The Making of Labour Precariousness in Post-1949 China



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A thesis submitted for the degree of
Doctor of Philosophy
Trinity 2018

Abstract

If Marxists are right, why did Mao's China witness a prevalence of precarious labour? If mainstream modernization theorists are right, why has post-Mao China seen a growth of precarious workers? In the light of these paradoxes, this thesis asks: *what are the mechanisms that generate labour precariousness in post-1949 China?*

Drawing upon insights from Marxism, mainstream economics, Polanyianism, and the theory of primitive socialist accumulation, this thesis develops a theoretical framework to study the origins of labour precariousness in post-1949 China. Briefly, exploitation and exclusion are two major mechanisms that generate labour precariousness. Both the state and the market can exercise these mechanisms. Both mechanisms operate in spheres of production and social reproduction.

By applying this framework to the analyses of data mainly collected from archives and fieldwork, this thesis has the following findings. Under the exclusion-centred precarization regime in Mao' era, to reconcile the contradiction between primitive accumulation and political legitimacy, the state built up a system of social exclusion. One's location in this system determined one's conditions of precariousness. The rigidity of this system was primarily mediated by the alternation between centralization and decentralization of industrialization, as well as by employment policies and labour movements. Under the exploitation-centred precarization regime in reform China, the previous social exclusion system has been curtailed and the extent of exploitation, in spheres of both production and social reproduction, defines one's conditions of precariousness. The magnitude of exploitation has been modulated primarily by labour

regulation, and by labour movements as well.

On top of these findings, this thesis also extends the extant literature by unveiling the continuities and discontinuities of labour precariousness practices and mechanisms in post-1949 China, and by contributing to two debates in this field. It shows that in the Chinese experience precarization is a process of proletarian unification and formalization is a limited remedy for labour precariousness.

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Acknowledgements

I am grateful to many people and organizations that made this thesis possible. I first want to thank Chinese workers, both those who shared their stories with me and my fieldwork partners and workers in China by and large. The sufferings and struggles of Chinese workers I encountered in my early 20s inspired me to pursue a career as a labour scholar. The enthusiasm and patience of my worker interviewees provided me not only with invaluable data, but also with strong and constant encouragement, which I badly needed as an early-stage scholar engaging in such a complicated project.

Several key figures and funding bodies made this project technically and financially possible. It was when Kenneth Tsz Fung NG told me that he saw more labour agencies than restaurants at one street of Suzhou that the idea of studying agency workers in present-day China occurred to me. When I later realized the continuities of precarious labour in the Chinese history, the initial idea grew to be a big ambition: why not write a history of precarious labour in post-1949 China?

Fieldwork access is almost always difficult. I was blessed with the incredible kindness of Chun Dai, a Chinese labour scholar and activist whom I never met in person but put me in touch with a well-connected human resource manager Yong Yang. I am grateful to Yang who brought about a genuine breakthrough in my fieldwork. Yang's endorsement enabled me to intern at Talent Pool (a labour agency) where I got the opportunity to join the research team of the Ministry of Human Resources and Social Security (MOHRSS). Yang also introduced me to several labour scholars in his network

with whom I had so many through-provoking conversations.

I also want to thank the Swire Educational Trust which had generously funded my study at Oxford. This project benefited from a travel grant from the Swire Educational Trust, funding from St Antony's College and the Oriental Institute at Oxford, and also a research grant from the Institute of China Labour Security in Beijing.

I am hugely indebted to my supervisor Rachel Murphy from conception to completion of this project. Despite being sandwiched between her own intellectual aspirations, family obligations, and administrative duties, she managed to devote so much time and energy not only to providing constructive critique for earlier drafts of this thesis, but also to providing unfailing encouragement and support throughout my study at Oxford. My exchange semester at the Johns Hopkins University tremendously reshaped the key ideas and the layout of this thesis. Joel Andreas' acceptance of my visit request at Hopkins enabled me to spend four unforgettable months in the mecca of the comparative world-historical analysis, whose influence on me went far beyond this thesis. His detailed suggestions on the earlier drafts of this thesis are also much appreciated, though I could not incorporate all of them into this version. I also want to thank Ryan Calder, Yige Dong, and Smriti Upadhyay in the dissertation workshop at Hopkins in Autumn 2018 who provided regular advice on the earlier drafts. Thanks much also go to Philip Huang. Although I did not get specific comments on this thesis from him, the way that I developed the theoretical framework of this thesis was inspired by his classes at the Renmin University of China in 2012.

Advice from Hugh Whittaker, Jenny Chan, and Kyle Jaros in my transfer and

confirmation exams ensured that I had been on the right track of completing this thesis. I presented the general idea of this thesis in the China Labour Workshop at Hopkins in 2017. I would like to acknowledge the comments from the participants, particularly Beverly Silver, Eli Friedman, and Sebastian Link Chaparro. I presented the main findings of this thesis in a meeting of an online labour reading group in 2018. I am particularly grateful to several members of this group: Yu Huang, Hao Qi, Yunxue Deng, and Lulu Fan. This thesis also benefited from conversations with Tim Pringle, Kai Chang, and Biao Xiang. But of course, I am solely responsible for all the flaws in this thesis.

Finally, I want to thank my parents who had constantly pressured me to return to China early. Without the pressure, this thesis would be finished much later.

Acronyms

ACFTU	All-China Federation of Trade Unions
CA	Central Archives
CASS	Chinese Academy of Social Sciences
CCP	Chinese Communist Party
CLB	China Labour Bulletin
FESCO	Foreign Enterprises Service Corporation
GDP	gross domestic product
ILO	International Labour Organization
LCL	Labour Contract Law
MOHRSS	Ministry of Human Resources and Social Security
NGO	non-governmental organization
SOE	state-owned enterprise
SSTH	Shanghai Suburb Sent-down Workers and Temporary Workers' United Revolutionary Rebel General Headquarters
STOH	Shanghai Temporary and Outsourced Workers' Revolutionary Rebel General Headquarters
WTO	World Trade Organization
WWII	World War II

Part I Prelude

Chapter One Introduction

Puzzling Spiral Movement of Precarious Labour in China

They are temporary workers. They work three months every year. At each spring-end, they come and package bottles of perfume into tens of thousands of dozens. When the first leaf falls at the dawn of autumn, they come again, work from early morning until late night, and turn out hundreds of thousands of bottles of facial cream. . . A sub-group of them work here through a labour agency (*jian tou hang*). They do not get wages but a catering allowance of 0.1 *yuan* per day. . .

-Temporary Workers 1947. *Illumination* (*Guang Ming*) 2(6)[1]

We sign contracts of three months, six months, or one year with our hourly workers. It depends on the length of our contracts with factories. The length of the period that workers remain with us is *de facto* quite flexible, hinging on their own choice. For example, they may leave hometown villages to work for two months and then return to cut rice crops. Or they may work for two months and then return home for the Lunar New Year Festival.

-Interview with a labour agency manager, Dongguan, 2016.[2]

History repeats itself. In a country like China that has a long history, such conventional wisdom seems not unremarkable. Nonetheless, I was still struck by the close resemblance in working conditions between temporary workers at the cosmetic factory in Shanghai in 1947 and agency workers in present-day China. Agency workers refer to workers who are "deployed and paid by a private employment agency, but the work is performed for the user firm."[3] As indicated by the above extract from my interview

[1] Shanghai Archives 1947, D2-0-2598-46.
[2] A group interview with labour agency managers, Dongguan, 22 November 2016.
[3] ILO 2016.

with a labour agency manager in Dongguan, a leading industrial powerhouse in coastal China, the job of agency workers was insecure, and they endured multiple dimensions of discrimination against them, which I will discuss later.

The prevalence of precarious labour in pre-1949 (more details in Chapter Three) and present-day China is similar, too. According to the All-China Federation of Trade Unions (ACFTU), in 2011, agency workers totalled five million in state organs and public institutions, and 37 million in enterprises, that is, 13.1 per cent of the workforce in enterprises.[4] In Shanghai in particular, in 2010, a survey revealed that 1,170 enterprises of the 1,597 enterprises surveyed used agency labour; on average, 38.5 per cent of the workforce in these 1,170 enterprises were agency workers; agency workers made up 68.5 per cent of the workforce in leasing and business services, 63.2 per cent in the real estate industry, 47.9 per cent in wholesaling and retailing, 38.7 per cent in manufacturing, and 31.4 per cent in transport.[5] Moreover, agency labour is certainly not the only kind of insecure labour in China nowadays. Short-term workers, student interns, and outsourced workers are common, too.

Paradox I: Socialist Revolution and Labour Precariousness

The resemblance between labour precariousness in pre-1949 China and labour precariousness in present-day China appears paradoxically to be against Marxist theory that implies that socialist revolution is a remedy for labour precariousness. According to Karl Marx, exploitation, which he mainly uses to refer to the fact that wage labour is

[4] ACFTU 2012a.
[5] Shanghai Bureau of Human Resources and Social Security 2011.

exploited by capital in the pursuit of surplus value in a capitalist society, is the chief culprit of labour precariousness (more details in Chapter Two). The growth in labour precariousness worldwide is generally regarded as a result of neoliberal globalization whereby capital restores profitability at the expense of working conditions.[6] It is natural to extrapolate from these arguments that socialist revolution is a solution to labour precariousness and thereby one country shall have little labour precariousness after socialist revolution. After the socialist revolution in the 1950s and until nowadays, the Chinese government has purported that China is a socialist country, albeit with Chinese characteristics. Given the market reform that has been ongoing for over forty years, such a claim is debatable. Nonetheless, as shown in Figure 1, even in the heyday of the Mao era, the share of insecure workers in state-owned units was not negligible. In other words, socialist revolution as a remedy for labour precarious is at least not as effective as predicted by Marxist theory.

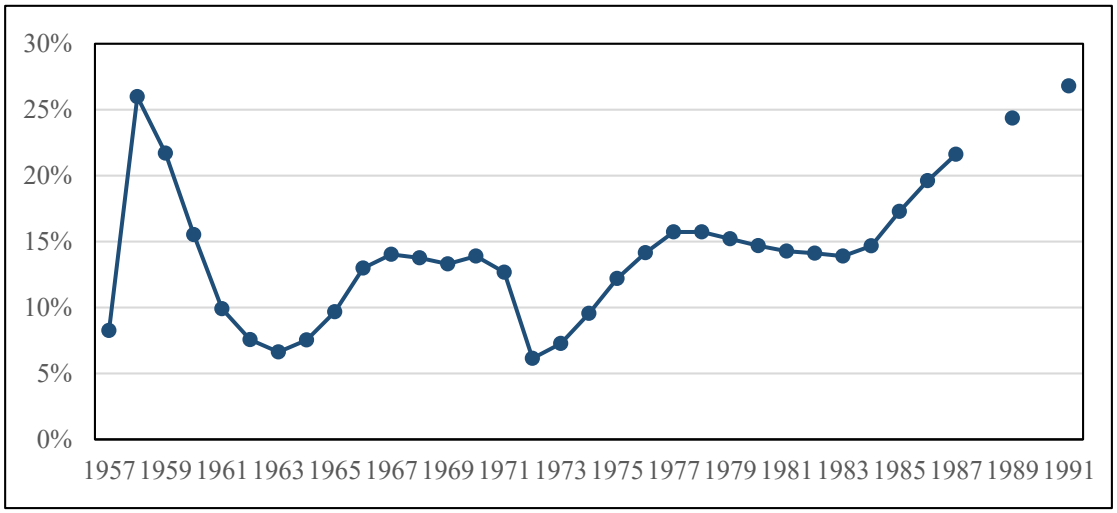


Figure 1. Non-Permanent Workers in China's State-owned Units, 1957-1991

[6] Kalleberg 2009.

Source: Calculated from National Bureau of Statistics 1987a, 13, 33, 54; National Bureau of Statistics 1989; data on 1989 comes from National Bureau of Statistic, and the General Statistics Division of the Ministry of Labour 1990, 204; data on 1991 comes from Editorial Board 1991a, 489.

A related facet of this paradox is that in China out of all ownership types of enterprise it is state-owned enterprises (SOEs) that have the highest percentage of agency workers. According to the ACFTU, in 2011, agency labour accounted for 16.2 per cent of the workforce in SOEs, 14 per cent in foreign enterprises, 4.5 per cent in collective enterprises, and 2.7 per cent in private enterprise.[7] However, as a legacy of the socialist revolution, despite several rounds of overhauls, it is generally agreed that working conditions in SOEs are superior to those in non-SOEs. For example, one study finds that between 2005 and 2010, SOEs and foreign enterprises paid workers more than living wages while domestic private enterprises paid workers less than living wages.[8] In addition, scholars find that SOEs generally comply with the Labour Contract Law (LCL) better than non-SOEs.[9] Then, why are SOEs the leading users of agency labour?

Paradox II: Modernization and Labour Precariousness

The resemblance between labour precariousness in pre-1949 China and labour precariousness in present-day China appears paradoxical, too, in light of mainstream

[7] ACFTU 2012a.
[8] Xu, Chen and Li 2015.
[9] Cui, Ge and Jing 2013.

modernization theory that implies that modernization is a remedy for labour precariousness. Modernization theorists assume a linear pattern of economic development whereby developing countries would inevitably follow the path of capitalist industrial countries.[10] In the 1950s and 1960s, formal secure employment prevailed in the advanced capitalist countries. The economy in developing countries, however, has long been conceptualized as dualistic: a small modern sector that is regarded as progressive, using capitalist modes of production, and creating stable and well-paid jobs, which resembles the situation in advanced economies; and a large traditional sector that is seen as backward, retaining non-capitalistic modes of production, with low capital and low productivity, and creating unstable and low-income jobs.[11] According to the leading advocate of modernization theory Arthur Lewis, modernization is a process whereby the modern sector eat ups the tradition sector by absorbing the surplus labour of the latter,[12] thereby alleviating labour precariousness. According to this theory, being excluded from labour market participation in the modern sector is the chief culprit of labour precariousness. Therefore, post-Mao China that opens up the urban labour market to peasants shall have fewer precarious workers than Mao's China and before. However, as indicated by the above resemblance and Figure 2, this is not the reality.

Figure 2 shows the changing composition of China's urban working population[13] between 1949 and 2015. Generally, when one goes down the hill of Figure 2, one's job

[10] Bernstein 1971; Eisenstadt 1974.
[11] Breman 1976.
[12] Lewis 1954.
[13] Working population refers to the number of people who are willing and eligible to work. The statistics on China' working population here omit the number of domestic workers.

security goes down too, all the way to unemployment. The huge area of "others" in this figure refers to the difference between the number of the urban working population in employment that was estimated from labour force surveys and the number of those in specified employment. This is a heterogeneous group. But it undoubtedly consists preponderantly of the precariat such as workers in unregistered entities and part-time workers. It is clear that in post-Mao China a higher proportion of the urban workforce has been in precarious employment than was the case in Mao's China.

Research Question and Further Contextualization

In light of the apparent contradictions that the realities of precarious labour in Chinese history pose when seen from the perspective of two leading theoretical traditions in modern social sciences, this thesis asks: *what are the mechanisms that generate labour precariousness in post-1949 China?* Given the global relevance of labour precariousness and China' status as the "world's factory" and a hub of precarious labour, this thesis aims to deepen our understanding of the worldwide growth of precarious labour by adding an empirical study of the Chinese case. More important, in contrast to the prevalent research pattern of precarious labour in China that mainly comprises case studies carried out during the post-Mao era, a historical study of both Mao's and post-Mao China helps to elucidate the mechanisms that generate labour precariousness in these two eras, and thereby unveils the continuities and discontinuities in related employment policies and practices, and the limitations of both socialism and the market

economy in reducing labour precariousness.

Given the central role that labouring people play in changing both their own life and the course of history, the findings of this thesis hold implications for both labour movements and employment policies. In the light of this, this thesis engages in the following two ongoing debates and contributes insights from the Chinese case.

Debate I: Precarization as a Process of De-proletarianization

With the publication of his book that bears a sensational title *The Precariat: The New Dangerous Class* in 2011, Guy Standing ignites the recent round of the century-old debate about the extent to which precarious workers form a new class, rather than a heterogeneous part of the proletariat. The main argument Standing makes in this book is evident in his book title: the precariat is a new class that is distinct from the proletariat, and the growth of working-class precariousness is a movement towards class decomposition and deproletarianization, rather than towards class consolidation, proletarian unification and homogenization.[14] This argument resonates with the arguments of other scholars,[15] such that several scholars contend that protesters in

[14] Standing 2011.
[15] Dudley 1994; Wilson 1996.

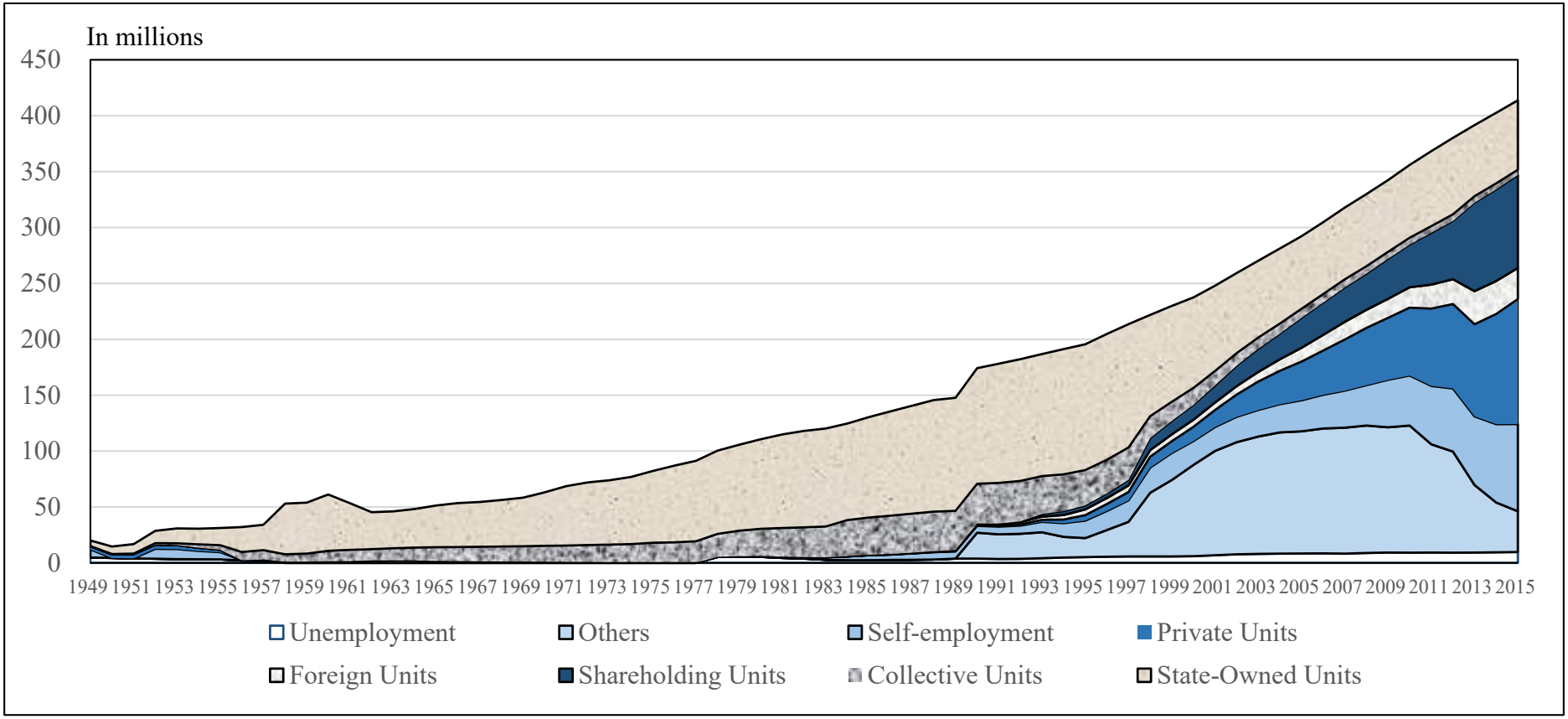


Figure 2. Layers of China's Urban Working Population in Different Types of Employment, 1949-2015

Source and Note: See Appendix A.

precariat movements rally on the basis of a common experience of precariousness, rather than on the basis of a common location in production relations, in which way that Marx defines class.[16] Following this logic, given the overwhelming precarization trend worldwide, this argument points to a gloomy picture for future working class solidarity and also has little potential to think out of the box of capitalism and to provide practical suggestions for future struggles of precarious workers.

This line of argument in the precarious labour literature builds on a long-lasting tradition that acknowledges the heterogeneity of the working class, but overly exaggerates it. Its notion can be traced to Marxian studies of wage labourers. On the one hand, by defining the proletariat with reference to its location in capitalist production relations, that is, that they sell labour power to capitalists, Marx himself tends to regard the working class as a whole. On the other hand, he acknowledges the co-existence of an industrial active army, an industrial reserve army, and the lumpenproletariat within the proletariat in the capitalist society.[17]

Subsequent scholars theorize certain components of the proletariat as separate entities such as the "subproletariat," "underclass," and "precariat." There is no clear definition of the "subproletariat." In the extant literature that dates back to the years immediately after the World War II (WWII), the subproletariat was associated with non-capitalist modes of production, being unskilled and vulnerable to unemployment, doing the least desirable work, and so on.[18] Pierre Bourdieu associates the subproletariat with

[16] Standing, 2011, 1-4; Lee and Kofman 2012.
[17] Marx 1996, 623-703.
[18] Bourdieu 1973; Oppenheimer 1974; Sandbrook 1977.

precariousness and sees a disjuncture between the subproletariat and the proletariat. He argues that "one needs some grasp on the present" to "conceive a revolutionary project" and "The proletarian, unlike the subproletarian, does have this basic minimum of assurances, security. . ."[19] "Underclass" is a term invented by academics of the United States at the dawn of the globalization era in response to increased black lone motherhood and the withdrawal of black youth from the labour market.[20] The underclass is characterized by social exclusion. They embrace non-mainstream behaviours like dropping out of high school, not working regularly, welfare dependency, unwed parenting, and committing crimes.[21]

The precariat, whose members lack various forms of job-related security, is regarded by Standing as a new class distinct from the proletariat whose members are typically "in long-term, stable, fixed-hour jobs with established routes of advancement, subject to unionization and collective agreements."[22] Precariat is a dangerous class in a similar sense to the lumpenproletariat: "They are prone to listen to ugly voices, and to use their votes and money to give those voices a political platform of increasing influence."[23] It is clear that Standing's notion of the proletariat is based on the image of the working class in the post-WWII boom, which is far removed from the classical definition of the proletariat as mentioned above. The theoretical separation of the so-called subproletariat, underclass, and precariat from the working class and the expansion of these groups since the 1980s, combined with other factors, emboldens

[19] Bourdieu 1998, 83.
[20] Murray 2008.
[21] Ricketts and Sawhill 1988.
[22] Standing 2011, 6.
[23] Standing 2011, 1.

André Gorz to proclaim a farewell to the working class.[24]

Standing's theoretical attempt to split the working class has been heavily criticized by both theoretical and empirical scholarly works. Theoretically, in the eyes of scholars who favour Marx's definition of class, as that the precariat is in the same location as the proletariat in the sphere of production that is embedded in conflictual labour-capital relations, the claim of precariat as a new class is on shaky ground.[25] Empirically, the existing literature has noted the deterioration of formal jobs under neoliberalism. Three trajectories have been identified whereby labour market institutions have evolved under the pressure of neoliberal globalization. The first is characterized as liberalization, which involves the gradual deregulation of employment protection for all workers. The second is characterized as dualization whereby "insiders" (conventionally secure workers) mobilize their power resources such as parties and unions to defend existing arrangements and prevent any costs being imposed on them, resulting in "outsiders" (the unemployed as well as nonstandard workers) being hit by market-conforming adjustments. The third is characterized as recalibration whereby governments initiate structural reforms to weaken the protection of "insiders" whilst extending protection of "outsiders."[26] Both liberalization and recalibration can result in the decay of traditional secure jobs, which means proletarian unification, rather than decomposition.

This thesis engages in the above debates by following Marx's definition of class in the study of Chinese precarious labour and by chronicling the evolution of precarious

[24] Gorz 1982.
[25] Jonna and Foster 2016; Smith and Pun 2018.
[26] Prosser 2016.

labour in post-1949 China, which, as shown in later chapters, involves the retrenchment and deterioration of formal employment, and enhanced protection of precarious employment, too. In fact, despite tremendous changes in employment practices since 1949, from Andrew Walder's study on SOEs in the late 1970s to Lu Zhang's study on automobile factories with different types of ownership in the early 2000s, the employment pattern of Chinese enterprises has been invariably theorized as dualistic.[27] This thesis will examine the validity of the employment dualism discourse in China's workplaces throughout the post-1949 period and show in which direction the continuous unmaking and remaking of China's labouring people are marching towards. Thus, it will not only use the Chinese experience to contribute to the above debates, but it will also shed light on understanding the future working-class solidarity and struggles in China.

