily needs, even though we spend all day rushing around, stressed and exhausted.” The strikers demanded an increase in the initial charge and the idle rate, an increase in fuel subsidies and stricter policies towards unlicensed taxis. It is clear that, at least by 2014, the public policy efforts to standardize and improve employment conditions in the taxi industry had not been successful.

3.1.2. Unionization in sanitation

Until the early 2000s, sanitation workers in Guangzhou were part of the state-allocated employment system (*bianzhi*) and were de facto public employees. Although they did not have particularly high wages, their jobs were secure

³ Throughout the article, the translations of quotations from Chinese are provided by the authors.

and their benefits were relatively generous. Employment standards were more or less unified throughout the city under the direct management of the local government.

However, following China's accession to the World Trade Organization (WTO) in 2001, the Guangzhou authorities allowed neighbourhoods to take bids on sanitation work, and street cleaning was thus subcontracted throughout most of the city. In contrast to the situation in Wenzhou, where one company was the primary subcontractor, by 2008 the industry in Guangzhou had become deeply fractured, with approximately 700 companies in operation (*Da Yang Wang* 2013). Some streets did not subcontract their sanitation and their workers maintained relatively good benefits compared with their outsourced colleagues. The geography of employment thus became incredibly complex, some companies consisting of only a handful of workers cleaning just a few streets.

Subcontracting was intended to produce efficiencies, and subcontractors predictably accomplished this by reducing compensation and increasing workloads. However, this led to a series of conflicts and to workers petitioning the government. In an interview in 2013, the chairperson of the sanitation union revealed that the move to subcontracting had increased government spending while making management more difficult owing to the influx of worker petitions.

A major strike by sanitation workers in Baiyun District in 2008 focused the attention of the government, and the GZFTU began to establish what would eventually become a city-wide sectoral union. The union was tasked with establishing unified standards for all sanitation workers in the city, regardless of the employer. With 42,000 workers (*Zhengquan Shibao* 2013) and a large number of employers, this was no small task, but the GZFTU put this project at the top of its agenda. Instead of using grassroots mobilization, the union relied on its administrative power as a semi-governmental organization to leverage local employers. In September 2010, the union claimed that it had successfully unionized all the 12 districts and achieved a union density of "basically 100 per cent" in the city (December 2013 interview).

At the outset of the unionization process in 2008, the Chairperson of the GZFTU stated publicly that "the sanitation industry has a real possibility of bringing about a major breakthrough in the system of collective wage negotiation" (*Nanfang Ribao* 2008). As it turned out, the union did not pursue collective bargaining, but instead worked closely with the employer association to press the government to increase its daily subsidy to sanitation workers from 4 to 20 yuan. However, after resistance from the local Bureau of Human Resources and Social Security, this plan was abandoned.

Following a period of small-scale strikes from 2010 to 2012, the union started another campaign to establish special minimum wage standards for sanitation workers, setting the minimum wage 30 per cent above local minimum wages. In the light of the recurrent labour unrest, the local People's Congress eventually approved a more modest 10 per cent premium in 2012. Although this achievement was widely reported by the mass media, the municipal government never issued official orders to implement the premium. According to the chairperson of the sanitation union, the result was that the decision was ignored and many districts never enforced it (December 2013 interview). Despite union efforts, four

years after the initial push to standardize employment conditions for sanitation workers, little had changed.

After years of sporadic conflict in the industry, there was a significant upsurge in militancy among sanitation workers from late 2012 to early 2013. Hundreds of workers went on strike in nearly every urban district. Although demands were not unified across the strikes, primary grievances included low wages, poor benefits and even the subcontracting system itself (Friedman 2014b, 120). In direct response to this wave of strikes, the local government issued the “Opinion on Standardizing Employment in Guangzhou’s Sanitation Industry” (No. 2013-20) in April 2013. This document codified many of the union’s long-term demands and subscribed to guiding principles of “normalization, unification of standards and strengthened management”. Interestingly, the Opinion required that sanitation workers’ wages be no lower than 110 per cent of the minimum wage. In fact, the document was not so different from a typical collective bargaining agreement, containing rather detailed stipulations regarding the payment of social insurance, housing funds, overtime and vacations, various job-related subsidies, and tying wage increases to the cost of living. The Opinion ended with a detailed account of the constituent parts of workers’ total compensation, which was calculated as 3,826.46 yuan per month. Shortly after this, the government announced that sanitation workers’ income would increase by 40 per cent to an average of 3,033 yuan after deduction of social insurance contributions. It promised to spend an additional 1.05 billion yuan in 2013–14 to support this wage increase (*Zhengquan Shibao* 2013). Although the trade union was not the public face of this effort, its work in previous years had clearly laid the groundwork for the government’s Opinion.