Debate II: Formalization as a Remedy for Labour Precariousness

The global growth of precarious labour has made how to counter labour precariousness a global concern. When it comes to employment policies, there has been a strong tendency to promote the conversion of informal employment into formal employment, in other words, formalization, as a solution. In developed economies, out of a nostalgia for labour-capital relations in the Post-WWII boom, some scholars argued for re-establishing the social contract between organized labour and organized capital in order to allow the precariat to join the formal labour workforce and thereby shift back from

[27] Walder 1988; Zhang, Lu 2014.

informal to formal labour.[28] In China, in the face of rampant abuse of agency labour, the government has resorted to formalization (*zhuanzheng*), too. Following the 2007 LCL and its 2012 amendment, the government introduced the *Interim Provisions on Labour Dispatch* in 2014. By requiring that enterprises in China lower the proportion of agency workers in the entire workforce to a maximum of ten per cent before 1 March 2016, the government intended to force employers to convert agency workers into formal employees. However, whether or not formalization can be an effective remedy is debatable.

As mentioned above, given that the modernization theory is grounded on a rigid divide between the modern and the traditional sector and thereby a rigid divide between formal and informal employment, it naturally implies that modernization is a process of formalization and formalization is a way out for precarious workers as a whole. The employment dualism theory that takes into account that it is in capital's interest to retain the rigid divide between formal and informal workers, also implies that formalization is an effective remedy, albeit only at the individual level.[29]

In contrast, as mentioned above, the existing literature that notes the diverse trajectories whereby labour market institutions have evolved under pressures of neoliberal globalization and the decay of formal employment questions the effectiveness of formalization in reducing precariousness. Moreover, some scholars perceive precariousness to be beyond the perspective of employment and thereby beyond the effects of formalization. For example, the commodification and financial

[28] Kalleberg, Reskin and Hudson 2000; Wacquant 2007.
[29] Friedman 1977, 105-129; Booth, Francesconi and Frank 2002.

speculation in the sphere of social reproduction such as housing, education, health and pensions enable capital to extract profits out of workers' wages and aggravate their precariousness.[30] Precariousness is also embedded within social institutions such as gender and the state that are beyond the reach of formalization.[31] Women are overrepresented in precarious employment because they are charged with more reproductive work than men and they have to balance between family and career.[32] Formalization cannot ameliorate precariousness for women as a whole. Another group, immigrants, irrespective of their "legal status," are often found in precarious employment. This is because immigration controls enable employers to enforce atypical employment relations and unfavourable working conditions over them.[33] In the developing economies, large segments of nonskilled workers do not have full citizenship.[34] In addition, some workers favour autonomy over job security and voluntarily choose precarious work.[35] For them, formalization is actually not desirable.

This thesis engages in this set of debates by examining the desirability and limitations of formalization in present-day China. It not only traces the evolution of employment dualism in China's workplaces, but also goes beyond it and pays attention to commodification in the sphere of social reproduction and the role of social institutions such as citizenship in aggravating labour precariousness. It will shed some light on related policies for reducing precariousness in and beyond China.

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[30] Lapavitsas 2009.
[31] Harriss-White 2010.
[32] Vosko 2000.
[33] Anderson 2010.
[34] Breman and Linden 2014, 92.
[35] Maloney 2004.

Methodology

To solve the research question, this project combines the all-of-China-field-site approach with the one-case multi-field-site approach. The all-of-China-field-site approach refers to a research design that relies on secondary materials such as news articles, government reports, and research publications to provide a nationwide picture of an important issue. Its strength lies in providing an overview and a sense of pervasiveness of a particular phenomenon. The one-case multi-field-site approach refers to the research design that involves going to multiple fieldwork sites to study one phenomenon in depth, rather than study the variations across different sites. Given that increasing the number of field sites makes it easier to capture a given issue in all its various dimensions, this approach is appropriate for uncovering general mechanisms and for generating new empirical findings.[36] The combination of these two approaches can facilitate the cross-checking of information secured from different sources. If only a longitudinal study based on such data was necessary to claim statistical representativeness of all of China, then this thesis would remind readers about being cautious about its representativeness. However, such a research design, further sharpened by the notion of extended case method this thesis adopts as an analytic technique, allows the findings of this thesis to be generalized to all of China to a great extent.

[36] Heimer 2006, 58-77.

The combination of these two approaches is particularly suitable for this project. China is a large country with great internal variety. Precarious labour has been unevenly distributed across different geographical territories, different industries, enterprises with different types of ownership, enterprises at different administrative rankings, and so forth, and in different eras. Moreover, precarious labour has been treated as a residue of the industrial workforce and underrepresented in scholarship on labour in planned-economy China, and has been mainly examined at the workplace level. In order to acquire a general picture of this phenomenon, I need an all-of-China-field-site approach. Given the constrained access to original archives on precarious labour at the national level for junior scholars, this thesis mainly relies on published archive collections, flagship periodicals of the Ministry of Labour and the Chinese Communist Party (CCP), statistics, research publications, and newspaper reports to delineate a nationwide picture of precarious labour in China between 1949 and the 1990s.

To cross-check the information at the national level and unravel the full complexities of precarious labour, this thesis puts equal emphasis on the one-case multi-field-site approach. In addition to published archives at the national level in the Mao time, I also dig into the archives on precarious labour at the municipal and the enterprise levels in Beijing and Shanghai, two prominent industrial cities in that era. To learn about how the labour regulation from 2008 onwards has recalibrated the labour market, I went to several top economic powerhouses of present-day China, including Beijing, Shanghai, Guangzhou, Suzhou, and Dongguan, and several second-tier cities, to interview labour officials, human resource managers of enterprises, managers of labour

agencies, and workers. Such wide-ranging fieldwork investigations with regard to both the number of fieldwork sites and the coverage of agents involved in the labour market allow me to gain a comprehensive understanding of how and how well the regulation has been implemented and the working conditions of precarious labour across China. Apart from short-term but intensive interviews conducted in several different enterprises in each city of Shanghai, Guangzhou, Suzhou, and Dongguan, I also conducted long-term, in-depth participant observation at a SOE in Beijing to learn about the working conditions, daily lives, and prospects of agency workers there. A detailed description of research techniques can be found in Appendix B.

This thesis pursues comparative historical analysis as a central mode of investigation. It is defined by "a concern with causal analysis, an emphasis on processes over time, and the use of systematic and contextualized comparison."[37] The comparative historical analysis combines the approaches of both historians and sociologists. While historians seek to describe and explain particular events with loose conceptualizations, sociologists tend to formulate generalized theoretical statements through comparisons.[38] Comparative historical analysis, however, is "a doubly engaged enterprise." Its practitioners understand real-world transformations by simultaneously embedding themselves in causal hypotheses, theoretical frameworks, and empirical investigation.[39]

The research question necessitates comparative historical analysis. By aiming at

[37] Rueschemeyer 2003, 6.
[38] Bonnell 1980; Kiser and Hechter 1991.
[39] Skocpol 2003, 407-428.

the changing mechanisms of labour precariousness in China, I intend to make causal inferences. Precariousness lost some momentum in the planned-economy era and regained momentum in the reform era. China's transformation from a planned economy to a market economy is still ongoing. Without understanding labour precariousness in Mao's time, we cannot understand labour precariousness in present-day China. Such a long historical sweep can reveal long-term trajectories less evident in studies concerning only the planned-economy era or the reform era.

This thesis adopts aspects of the extended case method as an analytic strategy in that I use an approach that "works with given general concepts and laws about states, economies, legal orders, and so forth, to understand how those micro situations are shaped by wider structures."[40] In other words, instead of searching for "statistical significance," this method searches for "societal significance," that is, how this case tells us about society as a whole.[41] I choose this approach because it best suits the research question that requires me to place the ups and downs of precarious labour in the social-economic-political contexts in post-1949 China. In the pursuit of this strategy, the researcher seeks to find anomalous cases that challenge existing theories so as to reconstruct or extend the theories accordingly. The beginning of this chapter shows in which sense precarious labour in post-1949 China appears paradoxical. Chapter Two will introduce four theoretical traditions pertaining to the origins of precarious labour. The last chapter will summarize how this Chinese case extends and reconstruct these four explanations of precariousness.

[40] Burawoy (ed.) 1991, 282.
[41] Small 2009.

Periodization

This thesis examines the changing mechanisms that generate labour precariousness in post-1949 China in a chronological order. This immediately raises the problem of periodization of post-1949 China. For the following reasons, this thesis divided post-1949 China into three phases: 1949-76, 1977-2007, 2008-present.

János Kornai divides socialism into three stages: revolutionary-transitional socialism that grows out of capitalism and marches towards the completion of basic socialist apparatuses; classical socialism that follows the trajectory of ready-made socialist apparatuses and marches towards the sophistication of the socialist system; reform socialism that involves dramatic, if not fundamental, reconstruction of the classical socialism.[42]

Following Kornai's classification, the post-1949 China can be divided into revolutionary-transitional socialism (1949-56), classical socialism (1957-76), reform socialism (1977 to present). The 1956/57 watershed is marked by the completion of transforming the majority of private enterprises in urban China into SOEs and collective enterprises, and the completion of transforming individual peasants in rural China into communes. The year 1978 was often regarded as a pivotal year because the third plenary session of the eleventh central committee of the CCP took place, which broke away from socialist egalitarianism and re-oriented the country towards

[42] Kornai 1992.

developmentalism. However, a closer look at the policy of Hua Guofeng, Mao Zedong's immediate successor and Deng Xiaoping's immediate predecessor, concludes that Hua and Deng were in basic agreement on launching the new cause of reform and opening.[43] Thus, it seems more reasonable to regard 1976/77 as the watershed, marked by Mao's death in 1976 and thereafter the end of classical socialism.

China's wide-reaching and progressive reform, however, implies that not all sub-reforms coincide with this grand agenda. In the sphere of industrial relations, Joel Andreas proposes 1992 as the watershed year between the old era of socialist units and the new era of profit-oriented enterprises. He argues that in China in the 1980s the majority of enterprises remained state-owned, and the majority of workers remained permanent workers; it was in the 1990s that large-scale privatization and layoffs gained momentum.[44] He is correct. According to Appendix A, the proportion of the urban working population in state-owned and collective units was 99.8 per cent in 1976, 79.6 per cent in 1992, 32 per cent in 2002, and 16.1 per cent in 2015.

Nonetheless, owing to the main concern of this thesis, while I regard 1992 as a critical year, I reject the idea of using 1992 as a watershed that is more prominent than the 1976/77 one. The 1980s had witnessed the optimization of production staffing, the introduction of the labour contract system, the breakdown of rural communes and the official permission for peasants to enter cities, the revival of private enterprises, the entry of foreign direct capital, and so forth. Such reforms were a prelude, rather than a rupture, to the more radical reforms occurring after 1992.

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[43] Teiwes and Sun 2011.
[44] Andreas 2017.

In the face of increasing labour unrest, after over one decade of dormancy in labour regulation, in 2008, the government enforced three labour laws: the LCL, the Employment Promotion Law, and the Labour Disputes Mediation and Arbitration Law. In 2012, the government introduced an amendment to the LCL to counter the abuse of agency workers after the enactment of the LCL. In 2014, the government introduced the Interim Provision on Labour Dispatch. The regulation has significantly recalibrated the precarious conditions of China's urban workforce.

Key Concepts

This section defines the key concepts of this thesis. In the existing literature, precariousness has mainly been defined in two ways, either by identifying precarious employment with nonstandard employment, or with reference to a deficit in multiple dimensions of job security such as living wages, welfare benefits, protection from arbitrary firing, union representation, and so on.[45] For my purpose, based on an integration of four theoretical traditions on the origins of labour precariousness discussed in Chapter Two (Marxism, mainstream economics, Polanyianism, and primitive socialist accumulation), precariousness in this thesis refers to the situation whereby workers are subject to varying degrees of exploitation and exclusion in the sphere of production or social reproduction, rendering them particularly vulnerable to risks in life. Moreover, this thesis regards the state of precariousness as a spectrum,

[45] Burgess and Campbell 1998, 6-8.

rather than a binary phenomenon. The grounds of constructing the concept of precariousness in this way and more details about correlations between different contributors of precariousness unfolds in Chapter Two.

This thesis coins the term "precarization regime" to refer to a set of apparatuses that works together to forge and modulate labour precariousness, involving exploitation and exclusion as two major mechanisms and production and social production as two spheres in which these two mechanisms operate (more details in Chapter Two). This thesis dubs the precarization regime in Mao's China as exclusion-centred in that the whole order of labour precariousness was built on a historically contingent social exclusion system and one's location in this system determined the exploitation from which one suffered and one's state of precariousness. This thesis dubs the precarization regime in post-Mao China as exploitation-centred in that major dimensions of social exclusion have been curtailed and one's location in production relations and as a consumer of daily social reproduction necessities determines one's state of precariousness.

Although the distinction between these two spheres may seem not as clear-cut as they appear to be from the perspective of Marxist feminists who are concerned with the gendered implications of the relationship between production and social reproduction, the nature of the boundary between the two spheres is not the focus of this thesis. Thus, this thesis maintains the distinction between these two spheres and adopts a Marxian definition of them. The definition of the sphere of production is explicit in Marx's works, which involves the process of combining materials with labour power to

generate use value. Marx often deploys the term social reproduction to refer to the reproduction of the capitalist system as a whole. Johanna Brenner and Barbara Laslett suggest distinguishing between societal and social reproduction, with the former mirroring Marx' usage and the latter referring to "the activities and attitudes, behaviours and emotions, and responsibilities and relationships directly involved in maintaining life, on a daily basis and intergenerationally."[46] This thesis particularly focuses on the sectors of education, housing, and healthcare in the sphere of social reproduction.

This thesis adopts Marx's definition of exploitation whereby "exploitation is making use of some vulnerability in another person in order to use them to attain one's own ends at their expense."[47] This thesis focuses on one form of exploitation, that is, the exploitation imposed on the working class by capital. This thesis distinguishes between two forms of exploitation in the labour-capital relations. State exploitation refers to exploitation imposed by the state on the working class, for example, the exploitation that the working class in SOEs suffered from. It is important to note the difference between state exploitation in Mao's China and state exploitation in post-Mao China with the latter largely following the logic of private capital. Private exploitation refers to exploitation imposed by private capital, for example, the exploitation that the working class in private and foreign enterprises suffered from.

Such a distinction is helpful in the sense that these two types of exploitation serve different ends: socialist state exploitation serves primitive socialist accumulation, which is in the end for the common goods of the masses while private exploitation

[46] Brenner and Laslett 1991.
[47] Exploitation 2018.

serves the wealth accumulation of individual capitalists and aims at profit maximizing, which often fails to be translated into common goods; in actually existing socialist and later in transitional economies, workers under private exploitation often suffer more than their counterparts did under socialist state exploitation. Such a distinction also equips us with conceptual tools to examine the changing nature of the exploitation of Chinese workers in post-1949 China.

Exploitation can operate in spheres of both production and social reproduction. Exploitation in the sphere of production takes forms such as low wages and long working hours, epitomized in sweatshops. Exploitation in the sphere of social reproduction takes forms such as the privatization and financialization of housing, healthcare, and so on.

This thesis adopts the European Foundation's definition of social exclusion that has been widely deployed by both scholars and policymakers: social exclusion is a "process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live."[48] Social exclusion is multidimensional, embracing exclusion from employment, social safety net, certain status groups, and so on. This thesis distinguishes between two forms of social exclusion. State-led exclusion refers to the exclusion infrastructures and processes forged by the state, for example, citizenship categories and China's household registration (*hukou*) system. Market-led exclusion refers to the exclusion infrastructures and processes forged by private capital, for example, employment dualism in present-day China.

[48] European Foundation for the Improvement of Living and Working Conditions 1995, 4.

These two types of exploitation serve different ends, too: state-led exclusion in present-day China is largely a legacy from the planned economy; state-led exclusion in planned-economy China, while being a form of inequality under socialism, was born into and served the grand goal of socialist construction and entailed a large degree of class levelling; in contrast, market-led exclusion served the profit-seeking instinct of private capital; in practice, state-led exclusion tends to be more rigid than market-led exclusion.

Exclusion can operate in spheres of both production and social reproduction, too. Exclusion in the sphere of production takes forms such as employment dualism and excluding peasant from working in urban units. Exclusion in the sphere of social reproduction takes forms such as excluding some population from access to public goods, for example, public schools and social insurance.

Outline

In the following chapters, I first develop a theoretical framework based on the literature review. I then successively examine the changing precarization regimes in post-1949 China. The crux of the argument is as follows.

In Mao's China, the precarization regime is exclusion-centred. Private exploitation was eliminated and socialist state exploitation predominated in the sphere of production. The supply of social reproduction resources was workplace-based and one's employment status in the sphere of production defined one's access to social

reproduction resources. To reconcile the contradiction between accumulation and development in a backward country and the political legitimacy and socialist ideal of the party, the state built a system of social exclusion based on types of enterprise ownership, rural-urban origins, and employment statuses. One's location in this system determined the magnitude of socialist state exploitation from which one suffered and thereby one's condition of precariousness. The rigidity of the social exclusion system was defined by the unfailing drive of primitive socialist accumulation and modulated by the alternation between the centralization and decentralization of industrialization, oscillating employment policies, and labour movements.

In post-Mao China, the precarization regime is exploitation-centred. Private exploitation was restored in the spheres of both production and social reproduction and socialist state exploitation was gradually replaced by state exploitation that follows almost the same logic as private exploitation. The market supply of social reproduction resources dwarfs the importance of employment status in the sphere of production in determining one's access to social reproduction resources. State-led exclusion, particularly exclusion based on types of enterprise ownership and rural-urban origins, was loosened, but has not diminished yet. Market-led exclusion grows of state-led exclusion based on employment status and is manifested in a new employment dualism with formal directly-employed contract workers versus agency workers. The exploitation from which one suffers in the spheres of both production and social reproduction determines one's condition of precariousness. The magnitude of private exploitation is adjusted by the state's policies, particularly labour policies, and labour

movements.

In post-Mao China, with formal employment retrenched and deteriorating and commodification of social reproduction gaining momentum, the security gap between formal and informal workers has been narrowing. In addition to this situation, the rural-urban divide remains rigid. Thus, being formalized, while desirable, cannot significantly enhance the security of informal workers, particularly migrant informal workers. China's experience also indicates that precarization is a process towards proletarian unification, rather than towards deproletarianization.

Chapter Two introduces four theoretical traditions that shed light on the mechanisms of precarization: Marxism, mainstream economics, Polanyianism, and the theory of primitive socialist accumulation. Based on these four traditions, this thesis re-defines labour precariousness and develops an integrated theoretical framework to study the origins of precariousness.

Chapter Three briefly depicts the conditions of precarious labour and related apparatuses in pre-1949 China. The pervasive precariousness in this period serves as a background for the post-1949 reforms in modulating precarious labour. Moreover, pre-1949 China had prepared a basic set of apparatuses for generating labour precariousness in post-1949 China, including the practice of employment dualism, the two systems of organizing production—the inside contract system and the putting-out system, and the distinction between short-term and long-term labour.

Chapter Four, Five, and Six (Part II of this thesis) examine the exclusion-centred precarization regime in Mao's China (1949-76). Chapter Four first introduces the

fundamentals of the planned-economy system, particularly the basic structure of the social exclusion system. It then focuses on how this system was fine-tuned between 1949 and 1957. Chapter Five focuses on the period 1957-65. It documents how the rise and fall of the Great Leap Forward caused the radical inclusion and then the radical exclusion of precarious labouring people, how labour policies changed gears to promote the use of temporary workers, and how these two factors impacted on the scope and composition of precarious labour. Chapter Six focuses on the Cultural Revolution decade 1966-76. It examines the uprising of major groups of precarious labour in 1966 and early 1967, the subsequent largest scale of regularization of temporary workers in the Mao era, and a new round of rebounding of precarious workers, and how these processes changed the scope and composition of temporary workers and the treatment they received.

Chapter Seven, Eight, and Nine (Part III of this thesis) examine the exploitation-centred precarization regime in post-Mao China (1977-present). Chapter Seven chronicles how the alternation of precarization regimes has happened. It gives information about how the restoration of exploitation in the spheres of both production and social reproduction and the gradual dismantling of social exclusion reconfigured labour precariousness since 1977. It delineates the process whereby formal employment was retrenched and transformed into informal employment, existing informal employment expanded rapidly, migrants were massively included in the urban sector, and Chinese workers were subject to exploitation from global brands through the global commodity chain. It also shows how the commodification of healthcare, housing,

education, and so on has squeezed the real income of the working class and aggravated their precariousness.

Chapter Eight moves on to discuss how the precarization regime in post-Mao China has been modulated, mainly focusing on labour regulation. It first gives a brief overview of the immediate background, the law-making process, and the main provisions of the LCL and its effects. It then documents the rise of agency labour in China and how agency labour regulation has been implemented, and why it has generated unintended consequences.

Chapter Nine examines the working conditions of formal employees and agency workers in SOEs and labour-intensive foreign enterprises in present-day China. It discusses the extent to which formalization can significantly reduce labour precariousness in the real world.

Chapter Ten begins by summing up the empirical findings of the study. It then systematically compares the two precarization regimes in Mao's and post-Mao China to unveil the continuities and discontinuities in employment policies, practices, and working conditions in these two eras. This is followed by engaging with four theoretical traditions on the origins of labour precariousness to accentuate the theoretical significance of this thesis, which also conveys implications for employment policies and labour movements. This chapter concludes by discussing the future scenarios of precarious employment in China.

Appendix A provides data on the changing composition of China's urban workforce between 1949 and 2015. Appendix B details how and what kinds of data I

collected in multiple sites. It also deals with concerns related to data quality. Appendix C gives information about the profiles of worker interviewees in this project.

Chapter Two

Engendering Precariousness:

Towards an Integrated Theoretical Framework

The study of precarious labour is almost as ancient as precarious[49] labour itself. The first systematic analysis of precarious labour came from Marxist theory that promotes the term "proletariat." The proletariat is precarious by definition. According to Frederick Engels, "The proletariat is that class in society which lives entirely from the sale of its labor and does not draw profit from any kind of capital; whose weal and woe, whose life and death, whose sole existence depends on the demand for labor—hence, on the changing state of business, on the vagaries of unbridled competition."[50] The second wave of precarious labour study came out as part of the "labour and development" debates flourishing in the 1960s and 1970s. It focuses on working conditions in developing countries. Its key terms are "marginality" and "informality." The discourse on "marginality" emerged in Latin America in the 1960s to account for the large number of internal migrants who were marginally employed or self-employed and thereby appeared "marginal" to the capitalist system in main cities because of hyper-urbanization.[51] The discourse on "informality" arose in the studies of Africa in the 1970s. According to the International Labour Organization (ILO), "Employees are considered to have informal jobs if their employment relationship is not subject to

[49] "Informal" and "precarious" are the top two most popular terms in this field. This thesis favours "precarious" over "informal" because "informal' employment presupposes a rigid division between "formal" and "informal" employment and focuses more on regulation rather than on the security of workers.

[50] Engels 1977, 1.

[51] Mangin 1967.

standard labour legislation, taxation, social protection or entitlement to certain employment benefits."[52]

The third wave of precarious studies came out as part of the "labour and globalization" debates since the 1980s. It focuses more on the changing patterns of work in developed countries in the era of neoliberal globalization. Its key terms are "precarious" and "contingent." *Précarité* has been widely deployed in the French socioeconomic literature since the 1980s with reference to the shifting patterns of employment.[53] However, it is only after Standing published his book *The Precariat* in 2011 that the term *precariat* has gained great currency worldwide.[54] On the other side of the Atlantic, academics of the United States began to use "contingent" to refer to nonstandard, irregular, or flexible employment arrangements, including but not limited to part-time work, temporary work, employee leasing, self-employment, contracting out, and home-based work.[55]

Three theoretical genres in social sciences have informed the development of precarious labour studies: Marxism, mainstream economics, and Polanyianism. Given that I am dealing with a history of post-1949 China which is one of the actually existing socialist countries, in addition to reviewing the above three traditions, this chapter also includes the theory of primitive socialist accumulation. It then discusses how these four traditions help and fail to explain labour precariousness in China. Based on these discussions, this chapter develops an integrated analytical framework for the whole

[52] International Labour Office 2002.
[53] Munck 2013, 751.
[54] According to Google Scholar, there are 7,240 entries on precariat published between 2011 and 2017, compared with only 406 related entries published before 2011. Accessed 12 July 2017.
[55] Polivka and Nardone 1989.

thesis, which follows the Marxist tradition and is supplemented by insights from other traditions.

Marxist Theory on Labour Precariousness

Marxist theories [56] of precariousness are part of Marxist theories of capital accumulation. Classical Marxist theory lays the foundation for such theories, which have been developed by later Marxists in response to the evolution of global capitalism. This review focuses on the various intermediaries through which capital's endless pursuit of profits is translated into the precarious existence of the working class.

Classical Marxist Theory on Labour Precariousness

Working-class precariousness is at the centre of Marx's criticism of capitalism. In his view, workers are economically exploited, politically oppressed, and socially alienated under capitalism. Such conditions are a result of multiple processes driven by capital accumulation.

The capitalist system presupposes the abundant supply of "double free" labourers, which entails the complete separation of labourers from all means of production and their emancipation from serfdom and from the fetters of the guilds to become free sellers of their own labour power. In the classical form, the expropriation of peasants from the land, their primary means of subsistence, creates the vast majority of

[56] Marxist theory is a messy concept. The scholarship reviewed here is from the Marxist theoretical tradition in a broad sense.

proletarians who are immediately subject to utter poverty and misery. Given that such separation comprises a series of forcible methods and forms the prelude to the history of capital, Marx terms it "primitive accumulation of capital,"[57] after which capital accumulation proceeds as the expanded reproduction of capital.

As soon as capitalist production is established, its overall aim is to generate profits or surplus value; labour power is the sole source of value and thereby the interests of workers and employers are in continuous zero-sum conflicts. Thus, the capitalist labour process can only be smoothed by coercion: "as soon as no physical or other compulsion exists, labor is shunned like the plague."[58] Employers adopt various means to increase the amount of both absolute and relative surplus. Absolute surplus value is obtained by increasing the working time per worker. Relative surplus value is obtained by increasing the productivity and intensity of labour through mechanization and rationalization of the labour process. Apart from directly contributing to the industrial reserve army, mechanization has worsened the condition of workers in multiple ways. By lowering the requirement for muscular power, mechanization makes women and children employable, thus expanding the labour market and thereby the industrial reserve army, weakening workers' resistance, and marginalizing male labour. Given that employers always want to accelerate the transfer of value from machinery to the product, in other words, to accelerate the circulation of capital, it prolongs the working day. With the improvement of machinery, it also intensifies the labour of workers.[59]

[57] Marx 1996, 179, 704-750.
[58] Marx and Engels 1988, 74.
[59] Marx 1996, 239-302, 374-412.

The general law of capitalist accumulation is a consequence of capital's pursuit of relative surplus value. When production expands without advances in productivity, it is accompanied by increased demand for labour power. When it expands with such advances, the additional capital employs fewer labourers than the old capital used to in proportion to its magnitude. In the long run, the latter process tends to dominate capitalist production and thereby creates a relative surplus population or industrial reserve army. Given that the general movements of wages hinge on the varying ratios between active and reserve army, the relative surplus population thus confines the field where the law of demand and supply of labour power "within the limits absolutely convenient to the activity of exploitation and to the domination of capital."[60]

The relative surplus population is undoubtedly a precarious layer of the working population. Marx distinguishes four forms of relative surplus population created by both primitive accumulative and the general law of accumulation. The floating surplus population refers to those who are sometimes repelled and sometimes attracted contingent on the shrinkage and expansion of capitalist production. The latent surplus population refers to former peasants who are constantly looking to be incorporated into the urban or manufacturing proletariats when capitalist production takes possession of agriculture. The stagnant surplus population is part of the active labour army, characterized by extremely irregular employment, a maximum of working time and a minimum of wages. They furnish capital with an inexhaustible reservoir of disposable labour power that is the basis of utter capitalist exploitation. The fourth category is the

[60] Marx 1996, 631.

pauperized surplus population such as orphans, the old, the disabled, and so on.[61]

Scattered in multiple pieces of philosophical reflections, journalism, incidental remarks, the ideas of Marx and Engels on the state keep fluid, if not self-contradictory.[62] What is the most relevant to this thesis and also the most common approach is that classical Marxist theory treats the state as a formation based on the economic structure of the society[63] and an instrument of class rule: "the state is nothing but a machine for the oppression of one class by another."[64] In a capitalist society particularly, "At the same pace at which the progress of modern industry developed, widened, intensified the class antagonism between capital and labor, the state power assumed more and more the character of the national power of capital over labor, of a public force organized for social enslavement, of an engine of class despotism."[65] Given the zero-sum relationship between capital and wage labour, capitalism can be only maintained by force, and dictatorship is the only form of capitalist state.[66] Classical Marxist theory emphasizes the class character of law as an instrument used to further the interests of the dominant class as a whole.[67] On the one hand, legislation helps to dissolve the feudal relations, to transform labour power into a commodity, to discipline workers to work longer hours, and so on.[68] On the other hand, labour protection legislations emerge as a necessity for the general conditions of existence of the capitalist mode of

[61] Marx 1996, 634-641.
[62] Jessop 1990, 25-29.
[63] Marx 1978, 3-6.
[64] Engels 1978, 628.
[65] Marx 1978, 630.
[66] Marx 1964.
[67] Marx 1964.
[68] Marx 1996, 270-282, 704-764.

production. For example, the factory acts on the limitation of the working time in nineteenth-century Britain helped to preserve the working class and sustain capital's exploitation. Nonetheless, such regulation does not necessarily deliver the desired effects.[69]

Based on analyses on working class's conditions and location in the relations of capitalist production, classical Marxist theory charges working class with the mission of "gravediggers" of capitalism and anchors the hope of relief from precariousness on socialist revolution.[70] Nonetheless, although Marx acknowledges that with the development of capitalism grows the revolt of the working class, he tends to see a parallel growth of labour precariousness before the socialist revolution breaks out: "Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation."[71]

Extensions of Classical Marxist Theory on Labour Precariousness

The views of classical Marxist theory on precariousness have been developed by subsequent Marxists in multiple ways. The parts below successively show, in the real world of capitalism, how precariousness is generated and modulated as a result of the following processes: semi-proletarianization, ongoing primitive accumulation, globalization, financialization, flexible accumulation, labour control, the state as a

[69] Marx 1996, 283-301.
[70] Marx and Engels 1988, 203-243.
[71] Marx 1996, 750.

dedicated actor in mediating between the interests of capital and labour, and the revolts of working class.

Precariousness and Semi-proletarianization

While Marx puts it that capitalism presupposes the abundant supply of "double free" labourers, this stream of literature contends that semi-proletarianized wage labourers, that is, those with meagre means of production or those have limited freedom in disposing of their labour power, actually are compatible with and persistent in capitalism. Capitalism takes advantage of semi-proletarianization to facilitate the accumulation of capital and generates labourers in sheer precariousness. Scholars in this camp can be generally divided into two groups.

The first group focuses on the persistence of semi-proletarianized labour in the sense of wage earners with some means of production. In studying the differentiation of the Russian peasantry in the late 1890s, both Vladimir Lenin and Karl Kautsky noted the salient existence of allotment-holding wage workers who could not live solely on their limited land and had to resort to selling their labour power.[72] In Hungary in the second half of the 20th century, Iván Szelényi spotted the new industrial workers who continued to live in the countryside and supplemented their low wages as factory workers with income from small-scale agricultural operation in villages.[73] Michael Burawoy found migrant farm workers in California and migrant mine workers in South

[72] Lenin 1974, 172-187; Kautsky 1988, 168-198.
[73] Szelenyi 1988.

Africa were in a similar situation in the 1970s.[74] In studying the formation of wage labour in south Italy from late 19th century to the post-WWII era, Giovanni Arrighi finds that the migrant-peasant (semi-proletarianized) road has a better chance of survival than both small and large scale of commodity production based on fully proletarianized labourers.[75] In present-day South Africa, some previously fully proletarianized workers resort to the subsistence economy by land occupations since they cannot survive solely by selling their labour power.[76]

This group regard the persistence of wage labourers with means of production as an outlet for capital to externalize costs of labour reproduction, thus rendering semi-proletarianized workers in sheer precariousness. In the view of Lenin, "The allotment of land to the rural worker is very often in the interests of the rural employers themselves, and that is why the allotment-holding rural worker is a type to be found in all capitalist countries."[77] Similarly, Wallerstein argues that "non-wage work permitted some producers to remunerate their work-force at lower rates, thereby reducing their cost of production and increasing their profit margins."[78] Arrighi, based on his study of the peasantry in Rhodesia and South Africa, discovers the dialectics of proletarianization in capitalist production: partial dispossession creates conditions for the peasantry to subsidize capitalism;[79] full dispossession create handicaps for exploiting and controlling proletariats since it presupposes that proletariats are paid a

[74] Burawoy 1976.
[75] Arrighi and Piselli 1987, 703.
[76] Jacobs 2017.
[77] Lenin 1974, 181.
[78] Wallerstein 1983, 27.
[79] A detailed analysis of labour subsidies to capitalism can be find in Wilson 2012.

full living wage; failing to pay a full living wage may lead to the uprising of wage struggles.[80] In the light of this, in the United States in the 1970s, farmers attempted to restore the subsistence economy of migrants by distributing poor relief during the slack season so that unemployed domestic labourers could survive and join the labour market when needed.[81]

The second group focuses on the persistence of semi-proletarianized labour in the sense of wage earners with limited freedom to dispose of their labour power. A common form is attached or bonded labourers who work to pay off debts. When compared with free labourers in comparable positions, they are paid less; they also face greater difficulties in gaining collective power by self-organising.[82] The revival of attached labour is regarded as a result of class struggle waged from the above—capitalists—in response to class struggle from the below—workers. To discipline and cheapen labour, employers seek to convert free workers into unfree equivalents, or to replace the former with the latter. In studying rural India, Raju Das finds that class struggle of labour, in the strong form, can block capital's adoption of technology, to which, employers respond by increasing the use of non-permanent attached labour who borrow at usurious rates from them as a mechanism of labour control.[83]

A developed-region variation of this argument is the counter-class-struggle model[84] that is popular in explaining the growing precariousness in western countries

[80] Arrighi 1970; Arrighi, Aschoff and Scully 2010; Arrighi 2009.
[81] Burawoy 1976.
[82] Brass 2011.
[83] Das 2012.
[84] This argument is presented here because it represents the idea of some Marxists (in a broad sense). In fact, it is more embraced by the right wing than the left. Among the latter, it causes many controversies, see Foster 2013.

since the 1970s. It puts the blame for capitalist crises on the strength of the working class and tends to interpret the dismantling of workers' collective bargaining power and commodification of labour power as the revenge of capitalists.[85] Scholars made the claim that, during the Post-WWII boom, full employment is approached, which creates a favourable condition for the class struggle of labour.[86] As a result, workers' share of national income increases and the profit rate decreases, discouraging investment and causing recessions.[87] Profit squeezed from labour's bargaining power is regarded by some scholars as the principal cause of recession both in the United States[88] and in Britain[89] in the 1970s. Neoliberalization since the late 1970s that aims to weaken labour power is thus regarded as a project to restore the class power of capital from the very beginning.[90]

Precariousness and Accumulation by Dispossession: Globalization and Financialization I

While Marx tends to assume that primitive accumulation is a one-shot process and that capitalism then proceeds as expanded reproduction, this stream of literature contends that the endless accumulation of capital presupposes a prolonged, ongoing process of primitive accumulation. David Harvey finds it peculiar to call an ongoing process "primitive" and thereby substitutes the term "primitive accumulation" with the term

[85] Aglietta 2000.
[86] Boddy, Crotty and Kalecki 1974.
[87] Arrighi 2007, 123-130.
[88] Boddy and Crotty 1975; Weisskopf 1979.
[89] Glyn and Sutcliffe 1972.
[90] Duménil and Levy 2004.

"accumulation by dispossession."[91] Globalization and financialization have been two dominant vehicles for accumulation by dispossession. These processes combined have a huge impact on the conditions of the working class worldwide.

Rosa Luxemburg sets forth the pioneering idea of ongoing accumulation by dispossession. Based on assumptions that the capitalist world alone cannot consume all the commodities it produces and provide all the inputs it needs for production, Luxemburg argues that capitalism proceeds by eating up non-capitalist organizations: selling them capitalist products, grabbing their raw materials and exploiting their labourers.[92] Harvey acknowledges that Luxemburg's idea that the sustainability of capitalism necessitates precapitalist economies is inspiring. In contrast to Luxemburg's theory of underconsumption, he proposes a theory of overaccumulation which argues that, rather than a general lack of sufficient effective demand, a general lack of opportunities for profitable investment is the fundamental problem of capitalism. Capital's remedy to this problem, in his view, is ongoing accumulation by dispossession.[93]

How does accumulation by dispossession help to solve capitalism's overaccumulation problem? How does this process affect the working class? Harvey argues that what accumulation by dispossession does is "to release a set of assets (including labour power) at very low (and in some instances zero) cost. Overaccumulated capital can seize hold of such assets and immediately turn them to

[91] Harvey 2003, 144.
[92] Luxemburg 2003.
[93] Harvey 2003, 137-143.

profitable use."[94] Cheap assets can be released in traditional ways, for example, displacement of peasant populations, privatization of natural resources (such as land, water, and forest) and public utilities (such as social housing, telecommunications, and transportation), devaluation of existing capital assets and labour power by state-administered austerity programmes, and so on. These processes largely resemble what Marx describes under the rubric of primitive accumulation.[95]

Cheap assets can also be released by financialization, which is regarded as the primary vehicle for accumulation by dispossession since 1973.[96] Financialization refers to the process whereby capital is increasingly diverted into purely financial channels for lending, borrowing, and speculation, rather than reinvested in real capital formation.[97] Financialization can facilitate accumulation by dispossession and give rise to precariousness by "transfers of ownership and power to those who keep their own assets intact and who are in a position to create credit."[98] Such transfers are made possible by the release and devaluation of valuable assets that surplus capital can seize upon. Under an international financial system largely at the behest of the United States, financial crises can be wielded to generate such release and devaluation at the level of sectors or even whole territories, as what has happened in East and South-East Asia in 1997-8.[99]

Accumulation by dispossession has increasingly taken place on a global scale,

[94] Harvey 2003, 149.
[95] Harvey 2003, 149-156.
[96] Harvey 2003, 156.
[97] Sweezy 1997.
[98] Harvey 2003, 150.
[99] Harvey 2003, 150, 156.

which has a tremendous impact on the conditions of the working class worldwide. Harvey uses the term "spatial fix" to describe "capitalism's insatiable drive to resolve its inner crisis tendencies by geographical expansion and geographical restructuring."[100] Since the late 19th century, however, capitalists of the then developed economies began to reach out and make profits by taking advantage of the cheap labour, land, and raw materials in semi-peripheral economies in Europe such as Russia and their colonies in Asia and Latin America.[101] Globalization accelerated since the 1960s and won a real breakthrough in the 1990s when "The collapse of the Soviet Union and then the opening up of China entailed a massive release of hitherto unavailable assets into the mainstream of capital accumulation."[102] China's entry into the World Trade Organization (WTO) in 2001 advanced globalization by further opening its gigantic domestic market and labour pool to international capital. It is worth mentioning that China has one-fifth of the world's population and over one-third of the total population of low-income countries. China's all-around participation in the international division of labour is doomed to have a huge impact on the global working class.[103]

By pooling workers from geographically dispersed regions together, particularly through the integration of formerly planned economies into the world capitalist system, globalization renders workers in continuous competition for employment opportunities on a global scale. For workers in core economies, such competition can result in actual job loss or at least the fear of job loss, particularly among low-skill workers.[104] In

[100] Harvey 2001, 24.
[101] Lenin 1999.
[102] Harvey 2003, 149.
[103] Silver and Arrighi 2001.
[104] Kalleberg 2009.

peripheral economies, workers are likely to be trapped in precariousness by the mobility of capital and a global reservoir of the industrial reserve army.[105]

Precariousness and Flexible Accumulation: Globalization and Financialization II

This section turns to examine how the expanded reproduction or reinvestment of capital has been recalibrated by globalization and financialization, which generates precariousness as well.

Post-1973 capitalism is characterized by flexible accumulation in the sense that it overcomes the rigidities of Fordism such as fixed capital investments in mass-production systems, organized labour power, state commitments, and so on.[106] Globalization or spatial fix underpins flexible accumulation by geographical restructuring. Although globalization has taken the form of exporting capital since the late 1800s, it is only since the 1970s that it has taken the form in which the production of a single commodity spans many countries with each country performing tasks that it has a cost advantage.[107] The "network of labor and production processes whose end result is a finished commodity" is called a commodity chain.[108] Before the 1970s, commodity chains were mostly localized, and even concentrated in one corporation as a result of the vertical integration of activities along the chain.[109] After the 1970s, however, driven by the endless search for higher profits in increasingly competitive and

[105] Silver and Arrighi 2001.
[106] Harvey 1989, 141-188.
[107] Gereffi, Korzeniewicz and Korzeniewicz 1994, 1.
[108] Hopkins and Wallerstein 1986, 159.
[109] Chandler 1993.

volatile markets, facilitated by information technologies and other declining barriers to capital mobility, corporations in core economies increasingly subcontract their business to suppliers in peripheral economies to lower costs and reduce risks. This process is accompanied by the trend of replacing mass production under Fordism by small-batch production to quickly satisfy a wider range of ever-changing market needs.[110]

Globalization by geographical restructuring gives rise to labour precariousness in the following ways. First, the power asymmetry between buyers and contractors allows the former to pressure the latter to lower costs and raise efficiency, thus leaving little room for the latter to maintain labour standards. To lower labour costs, quite often, workers' wages are kept at a low level and they are exposed to health and safety hazards in the workplace. To catch the delivery time in quick-changing markets, workers have to frequently work extremely long hours.[111] Second, the flexibilization of production by subcontracting and small-batch production calls for the flexibilization of the workforce, which entails a decrease in the number of core workers and an increase in the number of peripheral workers that can be costlessly expended when not needed.[112]

Financialization underpins flexible accumulation in the sense that it provides an outlet other than material production for capital to secure profits. By engaging in borrowing, lending and speculation whereby capital switches from meeting current consumption to exploring future uses, excessive capital can return to the circulation that generates profits. Harvey calls this strategy "temporal fix." [113] "Temporal fix"

[110] Harvey 1989, 155-6.
[111] Chan, Pun and Selden 2013.
[112] Harvey 1989, 152.
[113] Harvey 1989, 182.

facilitated by financialization augments working-class precariousness in the sense that financial speculation in housing, education, health, pensions, insurance, and other miscellaneous needs of the working class enables capital to extract profits out of workers' wages. Costas Lapavitsas terms this process "financial expropriation."[114] This situation urges Harvey to distinguish between a new form of exploitation that centres on the reproduction of labour power and work-based exploitation. He terms it community-based exploitation that refers to exploitation during the production of new modes of consumption and during the production of new social wants and needs.[115]

In the 1980s and 1990s, with capital of the North resorting to financial speculation and the contraction of monetary policies of the North, capital flows from high-income to lower-income countries shrank so sharply that the direction of capital flows was not from North to South but from South to North.[116] Financialization is thus translated into intensified competition for mobile capital among peripheral countries. Silver and Arrighi describe such competition from 1980 onwards as "cut-throat."[117] Reducing labour protection and suppressing labour movements are often inherent in the state's strategy to win such competition. Moreover, the transformation of the financial sector from a facilitator of other business to "an independent power, an autocrat over the real economy" [118] allows it to wield power over the management of other economic sectors and soak up their surplus value.[119] Given that it is the real economy that underpins the

[114] Lapavitsas 2009.
[115] Harvey 1985, 86.
[116] Silver and Arrighi 2001, 62.
[117] Silver and Arrighi 2001, 64; Arrighi 2007, 145-48.
[118] Cox 1992, 29.
[119] Aalbers 2008.

livelihood of the middle class, financialization thus contributes to the polarization of the whole society by pauperizing the middle class through extracting the surplus of the real economy.[120] In addition, financialized investment is a driver of perpetual restructuring and organizational upheaval that exacerbates work insecurity.[121] It is against these backgrounds that Silver and Arrighi argue that, the relocation of capital from material production to financial activities (financialization), rather than the relocation of industrial activities from North to South (globalization), "has been the main cause of whatever worsening of working and living conditions Northern and Southern workers have been experiencing" since the 1980s.[122]

Precariousness and Labour Control

Now we move inside the workplace to examine how changing tactics of labour control give rise to precariousness. This stream of literature extends classical Marxist theory by filling in the gap of how labour control evolves to accommodate working-class resistance.

To lower the reliance of capital on labour in securing profits, labour control evolves in the direction of making workers replaceable and disposable. By deepening the Smithian division of labour, Frederick Taylor's Scientific Management augments management's power in controlling the labour process.[123] Mechanization of the labour process has similar effects. Harry Braverman interprets the nature of these two

[120] Phillips 1993, 197.
[121] Cushen and Thompson 2016.
[122] Silver and Arrighi 2001, 62.
[123] Marglin 1974.

processes as a separation of conception from execution in production.[124] The deskilling of workers lowers their individual bargaining power against employers. Their only power seems to be to unite in large numbers and bargain.[125]

However, labour control has been evolving in the direction of dividing workers and turning them against each other. Michael Lebowitz highlights the separation of workers as the key mechanism that keeps capitalism going.[126] Andrew Friedman argues that, within firms, splitting workers into various groups and applying different managerial strategies helps to weaken overall worker resistance and allows managers to gain flexibility at the expense of peripheral workers, who are mainly unskilled and semi-skilled manual workers. In other words, the security of core workers is built on the precarity of peripheral workers within individual firms.[127] A similar pattern of a core-peripheral worker relationship can be found between firms. Workers in smaller manufacturers are more vulnerable than those working for big manufacturers who have bigger bargaining power over merchants in price-setting.[128] Specifically, David Gordon, Richard Edwards, and Michael Reich find that, between 1945 and the 1970s, workers in large corporations (core manufacturers) had significantly higher productivity, higher wages, higher unionization rates and fewer layoffs than their counterparts working for peripheral manufacturers. Retaining peripheral firms and subcontracting low-profit, high-risk operations to them allow core firms to enhance their profitability and thereby worker's security on the condition of undergirding the precarity of workers

[124] Braverman 1998.
[125] Gorz 1982.
[126] Lebowitz 2004.
[127] Friedman 1977, 105-129.
[128] Friedman 1977, 177.

in the periphery. When this pattern of core-peripheral firm relationship operates on a global scale, Silver and Eric Slater argue that the widening of the social foundations of the hegemonic bloc presupposes an exclusion of the majority of the world's population from access to similar rights and privileges.[129]

Stating it clearly, Silver interprets this "divide and rule" strategy as a process of boundary drawing. She argues that historical capitalism has two tendencies: on the one hand, the expansion of capitalism tends to ignite strong labour movements and cause the crisis of legitimacy; on the other hand, efforts to ease labour grievances tend to drive the system towards the crisis of profitability. Historically, capitalism has attempted to reconcile the contradiction between these two crises by drawing boundaries between workers who will be given concessions such as decommodification of labour and expensive social contracts and workers who will be left out. Boundary-drawing strategies mainly take three forms: capital-driven segmented labour markets, state-driven bounding citizenship, and labour-driven exclusionary class identities on nonclass bases.[130]

Moreover, labour control generally grows in sophistication. Richard Edwards argues that labour control in firms in the United States has evolved from simple control characterized by personal relationships between employers and a small number of employees to technical control characterized by a technically coordinated process and pace of production, to bureaucratic control characterized by the institutionalization of

[129] Silver and Slater 1999, 151-216.
[130] Silver 2003, 20-25.

hierarchy power.[131] Burawoy extends the labour process theory by adding an ideological dimension. He argues that the essence of the capitalist labour process is securing and obscuring surplus value simultaneously; the obscuring strategy that takes advantage of the ideological effects created by workers' day-to-day adaptation has become the focal element of capitalist labour control.[132] With the transition from Fordism to flexible accumulation, the central value in entrepreneurial culture has shifted from an emphasis on collective customs and values to competitive individualism.[133] Flexi-time arrangements have been part of the neoliberal rhetoric of individual freedom that is persuasive to individual labourers, which contributes to a highly exploitative system of flexible accumulation.[134]

Precariousness and the State

While classical Marxist theory tends to emphasize the state as a machine for the oppression of the dominated class, the stream of the literature builds on Marx's thesis of regulating capitalism for the interests of the dominant class as a whole and argues that the state can regulate capitalism differently in different situations, which can be supportive of or subversive to the working class, with or without their consent, decreasing or increasing their precariousness.