Interviews with sanitation workers in November 2013 revealed that the local government’s plan did in fact result in a degree of standardization. Workers from numerous districts and a variety of companies reported that their base wages were 1,705 yuan, or precisely 110 per cent of the minimum wage. Nonetheless, implementation was uneven: “Originally, we were supposed to get a raise in May. But the boss didn’t give it to us. He said that we signed a contract for 1,300 [per month] ... so he refused to give us the raise” (November 2013 interview). We also found major differences in worker benefits, particularly between subcontracted employees and those directly employed by the city. When asked if she would rather work for a private company or for the government, one worker in Yuexiu District said, “The government, of course. At least the government will give us what it can. Will private companies do as much? Of course the benefits [are different], but they won’t even give us regular raises” (November 2013 interview). Another worker in a “village-in-the-city” (*chengzhongcun*)⁴ spoke enviously about the conditions of municipal workers on the large avenue just out of her street: “We are managed by the village. The avenues have better

⁴ An increasingly common phenomenon in China as sprawling cities encroach on once-separate rural villages on their outskirts. Under the *hukou* household registration system, while the surrounding agricultural lands are subject to compulsory purchase by the municipal government, villagers are allowed to remain on the residential rural land. These areas retain certain autonomy from the municipal government with regard to municipal services. This creates islands of cheaper but unregulated housing within cities, to which low-income and transient sectors of the population gravitate.

benefits ... actually, their wages are much better than ours" (November 2013 interview). It was clear that, particularly when it came to benefits, the Opinion was not being well implemented.

But even if the Opinion achieved a degree of standardization in base wages, the bigger problem was that the local government failed to improve workers' material conditions in any significant way. To begin with, its claim that workers would make an average of 3,033 yuan a month was not realized. We did not speak to a single worker who earned 3,000 yuan; most reported wages of 2,000–2,700 yuan, including overtime. Of greater concern was that management had found ways to pass the increased costs on to workers. As one worker said, "the wage increase was fake ... they increased [wages] by 400, but everything else was cut: holiday bonuses, transportation subsidies, all these benefits were cut" (November 2013 interview). Another worker reported that they had received a wage hike but that management had then cancelled their overtime. And reports of increased workloads were widespread. Six months after the new policy was introduced, one worker said, "Before they would have two people clean this section of road; now they have one person do two shifts" (November 2013 interview).

It appears that the local government had not provided its subcontractors with sufficient funds to make up the difference for the increased wages. In December 2013, the chairperson of the sanitation union was gloomy about the industry's prospects:

When [the government] subcontracts, they don't give you [enough] money ... In July [2013] we did an investigation. And the companies were saying, "Come on, we're having a hard time here! Wages increased, and we're running at a loss, we can't give more to the employees and the government hasn't given us anything." ... Within the city the money hasn't really arrived, companies are running at a loss. (December 2013 interview)

But, without any power independent of the government, there was little the union could do to ensure implementation.

3.2. Consolidation in Wenzhou

Located in the wealthy Zhejiang Province, Wenzhou has an economy characterized by local entrepreneurship and highly developed private firm networks (Chen 2008). Such dense local networks have nourished several regional multi-employer wage coordination initiatives, including well-known cases in the Wenzhou knitwear industry (Wen and Lin 2015) in the neighbouring city of Taizhou, and in the Rui'an glasses industry (Friedman 2014a). In these cases and others, local employers have attempted to set wage standards to overcome various sources of conflict in the industry, including labour disputes, job-hopping and the pilfering of workers. In contrast to the relatively proactive local employers, the official union in Wenzhou has been less visible in devising labour-protective agendas than its Guangzhou counterpart.