This stream of literature is mainly driven by Marxists' attempt to make sense of the post-WWII western society characterized by social democracy, a coalition between

[131] Edwards 1979.
[132] Burawoy 1979; Burawoy 1985, 39.
[133] Harvey 1989, 171.
[134] Harvey 2007, 53.

capital and organized labour, a pervasive social safety net, and so on, within the logic of Marxism. It primarily consists of the writings by the regulation school and the school of social structures of accumulation. Both focus on the institutional arrangements under which capitalist accumulation is organized. These scholars tend to regard consumption as the engine of capitalism and attribute the formation of the post-war boom primarily to the parallel growth of productivity and real wages. State intervention facilitates such parallel growth by mediating between the interests of capital and labour and by introducing laws to encourage investment, recognize workers' right of association, guarantee their entitlements of minimum wage and basic welfare benefits, and so forth.[135] These two schools tend to attribute the crisis to the incongruence between capital accumulation and the surrounding institutional environment. With profitable opportunities within a certain institutional system or a certain set of social structures of accumulation beginning to drain, the boom begins to fade and capitalists begin to experiment with new institutions or social structures.[136] In this way, this approach explains the deregulation on industrial relations and the rise of precariousness since the 1980s.

Precariousness and Labour

Now we are in a good position to examine the relationship between labourers and their conditions. This stream of literature extends classical Marxist theory by arguing that

[135] Kotz, McDonough and Reich (eds.) 1994; Marglin, Stephen and Schor (eds.) 1990; Eichengreen 2008, 31-40.
[136] Gordon, Edwards and Reich 1982, 8-13.

labour activities are capable of countering capital-led precarization to a significant extent.

Labourers are not only workers, but also consumers and human beings. Marx's theory of surplus value implies that workers' experience amidst production triggers them to revolt. The mentioned variations of underconsumption theory, including that of Luxemburg, the regulation school, and the school of social structures of accumulation, highlight that labourers as consumers, constitute an indispensable node in the valorization of capital, which can force capital to refrain from the ruthless precarization. For Lebowitz, labourers' drive to counter precarization comes from the fact that labourers are human beings. Human beings have three levels of needs: physiological needs to produce the worker as a natural subject, necessary needs circumscribed by customs and habits, and social needs associated with labour as socially developed human beings. Classical Marxist theory regards these needs as part of the very nature of labour. Thus, failing to satisfy these needs is a denial of the self and would generate dissatisfaction. With the endless pursuit of profit, however, capitalism inherently fails to satisfy such needs. Therefore, workers' struggle for higher wages is inherent in capitalism.[137]

Eric Olin Wright distinguishes between two types of working-class power: associational power resulting from the formation of collective organizations of workers, and structural power resulting from the location of workers within the economic system—this has to do with the relative shortage of labour power, the strategic location

[137] Lebowitz 2003.

of a particular group of workers within a key industrial sector, and so on.[138] Drawing on this theoretical framework, Silver interprets Marx's theory of the general law of capital accumulation as suggesting that "although 'the advance of industry' may weaken the marketplace bargaining power of labor, it tends to increase both workplace bargaining power and associational power."[139] By tracing the trajectory of the world automobile industry, she argues that where capital goes, conflict goes. This thesis stands in sharp contrast with the "race to bottom" thesis according to which globalization will lead to a structural weakening of labour and labour movements on a global scale and bring about a race to the bottom in wages and working conditions.[140] Based on a study of systematic cycles in capitalist hegemony, Silver and Eric Slater argue that periods of hegemonic transition have been characterized by increasing social conflicts, particularly labour movements, which push the new hegemony to be built on social compacts between dominant and subordinate groups.[141] Similarly, some literature on the rising of welfare states emphasizes the centrality of labour mobilization in the expansion of social protection regimes.[142]

Mainstream Economics on Labour Precariousness

Mainstream economics here refers to economics in the neoclassical economics

[138] Wright 2000.
[139] Silver 2003, 19.
[140] Silver 2003.
[141] Silver and Slater 1999, 151-216.
[142] Esping-Andersen 1990, 125.

tradition.[143] Like Marxist theory, mainstream economics also regard labour power as a commodity. While Marxist theorists focus on capital and assume that labour and capital are under unequal power relations in the labour market that allows the latter to exploit the former, mainstream economists focus on market and assume that labour and capital are equal agents in the labour market. Decided by supply and demand, the price of labour power is a result of equal value exchange. This section successively reviews the ideas of mainstream economics on the role of market, institutions, and labour in generating precariousness.

Precariousness and the Market

Mainstream economics allies with classical Marxist theory in the brief that economic development will inexorably lead to the pervasion of regular labour relations dominated by a wage bond, and an image of class structure composed of organized wage labourers.[144] Nonetheless, the non-institutional wing of mainstream economics tends to regard the existence of precariousness as a natural, temporary result of the market and the persistence of precariousness as a market failure or a market distortion.

The leading theory is Arthur Lewis's "economic dualism." His starting point is that previous models of economic analysis based on the European parts of the world where labour was indeed limited cannot explain the problem of growth in developing economies where labour supply tends to be unlimited. Inspired by this distinction, he proposes a two-sector conception within the developing economy: the traditional

[143] Dequech 2007.
[144] Portes, Castells and Benton 1989, 307-308.

agricultural sector with surplus labour and the modern capitalist industrial sector without surplus labour. Wages stagnate at subsistence levels in the former while rising with enhanced productivity in the latter. Economic development is a process in which the modern sector draws off surplus labour from the rural surplus labour pool until it drains. Thereafter, the economy proceeds on the basis of a scarcity of labour power and wages begin to increase rapidly.[145]

John Harris and Michael Todaro extend Lewis's model in explaining the co-existence of positive marginal products in agriculture, significant levels of urban unemployment, and the salient rural-urban migration. Based on the assumption that the urban minimum wage is substantially higher than agricultural earnings, they argue that rural-urban migration is a response to the expected rural-urban earning difference, rather than real wage differentials. With migration rates exceeding urban job creation rates, many migrants temporarily end up in unemployment and underemployment in cities.[146]

In this sense, the persistence of non-regular wage labour or informality is regarded as a product of market failure.[147] Therefore, this problem can be addressed by removing the barriers to the participation of informal workers in the market, for example, imperfect information and incomplete market. In other words, the prescription lies in inclusive development.[148] One obstacle to removing the barriers across the different sectors of the labour market is the internal labour market. It operates within

[145] Lewis 1954, 2013.
[146] Harris and Todaro 1970; Todaro 1969.
[147] Becker 2010.
[148] Meagher 2015.

certain units and under their internal administrative rules and procedures. Employment and wages in the internal market are shielded from the direct influences of economic fluctuations and competition in the external labour market. Although labour mobility between internal and external markets exist, such flows tend to be limited and jobs in the internal labour market are primarily filled by the promotion or transfer of "insiders"—those who have already gained entry. Namely, "outsiders" are largely excluded from entering the internal labour market. The internal labour market often comes hand in hand with the precariousness of "outsiders."[149]

Precariousness and Regulation

The approaches of mainstream economics pertaining to labour protection institutions are dominated by two opposing perspectives with distinct interpretations of the effects of such institutions on precariousness.

The distortionist perspective of labour market regulation regards regulation as an exogenous intervention into market forces that will impede adjustments to economic shocks, discourage hiring, and privilege "insiders" such as regular workers.[150] Such adjustment failure subsequently contributes to the precariousness of "outsiders." In addition to labour market regulation, taxes and social legislation such as health and environmental controls, ultimately in the form of welfare states, has also been regarded as contributing to labour precariousness by stimulating companies' efforts to escape its

[149] Doeringer and Piore 1985.
[150] Freeman 1992.

reach.[151] In particular, working-class associational power is seen as distorting the efficient labour market operation by making wages and employee headcounts hardly adjustable. Unions and other forms of labour organizations are seen as entities that monopolize labour power within markets. Unionized workers are thus able to extort a monopoly rent in the form of higher wages at the expense of employers and nonunionized workers.[152] Capitalists respond by precarization to undermine the power of organized labour.[153]

In contrast, institutional economics, another wing of mainstream economics, adopts an institutionalist view of labour market regulation. It sees job security arrangements, minimum wages, and collective bargaining as instruments for boosting productivity by accumulating firm-specific skills and expanding aggregate demand.[154] Moreover, this approach attributes the rise of welfare states to the functionality of welfare institutions for economic development. It clearly rejects the Marxist explanation of welfare states by emphasizing labour mobilization. Labour is regarded as simply too weak and too easily to be repressed. Labour gains, in other words, the amelioration of precariousness, is interpreted as a by-product of the social policy.[155]

Precariousness and Labour

Lewis and his followers see the essence of dualism as lying in the fact that workers in different sectors of the economy earn different wages and see market barriers as the

[151] Portes, Castells and Benton 1989, 30.
[152] Wright 2000.
[153] Portes, Castells and Benton 1989, 30.
[154] Freeman 1992.
[155] Hall and Soskice (eds.) 2001; Streeck 2016.

structural constraint of precarious workers' mobility into the modern sectors. In contrast, other mainstream labour economists adopt an individualist approach and ground labour precariousness in their limited human capital.[156] Its main idea is that "different wages must be paid in different sectors to comparable workers."[157] The minimalist notion of these labour market segmentation theories is to recognize a distinction between two sectors: a primary sector containing better paying job opportunities and a secondary sector containing inferior jobs and accommodating mostly the disadvantaged and underprivileged groups—ethnic and racial minorities, women, youth, and so on. Such distinction is regarded as a result of the difference related to their human capital.[158]

Polanyianism on Labour Precariousness

Polanyianism here refers to the thought of Karl Polanyi and his followers. In contrast to Marxist theory and mainstream economics, it has a different assumption of human nature and thereby different attribution and remedy for precariousness.

Precariousness and Social Beings

Polanyianism allies with institutional economics in the way that both recognize the embeddedness of the economy in social institutions. Nonetheless, Polanyianism clearly rejects the economically rational and utility-maximizing logic of *homo economicus* and

[156] Schultz 1962.
[157] Fields 2004.
[158] Berger and Piore 1980.

the associated notion of regarding labour power as a commodity. It sees each person as social in essence. Thus, human beings have a psychological and moral dimension; their actions are shaped by their needs and systems of norms and obligation.[159] Therefore, workers, particularly those in creative industries, may voluntarily embrace precarious employment given that it may bring non-pecuniary benefits such as independence, autonomy, work schedule freedom, and so on.[160] Working mothers often work on a part-time basis in order to balance family responsibilities and financial needs.[161]

Precariousness and Market Expansion

Polanyianism shares Marxism's insight into the historically limited nature of organizing the economy by the universalization of the market principle. With regard to the origins of precariousness, Marxism emphasizes capital's endless pursuit of profits and the associated exploitation of labour power; Polanyianism emphasizes the limitless expansion of the market and the associated commodification of labour power.[162]

Polanyi notes that, in the previous history, productive activities were embedded in the general organization of society. The relations of master, journeyman, and apprentice were regulated by the custom of the guild and the town. As with Marx, Polanyi realizes that a market economy presupposes the commodification of labour power. However, he contends that labour is not a commodity: "Labor is only another name for a human activity that goes with life itself, which in its tum is not produced for sale but for entirely

[159] Polanyi 2001.
[160] Maloney 2004; Perry et al. (eds) 2007.
[161] Cassirer and Addati 2007.
[162] McRobbie and Levitt (eds) 2006, 387.

different reasons, nor can that activity be detached from the rest of life, be stored or mobilized."[163] In other words, the commodity description of labour is entirely fictitious. It is the commodification of labour that helps to organize the labour market, which entails getting rid of the protective covering of cultural institutions for human beings. As a result, they would "die as the victims of acute social dislocation through vice, perversion, crime, and starvation."[164]

Precariousness and Countermovement

With regard to mechanisms for ameliorating precariousness, whereas Marxism anchors its hope on proletarian revolution and the eventual breakdown of capitalism, Polanyianism counts on mass-based countermovement against market expansion.[165] Based on this difference, Silver distinguishes between "Marx-type labour unrest" —the struggle of newly emerging working classes who are made and strengthened as an unintended outcome of the development of capitalism and "Polanyi-type labour unrest" —the backlash resistances of old working classes or working classes with collective bargaining power and generous welfare benefits that are being unmade because of the spread of a global self-regulating market.[166]

Polanyi insists that a self-regulating market will cause a destruction of nature and society through the commodification of labour, land, and money. Fortunately, there is a "tendency inherent in industrial civilization to transcend the self-regulating market by

[163] Polanyi 2001, 75.
[164] Polanyi 2001, 76.
[165] McRobbie and Levitt 2006, 387.
[166] Silver 2003, 20.

consciously subordinating it to a democratic society."[167] Polanyi theorizes this process as "double movement:" "While on the one hand markets spread all over the face of the globe . . . on the other hand, a network of measures and policies was integrated into powerful institutions designed to check the action of the market . . . A deep-seated movement sprang into being to resist the pernicious effects of a market-controlled economy."[168] All groups in society would participate in the countermovement, with the labour movement a key part of it. In the neoliberal era, social scientists have widely deployed Polanyi's notion of "double movement" to interpret the coincident growth of commodification and sentiment and action for social protection.[169]

Actually Existing Socialism and Labour Precariousness

Marxist theory counts on a socialist revolution to eliminate labour precariousness. As shown below, although the actually existing socialist countries have made progress in reducing precariousness, they had never fully achieved this goal. This section reviews the factors that modulate labour precariousness in the actually existing socialist economies (except for China) and the subsequent transitional economies, mainly the former Soviet Union and Eastern Europe.

State-led Immiseration, Stratification, and Exclusion

[167] Polanyi 2001, 242.
[168] Polanyi 2001, 80.
[169] Levien and Paret 2012; Harris and Scully 2015.

According to Marxist theory, capitalism presupposes primitive accumulation or accumulation by dispossession that releases cheap assets and labour that capital can seize upon to make profits. Capital's endless pursuit of profits defines working-class precariousness. Similarly, according to the experience of actually existing socialist economies, socialism presupposes primitive socialist accumulation that extracts surplus to feed industrialization. The state's endless pursuit of industrial growth had begotten pervasive and chronic working-class immiseration and stratification, and even social exclusion.

Contrary to Marx's prediction, socialist revolutions first took place in backward economies. Socialist revolutionaries came to power with the promise that they would quickly eliminate the backwardness and catch up with developed capitalist economies by virtue of the socialist system's superiority.[170] Therefore, state-led growth forced by the bureaucratic system became dominant in the socialist system. While hard budget and consumer demand constrained the investment of capitalist entrepreneurs, in socialist countries where economies were modulated by command and there was chronic consumer goods shortage, budget constraint tended to be soft and the aggregate amount of resources such as capital, labour, and natural resources, constrained the scale of economic expansion.[171]

From the late 1930s, the Soviet government embarked on primitive socialist accumulation proposed by Yevgeni Preobrazhensky. Socialist primitive accumulation is characterised by agriculture collectivization to release cheap labour, price scissors

[170] Kornai 1992, 160-162.
[171] Kornai 1980; Kornai 1992, 160-202; Kalecki 1993.

between industrial and agricultural products, intensified investment in industry, particularly in heavy industry, at the expense of light industry, agriculture, and consumption.[172] As a result, the percentage of the Soviet workforce in agriculture dropped from 48 per cent in 1950 to 20 per cent in 1980; the investment share rose from 14 per cent in 1950 to peak at 33 per cent in 1982 before dropping to 16 per cent in 1990; the proportion of producer goods or machinery in Soviet industrial output jumped from 39.5 per cent in 1928 to 74 per cent in 1975.[173]

Soviet workers' living standards suffered as a result of forced growth. Their wages were subject to direct taxes and the quasi-compulsory purchase of government bonds. A careful calculation that takes into consideration the consumer goods prices, taxes, bonds, and benefits indicates that the annual real wages of Soviet nonagricultural workers rapidly declined between 1928 and the late 1940s before mildly rebounding in the early 1950s.[174] Even when real wages henceforth did increase, the growth rates lagged far behind that of productivity[175] until the accession of Mikhail Gorbachev. He launched the 1985-91 *Perestroika* (reconstruction in Russian) that allowed Soviet enterprises to use a significantly larger share of profits for wages.[176] Soviet trade unions contributed to the stagnation of workers' real wages by prioritizing forced growth over workers' interests. Under the collective agreements between trade unions and enterprises, the former committed workers to dedicate themselves to achieving the plan targets in exchange for the latter's regular payment of wages and benefits. Apart

[172] Gregory and Stuart 1974.
[173] Mazat and Serrano 1995.
[174] Chapman 1963, 144.
[175] Adam 1987, 131.
[176] Mazat and Serrano 1995.

from organizing recreational activities, Soviet trade unions were responsible for reinforcing labour motivation by organizing socialist labour emulations, encouraging innovations, and so on.[177]

Accompanying the pervasive immiseration was the stratification and even exclusion within the Soviet working class. Despite the ideology of egalitarianism, from 1931 onwards, to boost productivity, Joseph Stalin launched a movement for personal incentive based on the functions individuals performed in the production process, in the administrative apparatus, and in the power structure. As a result, within the working class, the most highly skilled and productive "aristocracy" was well paid; the rank-and-file workers who had lesser skills earned more or less the average wage for all workers; the disadvantaged workers had the lowest level of skills and productivity; they accounted for approximately one fourth of the workforce and were compensated at the minimum wage level.[178] In Socialist Yugoslavia, self-management of privileged workers endowed themselves with too much power over the share of wages in net profits, which confined the creation of more jobs and excluded more labouring people from joining the working class. As a result, the unemployment rate in Yugoslavia rose from between five and 15 per cent between the 1950s and the 1980s, which forced the government to officially acknowledge that unemployment existed under socialism.[179]

While the economy out of the state regulation or the second economy provokes precariousness in capitalist countries, it alleviates the mass immiseration and consumer

[177] Clarke 2007, 40-41.
[178] Inkeles 1950.
[179] Woodward 1995.

goods shortage in socialist countries, particularly in the era of crisis.[180] In the Soviet Union, workers supplemented their official incomes by stealing time, pilfering goods and materials from the workplace, and then moonlighting in the second economy.[181] In Poland in particular, after 1956, a second economy provided a substantial share of employment and personal income as a remedy to the poor performance of the official economy.[182] In Cuba, with the economic crisis of the 1990s, the government began to nurture a second economy by legalizing self-employment, dismantling the inefficient state farm sector, encouraging foreign investment in the form of joint ventures, and so on.[183] In North Korea, a second economy rapidly grew in the 1990s when the market became the primary source of food after the collapse of the state food rationing scheme.[184]

Ideology-and-shortage-underpinned Labour Security

Nonetheless, the actually existing socialist economies had largely eliminated unemployment. As early as 1912, Lenin made it clear that unemployment was inseparably associated with the capitalist mode of production.[185] This belief was translated into a major constituent of the official ideology that socialism would guarantee full employment. This ideology had been endorsed by the 1936 Soviet Constitution, according to which, "Citizens of the U.S.S.R. have the right to work, that

[180] Los (ed.) 2016.
[181] Gaddy 1991.
[182] Korbonski 1981.
[183] Pérez-López 1995.
[184] Chun 1999; Dukalskis 2016.
[185] Porket 1989.

is, are guaranteed the right to employment…The right to work is ensured by the socialist organization of the national economy, the steady growth of the productive forces of Soviet society, the elimination of the possibility of economic crises, and the abolition of unemployment."[186] In practice, in late 1930, the Soviet government declared the total liquidation of unemployment in the Soviet Union as a result of rapid industrialization and collectivization.[187] Subsequently, from the 1930s, a chronic labour shortage had haunted most countries of the Soviet Bloc because of forced growth, a low degree of mechanization, labour hoarding, and so on.[188]

While there were no signs of mass unemployment in the Soviet Union, partial, concealed, or frictional unemployment did exist. Surplus labour, disguised or not, was found in factories because of overmanning,[189] in peripheral areas because of over-concentration of industry in large towns,[190] in cities because of technological progress or closure of factories,[191] and in agriculture,[192] particularly among former big capitalists, landowners, and other rich people,[193] women,[194] school leavers who entered the workforce for the first time, voluntarily or not.[195] Nonetheless, unemployment was hardly a problem in most former socialist economies. According to estimates by Western scholars, the actual unemployment of the Soviet Union in the

[186] Conquest 1967, 34.
[187] Conquest 1967, 22.
[188] Conquest 1967, 22; Adam (ed.) 1987.
[189] Porket 1989, 114.
[190] Conquest 1967, 35.
[191] Conquest 1967, 35.
[192] Schwarz 1960.
[193] Kornai 1992, 204-5.
[194] Porket 1989, 101.
[195] Porket 1989, 101-110.

1970s was approximately one to two per cent.[196]

Given the high labour mobility emboldened by guaranteed employment and labour shortage, non-permanent labour contracts tended to have limited impact on Soviet workers' job security. The Soviet labour law required that employers sign labour contracts with workers. The duration of labour contracts could be open-ended, fixed-term, or last until the completion of specific tasks. In most times before 1971, Soviet workers had the right to willfully end the contract with a notice before the contract concluded, while employers could only dismiss workers on grounds stipulated by law and with the agreement of the factory and the local trade union committee.[197] Fostered by the pervasive labour shortage, labour turnover became a common occurrence in the Soviet Union as early as in the 1930s. Between the late 1950s and the mid-1970s, the average annual rate of labour turnover in this region ran at 19 to 22 per cent in industry and 24 to 41 per cent in construction.[198] In order to discourage the workforce turnover, the 1971 Soviet labour code prohibited workers from exiting fixed-term contracts at their free will, thus empowering employers, particularly in inhospitable and remote regions, with the right to retain workers using fixed-term contracts.[199]

In addition, once in employment, Soviet workers were covered by the state social insurance system. Although there had been numerous changes in provisions and rates of benefits, generally, Soviet workers were entitled to compensation for pay losses because of illness, accident, pregnancy, and childbirth, pensions for disability and

[196] Gregory and Collier 1988.
[197] Conquest 1967, 15-21.
[198] Porket 1989, 93.
[199] Muravyev 2014.

retirement, funeral benefits, pensions to the dependent survivors of deceased workers, and until 1930, unemployment compensation.[200] It is worth mentioning that, after the abolition of the unemployment relief in 1930, dismissed workers were granted no more than two weeks' wages or two weeks' notice.[201]

Precarization in Transitional Economies

The disintegration of the Soviet Union and the subsequent "shock therapy" in former Soviet Union countries and Eastern Europe opened a savage period of primitive accumulation with massive cheap assets released by large-scale privatization and market reforms.[202] The withdrawal of state planning from the labour market has given birth to an increasingly flexible labour market.[203] With enterprises transforming from paternalist to profit-seeking institutions, unemployment has rapidly grown in these transitional economies, with women among the first to be dismissed.[204] Meanwhile, nonstandard employment such as self-employment, fixed-term employment, part-time work, and agency work have been flourishing.[205]

While the late 1980s and early 1990s witnessed a substantially intensified protection of displaced workers, the late 1990s onwards has seen a gradual liberalization of permanent contracts against the background of increasing regulation on temporary contracts and collective dismissals.[206] Nonetheless, with relatively

[200] Chapman 1963, 122-3.
[201] Conquest 1967, 34-5.
[202] Harvey 2003, 153.
[203] Gerber 2002.
[204] Fodor 1997.
[205] Clarke 2007; Gasiukova, Sergey and Karacharovskiy 2016; Trappman 2011, 2013.
[206] Muravyev 2014.

stringent laws coupled with weak and discretionary enforcement, the effects of labour protection regulation in these transitional economies have been notoriously poor.[207] In Russia, the enforcement of employment protection legislation varies greatly across different regions.[208]

Although the working class as a whole suffered more in the transitional era than in the socialist era, there has been a low level of labour militancy in the new era because of the tradition of cooperative labour–management relations and workers' fear of dismissals under turbulent conditions.[209] Nevertheless, there are cross-national varieties. For example, Czech workers did significantly better than Polish workers in resisting flexibilization based on their strong union legacy and intimate collaborations with an electorally viable set of left parties.[210]

Towards an Integrated Theoretical Framework

While each theoretical tradition sheds some light on the origins of precarious labour in China, none of them can individually explain the whole story after 1949. Although Marxist theory is powerful in demystifying the rise of labour precariousness in reform China after the private economy was restored, as shown in Chapter One, it fails to make sense of the salience of precarious labour in planned-economy China. While mainstream economics does help to explain how market inclusion in the reform era has

[207] Rutkowski and Scarpetta 2005.
[208] Gimpelson, Kapelyushnikov and Lukyanova 2010.
[209] Crowley 2004; Crowley and Lanham (eds.) 2001; Kubicek 2004.
[210] Sil 2017.

affected the precarious state of peasant workers, it has the same shortcoming as Marxist theory. Even as the theory of primitive socialist accumulation contributes to the understanding of precarious labour in Mao's China, it cannot explain the wide fluctuation of precarious labour throughout the Mao era. Meanwhile, although Polanyianism does help to explain why the endless expansion of the market and the expansion of precarious labour have their built-in constraints, it cannot explain the unintended consequences of labour protection regulation in China in the new millennium that has been interpreted as a Polanyian countermovement, as detailed in later chapters.

In the light of this, this thesis rejects the insistence on one theoretical tradition to the exclusion of the others. Given that Marxist theory has the most comprehensive explanations on the origins of precarious labour and also has great relevance for the reality of China, the theoretical framework of this thesis uses Marxist theory as a base, supplemented by insights from the other three theoretical traditions.

Two primary mechanisms of precarization emerge in the above-mentioned four theoretical traditions. The first one is exploitation. Exploitation is at the core of Marxist analysis of workers' conditions. The Polanyian commodification of labour means to subject workers to capital's ruthless exploitation, too. Exploitation can be made possible by secondary processes such as proletarianization or semi-proletarianization, globalization, financialization, labour control, and so forth. The second is exclusion. According to Marxist theory, boundary-drawing is built into capitalism to reconcile its two contradictory tendencies. Exclusion is at the core of mainstream economics'

analysis of precariousness. In socialist countries, as has happened in Yugoslavia, privileged workers also built barriers to the participation of "outsiders" in their group. Exclusion can be based on market failure, privileged groups' deliberate efforts, and so forth. It is worth noting that exploitation and exclusion are not entirely independent. Instead, as shown in Marxist theory in the case of employment dualism and migrant labour, in mainstream economics in the case of labour market segmentation, exclusion often aggravates exploitation.

The above four theoretical traditions have shown that both exploitation and exclusion work in the realms of both production and social reproduction. According to Marxist theory, exploitation can take place in the sphere of production by extracting surplus value from workers' labour process, or in the sphere of social reproduction by extracting surplus value from workers' daily consumption. According to the experience of socialist countries, some workers were rendered precarious because of being excluded from entering the workforce to get wages and employment-based benefits. In capitalist economies, thanks to labour market segmentation, one commonly cannot change jobs freely between different segments of the labour market. As had happened in some socialist countries, exclusion can also emerge in the sphere of social reproduction that excludes one from being entitled to certain subsistence resources. Production and social reproduction are not necessarily two independent spheres. In the case where the supply of social reproduction resources is solely workplace-based, as had happened in socialist countries, one's entitlements in the realm of production defines one's entitlements in the realm of social reproduction. By contrast, in places

where entitlements to the supply of social reproduction resources hinge on citizenship, rather than on workplace membership, the link between entitlements in these two spheres tends to be weak.

The above four theoretical traditions also show that exploitation and exclusion can be imposed by both the state and capital. We can find exploitation by capital in Marxism and Polanyianism, and exploitation by the state in socialist countries. In addition, Marxist theory and mainstream economics deal with exclusion by capital, while socialist countries saw the exercise of exclusion by the state. Moreover, the state and capital are not independent actors in forging labour precariousness. As implied in Marxist theory, exploitation by capital is often facilitated by the state.

In the light of this, this thesis rejects the two prevalent approaches to defining precariousness that are mentioned in Chapter One. Instead, based on the four theoretical traditions, this thesis defines precariousness with reference to the situation in which workers are subject to varying degrees of exploitation and exclusion in the sphere of production or social reproduction, rendering them particularly vulnerable to risks in life. More concretely, exploitation in the sphere of production, exploitation in the sphere of social reproduction, exclusion in the sphere of production, and exclusion in the sphere of social reproduction one suffers from form four fundamental dimensions of one's precarious state. Given the closely intertwined relations between exploitation and exclusion, and between the spheres of production and social reproduction, we can only judge one's precarious state in a historical and context-specific fashion. This definition also implies that there is no ground to treat precariousness as a binary concept. Instead,

precariousness is a spectrum.

While the skeleton of a precarization regime has become clear in the above analyses, it is worth noting that the exercise of exploitation and social exclusion can be adjusted by a combination of factors, for example, labour movements and state regulation, as informed by Marxism, mainstream economics, and Polanyianism. Figure 3 illustrates the framework that integrates insights from the above four theoretical traditions and forms the essential elements of the precarization regime.

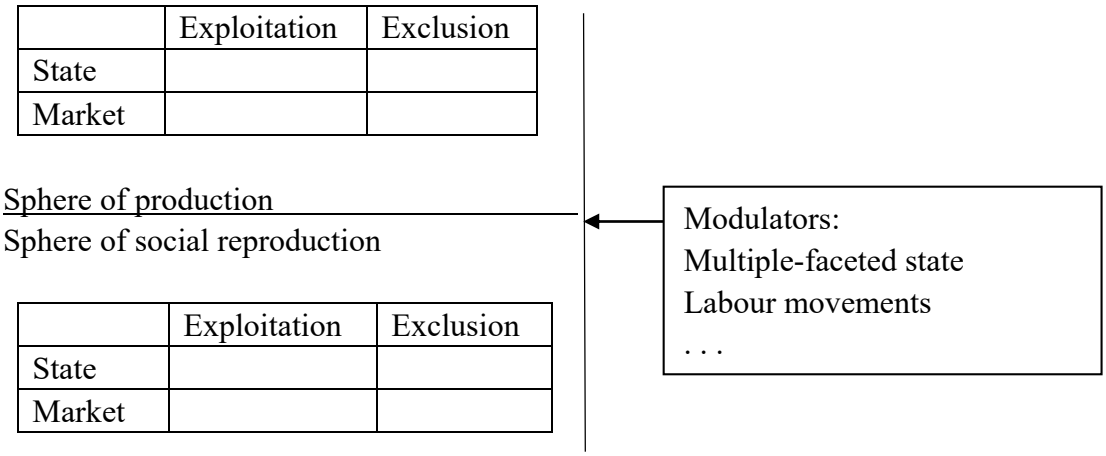


Figure 3. The Precarization Regime: A Template

This thesis will apply this analytical framework to the study of precarious labour in China to unravel the changing mechanisms beneath the ebbs and flows of precarious workers and their conditions in different eras after 1949. In particular, it shows how the apparatuses of precarization in pre-1949 China, the new apparatuses forged amidst the planned economy, coupled with those that have arisen in the market economy, have together shaped working-class precariousness in present-day China. The next chapter

gives a brief introduction of the situation of precarious labourers and associated institutions of precarization before the CCP took over China in 1949.

Chapter Three

Precarious Labour in Pre-1949 China

Exploitation underpinned precariousness in pre-1949 China. Moreover, pre-1949 China has prepared a basic set of apparatuses for generating precariousness in post-1949 China, including the practice of employment dualism, the two systems of organizing production—the inside contract system and the putting-out system, and the distinction between short-term labour and long-term labour. These institutions and their variations have survived the planned economy and remain robust in China and the other parts of the world nowadays.

Birth of Wage Labour in China

Wage labour is ancient. But for a long time, it was exceptional, complementary, transitory, and was compensated by something other than wages. It only developed into the capitalistic mode of production when the means of production became concentrated in the hands of capitalists.[211] In China, with the commodity economy gradually growing out of the subsistence economy, wage labour began to expand in the Ming dynasty (AD 1368-1644). With or without a contract with the employer, according to the duration of employment, the then wage labour was generally categorized as short-term workers (*duangong*) and long-term workers (*changgong*). Short-term workers were employed for less than one year. Day workers, monthly workers, and seasonal

[211] Engels 1987, 257-258.

workers were different forms of short-term workers. Long-term workers were employed for over one year.[212]

Wage labour was widely used in handicraft, mining, and agriculture in the Qing dynasty (AD 1644-1912), as a supplement to family labour or as part and parcel of the production workforce. During the reign of the Yongzheng Emperor (AD 1723-1735), over twenty thousand wage workers toiled in the dyeing mills of Suzhou. They were mostly peasants with little or no ploughland, fleeing into cities for a living. Wage labourers in China at this stage had elements of both feudal bondage and capitalist exploitation and lived in salient precariousness. The labourers' livelihood was subject to the arbitrary dockings and dismissals of employers. They were exposed to hunger and even death once dismissed.[213]

With production increasingly moving from craft workshops to factories, the precariousness of wage labourers became institutionalized by dualistic employment that initially prevailed in China in the late 19th and early 20th century. In typical practice, management and skilled workers were called "inside workers" (*ligong*) who were directly employed by the firm owner. In contrast, the majority of unskilled workers were called "outside workers" (*waigong*) who worked for the firm through intermediaries.[214] There were mainly two kinds of intermediaries that were associated with two systems of organizing production: the inside contract system coordinated by contractors and the putting-out system coordinated by merchants. Meanwhile, with the

[212] Ouyang 1961, 53.
[213] Liu 1962.
[214] Liu and Tang 1998, 195-197; Shen et. al. (eds.) 1998, 502; Li et. al. (eds.) 1997, 100.

sophistication of labour management, long-term and short-term workers were more clearly distinguished by employment status that entailed all aspects of job-related security or insecurity, rather than solely by job duration.

On the Shop Floor

After the 1840-1860 Opium Wars, foreign capital took root in China, bringing with it the inside contract system that then prevailed in their home countries.[215] In response to the foreign invasion, in 1861, the Qing government launched the Self-Strengthening Movement. During this movement, China's first batch of modern shipyards and arsenals were established. Drawing on the ready-made personal bonds in the secret society and the way the Xiang Army managed soldiers, these government-run enterprises independently developed their own inside contract system.[216] The then nascent domestic, private enterprises also adopted this system.[217] This Chinese-version inside contract system had all the basic elements of the western counterparts: the firm owner provided floor space, machinery, sometimes supplied raw materials and working capital, and arranged for the sale of the finished product; the gap between raw material and finished product was not filled by paid employees, but by contractors who hired their own employees, supervised the labour process, and received payment from the firm; the income of a contractor consisted of the difference between his wage bill and

[215] Yuan 1990, 7-8.
[216] Ma 2016.
[217] Li 2007.

his sales to the firm owner, as well as the pay he earned as an employee himself.[218]

During the administration of the Republic of China (1912-1949), the inside contract system was widely used in manufacturing, mining, transportation, construction, accommodation, and so on.[219] In 1929, workers hired by contractors accounted for 79 per cent in Beipiao coal mine, 54 per cent in Kailuan coal mine, and 66 per cent in Anshan iron mine.[220] In order to secure a job, workers had to pay a recruitment fee to the contractor or to the secret society the contractor belonged to first. They had to regularly bribe the contractor later. During work, they were closely supervised by the contractor and would suffer beating for trivial faults.[221] Retaining the right to dismiss disobedient workers, contractors were at an advantage when competing for a larger slice of the firm's payment. Before 1949, workers' wage bills often made up 30-50 of the contractor's sales.[222]

On the shop floor, in addition to the workers hired by contractors were indentured workers to labour agents (*baoshen gong*) and juvenile apprentices (*yangcheng gong*). After being sold by their parents, indentured workers became the quasi-slave unfree labour of labour agents for three to five years. During this period, all their wages were retained by the agent in exchange for cheap accommodation.[223] In 1945, indentured workers made up half of the frontline staff in the Japanese cotton mills in Shanghai.[224] Juvenile apprentices were workers aged 18 or younger who learned skills for low or no

[218] Buttrick 1952.
[219] Zhu 1999, 310-311; Li 2008.
[220] Yan (ed.) 1987, 7.
[221] Perry 1993, 138; Shi et. al. (eds.) 1998, 905.
[222] Zhu 1999, 311-312; Perry 1993, 55-57, 138-139; Li et al. 1997, 104-108.
[223] Yuan 1990, 8-9; Li et al. 1997, 114-116.
[224] Shen et. al. (eds.) 1998, 503.

pay for a particular period of time. They differed from traditional apprentices[225] in their young age and in the fact that they were free from the patriarchal relationship with master artisans that traditional apprentices were subject to.[226] In 1924, juvenile apprentices at the age of 12 or younger accounted for 41 per cent of workers in foreign silk mills and eight per cent of workers in foreign cotton mills in Shanghai.[227] As a result, Emily Honig discovered that ordinary workers under the control of the Green Gang (*qingbang*, a secret society) contractors, indentured workers, and juvenile apprentices co-existed in Shanghai's cotton mills in the era of the Republic of China.[228] A survey based on 240 factories in Shanghai in 1946 found that workers in approximately 64 per cent of factories worked more than ten hours every day. The majority of them worked 303-308 days every year.[229]

In addition to these regular workers were temporary workers (*linshi gong*). Despite the reality that they might work for a short or long term, they were discriminated against in compensation, promotion, and job security compared with regular workers. Temporary workers were widely used in labour-intensive industries such as textile, tobacco and flour. In 1932, of 3,440 workers in the Great China Match Company in Shanghai, 2,185 were temporary workers, that is, 63.5 per cent.[230] In the early 1930s, approximately 60 per cent of dockers in Shanghai were day labourers. They usually

[225] This thesis omits apprentice as a form of precarious labour since they only make up a limited proportion of the industrial workforce and they differ from other forms of precarious labour in the way that their precariousness often significantly decreases when they become independent workers.
[226] Li et al. 1997, 111-114; Yuan 1990, 9-10.
[227] Shen et. al. (eds.) 1998, 502-503.
[228] Honig 1992, 79-131.
[229] Li et al. 1997, 120.
[230] Shen et. al. (eds.) 1998, 173.

waited in the workplace for a job at the dawn of each day. In then Shanghai, the typical duration of temporary employment was three months. Temps were commonly dismissed before the end of the third month and were re-employed later.[231] In addition, female workers were more precarious than their male counterparts. In Shanghai before 1949, female workers earned approximately 60 per cent the average wage of male workers.[232]

Off the Shop Floor

Although in pre-1949 China the use of machines was on the rise in the modern factory sector, the whole country's economy remained predominantly traditional. The vast majority of net national product comprised agriculture and handicrafts that essentially used the same production techniques and forms of organization in the 1930s as in the 1840s.[233] With increasing demand from both home and abroad, peasants and craftsmen increasingly produced for the market, rather than for their own use, resulting in a further expansion in wage labourers.[234] Alongside them was quasi-wage labourers under the putting-out system. This system came out in the late 19th century as a bridge between household labour in the traditional sector and the market or factories in the modern sector.

The putting-out system had long been used in manufacturing activities in Europe

[231] Li et al. 1997, 101.
[232] Li et al. 1997, 104.
[233] Hou 1963.
[234] Huang 1985, 1990.

prior to the Industrial Revolution.[235] China independently developed its own putting-out system. This system differed from the traditional way of commodity production and circulation in the fact that merchants arranged the production and controlled the access to the market. Under the most prevalent form of the putting-out system, an entrepreneur "put out" materials for processing to workers who usually worked at home using their own means of production. The entrepreneur then purchased these workers' products at piece rates.[236] In some cases, merchants had their own factories and "put out" several production procedures, rather than the whole production process.

The putting-out system was particularly common in industries such as cotton textiles, silk, lace, hairnets, and braided straw in north China and the Yangtze Delta.[237] In 1923, 72 per cent of looms in Baodi county, Hebei, operated under a putting-out system controlled by 67 cloth shops. In 1932, 65 per cent of looms in Gaoyang, Hebei, were under the control of 80 cloth shops.[238] For merchants, controlling the access to the market largely meant controlling the price of the household labour's products. Between 1915 and 1920, in Gaoyang county, a bolt of cloth could be sold for one to two *yuan* in the open market, but 0.5 *yuan* to the merchant under the putting-out system.[239] The price was even lower, sometimes 80-90 per cent lower than the normal price, when the demand went down.[240] Compared with the firm owner who had investments in fixed capital, merchants under the putting-out system could withdraw

[235] Jones 1982.
[236] Leijonhufvud 1984.
[237] Shi 1992; Yan 1955, 254-297.
[238] Chao 1977, 204.
[239] Wu 1936, 6-17.
[240] Shi 1996.

without significant loss in the face of depression, making the household labour vulnerable to unemployment.[241]

Absence of a Social Safety Net

So far, we have seen that wage labourers in China were born precarious. In China in the late 19th century and early 20th century, most unskilled workers were subject to various kinds of economic exploitation and dismissals by contractors, labour agents, merchants, and so forth. Between 1898 and 1919, the majority of strikes in Shanghai, both by artisans and unskilled workers, were for a pay rise or against wage dockings.[242]

The then government hardly had any regulation that protected workers from arbitrary dismissals. Instead, take Shanghai for example, in 1928 and 1931, the municipal government introduced several regulations detailing various circumstances under which workers could be dismissed, including but not limited to theft, fighting, and gambling during work time. Individual enterprises had their own factory codes that could be even more rigorous.[243] According to the factory code of the Shanghai Cement Company in 1947, dismissals could be concluded when workers were not needed or when they participated in strikes or stoppages.

In big commercial companies in Shanghai, employers could dismiss workers without severance pay when they were not needed, when they failed to satisfy the

[241] Fang 1978, 16.
[242] Perry 1993, 261-264.
[243] Shen et. al. (eds.) 1998, 199.

employer, when they harmed the company's reputation, or when they were involved in collective action. Between 1933 and 1935, on average, the Number One and Number Eight factory of Shenxin Textiles dismissed 34-79 per cent of their workers every year. In 1946 and 1947, Jiangnan Shipyard dismissed 351 and 309 regular workers respectively on the pretext of fewer orders.[244]

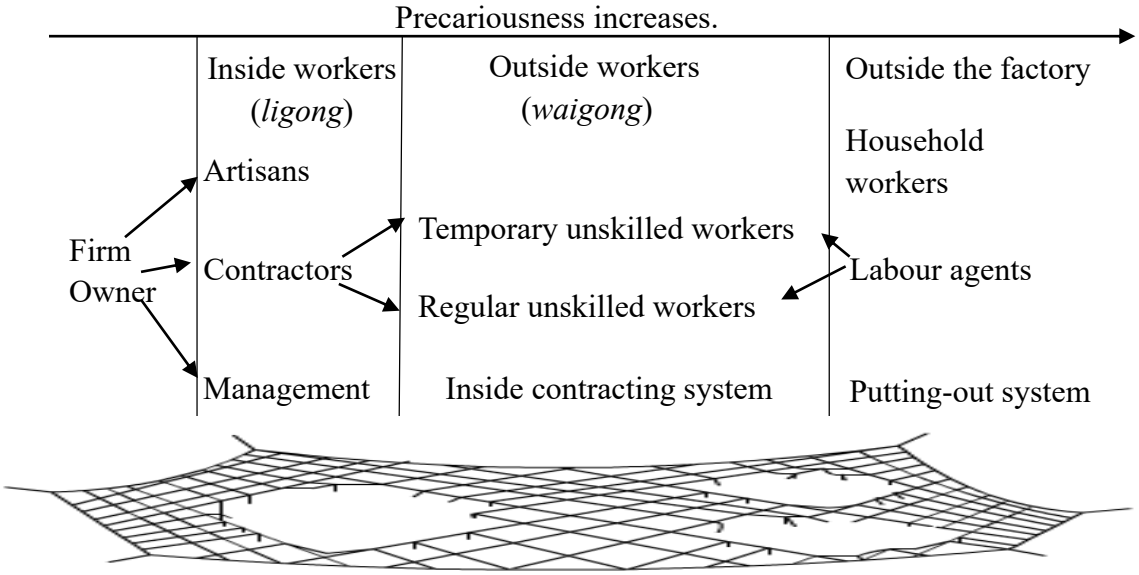
In pre-1949 China, the entitlements of welfare benefits differed between regions controlled by the Chinese Nationalist Party and those controlled by the CCP. In the former regions that included large industrial cities, the government did have regulations pertaining to the welfare benefits of working people. In practice, they were tied to individual enterprises and most enterprises had no such provisions at all. In other words, there was no real social safety net that could catch the workers weeded out by employers because of illness, pregnancy, depression, or any other reasons.[245] Various strikes in this region were staged for the protection of workers with illness, workers injured at work, and female workers who became pregnant.[246] In the regions controlled by the CCP that mainly consisted of rural areas, the government issued various regulations detailing workers' rights of all kinds. It is unclear that how well they were implemented.[247] In summary, it is reasonable to conclude that the vast majority of workers in pre-1949 China had no social safety net to resort to when ill, pregnant, or dismissed. Combined with their working conditions, it is no exaggeration to say that they were in sheer precariousness.

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[244] Li et al. 1997, 103.
[245] Shen et. al. (eds.) 1998, 350.
[246] Shi et al. (eds.) 1998, 897-903.
[247] Yan (ed.) 1987, 293-301.

Ready-Made Apparatuses of Precarization in Pre-1949 China

As shown in Figure 4, by 1949 China had already had a set of labour and production apparatuses that bequeathed precariousness. For individual factories, the production could be organized by a combination of the inside contracting system and the putting-out system. The employer directly hired managers, artisans and contractors. Contractors hired the majority of unskilled workers, including regular workers and temporary workers, supplemented by those hired by labour agents. Household workers worked outside the factory and were associated with production inside the factory via intermediaries. The more remote the workers were to the firm owner, the more precarious they became. Worse, there was no social safety net that could alleviate their precariousness. Subsequently, when the CCP founded the People's Republic of China in October 1949 and re-calibrated China's precariousness regime afterwards, it would find that a basic set of apparatuses already in place for them.



A Broken Social Safety Net

Figure 4. Basic Apparatuses of Precarization in Pre-1949 China

Note: →means to employ or being in a quasi-employment relationship.

Part II Precarious Labour in Mao's China

Chapter Four

Diminishing Private Exploitation and Incipient State Exclusion, 1949-1957

In 1922, immediately after its establishment in 1921, in its second congress, the CCP promised to abolish contract work, then the most common form of precarious work.[248] The post-1949 China under the CCP's rule, however, witnessed a prevalence of precarious workers, in the planned-economy era as well as in the reform era. Part II of this thesis focuses on precarious labour in the Mao era. According to the somewhat distinct routes of industrialization, distinct inclinations of labour policies, distinct conditions of labour uprisings and hence the somewhat different mechanisms of precariousness, this thesis divides the planned-economy era into three periods—1949-57 marked by the establishment of socialist apparatuses, 1958-65 marked by the rise and fall of the Great Leap Forward, and 1966-76 marked by the rise and fall of the Cultural Revolution—with Chapter Four, Five, and Six dealing with each period respectively. The questions are: *What was it like to be a precarious worker in Mao's China? What were the origins of precarious labour in Mao' China? What factors accounted for the ups and downs of precarious labour in Mao's China?*

Existing Literature and the Research Gap

[248] CCP 1922.