3.2.1. Wenzhou taxi services

The taxi industry in Wenzhou is characterized by an extremely decentralized structure, in which individuals have permanent ownership of the operating permit (licence plate). This contrasts with the situation in most other cities in China,

including Guangzhou, where state-approved taxi companies monopolize the licence plates. As early as the late 1980s, the local government tacitly approved private ownership of plates, but it then started limiting the supply in 1990. In 1998, private ownership of existing plates was made official and permanent via one-off payments of 30,000 yuan. Owing to restrictions on issuing new plates, the secondary market price had increased to as much as 400,000 yuan at that time. Until 2010, the total number of taxis in Wenzhou remained stable at 3,329 (You et al. 2009). The price of plates also increased dramatically, to a peak of 1,470,000 yuan in 2005. In addition, Wenzhou's reform process resulted in the emergence of subcontractors and by 2013 only about 10 per cent of plate owners were driving their own taxis. Most plate owners hired drivers and collected rents, and more than half had contracted out their taxis to subcontractors (You et al. 2009). These subcontractors managed taxis, hired drivers and provided vehicle maintenance.

Conflict in the Wenzhou taxi industry arose from three points of tension. First, multiple tiers of subcontracting and the ballooning licence plate prices had led to increased exploitation of taxi drivers. Although Wenzhou drivers earned much less than their counterparts in Guangzhou, they paid largely similar monthly fees: 300–350 yuan per taxi per day. Drivers were left with significantly less income because profits were distributed among the subcontractors and the owners. But the licence plate owners themselves often felt desperate to recoup their (often very substantial) investments. An owner we interviewed talked about the relationship between licence plate speculation and high rents for the drivers: “[People say] us owners exploit drivers, but they do not realize how much of an investment we have made and at how much risk ... They say we only collect rents. Why can't we collect some damn rent after investing so much?” (July 2013 interview).

Second, individual owners had resisted the government's interventions in the market and opposed the issuing of any new plates. The total number of taxis had remained unchanged over the decade to 2009, when the local government launched the “168 Project” reform. Although the official announcement vaguely claimed that the reform sought to restructure the industry to improve its capacity and service quality,⁵ it was apparent that it was a response to a massive strike that year. It included an initiative to consolidate the industry by merging the existing 42 taxi-managing companies into 12 and gradually issuing licence plates to these companies. The first batch of 350 plates were leased to the companies at 15,000 yuan a year for five years, obviously undercutting existing owners. Over 400 self-organized owners petitioned the local government in 2010 against the reform, and they shut down the Bureau of Transportation for three days. Although the initial 350 licence plates were still issued, no new plates had been issued by 2013.

The third source of conflict was the arbitrary imposition of fees. In a consolidated taxi industry, the fees paid to the managing company are relatively predictable. But under Wenzhou's highly decentralized system there was no

⁵ Wenzhou Taxi Management 168 Project (Draft for Comments), October 2014, http://www.66wz.com/att/0/00/96/37/963776_221616.doc.

formal coordination mechanism for determining such fees, which led to unequal costs for driving taxis in the city. In general, company taxi fees were relatively stable, whereas a subcontractor would adjust fees in response to market conditions. One worker said, "The fees are now 130 yuan [per shift] when they should be 150, but the company has not increased them. The company is better – there is no way to prevent a subcontractor from increasing fees" (August 2013 interview).

Dissatisfaction with high fees, unlicensed taxis and low and decreasing nominal incomes finally resulted in drivers taking to the streets in July 2009. During the strike, thousands of drivers parked their cars in a few spots around the city and refused to take any customers. Picket lines were set up on the streets to stop those who were still working and dozens of taxis were vandalized. The strike only ended when the authorities agreed to a small increase in meter prices.

From then on, drivers began to use strikes (or threats of strikes) on a regular basis to demand price increases. In 2012, for instance, drivers threatened via social media to go on strike on 1 September. The local government and taxi companies immediately issued a notice calling on them not to strike and promising to adjust the meter price, thus averting the planned strike. Likewise, small-scale strikes happened or were planned in 2011 and 2012. With these actions as a backdrop, the local government announced a future price increase in 2013. It was widely advertised in the media as early as February but was not implemented until July. Drivers ascribed this delay to the fact that they did not go on strike that year (July 2013 interview).

In summary, in response to strike action the government in Wenzhou not only increased the meter price but also pursued a modest re-regulation of the industry. The 168 Project of 2009 sought to consolidate the industry but it was quashed in its initial stage by fierce resistance from taxi owners. Thereafter, the government turned to a public policy approach and imposed certain constraints on fees (per shift per day). Whereas licence plate owners could increase the fees at will before 2009, the government regulation imposed caps of 140 yuan on the fees for cars that were less than one year old, 130 yuan for cars one to three years old and 120 yuan for cars over three years old. This regulation appeared to be poorly enforced, however, since most drivers reported paying higher fees than this, averaging 150–180 yuan per shift. This failure of enforcement probably lies in the highly decentralized industrial structure in Wenzhou, which makes it difficult for the local government to monitor the situation or intervene. Neither the official union nor the local Labour Bureau took any initiative to deal with the taxi drivers' conflict.

3.2.2. Wenzhou sanitation

The structure of employment and the process of subcontracting in Wenzhou's sanitation industry were remarkably different from Guangzhou's experience. By 2013, Wenzhou had both state-employed cleaners working on small streets, and a subcontracting company cleaning the major avenues. The main difference from Guangzhou was that the city's industrial structure was relatively consolidated. There were two primary reasons for this. First, the city was smaller than Guangzhou. At the time of our study, Guangzhou had 12 districts, with at least

six constituting the main city area, whereas Wenzhou had only three districts, of which Lucheng District (where we conducted our fieldwork) covered the majority of the urban core.

Second, and more importantly, Wenzhou did not apply “shock therapy” in privatizing the industry as in Guangzhou, where the subcontracting system was established very quickly. Whereas hundreds of companies were eligible for public bidding in Guangzhou, the Wenzhou government established guidelines that limited bidding to only a few companies (*Xiandai Jinbao* 2012). This process of subcontracting was introduced, somewhat counter-intuitively, in order to consolidate the previously very decentralized industry, in which individual neighbourhoods were responsible for their own sanitation. As a result, Huanghe – the biggest sanitation company in Zhejiang Province, with over 3,000 employees (*Wenzhou Ribao* 2012) – was the only subcontractor that had been used in the central Lucheng District. To begin with, the district authorities experimented with subcontracting in the Nanhui neighbourhood, where several main avenues were subcontracted to Huanghe. It was not until 2012 that the reform was extended to the whole district. By 2013, about 5,000 sanitation workers were employed in Lucheng District (*Wenzhou Ribao* 2013), of whom over 1,000 were employed by Huanghe. The remainder of the workforce was employed by eight different neighbourhood committees. Accordingly, sanitation in Wenzhou was clearly much more consolidated than in Guangzhou, largely as a result of the remarkably different process of subcontracting.

Despite the relatively more standardized employment system, the industry experienced some conflict, albeit on a much smaller scale than in Guangzhou. Both government-employed and subcontracted workers in Wenzhou earned the minimum wage. The problem was that private companies tended to skimp on benefits. Given the industrial geography of sanitation services in Wenzhou, where big avenues were subcontracted and small connecting streets were government run, the two types of workers had plenty of opportunities to communicate. Workers all confirmed that company benefits were significantly worse than those for government-employed workers. Ms Yang, 62 years old, worked for Huanghe, while her husband worked for the Wuma neighbourhood. The couple earned equal pay but their benefits were very different. The neighbourhood provided free housing, or a subsidy of 100 yuan instead. “In the last Dragon Boat Festival, the neighbourhood gave my husband 2.5 kg of sugar, 2.5 kg of liquor, laundry powder, dishwashing detergent, soap, towels, toothbrushes and toothpaste, plus over 5 kg of rice ... We got ten sticky rice dumplings and ten salted duck eggs – that’s it. They got more than us” (August 2013 interview).