The existing literature often mentions the conditions of precarious workers when studying permanent workers in Mao's China. The then urban workforce was characterized by a dualistic pattern.[249] Formal employees in state units were entitled to lifelong job security, cradle-to-grave welfare benefits, and all available political rights.[250] In contrast, economically, precarious workers employed in state units or collective enterprises, in the form of fixed-term workers, contract workers, outsourced workers, and so on, were more likely to be allocated to difficult, dangerous, and dirty jobs, and received less pay, and fewer or no benefits (including housing, medical and educational facilities, pensions, bonuses or allowances, and so on).[251] Politically, they were often excluded from memberships of the trade union, the communist party, the enterprise-level workers' congress, the Cultural Revolution committee, and were not eligible to be elected or nominated as labour model heroes.[252] Moreover, precarious workers bore the brunt of economic hardships. They were dismissed and sent to rural China in large numbers between 1961 and 1963 after the failure of the Great Leap Forward.[253]

Why use precarious employment in planned-economy China? First, socialist primitive accumulation necessitated labour cost saving that gave rise to the employment of cheap precarious labour, particularly peasants.[254] The peasant-worker system enabled urban enterprises to transfer a large share of social reproduction costs of the

[249] Walder 1988, 39-55.
[250] Frazier 2002; Naughton 1997.
[251] Walder 1988, 39-55.
[252] Harris 2015, 124; Walder 1978, 45; Howard 1991, 100.
[253] Luo 2003; Lin 2014; Chen 1996.
[254] Meisner 1999, 306, 332; Lin 2006.

industrial workforce to rural communes and households.[255] Second, precarious employment was devised to cut urban unemployment, thus fulfilling the CCP's ideological commitment to full employment.[256] Third, the peasant-worker system contributed to the elimination of the rural-urban distinction, which was also part of the CCP's commitment to egalitarianism, since it reduced rural unemployment, enabled rural households to receive remittances, and allowed rural communes to appropriate money by sharing peasant workers' income.[257] Fourth, precarious labour was necessary to overcome the rigidity of the administrative allocation of the urban workforce, particularly for enterprises in the counties and with a seasonal production rhythm.[258]

Although the CCP always had alleged to rule China in the name of the proletariat, there were a series of labour protests that had served as a counter-force to precarization in the planned-economy era. In 1956 and 1957, approximately 26,000 workers staged numerous strikes in Shanghai to demand welfare benefits and decry the bureaucratism of cadres in factory, government, party, and union positions. Elizabeth Perry interpreted these movements as a national outpouring of resentment against the growing disparities between permanent state employees and other workers, particularly those in the newly-built joint-ownership enterprises, temporary workers, and apprentices.[259] Between 1966 and 1969, alongside the factional struggles were the disadvantaged workers' uprising for improving their material lot, which was pejoratively dubbed as an

[255] Blecher 1983; White III 2014, 159-189; Sheehan 2002, 85-138.
[256] Granick 1991.
[257] Blecher 1983; White 1987a.
[258] Walder 1988, 50-56; Zhang, Lu 2014.
[259] Perry 1996; Lin 2012.

"economism wind" by the central government. While their economic gains were largely unsustainable, such resistance certainly contributed to the massive regularization of temporary workers in 1971 and 1972.[260] In addition to these mass protest waves, there had been mundane and small-scale labour dissent and unrest throughout the whole planned-economy era.[261]

However, the problem with the existing literature on precarious labour in Mao's China is that it largely treats precarious labourers as a residue of the industrial workforce and thereby only briefly mentions their conditions when focusing on that of secure workers. There have been few efforts to systematically ground the existence of precarious labour in the then changing economic and political circumstances, and to explain both the origins and the fluctuation of precarious labour in Mao's China, to say nothing of theorizing such a phenomenon. In the light of this, using the theoretical framework generated from Chapter Two and underexplored Chinese language archival data (see Appendix B), Part II of this thesis closely examines the changing economic and political situations in the Mao era and shows how these situations were linked to the changing size and composition of precarious labour during these three decades. It is also worth noting that, rather than focusing on precarious labour at the enterprise level, primarily in large enterprises and enterprises in big cities and coastal areas, as is the case in the extant literature, this thesis aims to provide a general and concrete nationwide picture of precarious labour in different eras of China.

The three chapters in Part II combined give a panoramic view of the exclusion-

[260] Lee 1980; Perry 1996; Perry and Li 1997; Sheehan 2002, 103-138; White 2014; Li 2015, 617-662.
[261] Sheehan 2002.

centred precarization regime in Mao's China that features state-led social exclusion and associated state exploitation, both in the sphere of production. While labour precariousness was built into Chinese socialism, three modulators had worked together to fine-tune the rigidity of social exclusion and thereby the precarious state of labouring people in China: the industrialization path (centralization versus decentralization), labour policies, and labour movements. By unraveling this precarization regime, the author argues that the multilayered labour precariousness in Mao's China was a result of the government's tradeoff between accumulation and development in a backward country and the political legitimacy and socialist ideal of the CCP—it is in this sense that labour precariousness was built into actually existing Chinese socialism; the two contradictory goals of the state, intertwined with the factional struggles within the state that generated swinging labour policies, and pressure from the grieved workers, caused the ebbs and flows of the number of precarious workers.

Chapter Four delineates the infrastructure of this precarization regime—the social exclusion system, introduces the first modulator of the social exclusion system—the centralization-decentralization circle, and shows how it worked in practice between 1949 and 1957. It asks: *How did the social exclusion system emerge as a key apparatus of China's approach to constructing socialism? What was the social exclusion system like? How was it linked to labour precariousness?*

This chapter first delineates at an aggregate level the fundamentals of the planned-economy system in the Chinese context, including its inner contradictory impulses (centralization and decentralization), and shows how labour precariousness

was built into this system. It demonstrates that one's location in the social exclusion system determined the extent of state exploitation from which one suffered. It then examines, between 1949 and 1957, how this system was fine-tuned and sophisticated in responding to changing international and domestic circumstances, and how such adjustments impacted on the extent of social exclusion to give rise to the changing scope and composition of precarious labour.

Fundamentals of the Planned Economy in China

In 1949, CCP's China was born amidst the Cold War that divided the world into two antagonistic blocs: the socialist bloc led by the Soviet Union, and the capitalist bloc led by the United States. Between 1949 and 1976, the triad of socialism, nationalism, and political legitimacy defined the CCP's goals to govern China. All the three grand goals presupposed economic development. Equally important, socialism and legitimacy also called for egalitarianism, both economically and politically. In the pursuit of this triad, CCP pursued a path of state-monopolized extraction and distribution of capital, raw materials, and labour, which laid the foundation for social exclusion and defined the existence of precarious labour in the planned-economy era. Accumulation and industrialization swung between the contradictory impulses of centralization and decentralization, which adjusted the rigidity of exclusion.

Triad of Socialism, Nationalism, and Political Legitimacy

Despite the great discrepancy between the conception of socialism and actually existing socialism, after 1949, the CCP did go a long way to accomplish the former. The CCP's conception of socialism had three dimensions: the scientific socialism depicted by Marx and Engels, socialism as a preferred alternative to capitalism, and the Soviet experience of socialism. Scientific socialism set the goal of nationalizing the economy and eliminating all kinds of oppression and exploitation that the bourgeois and other status groups imposed on the proletariat. The CCP concretized the latter as eliminating the Three Great Distinctions (*sanda chabie*): the distinction between workers and peasants, between cities and villages, and between intellectual labourers and manual labourers. The supposed advantages of socialism over capitalism set China the goal of proving the superiority of socialism over capitalism, particularly in the economic sphere. In the post-WWII world, the most developed countries embraced capitalism while much less developed ones embraced socialism. Thus, to demonstrate the superiority of socialism, the latter had to catch up with the former and then surpass it as soon as possible. Launched over 30 years prior to the CCP's rule over China, the Soviet experience of socialism set the yardstick that subsequent socialist countries expected to reach in different spheres one by one.

Nationalism was a never-ending impulse in 20th-century China. The invasion by the western and Japanese colonial powers since the early 19th century had inculcated in the Chinese people a belief that backwardness inevitably led to humiliation. Thus, the triumph of the anti-Japanese war in 1945 and the exile of the Western-backed Nationalist Party to Taiwan in 1949, while making China independent of colonial forces,

were far from guaranteeing the long-term security. The latter called for China's catching up with the then leading economies of the world, who were exactly its then top enemies.[262] Given that the all-around catching-up needed a long time, the high priority was to build a strong defence industry. Moreover, in the Mao era, nationalism largely meant self-reliance and self-determination. Such insistence left little room for importation, foreign aid and investment to impact on the then economy.

The CCP not only desired a socialist and independent China, but also a China under its rule. After seizing power, CCP's durability of rule presupposed its capability to secure domestic political legitimacy. Ruling in the name of the working class did not necessarily mean that the CCP would be supported by the workers. In other words, actually existing socialism did not necessarily lead to the political legitimacy of the Communist Party. Such discrepancy surfaced in 1956 when the Polish and the Hungarians waged protests against their governments. The CCP blamed the bureaucratism of these governments for the mass protests and regarded bureaucratism as a threat both to its own legitimacy and to socialism.[263] In the then Chinese context, bureaucratism was understood as the de-radicalization of the cadres, their isolation from the masses, and their lack of democratic work style.[264] Countering bureaucratism had been an unfailing imperative in planned-economy China.

State Monopolized Extraction and Distribution of Capital, Materials, and Labour

[262] Lin 2006.
[263] Jiang and Jin 2003, 614.
[264] Andreas and Dong 2017, 123-152.

When it came to socialist development, two pressing problems haunted the CCP throughout the planned-economy era. How to raise capital for industrialization? What was the optimal way of utilizing the limited capital?

In his incisive analysis of the French coup of 1851, Marx writes that "Men make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly found, given and transmitted from the past."[265] Torn by century-long foreign invasion, colonization, and civil wars, in 1949, China was a country of massive backwardness and impoverishment. It was impossible for China to copy the western way of primitive accumulation that heavily relied on plunder and colonization. Capital from foreign aid and international trade was transient and limited. In the 1950s, the Soviet Union and Eastern Europe assisted China by providing low-interest loans, helping to build crucial industrial projects concentrated in heavy industry, expanding bilateral trade, and so forth.[266] Such aid ended in the early 1960s when the divergence between China and the Soviet Union developed to an irreconcilable extent. Owing to the western countries' policy of trade embargo against CCP's China, the majority of China's trade during the planned-economy era was within the socialist bloc.[267] Between 1950 and 1976, the total trade balance only contributed 0.7 per cent of government revenue.[268] Thus, the CCP had to turn inward for primitive socialist accumulation.

In 1949, the China's economy was overwhelmingly dominated by agriculture.

[265] Marx 1978, 594-617, 595.
[266] Shen 2001; Dong and Wu 2004.
[267] Shen (ed.) 1992.
[268] Calculated from Table 1-15 from National Bureau of Statistics 2010.

Industrial output only accounted for 12.3 per cent of the gross domestic product (GDP).[269] Such an economic structure determined the then financing structure: extraction primarily from agriculture, but also from industry. Extraction from industry was mainly secured by collecting revenues from SOEs, and imposing taxes on SOEs and collective enterprises.[270]

Extraction from agriculture was mainly secured through agricultural taxes, price scissors between agricultural and industrial goods, and cheap rural labour. In the hope of boosting agriculture productivity and facilitating tax collection, the CCP collectivized rural China into communes in the 1950s.[271] Compared with agricultural taxes, price scissors extracted much more. Despite the CCP's favourable view of heavy industry, between 1949 and 1976 (except for 1960), light industry continued to contribute over 40 per cent of the total industrial output value[272]. Such a large light industry sector allowed the government to further extract a substantial proportion of income from peasants by increasing the price of their daily industrial necessities.[273]

Between 1952 and 1978, the CCP extracted an estimated 485.2 billion RMB from rural China, including 93.5 billion from agricultural taxes and 391.7 billion from price scissors. During the same period, it invested 173 billion RMB in rural China. In fact, between 1952 and 1978, the net contribution of rural China accounted for an estimated 73.2 per cent of the original value of non-agricultural fixed capital in state-owned

[269] CASS and CA 1990, 63-64.
[270] Yang and Zhang 2005, 195.
[271] Wen et. al. 2012, 282.
[272] National Bureau of Statistics 1984, 77.
[273] Yan et. al. 1988.

units.[274] Rural China also fed industrialization with cheap temporary labourers (more details later).

Apart from enhancing extraction, the government also endeavoured to restrain consumption both to enhance accumulation and to provide more paid jobs. Between 1952 and 1976, although Chinese people remained in sheer poverty, approximately 20-30 per cent of national expenditure went to accumulation,[275] comparable to or even higher than the investment share of the Soviet Union as mentioned in Chapter Two, and much higher than the threshold accumulation rate required for economic take-off (11 per cent) according to Walt Rostow's celebrated thesis of "stages of economic growth."[276]

As a result, in the planned-economy era, the income of both urban and rural residents stagnated. The government only considered a wage increase on the condition of the fulfilment of the goal of lowering costs and accumulating profits.[277] Between 1953 and 1978, the average annual growth rate of the nominal wage of workers in state-owned units was 1.4 per cent; when taking inflation into consideration, the average annual growth rate of the real wage of these workers was 0.5 per cent.[278] Workers' appeal for material benefits was always condemned by the central government as the "wind of economism" (*jingji zhuyi feng*), which meant an unreasonable longing for material enjoyment. During the same period, the average annual growth rate of the real

[274] Wang and Wang (eds.) 1996, 33.
[275] National Bureau of Statistics 1987b.
[276] Rostow 1960.
[277] National Bureau of Labour 1980, 91-97
[278] National Bureau of Statistics 1984, 166.

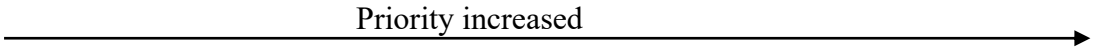
income of peasants was 2.2 per cent.[279] The intention to lower consumption was also reflected in the massive employment of temporary workers in the planned-economy era. Temporary workers earned less than formal workers. Such a cost advantage fundamentally underpinned the existence of temporary workers in Mao's China.

Figure 5 displays the order of priorities of units with regard to investment in the Mao era. First and foremost, capital was overwhelmingly invested in heavy industry. This was out of the need to build an impregnable national defence and an independent, comprehensive system of modern industry. This was also out of the judgement that, at the dawn of the planned economy, the underdevelopment of the heavy industry sector lay in the lack of capital, while the underdevelopment of the light industry sector lay in the lack of raw materials.[280] Thus, in most years between 1953 and 1975, the combined investment in the infrastructure of agriculture and light industry only accounted for roughly 30 per cent of that in heavy industry.[281] Within the heavy industry sector, the CCP prioritized the steel industry over the power industry and transportation industry, and then over other general industries.[282]

Second, compared with collective units, state-owned units were given higher priority for investment. Moreover, in the then ideology, state ownership was the optimal socialist form of ownership while collective ownership was regarded as having a capitalist tail. It was merely an intermediate form and to be transformed into state ownership. The private economy was regarded as capitalistic and to be eliminated.

[279] Wang and Wang (eds.) 1996, 40.
[280] Li 1955, 14.
[281] National Bureau of Statistics 1984, 42.
[282] Chen 2005, 238-256.

Third, units affiliated with higher levels of administration were more likely to receive investment. These three dimensions of the priority level often overlapped with each other. For example, a large-scale steel enterprise was highly likely to be centrally state-owned.



Industries: Agriculture → Light industry → Heavy industry

Types of ownership: Private units → Collective units → State-owned units

Administrative levels: Units affiliated with the production brigade → to the commune → to the county government → to the municipal government → to the provincial government → to the central government

Figure 5. The Order of Priorities of Units in Planned-economy China

Source: Compiled from multiple archives.

To set production in motion, the order of priorities for investment had to be matched by the same order of priorities for the supply of raw materials and labour power. Thus, an all-encompassing planned economy became a necessity. As a result, this system dismantled the hard budget constraint that enterprises in a capitalist market economy faced. It replaced it with a Kornaian soft budget constraint that indulged in the expansion drive of enterprises, intensified the scarcity of capital, and thereby reinforced the rigour of the planned economy system. Based on the nationalization and collectivization of the rural and urban economy in the 1950s, the government was able to monopolize the collection of capital, raw materials, and labour power. It distributed

these resources with priorities on best serving the purpose of socialist development. In practice, the government also designed an order of priorities for allocating subsistence materials and life opportunities to employees in individual units, which was almost same as the order of priorities for allocating resources to individual units. Thus, as detailed below, the economic order gave rise to the social order.

Centralization and Decentralization of Development

Two competing impulses—centralization (*shou*) and decentralization (*fang*)—modulated the magnitude of the above inclination of development. The recurring centralization-decentralization pattern in post-1949 China is not new in both the Chinese and the English literature. The Chinese literature touches upon the Mao era and argues that decentralization during this period lay in the impulse to alleviate the rigidity of a centralized planned system.[283] The English literature focuses on post-Mao China and delineates the centralization-decentralization circles in the spheres of economic reforms, political control, and social space.[284] However, both of them hardly pay any attention to the impact of such circles on labouring people. In constrast, this chapter will show how these two contradictory impulses under changing international and domestic circumstances shaped the landscape of industrialization and the life chances for different segments of labouring people in different periods of the planned-economy era.

For the purpose of this thesis, centralization refers to the extent to which the

[283] Shao 2008; Suli, 2004.
[284] Baum 1996, 5–9, 369–76; Shambaugh 2016.

conception and implementation of industrialization tended to be separated with conception being concentrated at the central and high administrative levels and implementation being concentrated at local administrative levels and grassroots levels. Given the planned nature of the then economy, the CCP naturally embraced centralization. Centralization was underpinned by the notion that top cadres and experts possessed the ability to design perfect plans and optimum would be achieved as long as grassroots cadres and labouring people rigorously followed the plans. It was associated with mobilizing as much capital as possible to feed industrialization, which created limited jobs. In planned-economy China, centralization had elective affinity with the emphasis on developing heavy industry. Under a centralized regime, the management of the national economy was concentrated in the hands of the central government, rather than the hands of local governments; the management of individual enterprises were concentrated in the hands of governments, not in the hands of the management of the enterprise; industrialization took place in large-scale factories, rather than places wherever feasible.

Centralization tended to rigidify the social division of labour and tighten social exclusion by constraining the upward mobility of precarious groups of labouring people. Thus, centralization went against the goal of socialist egalitarianism and was counterproductive in the sense that it discouraged the enthusiasm of the masses for socialist construction. It might also lead to mass grievances and resistance, and thereby threatened the political legitimacy of the CCP.

Moreover, the high priority on capital-intensive heavy industry, rather than on

labour-intensive light industry, also contradicted the endowment situation of planned-economy China: scarcity of capital and abundance of labour. Industrialization with such a priority did less than needed to alleviate urban unemployment, which was always among the top concerns of the CCP. Given the then soaring population growth, this contradiction became even more problematic. Between 1949 and 1976, the population in urban China almost tripled with an average annual growth rate of 3.93 per cent; population growth in rural China slowed with an average annual growth rate of 1.75 per cent.[285]

To balance, the CCP would introduce decentralization. This thesis uses the term decentralization to refer to the extent to which central and high-level political and technical elites delegated the discretion of managing industrialization to lower-level officers, technicians, and grassroots labouring people. Decentralization was associated with mobilizing as many labourers as possible to feed industrialization. Given the enlarged scale of industrialization that decentralization would involve, accumulation rates were often raised as well with decentralization. SOE and collective employees were the first to be mobilized, followed by all kinds of temporary workers, the urban underemployed (particularly housewives) and unemployed, and peasants. Generally, deeper the decentralization, the more variegated temporary workers were. Under a decentralized regime, all positive factors were mobilized to construct socialism; local states enjoyed greater autonomy in managing the local economy; individual enterprises enjoyed greater autonomy in managing their businesses; industrialization took place in

[285] Calculated from National Bureau of Statistic and the Ministry of Labour 1990, 8.

a wide-ranging spectrum of industrial facilities from large-scale SOEs to workshops affiliated with sub-district governments and rural production brigades.

Decentralization tended to break up the rigid social division of labour and loosen the boundaries between different groups of labouring people and allowed peasants to become peasant temporary workers, temporary workers to become formal employees, and collective workers to become SOE workers on a large scale. However, given the then backwardness of agriculture, grain production set the limit of decentralization. In practice, excessive decentralization often brought about re-centralization.

Chinese Political Economy between 1949 and 1957

Born in a hostile international environment, the CCP realised that it had to "lean to one side" (*yibiandao*) in foreign policy. Between 1949 and 1957, China allied with the Soviet Union and had a relationship resembling the one between an obedient pupil and a supportive teacher. With the help of the Soviet Union, after a short period of economic restoration between 1949 and 1952, the CCP launched the first five-year plan (1953-57) that adopted the Soviet way of primitive socialist accumulation and industrialization with a high priority on heavy industry. During the first five-year plan, of the investment in the infrastructure of agriculture and industry, 73 per cent went to heavy industry; 12.8 per cent went to light industry; 14.2 per cent went to agriculture.[286] To fuel industrialization, in this period, the CCP rushed to collectivize agriculture and

[286] National Bureau of Statistics 1984, 42.

handicraft production, and nationalize capitalist enterprises.

Together with the state monopolized purchase and sale of grain and other produce and the system of unified employment and assignment, the central government monopolized the extraction and distribution of capital, raw materials, and labour at the national level. To enforce such a scale of monopoly and to run both the country and the enterprise on a daily basis, the central government also learned from the Soviet Union and established a whole set of highly centralized planned-economy superstructure.

In particular, the Ministry of Labour dispatched officials to visit the Soviet Union and learn labour policies there, launched a journal to introduce labour policies there, recruited Soviet labour officials to be advisors, and so forth.[287] By the end of the first five-year plan, the CCP had built a Soviet-style labour-planning system: for SOEs, the central government authorized the annual quota of new formal hires, the annual quota of new temporary hires, gross wages, average wages, and the goal of labour productivity. Local governments and individual enterprises were expected to rigorously comply with the plan.

For labouring people in China, the period 1949-1957 was characterized by the elimination of private exploitation and incipient exclusion. When the CCP took over China in 1949, China had a population of 542 million. Of the 180.8 million in employment, 165.5 million were peasants; 8.1 million were urban employees, working in long-term or short-term employment; 7.2 million were urban self-account workers.[288]

[287] There was a magazine called Laodong yicong (Translations on Labour issues) published by the Ministry of Labour in the 1950s.
[288] National Bureau of Statistics 1987a, 5.

As shown in Chapter Three, the then urban employees were subject to utter private exploitation. The then peasant could migrate freely into cities. By eliminating the private economy, the state gradually eliminated private exploitation and de-commodified social reproduction. In 1957, 237.7 million of the 646.5 million population were in employment; of them, 205.7 million were peasants; 22.5 million had formal jobs and were entitled to generous benefits in state-owned units; 2 million had temporary jobs in state-owned units; 8.3 million worked in collective enterprises.[289]

At the same time, however, the boundary within labouring people came into being. In the absence of a social safety net, it was employment status that defined ones' wages, entitlement to benefits (including both bonuses and the supply of social reproduction resources), and participation in political life. To guarantee extraction from rural China and to avoid the pressure of migrant peasants on cities, the Chinese state developed a household registration system to prevent peasants from freely migrating into cities. Such institutionalization of the rural-urban divide has been perhaps the most crucial foundation of social and spatial stratification and inequality in China. The order of priorities between rural and urban China, between enterprises with different types of ownership, and between formal workers and temporary workers formed a continuum of precariousness.

At one end of the continuum were the unemployed—the most precarious group in the Chinese society. At the other end were formal workers in SOEs—the most secure group. In the between, peasants were better off than the unemployed; peasant temporary

[289] National Bureau of Statistics 1999b, Table A01.

workers were better off than peasants without urban employment; temporary workers with urban household registration status were better off than peasant temporary workers; formal workers in cities were better off than temporary workers of any kind; formal workers in SOEs were better off than those in collective enterprises. With limited mobility between different groups, as shown below, this order was an order of social exclusion.

Figure 6 shows the main trend in the number of labouring people in different types of employment and the number of workers with access to employment between 1949 and 1957. It is clear that, during this period, fewer and fewer workers were in precarious categories (private enterprises and unemployment), while more and more workers worked in state-owned units and were entitled to labour insurance.

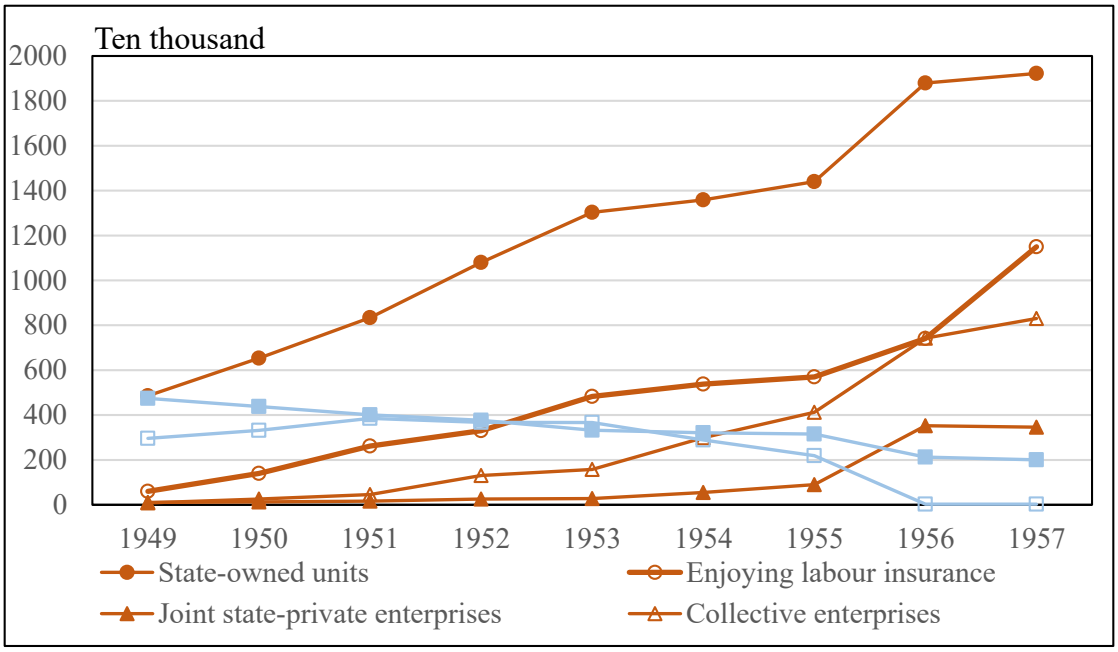


Figure 6. Workers by Employers and by Access to Insurance in China, 1949-1957

Source: The number of workers entitled to labour insurance comes from Li 1959, 35. Other numbers come from National Bureau of Statistics 1987a, 83, 109.