During the Spring Festival in 2011, over 30 Huanghe workers went on strike because of these unequal benefits. If the regular pay day fell during the holiday, workers usually expected wages to be issued beforehand. However, in 2011 the company decided to pay them *after* the holiday, causing a ten-day delay in payment. Furthermore, workers heard about the neighbourhoods’ holiday benefits and asked the company if they could have something too, but their request was denied. The following day, workers did the morning cleaning but then assembled in front of the city government’s gates. The two-hour strike ended after a mixture of persuasion and threats was administered by the company manage-

ment. The workers gave up and went back to work without obtaining any promises from the company. Eventually, however, the company “gave some benefits, some rice and liquor” that were “still less than in the neighbourhoods” (August 2013 interview).

Aside from one other small-scale strike the following year, the sanitation industry in Wenzhou was much more stable than in Guangzhou, even though cleaners' wages and working conditions were generally lower. The subcontracting processes in Wenzhou did result in a degree of standardization and consolidation in the industry, since more workers came to be employed by Huanghe. This spared the government the numerous policy shifts and union efforts required in Guangzhou.

4. Faltering standardization

In the 1990s, China's labour market underwent dramatic reforms, and municipal services were no exception. Although reform produced uneven results, it was clearly linked to worsening labour conditions and an increase in conflict – the one possible exception being in Wenzhou's sanitation services, where subcontracting enhanced standardization. The question, then, is: what sort of possibilities existed for standardization, and what are the implications for understanding standardization in an international context?

It is worth noting that contemporary China has shown a general tendency towards local standard-setting similar to that historically observed in the West and in Japan. However, whereas unions in Western countries utilized centralized mechanisms of wage coordination, the standardization processes we have observed in China's sanitation and taxi industries were initiated by local government, aiming to reduce labour conflict without empowering collective labour. One reason for this, in sharp contrast to standardization processes in those other national settings, is that the State is largely unwilling to allow either labour or capital to associate and select bargaining representatives. This is fundamentally different from the European corporatist model and the Japanese coordination model, which are built on extensive class compromises, although the formal bargaining agreements are instituted at different levels in different countries.

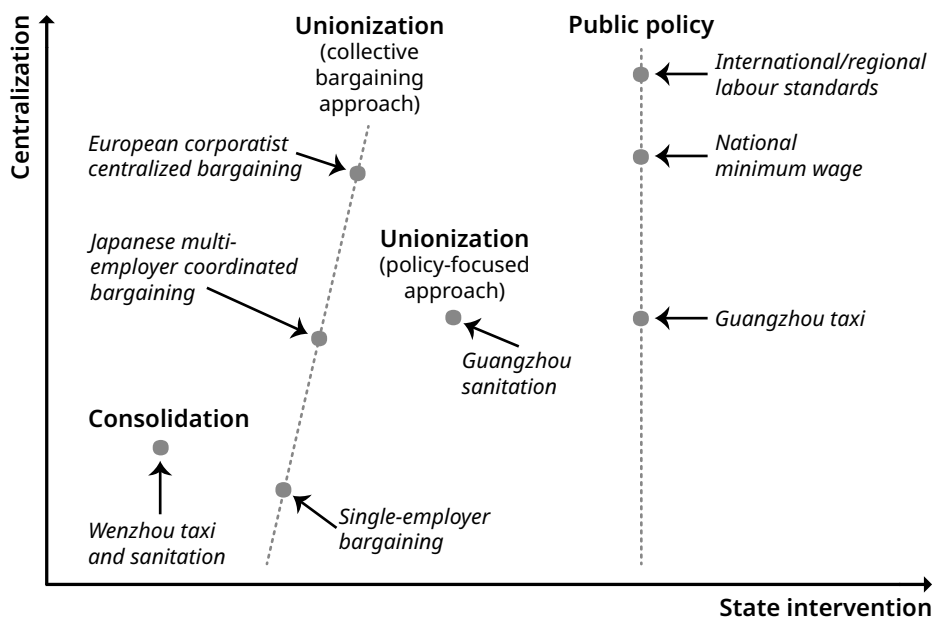
The incoherent standardization efforts of local governments in China have, at best, led to only partial success. In the absence of genuine collective bargaining, workers have no institutionalized voice in setting standards. In contrast, new political interest groups have emerged during the process of market reform and have, to some degree, frustrated implementation. An important implication for policymakers is that the State's efforts towards employment standardization do not necessarily result in consistent and fair labour standards. Without the active participation of the working class, standardization can lead to downward – instead of upward – convergence of working conditions across an industry (as in Wenzhou's sanitation services). “Faltering standardization” refers to these partial, vacillating and poorly institutionalized tendencies in setting common employment standards in particular localities.

Although this is the general trend, the ways that local governments have pursued standardization have varied significantly. In this light, as illustrated

in figure 1, we have developed a schema of standardization strategies that is structured along two dimensions: the level of state intervention and the level of centralization. “State intervention” denotes the level of state involvement and the use of non-market approaches to standardizing employment conditions. The public-policy-based strategies that we have identified entail higher degrees of state intervention than does the collective bargaining approach, because the latter represents a form of private labour–capital governance, in which the State often provides only a legal framework. However, a union may at times take a policy-focused approach and seek to exert influence on the State’s labour policies through tripartite or other representative mechanisms (as we found in Guangzhou’s sanitation industry). In such cases the level of state intervention lies between the public policy and collective bargaining approaches. Lastly, the consolidation approach represents the lowest level of state intervention (as we found in the Wenzhou case studies), because this kind of strategy standardizes employment conditions by minimizing the number of employers without interfering in how the conditions are actually determined.

In the field of industrial relations, the concept of centralization relates to the geographic scope of a collective bargaining agreement (Kochan and Katz 1988) – from the most centralized national bargaining, to various forms of multi-employer bargaining at the regional and/or industry levels, to single-employer bargaining based in individual firms or workplaces. Relatively centralized bargaining often involves more state intervention – a tripartite system, state coordination between labour and capital, or mandatory extended coverage of a bargaining agreement. Here we extend the meaning of “centralization” to include any institutional arrangement that seeks to unify employment condi-

Figure 1. A schema of wage standardization strategies



tions. By doing this, we are able to include various non-collective-bargaining approaches to standardization. Specifically, public policymaking features different levels of centralization: international or regional labour standards, national minimum wages and local labour policies (as we found in both our Guangzhou case studies) cover different types of employers. Consolidation also helps achieve a certain (often relatively low) level of centralization, contingent on how many employers are left in the market. Our schema clarifies how the regional arrangements in Wenzhou and Guangzhou are situated vis-à-vis established institutions in other industrialized countries.

The first strategy we have identified is the public policy approach, characterized by a high level of state intervention and a modest level of centralization, given that the policies are directly enforced by the municipal government. The most robust example of a public policy approach was found in Guangzhou's taxi industry, where state capacity for intervention appears to be much greater than in Wenzhou. Initially, the Guangzhou government pursued a consolidation approach when it moved away from the entrepreneurial system of taxi ownership by private individuals in its 2006 reforms. Subsequently, and in response to bottom-up pressure from drivers, the municipal government resorted to directly mandating a reduction in driver fees. At a later stage, the city attempted a number of reforms to turn drivers into regular employees and directly imposed base wages and days off, as well as fee controls. Nonetheless, companies continued to charge drivers arbitrary fees and to demand bribes, working hours were still excruciatingly long and the city failed to effectively regulate unlicensed cabs. Driver resentment continued to simmer and regular outbursts of strike activity seemed likely.