Note: These numbers of workers in employment include temporary workers.

Boundary-drawing

Now we move on to examine the details underpinning the picture painted above. This section delineates the main categories of labouring people as a result of the boundary-drawing work of the CCP and shows that being excluded from privileged categories led to aggravated state exploitation in Mao's China. It lays the foundation for the subsequent examination of how and why the boundaries among different categories of employment had been re-drawn during the different periods of the planned-economy era. As mentioned before, the extant literature has documented the conditions of formal employees and those of temporary workers. This section extends the extant literature by historicizing and enriching the documentation regarding the conditions of formal SOE employees, adding the conditions of workers in collective enterprises, enhancing the documentation regarding temporary workers, and most importantly, situating different categories of labouring people in a continuum to provide a concrete flavour of the then social exclusion system.

"Taking on All and Being Responsible for All"

Formal workers in SOEs, state bureaus, and public institutions in the planned economy constituted the most privileged layer of the then working class. SOEs originated in areas occupied by the CCP in pre-1949 China. After the takeover of China in 1949, the CCP

expropriated enterprises owned by foreign and former bureaucratic capital and transformed them into SOEs. Subsequently, the state sector gradually absorbed private enterprises by outsourcing, monopolizing their sales, pursuing joint state-private ownership, and so on.[290] The governments authorized the annual plan for investment, production and labour for SOEs, expropriated all their profits, and made up all their losses. The financial performance of individual SOEs had little impact on the wages and benefits of their employees. This practice was aptly called "eating from the big rice pot" (*chi daguofan*) (of national finance). The government prioritized SOEs over all other enterprises in receiving capital, raw materials, and labour.

The elimination of private exploitation started with the debris of the old order. In 1949, foreign and bureaucrat-controlled enterprises had a staff of 750,000 or so.[291] To ensure a stable handover of power from the Nationalist Party, the CCP adopted a policy of "taking on all and being responsible for all" (*baoxialai*) for former long-term employees in state organs, public institutions, and enterprises run by foreign and bureaucratic capital.[292] "Taking on all and being responsible for all" allowed these people to maintain their jobs, albeit not necessarily the same positions and wages as before. Of the over four million registered urban unemployed in 1949, through the assignment of labour bureaus in later years, 2.07 million became formal workers of state-owned units. This policy later extended to include graduates of colleges, junior colleges, and technician schools, redundant long-term workers, demobilised

[290] Central Administrative Bureau of Industry and Commerce 1960.
[291] Central Administrative Bureau of Industry and Commerce 1960, 12.
[292] Bo 1991, 15-16.

servicemen with urban origins, and workers of joint state-private enterprises.[293]

Table 1 provides a concrete flavour of who became formal SOE employees. It shows the variegated origins of formal employees that were added to the state-owned units in Shanghai between 1966 and 1976. It is clear that education was the most efficient way to secure a formal job in state-owned units. Demobilized servicemen were also favourable additions to state-owned units. The extraordinary figure of temporary workers was made possible by the largest scale of regularization (more details in Chapter Six) in 1971 and 1972. In addition, as shown in Figure 7, women were significantly underrepresented in the SOE workforce for most of the Mao era.

Table 1. Origins of Formal Employees Added to State-owned Units in Shanghai, 1966-1976

Category	%
Students	72.28
Regularized temporary workers	9.52
Demobilized servicemen	6.71
Peasants	5.25
Unemployed urban residents	1.07
Collective workers	0.62
Others	4.55

Source: Li et al. 1997, 366.

[293] Deng et. al. (eds.) 2009, 163.

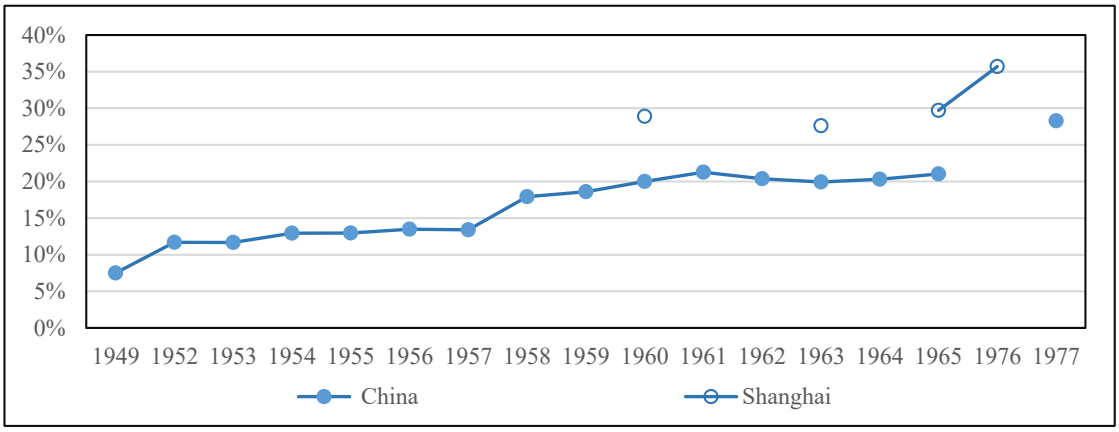


Figure 7. Proportion of Female Employees in State-Owned Units in China, 1949-1977

Source: Data on China are calculated from Tao and Gao 1991, Table 3-11 and Appendix A. Data on Shanghai come from Li et al. 1997, 138.

In the early 1950s, the relationship between SOEs and their workers was not very "fixed." *The Trade Union Law* enacted in 1950 specified the procedure for enterprises to dismiss workers. *The Internal Labour Code Outline for SOEs* enacted by the State Council in 1954 stipulated that workers could resign with prior notice, and the enterprise could fire workers with good reason. However, the subsequent implementation of the nationwide unified recruitment and allocation of the workforce gradually led to the fixation of certain workers in certain enterprises. In 1957, the State Council issued the *Notice on Several Problems about Workforce Channelling* that restricted enterprises' discretion in dismissing workers even when there was redundancy. Under such circumstances, formal workers in SOEs actually became fixed workers (*guding gong*).[294] They were "fixed" in their work units in double senses: they would not be dismissed and they would not be able to transfer to other units except in

[294] Yuan 1990, 97-98.

extreme conditions. The difference between formal and temporary workers within SOEs was signalled by the different remuneration to which they were entitled. Formal workers in SOEs did not have labour contracts with the enterprise. Temporary workers might have or not have labour contracts and were excluded from the superior compensation scheme and political rights that were reserved for formal workers.[295]

They also enjoyed secure wages, which were largely independent of their performance. This practice was also called "eating from the big rice pot," that is, SOE employees ate from the big rice pot of SOEs. During the period of the first five-year plan, the average annual growth rate of the nominal wage of formal workers in state-owned units was 7.4 per cent; the average annual growth rate of the real wage was 5.4 per cent—higher than the numbers in any other five-year plans before 1976.[296]

To gain the support of formal workers, the CCP also developed an enterprise-based labour insurance program. In 1951, the CCP introduced the *Labour Insurance Regulation*. With few exceptions, it applied to all factories and mines with a headcount of 100 or more. It required employers to pay all the insurance fees for a range of benefits for employees, from child delivery to support of the dependents of the deceased. This regulation was revised in 1953 and 1956 to include more workers and more benefits.[297] According to Figure 6, from 1949 to 1957, the number of workers under the coverage of labour insurance jumped from 0.6 to 11.5 million. As time went by, all formal employees in state-owned units enjoyed labour insurance. Despite this the application

[295] Beijing Archives 1955, No. 110-00-662.
[296] National Bureau of Statistics 1984, 166.
[297] CASS and CA 1994, 5-6, 690-701; CASS and CA 1998a, 1017-1044.

of this regulation to enterprises regardless of ownership and to workers regardless of employment status, as shown below, SOEs workers benefited more than workers in the other types of enterprises; formal workers benefited more than temporary workers. Between 1952 and 1957, in SOEs, labour insurance fees rose from 14 to 17.9 per cent of the annual gross wage, the highest level throughout the planned-economy era.[298] Moreover, the CCP, the central Communist Youth League, and the ACFTU all had branches in SOEs. Individual SOEs had their own congresses of workers' representatives, too. Formal workers of SOEs were entitled to join these organizations and thereby participate in political life at the enterprise level and beyond and even climb the ladder of power.

It is worth noting that the statues of formal SOE workers were to some extent inheritable. The 1953 *Labour Insurance Regulation* stipulated that units should prioritize the employment of the dependents of workers who suffered from job-related death when hiring. In the late 1950s and early 1960s, the state encouraged the elderly formal SOE employees to have their position taken over by their adult offspring as a way of renewing the industrial workforce and alleviating youth unemployment. The succession (*jieban*) employment system became full-fledged in the 1980s.[299]

Retrenched Formalization of Workers in Collective Enterprises

Workers in collective enterprises were also free from private exploitation. But they were less privileged than formal workers in SOEs. Between 1949 and 1956, collective

[298] National Bureau of Statistics 1987a, 189.
[299] Cai 2015.

enterprises sprouted mainly in the following ways. To eliminate the self-employed economy, the CCP organized individual handicrafts people into cooperatives; to cut unemployment, sub-district offices (*jiedao banshichu*) and residents' committees (*juweihui*) founded neighborhood collective enterprises; to provide enterprise-exclusive welfare benefits, to create employment for relatives and offspring of their employees, and to maintain a flexible auxiliary workforce, SOEs established collectively-owned hospitals, nurseries, schools, workshops, factories, and so forth; some individuals voluntarily organized collective firms for a livelihood, too.[300] Unlike state-owned units, collective units had their headcount, wages, and finance controlled by local governments.[301] As shown in Figure 6, workers in collective enterprises totalled 0.09 million in 1949 and 8.3 million in 1957.

In the planned-economy era, collective enterprises were regarded as an inferior form of production organization to SOEs. In order to guarantee the all-around priority that SOEs had, the state-imposed multifaceted restrictions to prohibit collective enterprises from competing with SOEs for capital, raw materials, labour, and markets. Collective enterprises were less likely to employ college graduates and were more likely to recruit housewives, the unemployed, the disabled, and the sick.[302] They often faced chronic shortages of capital and raw materials. They were responsible for their own losses and were obligated to pay tax for their profits. In 1955, the tax rate was 20 per cent.[303]

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[300] Ministry of Labour and Personnel 1982, 138-151.
[301] Beijing Archives 1975, 153-02-608.
[302] Ji (ed.) 1991, 329.
[303] Ministry of Labour and Personnel 1982, 120-137.

Compared with their counterparts in SOEs, workers in collective enterprises were discriminated against both economically and politically. According to the guidance from the central government, the wages of workers in collective enterprises should be lower than those in SOEs. Nevertheless, from 1952 to 1957, the ratio of average wages per capita between collective enterprises and SOEs rose from 0.78: 1 to 0.9: 1.[304] Collective enterprises were often small and beyond the constraint of the *Labour Insurance Regulation*. The coverage of labour insurance in individual collective enterprises was primarily linked to their financial performance.[305]

Workers in collective enterprises often had shorter maternity leave and lower wages that barely covered living costs during this period. The level of relief for funeral costs and for the living expenses of the dependents of deceased workers were also significantly lower than those in SOEs. Their accommodation, canteens, and nurseries could not compare to those of SOEs workers, either.[306] Collective enterprises might dispatch workers to SOEs to help the latter to bypass the headcount quota. These workers worked along with formal workers in SOEs and enjoyed equal wage for equal work, but received unequal welfare benefits.

The short supply of raw materials and investment often disrupted the production of collective enterprises and could not guarantee stable employment and income for their workers. The limited presence of the branches of the CCP, the ACFTU, and the Communist Youth League deprived workers in collective enterprises of participating in

[304] National Bureau of Statistics 1987a, 152.
[305] Ji (ed.) 2000, 237-8.
[306] Ji (ed.) 1991, 329-330.

political life. In the light of this, workers in collective enterprises commonly regarded their jobs as precarious and longed to become formal workers in state-owned units.[307]

Victims of Discrimination: Temporary Workers

This section begins by providing an overview of the prevalence of temporary workers between 1949 and 1957. It then explores the multiple dimensions of the discrimination against temporary workers. Thereafter it examines who became temporary workers and the stratification within temporary workers, and then ends by discussing why temporary employment persisted during this period from the perspective of the government, the enterprise, and the temporary worker.

At the dawn of the planned economy, temporary workers were pervasive. According to a survey of the Labour Bureau of Beijing, in November 1950, temporary workers accounted for 34.3 per cent of the entire workforce in nationalized enterprises (based on data of 60 nationalized enterprises), and 32.5 per cent in private enterprises (based on data of 2,543 enterprises).[308] Table 2 and Table 3 show the use of temporary workers in both nationalized and private enterprises in various industries in Beijing in 1950. It is clear that temporary workers were particularly common in the construction and garment sector. In the 1950s, at the national level, approximately half of the workforce in mining enterprises was temporary In 1953, temporary workers accounted for 63 per cent of the workforce in construction and assemblage units nationwide.[309] In

[307] Ministry of Labour and Personnel 1982, 138-151.
[308] Beijing Archives 1950, 110-00-105.
[309] Deng et. al. (eds.) 2009, 164.

1957, they accounted for 8.3 per cent of the entire workforce of state-owned units.[310] Both SOEs and collective enterprises hired temporary workers.

Table 2. Percentage of Temporary Workers in Nationalized Enterprises in Beijing, 1950

Industry	Number of Enterprises	Number of Regular Workers	Number of Temporary workers	% of Temporary workers
Flour milling	5	149	30	16.8
Wine and beverage	1	141	44	23.8
Garment	3	2458	2196	47.2
Dyeing	1	74	13	14.9
Construction	15	1715	2350	57.8
Tobacco	1	51	45	46.9
Pulp and paper	1	257	46	15.2
Machinery	10	1619	305	15.9
Printing	7	1445	122	7.8
Water	1	523	19	3.5
Electricity	1	966	50	4.9
Telecommunications	1	2458	114	4.4
Mining	2	85	313	78.6

Source: Beijing Archives 1950, 110-00-105.

Note: This survey does not include all nationalized enterprises in Beijing in 1950.

Table 3. Percentage of Temporary Workers in Private Enterprises in Beijing, 1950

Industry	Number of Enterprises	Number of Regular Workers	Number of Temporary workers	% of Temporary workers
Flour milling	23	709	66	8.5
Wine and beverage	6	147	20	12
Military uniform	39	270	1028	79.2
Dyeing	85	432	12	2.7

[310] Calculated from National Bureau of Statistics 1987a, 13, 33; National Bureau of Statistics 1989.

Construction	155	806	2979	78.7
Tobacco	9	111	73	39.7
Pulp and paper	5	112	47	29.6
Machinery	14	253	70	21.7
Electroplating	65	330	23	6.5
Carpet	63	661	159	19.4
Leather	49	231	5	2.1
Rubber	83	417	36	7.9
Match	7	361	16	4.2
Finance	24	987	28	2.8

Source: Beijing Archives 1950, 110-00-105.

Note: This survey does not include all private firms in Beijing in 1950.

Compared with male workers, female workers were particularly precarious. Another investigation by the Labour Bureau of Beijing in 1950 indicates that female workers were more likely to be employed in temporary positions and faced greater difficulties in being transformed into formal workers; their pay was lower than that of male workers in comparable positions; they could not enjoy the welfare benefits to which male workers in similar positions were entitled, for example, allowance for child education and medical care; the majority of them did not have maternity leave, that is, being pregnant meant being unemployed to a large extent.[311] Table 4 gives a concrete flavour of this situation using the case of several firms.

Table 4. Gendered Workforce and Remuneration in Several Firms in Beijing, 1950

	Male Workers	Female Workers
Hexing Bookbinding Shop	14MW, 220 kg/m/c	2MW 15DW, 5.5 kg/d/c

[311] Beijing Archives 1950, 110-00-112.

Bookbinding Shop (Charity)	20+MW, 200kg/m/c	30+DW, 5.5 kg/d/c
Global Pencil Factory	21MW, 150kg/m/c	8DW, 55-90kg/m/c
Xinsheng Pharmaceutical Factory	6 temporary workers, 6 kg/d/c, 21 formal workers, 240 kg/m/c	24 temporary workers, 4 kg/d/c 4 formal workers, 180 kg/m/c

Source: Beijing Archives 1950, 110-00-112.

Note: The then wage was calculated in the weight of grain. MW=monthly workers; DW=day workers; kg/m/c=kilograms of grain per month per capita; kg/d/c=kilograms of grain per day per capita

Temporary workers did not necessarily work for a pre-fixed term. In fact, many worked at a certain unit on a regular basis. According to this distinction, there were short-term temporary workers whose job tenure usually went below six months and regular temporary workers who worked on a regular basis. A creative way of using regular temporary workers was the practice of reserved workers (*yuyue gong*) in the construction industry. Every year in winter when the building work was suspended, construction enterprises would dismiss temporary workers but at the same time sign reservation contracts with them as a promise that they could come back to work in spring next year, but still as temporary workers.[312]

Generally, temporary workers earned less than formal workers in comparable positions. For formal workers, during the majority of Mao's time, their basic wages were classified into eight grades and they were paid on a monthly basis. In contrast,

[312] Beijing Archives 1957, 002-009-00119.

short-term temporary workers were often paid on a piece rate basis or on a daily basis. Once they stopped work, they got no pay. While formal workers could expect their basic wages to climb the ladder of the eight grades as their seniority grew, the basic wage of regular temporary workers was often set at the lowest-grade level of that of formal workers. Every time they renewed their working relationship with a unit, even with the same unit, they were treated as new hires.[313] Under such circumstances, many temporary workers lived in poverty. According to a survey concerning 3,877 temporary workers in Heping district, Shenyang city (a major industrial city) in 1956, 30 per cent of surveyed temps lived below the minimum level of subsistence; another 45 per cent barely subsisted.[314] For peasant temporary workers particularly, the units they worked at were not responsible for supplying them with food grain. They had to hand in part of their wage to the communes they were affiliated with in exchange for food ration coupons (*liangpiao*).[315]

The compensation gap between formal employees and temporary workers is best illustrated by the fact that some formal workers recruited temporary workers to work for him/her. At Shanghai Transport Company in 1954, it was reported that when some formal workers got sick or too old, they called in temporary workers to work for them and earned a compensation difference between his/her own pay as a formal employee and his/her pay to the temp. They also hired temporary workers so that they could have time to go to school. Some let their formal jobs to temporary workers at a good price.

[313] Beijing Archives 1954, 004-012-00065.
[314] CASS and CA 1998a, 145.
[315] Beijing Archives 1957, 110-00-891; 1957, 002-09-119.

Others hired their children or relatives as temporary workers as a means of help and they themselves then found another job.[316]

Temporary workers also enjoyed fewer welfare benefits. Table 5 lists the major welfare differences between temporary workers and formal workers according to the 1953 *Labour Insurance Regulation*. Clearly, such differences were by no means negligible. Temporary workers were also discriminated against with regard to fringe material benefits, for example, leaves for family reunion, weddings, and funerals, thick work uniforms in the winter, soap, towels, cups, and so forth.[317] However, what did not appear here mattered more. For example, formal SOE employees enjoyed exclusive accommodation, canteens, nurseries, schools, and so on, at low costs. In other words, SOEs took responsibility for the social reproduction of their formal employees and shirked such responsibility for their temporary workers.

Table 5. Main Welfare Differences between Temporary and Formal Workers in Planned-economy China

Item	Formal workers	Temporary workers
Maternity leave	-100% wage during maternity leave	-60% wage during maternity leave
Pension	-50-70% wage until death	-None
Illness/Non-work-related injury	-60-100% wage when being on sick leave for 6 months or less -40-60% wage until recovery or death when being on sick leave for over 6 months -40-50% wage when ending up with full disability	-50% wage when being on sick leave for 3 months or less -Dismissal and a one-time 3-month wage for relief when being on

[316] Shanghai Archives 1954, B52-2-473-80.
[317] Shanghai Archives 1956, B154-4-241-8; 1959, B134-6-285.

	-50% of the medical costs of the workers' dependents are covered by the employer	sick leave for over 3 months
Work-related injury	-60-75% wage until death when fully disabled -10-30% wage until death and a less demanding job when partially disabled	-Dismissal and a one-time 12-month wage for relief when fully disabled -Transferred to a less demanding job when partially disabled
Non-work-related death	-A one-time 2-month wage for funeral costs, and a one-time 6-to-12-month relief for dependents -A one-time 30-50% wage relief for funeral costs when a dependent of the worker is dead	-A one-time 2-month wage for funeral costs, and a one-time 3-month relief for dependents
Work-related death	-A one-time 3-month wage for funeral costs, and a monthly 25-50% wage for the living costs of dependents until they can live on their own	-A one-time 3-month wage for funeral costs, and a one-time 6-to-12-month-wage relief for dependents

Source: *Labour Insurance Regulation*, 1953, from the Chinese Academy of Social Sciences (CASS) and the Central Archives (CA) 1998a, 1017-1037.

Worse still, while temporary workers were more likely to be assigned to laborious and dangerous tasks that formal workers were reluctant to do, they usually received less job safety training and less personal protective equipment. Labour bureaus commonly allocated temporary workers to units in need and turned a blind eye to these units' occupation safety measures pertaining to temporary workers. As a result, temporary workers were exposed to more work-related injuries. For example, in 1955, amid the railway-building in Gansu undertaken by the Division Number Two of the Bureau

Number Four under the Railway Construction Group of the Ministry of Railway, 1,058 workers died or got injured, 70 per cent of whom were temporary workers.[318] Moreover, temporary workers had no access to certain conferences and political classes. As mentioned above, compared with formal employees, they were largely denied to join the trade union, the communist party, the congress of workers' representatives, and so forth, or to become model workers. Under such circumstances, they were often looked down upon by the formal workers.[319] While formal employees could complain to the management, temporary workers were deterred from making complaints because of the risk of losing their jobs.[320] Some temporary workers concealed their illness for fear of being dismissed. Some concealed their temporary employment status for fear of being dumped by their partners.[321]

The origins of temporary workers were highly variegated. Rural China was a natural reservoir for temporary workers in cities. In urban China, female workers were more likely to become temporary workers than male workers. Those who newly joined the workforce were more likely to become temporary workers than their predecessors, if they were not sent down to the countryside. Those without a diploma were more likely to become temporary workers than those with a diploma.

Lastly, those who had political problems were more likely to become temporary workers than those with a clear background. The former included those who themselves or whose family members were considered to be members of the exploitation class,

[318] Beijing Archives 1956, 002-08-107.
[319] Shen 2010.
[320] Shanghai Archives 1953, B123-2-183-36.
[321] Shanghai Archives 1959, B134-6-285.

including landlords, rich peasants, usurers, capitalists, and so on, those who themselves or whose family members once worked for the thwarted Nationalist government, including officials, rank-and-file staff, and soldiers, and those who were criticized in political movements, for example, the rightists. The latter included those with humble birth, mainly members of the working class and peasants, and those who themselves or whose family members joined the revolution. The former were discriminated against in almost all aspects of basic human rights, including but not limited to education, marriage, and employment. The number of people with stained political background was by no means small. According to Wang Shaoguang's estimation, in Wuhan, a major industrial city, before the Cultural Revolution, these people accounted for over 20 per cent of the total population.[322]

The variegated origins of temporary workers paved the way for their inner stratification. According to their places of origins, there were temporary workers with urban and rural household registration status. The former were prioritized when it came to transforming temporary workers into formal employees, in other words, regularization. As mentioned above, according to job tenure, there were regular temporary workers and short-term temporary workers. The latter were also called casual workers (*xiansan laodongli*), a window-dressing title to conceal underemployment. Only regular temporary workers could be regularized. According to their political background, there were temporary workers with clear background and temporary workers with problematic background. Only the former could be regularized.