The second strategy, unionization, was most prominent in Guangzhou's sanitation industry, likely owing to the city's generally high levels of worker unrest and relatively progressive official union leadership before 2012. The sanitation union, however, focused on promoting policymaking as opposed to collective bargaining. In figure 1, we place this policy-focused approach of unionization at a modest level of both state intervention and centralization because it represents a less forceful policymaking strategy at the local level than direct state involvement. We can clearly see the limits to union capacity in the efforts to establish new regulations in Guangzhou's sanitation industry. The inability to organize in the workplace left unions dependent on the benevolence of the State. Despite what initially appeared to be a victory by the union, the government was unwilling to implement the 2012 local People's Congress decision to grant sanitation workers a premium or to disburse sufficient funding for the wage increase promised in 2013. It appears that the union's ability to effectively standardize employment conditions remained highly constrained, as evidenced by failure to standardize benefits across the workforce.

The final strategy we have identified is consolidation, that is, mergers and acquisitions, which appeared in Wenzhou's taxi and sanitation industries. Here, we are primarily interested in a specific version of mergers and acquisitions: those that are either mandated or actively encouraged by the State, rather than those that are a purely private matter between two (or more) firms. As our case studies show, Wenzhou used strategies such as selective bidding for contracts

(for sanitation services) or forced mergers of subcontracting companies (as in the taxi sector) to achieve relatively standardized industry-wide employment conditions (as well as service quality). During the 1949 Revolution, the provincial government had set a particular historical precedent by aligning closely with private capital (Zhang and Liu 2013) and it has therefore long been reluctant to grant workers a voice in standard-setting; neither has it been willing to allow terms of employment above the legal minimums. Nonetheless, the effect of its actions has been to consolidate ownership, thereby making standardization of employment conditions more viable across a sizeable portion of the industry. This strategy appears to be more capital-friendly and less interventionist and is often unable to achieve complete unification of an entire industry. We have therefore placed it in the lower left area in figure 1.

In Wenzhou, consolidation failed for taxi services but was successful for sanitation. When the local government attempted to move forward with the 168 Project to consolidate the taxi industry, the licence owners rebelled and successfully derailed the reform. The consequence was that the government had to fall back on a public policy approach by directly regulating driver fees and regularly increasing meter prices. Our research found that these regulations had not been well enforced and that instability in the industry persisted. In Wenzhou's sanitation industry, the consolidation process began at the very outset of market reforms, since the government directly handed over contracts to a single firm. In this case, the government presided over standardization by outsourcing a publicly operated, but highly fractured, sanitation system. Although this does not mean that sanitation workers enjoyed particularly good working conditions or remuneration, it does mean that relative uniformity was established across the services within the city centre.

The coexistence of standardization efforts and high levels of conflict is not unique to China. It is noteworthy that industrial conflict has appeared to be at its peak in Western countries where centralization had been highly institutionalized, as in the United Kingdom before the 1970s. Although centralization itself does not necessarily undermine industrial peace, high levels of conflict and centralized collective bargaining structures in these Western countries resulted from the relatively union-friendly political and economic climate before the 1970s (Sisson 1987). Well-enforced centralization helps reduce social inequality and the feeling of relative deprivation among workers, thus helping to prevent strikes (Lepie 2019). The labour conflicts in China today, by contrast, are largely extra-institutional and should therefore be explained by the failure to enforce standardization policies and the absence of workers' participation in the reform process. These factors have led to faltering standardization.

Although these standardization strategies have been identified in the Chinese context, they hold important implications for understanding standardization efforts elsewhere. The Western literature on standardization takes a union-centric approach, focusing on collective bargaining efforts at different levels, whereas we identify diversified strategies beyond formal bargaining. We also suggest that scholarly attention be given to local standardization efforts that remain effective where national bargaining structures fail. Given the global decentralization tendencies since the 1980s (Katz 1993) and the emergence of public efforts

to influence policy, such as the “Fight for \$15” movement in the United States of America,⁶ we believe that our more ecumenical approach could yield results elsewhere.

5. Subsequent developments

Although they fall outside the period of our study, it is worth briefly discussing some important subsequent developments in the industries touched upon in this article, and the challenges they have posed to local governments' efforts to standardize employment conditions. To begin with, it was reported that, immediately after the wave of strikes in 2013, some neighbourhoods in Guangzhou took back control over their sanitation services by failing to renew the contracts with their subcontractors (*Nanfangbao Wang* 2013). This appears to have been a consolidation-like strategy; a neighbourhood official explicitly ascribed the decision to the subcontractors' failure to provide fair wages and benefits. Wages were reportedly increased with no additional cost to the neighbourhood authorities now running the sanitation businesses by themselves. However, this has apparently not been a replicable strategy for all neighbourhoods and it appears that it is still standard practice for neighbourhoods to take outside bids for sanitation work. Officials interviewed by journalists still considered subcontractors to be “more flexible and efficient in management” and were reluctant to completely abolish the subcontracting system (*Guangzhou Ribao* 2013).

The second major development has been the emergence of the ride-hailing industry, which created wide income gaps between the traditional and the digital-platform-based taxi drivers. These gaps, which triggered significant conflict, continued to exist until the merger of Didi and Uber (China) in August 2016. The two major ride-hailing platforms had previously heavily subsidized their customers and drivers for the sake of market expansion, resulting in inflated labour market demand and supply in the digital-platform-based taxi sector, and a shrinking traditional taxi sector (Wu et al. 2019). This triggered major protests by the traditional taxi drivers, who complained that they were being undercut by the platforms' subsidies.⁷ After the merger of Didi and Uber (China), the new monopolist, Didi, soon ceased to heavily subsidize customers and drivers. This reduced the income gaps between traditional and platform-based taxi drivers, but it also enraged Didi drivers and triggered a short wave of protests in late 2016. Thus far, neither the government nor the unions have attempted to regulate the ride-hailing sector and price-setting is still at the platforms' discretion. In sum, these new technologies have engendered new forms of conflict and undermined already faltering efforts to advance standardization in the taxi industry.

The final relevant development has been the changing industrial relations climate, especially in Guangdong Province. The replacement of relatively progressive union administrations at the municipal level in Guangzhou (2012) and Shenzhen (2018) and at the provincial level in Guangdong (2013) ended a period

⁶ The movement advocates a rise in the minimum wage to US\$15 and the right to freedom of association. It has involved strikes by fast food, childcare, airport and convenience store workers, among others.

⁷ See <https://maps.clb.org.hk/strikes>.

of innovative union reforms at the regional level, which resulted in the establishment of several important sectoral unions (including the sanitation union) in Guangzhou. In addition, the crackdown on non-governmental labour organizations in 2015 – which led several important sanitation strikes in Guangzhou in 2014 (Xu and Schmalz 2017) – profoundly restructured state–civil society relations (Howell and Pringle 2019) and contributed to the change in the industrial relations atmosphere in Guangzhou in 2015. It is too soon to fully assess the consequences of this series of industrial and political changes. Worker unrest appears to have diminished – which should not be interpreted as an improvement in working conditions – and the standardization strategy of unionization has been much less prominent.

6. Conclusion

At the outset of this article we posed these questions: in response to labour unrest, what strategies are local governments using to pursue standardization in the taxi and sanitation industries? And have such efforts been successful in standardizing and improving conditions? Our central argument is that municipal officials have been taking tentative steps towards standardizing employment conditions via the strategies of consolidation, unionization and public policy. Although there have been significant efforts towards standardization, implementation remains problematic – a situation we have referred to as “faltering standardization”. Furthermore, working conditions have not significantly improved in either the sanitation or taxi services. Unless the State is able to incorporate worker interests in a systematic way, the threat of instability remains just below the surface.

Lastly, we would like to suggest a number of promising avenues for future enquiry. We have only looked at two cities in China, and these are two of the most market-oriented cities in the country. Comparative work looking at cities in the north-east or west of China, where market reforms have been more gradual, would provide a fuller perspective. Further information is also needed about trends towards standardization in other Chinese industries. As we have noted, municipal services provide a propitious case for standardization, and any extension of these dynamics to other industries would be a notable development. Although we have argued that municipal services have some unique characteristics, the Chinese Government seems more willing to encourage standardization below the municipal level in other industries, according to the Labour Contract Law (2007). The success of these experiments will be crucial in determining the future of labour relations in China.

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