[322] Wang 1995.

According to workers' relationship with the unit s/he actually worked for, there were ordinary temporary workers and outsourced workers (*waibaogong*). Outsourced workers worked for SOEs or collective units through intermediaries. Such intermediaries could be a person, which was common in the construction industry,[323] or a sub-district office and a rural commune. Outsourced workers were even more disadvantaged than temporary workers directly working for the recipient unit. They got lower pay partly because the intermediaries extracted commissions from their wages. They were fully excluded from the labour insurance to which temporary workers had limited access. They also had less hope of becoming a formal employee in the unit to which they worked.[324]

In addition, according to whether or not the recruitment of the temporary worker fell into the authorized headcount quota of temporary workers, there were normal temporary workers and out-of-the-plan temporary workers. The latter were called privately-recruited (*sizhao*) temporary workers. During most of the planned-economy era, the central government regarded private recruitment as violating the labour plan and wanted to ban it.

The persistent existence of temporary workers during this era was co-forged by temporary workers themselves, employers, and the government. Thanks to the regularization opportunities, temporary workers commonly regarded temporary jobs as a stepping stone to formal jobs.[325] For employers, the direct reason for hiring

[323] Shanghai Archives 1957, B48-2-1940.
[324] Shen 2010, 150-152.
[325] Beijing Archives 1954, 120-001-00142.

temporary workers was to cut labour costs, increase flexibility, and boost profits. In a report from the China Coal and Construction Materials Company, a manager confessed: "we used to follow the capitalistic logic of operating the company. We thought using temporary workers could reduce costs. Some also thought it was convenient to use temporary workers. We could ask them to come and go easily. We didn't need to be responsible for their daily life, accommodation, and healthcare. Sometimes, we even didn't provide them with hot water. . . Such doings unravels our thought of pursuing profits."[326] In this situation, temporary workers might work in an enterprise for years but remain temporary workers.

Very often, enterprises also employed temporary workers for temporary work such as maintenance and carrying, or seasonal work such as heating and making spring festival products in the winter. Another common occasion to hire temporary workers was to substitute for formal workers who were temporarily absent because of illness, pregnancy (particularly in textile enterprises where the majority of the workforce was female), and so on.[327] In this situation, the job tenure of temporary workers usually lasted for several days to three months or so.

For SOEs in particular, they might resort to temporary workers to overcome the rigidity of the labour allocation system when the headcount quota of formal employees ran out or when there were emergencies.[328] SOEs also hoarded temporary workers to ensure the completion of the production plan, which was prioritized over the adherence

[326] Shanghai Archives 1952, B123-2-183-15
[327] Shanghai Archives 1956, C1-1-166-29; 1956, B123-3-177-174; 1957, C16-2-191. Beijing Archives 1954, 018-009-00043; 1954, 018-009-00065.
[328] Shanghai Archives 1957, A54-2-52-21; Beijing Archives 1963, 110-00-1467.

to the labour plan. This explains why some SOEs continued to recruit temporary workers even when there was a redundancy of formal employees.[329] In fact, temporary workers directly hired by SOEs, outsourced workers, together with workers in collective enterprises, formed a reservoir that SOEs could draw on to buffer their fluctuating production tasks and to lower costs as well. In the 1950s, private firms often hired temporary workers to hedge against the uncertainties brought about by the dramatic handover of power.[330] In addition, hiring the dependents and relatives of workers who died while performing duties as temporary workers was a common practice of relief.[331]

Out of both objective conditions and subjective choice, the state largely indulged in the persistent usage of temporary workers. As mentioned above, the state resorted to using temporary workers primarily because of cost concerns. A commandment from the Ministry of Labour in 1953 even alerted enterprises that excessively increasing the remuneration for temporary workers would cause difficulties for them, particularly when massive deployment of temporary workers was inevitable and the origins of temporary workers were complicated.[332] When it came to the first five-year plan, the small-scale and unsteady production simply could not accommodate too many full-time workers. Once production stoppage prolonged, even formal employees left for

[329] Labour 1955.
[330] Municipal Labour Bureau of Shanghai 1950.
[331] Shanghai Archives 1967, B125-2-552-12, B90-2-144-18, B123-8-107-26, B123—8-107-37, B123-8-107-51, B123-8-107-52, B123-8-107-56, B123-8-107-58, B123-8-15-331; 1968, B119-4-72-48, B119-4-72-54, B135-4-72-8, B135-4-72-33, B103-3-468-45, B103-3-585-6, B103-3-585-8, B103-03-0585-025, B98-2-129-65, B98-2-129-36, B98-2-129-38, B98-2-129-40, B98-2-129-42; 1969, B154-6-80-26, B154-6-80-38, B154-6-80-48, B154-6-344-65, B154-6-80-4, B155-2-432-67; 1971, B 125-2-623-11.
[332] CASS and CA 1998a, 1059-1060.

alternative livelihoods.[333] Moreover, in the face of massive unemployment after the takeover of China, the CCP adopted a staffing strategy of "three people sharing the meals of two people" (*lianggeren de fan sangeren chi*), which meant to overstaff production so that more people had wages.[334] It is clear that the rationale of recruiting temporary workers could be incorporated into this strategy. After all, working as a temporary worker was better than unemployment.

At the Bottom: Peasants in Communes

Peasants in rural communes were in an even worse situation than temporary workers with urban household registration status. As a result of the strategy of basing the development of urban China on the extraction of rural China, rural residents were less privileged than urban residents. Peasants without any non-agricultural employment were at the bottom of Chinese society. In 1957, the annual income for living per capita of urban households was 3.2 times the average net income per capita of rural households.[335]

Boundary-redrawing

The boundaries between the above four categories were never set. Instead, there had been continuous population inflows and outflows among different categories. For

[333] Beijing Archives 1952, 004-012-00028.
[334] Qi 2016, 72-73.
[335] National Bureau of Statistics 1999b, Table A22.

example, peasants could become temporary workers or vice versa; temporary workers could become formal workers or vice versa; workers in collective enterprises could become SOE workers when the enterprises themselves were transformed into SOEs, etc. The state played a leading role in fine-tuning the boundary of the different categories, thereby adjusting the extent and scope of social inclusion or exclusion.

Between 1949 and 1957, the state redrew the boundaries between different categories of labouring people primarily according to the shift from centralized Soviet-style industrialization to more decentralized industrialization. In a conference in 1953, Mao talked about his understanding of the order of priorities in Soviet-style socialist construction. He distinguished between great and small beneficent policies: the former, for example, the development of heavy industry and the extraction from peasants, was aimed at long-term interests of the masses; the latter, for example, the improvement of the living standards of the masses, was aimed at the immediate interests of the masses. While Mao maintained that a balance between two beneficent policies was necessary, he did not hesitate to sacrifice small beneficent policies for great ones.[336]

However, during the implementation of the first five-year plan, the CCP gradually realised the shortcomings of the Soviet model and embarked on exploring a Chinese model of industrialization. *On the Ten Major Relationships* was the manifesto of such an impulse. It was drafted by Mao in 1956. In this document, Mao recalibrated the basic approach to constructing socialism from using a centralized Soviet model to mobilizing all positive factors. He proposed to increase the autonomy of local governments and

[336] Mao 1977.

individual factories.[337] In October 1956, the State Council issued the *Decision on Improving National Administration Regime* that granted local governments more autonomy in founding industrial enterprises and individual enterprises more autonomy in managing their daily operations.[338] As shown in detail below, such decentralization generated immediate results on the boundary-redrawing among labouring people.

Two U-Turns on the Expansion of Formal SOE Workers

Between 1949 and 1957, the processes of expanding formal SOE workers experienced two U-turns. The first one was due to the contradiction between increasing numbers of formal workers and the limited scale of production and construction to take full advantage of their labour power. In other words, it was a contradiction between redundancy and accumulation. The radical "taking on all and being responsible for all" since 1949 shortly led to overstaffing. From 1952 to 1954, in SOEs affiliated with the central government in the industries of mechanics, chemicals, oil, coal, textile, and metallurgy, the proportion of non-production workers in the entire workforce rose from 11 to 15.8 per cent; the ratio of managers to workers increased from 0.13: 1 to 0.17:1. Meanwhile, idleness, absenteeism, and temporary shutdown rapidly increased. Given these circumstances, in 1955, the central government embarked on downsizing state units. SOEs were required not only to prioritize channelling redundant labour among each other when extra hands were needed,[339] but also to take measures to curtail

[337] Mao 1999.
[338] CASS and CA 1998b, 83-84.
[339] People's Daily 1955.

redundant labour. For redundant formal employees, those who were old, physically weak, ill, and disabled were mobilized to retire early; those who worked in construction enterprises for a short time and had families at hometown villages were mobilized to return to rural areas.[340]

However, in 1956, in response to the advocacy of decentralization, the central government sent down the right of recruitment to individual enterprises.[341] Together with the greater autonomy of local governments and individual enterprises, measures of decentralization led to a leap forward in the economy. Compared with the figure in 1955, the output value of national industries increased by an astonishing 31 per cent in 1956. To underpin such a dramatic growth, in 1956, state-owned units recruited 2.3 million workers, 1.46 million more than the designated quota.[342] In response to the excessive increase in the SOE workforce, in 1957, the CCP re-centralized recruitment rights to the central government and prohibited SOEs from recruiting new formal workers.[343] During the same period, the transformation of collective enterprises into SOEs and thereby the transformation of workers in collective enterprises into SOE workers were negligible.

From Temporary Workers to Formal Employees

This section examines under what conditions temporary workers could be regularized, and how the state, interacted with employers and temporary workers to result in two U-

[340] CASS and CA 1998a, 177-179; Beijing Archives 1955, 002-20-770.
[341] Beijing Archives 1956, 002-20-770.
[342] Bo 1957.
[343] CASS and CA 1998a, 170.

turns with regard to regularization between 1949 and 1957.

Amid the CCP's takeover of factories, how to tackle the abuse of temporary workers was already put on the policy agenda. At that time, many factories did not run to full productive capacity or were on the verge of closure. This was reflected by the profile of the then labour disputes. In Beijing, before March 1950, labour disputes were mainly about individual or small-scale dismissals. After that, they had been mainly about large-scale or overall dismissals, which accounted for 63 per cent of all labour disputes in Beijing in April 1950.[344] Under such circumstances, the CCP did not rush to fulfil its promise in 1922 to regularize all temporary workers. Nonetheless, for fear of ruining its reputation, the CCP also attempted to avoid laying off of temporary workers.

Therefore, the measures adopted to deal with existing temporary workers during the economy restoration period were eclectic. The government gave travel allowances to temporary workers who were willing to leave the factory and organized those who remained to study or to do some auxiliary work and maintained their employment status as temporary workers as well.[345] In 1953, the Ministry of Labour issued guidance on the treatment of temporary workers. It made it clear that the policy of "taking on all and being responsible for all" should not cover temporary workers; whether or not temporary workers should be regularized or not hinged on whether or not they were needed on a regular basis; if they were, enterprises could gradually, but not radically, regularize them; construction workers whose employment concluded once the project

[344] Ministry of Labour. 1950.
[345] Beijing Archives 1952, 004-012-00028; Li 2013.

was completed should not be regularized even when s/he had worked on a temporary status for years.[346]

The CCP's retreat from its 1922 promise in the early 1950s was particularly clear at the local level. Take Shanghai for example, as early as in 1948, the Shanghai branch of the ACFTU issued *Methods of Restricting the Employment of Temporary Workers for Factories in Shanghai*. In this document, it advocated that factories should limit the percentage of temporary workers in the workforce to ten per cent or lower, only to dismiss temporary workers when contracts ended, and to regularize temporary workers if they were needed on a regular basis or had worked for the factory for three months.[347] Then in February 1950, the Shanghai municipal government issued *Provisions on the Employment of Temporary Workers in Private Enterprises in Shanghai* which stipulated that private enterprises that had over 20 per cent of temporary workers in the workforce should ask for permission from the local labour bureau and that enterprises should regularize temporary workers once they worked there for six months. However, before long, the government introduced a notice that suspended the provision pertaining to regularization after six months.[348] Moreover, in a labour dispute in 1953, the labour bureau of Shanghai vetoed temporary workers' appeal to be regularized after six months' work.[349] In another related regulation enacted in 1953, the municipal government only required enterprises to use temporary workers for temporary, substitute, auxiliary work for a period of six months or less, and pay temporary workers the same wage as formal

[346] CASS and CA 1998a, 137-138.
[347] Shanghai Archives 1948, Q6-31-445-27.
[348] Shanghai Archives 1950, B127-1-909.
[349] Shanghai Archives 1953, B123-2-183-36.

employees in comparable positions. It did not mention any sanction measures at all.[350]

The pressure from private employers was a factor behind those concessions. For example, in an official conference in 1951, a representative dispatched by the preparatory committee for the association of (private) industry and commerce in Shanghai proposed to exempt the shipbuilding industry from complying with the 1950 Provisions on temporary workers on the pretext of the production fluctuation of the industry.[351]

Between 1949 and 1954, on the one hand, enterprises massively deployed temporary workers. On the other hand, it was easier for temporary workers to be regularized in this period than in 1955 and 1957. Archives pertaining to temporary workers in Beijing in the period 1949-1954 indicated that the local labour bureau almost approved all requests from enterprises for hiring temporary workers.[352] Meanwhile, many temporary workers were regularized after serving the unit for two or three months. In the regularization application form that the human resource managers of enterprises submitted to the industrial bureau in charge, they only mentioned that they wanted to regularize a certain temporary worker because s/he was needed on a regular basis. Occasionally, they also mentioned the political background of the temp. For example, temporary worker XX was a member of the Communist Youth League. Rejection of a regularization application was rare.[353]

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[350] Shanghai Archives 1953, B127-2-26-20.
[351] Shanghai Archives, 1951, C48-2-144-56, C48-2-144-57, C48-2-144-59.
[352] Beijing Archives 1954, 018-009-00043; Time TBC, 018-009-00053, 019-009-00055, 018-009-00065, 019-002-00026, 019-002-00161.
[353] Beijing Archives 1952, 018-009-00009, 018-009-00032.

However, in 1955, when the government changed gears towards downsizing, it required that the use of temporary workers must be limited to a minimum.[354] In Beijing, the municipal government tightened the control over regularizing temporary workers.[355] The threshold of regularization was thus dramatically raised. In this year, the Beijing Retailing Company issued provisions on labour management that included the criteria of regularization. The worker to be regularized must be unemployed before joining the company, have a Beijing household registration status, have a clear political background, and be healthy.[356] Regularization applications in this year were prone to be rejected.[357] The Shanghai municipal government went further and required that, in 1955, all temporary workers, no matter how long they had worked as temporary workers, should not be regularized.[358]

Then in 1956, owing to the high economic growth and the delegation of the right of recruitment, together with the radical expansion of formal employees in SOEs was the radical expansion and massive regularization of temporary workers. A report prepared by the municipal labour bureau of Shanghai indicated that over 60 per cent of temporary workers working at factories in Shanghai in March 1957 were hired in 1956.[359] Table 6 details the number and the recruitment time of temporary workers in enterprises affiliated with the municipal government of Beijing in mid-1956 and that of Shanghai in mid-1957.[360] It implies that the number of temporary workers recruited in

[354] CASS and CA 1998a, 180.
[355] Beijing Archives 1955, 110-00-662.
[356] Beijing Archives 1955, 120-001-00177.
[357] Beijing Archives 1955, 018-009-00065.
[358] Shanghai Archives 1955, B112-4-12-36.
[359] Shanghai Archives 1957, A54-2-52-21.
[360] The number of temps in Shanghai excludes the number of temps in the construction industry in

1956 might exceed that in any other year. In the belief that redundancy in SOEs would be absorbed amidst the decentralization of industrialization launched in 1956, in the same year, for the first time the State Council issued the *Notice on the Treatment of Regular Temporary Workers in Enterprises*, which officially approved that enterprises could regularize temporary workers that worked on a regular basis within the authorized quota of formal employees.[361] Of the 47,751 temporary workers in Table 6, 18,103 were regularized in 1956. Specifically, of the 47, 751 temporary workers, 9,004 were skilled workers and 4,982 of them were regularized (55.3 per cent); 36,890 were unskilled workers and 11,953 of them were regularized (32.4 per cent).[362]

Table 6. Recruitment Time Distribution of Temporary workers in Beijing and Shanghai in the 1950s

Year	Before 1950	1951	1952	1953	1954	1955	(Mid-) 1956	Mid-1957	Sum
Beijing	152	286	1046	13161	13380	3723	16003	-	47751
Shanghai	2741						42634	13838	59213

Source: Beijing Archives 1956, 005-01-807. Shanghai Archives 1958, B76-1-276-1.

In 1957, in the face of the pressure of radical formalization on national finance, the central government began to rein in formalization. Apart from freezing recruitment of formal employees, in January 1957, the State Council required that enterprises sign labour contracts with temporary workers, all contracts not exceed one month, and that

Shanghai.

[361] Beijing Archives 1956, 142-001-00352.

[362] Beijing Archives 1956, 005-01-807.

temporary workers should not be regularized (an exception was that peasants whose land was grabbed were automatically qualified for regularization at this time[363]).[364] Nonetheless, under great pressure from enterprises, in February 1957, the state suspended the requirement pertaining to the job tenure of temporary workers.[365] Despite these commandments, data from the Ministry of Labour showed that, in the first half of 1957, enterprises in twelve provinces, including Jiangsu, Liaoning, Hubei, and so on, recruited over 67,000 temporary workers outside the authorized quota.[366]

Moreover, the excessive expansion of formal employees in 1956 invoked a fundamental shift in labour policies that budded in 1957. In September 1956, the Ministry of Labour dispatched an investigation group to the Soviet Union to learn about their employment institutions. In February 1957, this group submitted their investigation report to Liu Shaoqi, the then vice president of China. This report suggested introducing the institution of the labour contract under which units could dismiss workers and workers could freely choose their profession.[367] In a national conference in April 1957, the then labour minister Ma Wenrui announced that the institution of fixed labour that absorbed in but did not release out workers (*zhijin buchu*) must be reformed by introducing the labour contract system that allowed enterprises to recruit and dismiss workers (*youjin youchu*).[368] Under such circumstances, to facilitate the dismissal of temporary workers, in 1957, the labour contract system was introduced

[363] Beijing Archives 1957, 071-001-00020.
[364] CASS and CA 1998a, 170.
[365] CASS and CA 1998a, 138.
[366] CASS and CA 1998a, 172.
[367] Yuan 1990, 99.
[368] CASS and CA 2011a, 5.

nationwide. Before 1957, most temporary workers did not have labour contracts.[369]

Although the state played a central role in forging the employment prospects of temporary workers, temporary workers themselves were by no means steadfast supporters of all the CCP's policies. Once dismissed or after failing to be regularized, some temporary workers committed suicide.[370] Between February 1957 and January 1958, approximately 7,000 temporary workers were dismissed in Shanghai. After a series of suicide protests, the municipal government of Shanghai required that enterprises not fire temporary workers that began to work there before January 1956 and temporary workers with no families in employment.[371] Temporary workers also launched collective resistance such as strikes and collective petitions. Between 1949 and 1957, because of the weak economy and the national relevance of temporary workers' problems, temporary workers' collective action against dismissal and for regularization and for the right to join the trade union often failed to deliver expected results.[372] Temporary workers were also active in the 1956-1957 strike wave. In the light industry sector of Shanghai, four per cent of collective action in 1957 was waged by incumbent or previous temporary workers for regularization or re-employment.[373]

From Peasants to Temporary Workers

Peasants could improve their living standards by finding a temporary job in the city.

[369] Shanghai Archives 1958, B76-1-276-1.
[370] Shanghai Archives 1957, B112-4-116.
[371] Shanghai Archives 1958, B1-1-1448-2.
[372] Shanghai Archives 1950, A39-2-20; 1951, B128-2-504-1; 1954, A38-2-19-1. Beijing Archives 1952, 004-012-00028.
[373] Shanghai Archives 1957, B54-1-5, C16-2-191.

Even the dirtiest and most laborious work in the city such as night soil carrying and water carrying were less arduous and better remunerated than farm work. Urban employers also favoured peasants because peasants tended to have stronger physical strength than urban residents.[374] In Hebei in the 1950s, there was a saying called Going to Baoji to fund a marriage *(yao quqi dao Baoji*). It advised male peasants in Hebei to find a temporary job in the railway construction sites in Baoji, Shaanxi so that they could accumulate enough money to attract a wife.[375] Between 1952 and 1957, a rough estimated eight million peasants migrated to cities for work.[376] During the same period, of the 8.7 million workers[377] that were added to state-owned units, 3.5 million were recruited from rural China.[378]

From the very beginning of the People's Republic of China, urban China has regarded rural China as home to an army of workers available and dismissible at all time. In 1950, in the face of massive unemployment in cities, the government mobilized unemployed workers of rural origins to return to their hometown villages.[379] However, in 1951, amid the revitalization of the urban economy, the government called in some 20 million peasants to support urban industrial construction, mainly infrastructure construction.[380] In 1953, as unemployment in cities persisted and the pressure of migrants on the supply of food and accommodation in cities emerged,[381] the

[374] Beijing Archives 1957, 137-001-00140.
[375] CASS and CA 1998a, 353-356.
[376] Song 1957.
[377] This number is also published by the National Bureau of Statistics, which is slightly different from the numbers in Appendix A.
[378] CASS and CA 2011a, 90.
[379] CASS and CA 1994, 167-174.
[380] Wen et. al. 2012, 282.
[381] CASS and CA 1998a, 365.

government began to prohibit enterprises from recruiting peasants without the permission of local labour bureaus.[382] It was in this context that the government invented a pejorative word "blind flows" (*mangliu*) to condemn peasants who flowed into cities without a pre-arranged recipient units.

In 1957, against the background of downsizing, the government dramatically intensified control over migrants. In Beijing in 1957, the municipal government required that units sign tripartite contracts with peasant temporary workers and the agricultural production cooperatives with which they were affiliated. Such contracts transformed the relationship between recipient units and individual temporary workers into the relationship between recipient units and sending cooperatives, which effectively prevented flows of peasants into cities. Such contracts detailed not only the duration of employment and wages, but also the break-down of wages between temporary workers and cooperatives. In this way, the latter were responsible for supplying the former with food grain during employment and care in case the former were returned because of job-related illness and disabilities.[383] As Chapter Eight will show, these arrangements resemble present-day labour dispatch to some extent.

The Ministry of Labour appreciated this practice. It first encouraged other places to adopt it.[384] Then in late December 1957, the State Council issued *The Interim Provisions on Recruiting Temporary Workers from Rural Areas*, which aimed to ban units from recruiting peasants that "blindly" flowed into cities and banning communes

[382] National Bureau of Labour 1980, 321-322.
[383] Beijing Archives 1957, 035-002-00180.
[384] Shanghai Archives 1957, B154-4-725.

from introducing peasants to work in cities discretionarily. It required the above Beijing practice to be enforced nationwide and that that urban units prioritize urban residents over peasants when recruiting temporary workers.[385] Meanwhile, the Ministry of Public Security and the Ministry of Grain co-required that local governments not transfer the household registration record of peasant temporary workers to cities and return the household registration record of peasant temporary workers that had been transferred to cities to their hometown villages, and that the food grain of peasant temporary workers should be supplied by the agricultural cooperatives they were affiliated with.[386] Moreover, in this same year, the municipal government of Beijing required that units dismiss peasant temporary workers recruited outside the authorized quota.[387] The municipal government of Shanghai required that all local units not recruit workers or outsource tasks to people from outside Shanghai (mainly peasants).[388]

Between 1949 and 1957, while massive numbers of peasants flowed to cities for jobs, the counter-flow whereby urban residents were mobilized to work in rural areas so as to alleviate the unemployment pressure in cities also emerged. As early as in 1956, the government began to mobilize urban youth to work in rural areas.[389] Throughout the planned-economy era, the number of sent-down youth had been on a continuous rise (more details in later chapters).

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385 State Council 1958.
386 Beijing Archives 1957, 002-09-119.
387 Beijing Archives 1957, 026-001-00055.
388 Shanghai Archives 1957, B81-2-115-42.
389 Deng et. al. (eds.) 2009, 13.

Conclusion

Building on the existing literature about the conditions of different groups of labouring people in Mao's China, this chapter uses underexplored Chinese language archives to depict a systematic picture of the then social exclusion system. This system serves as the basis for the exclusion-centred precarization regime that I try to articulate in Part II of this thesis. On top of this, this chapter examines how this social exclusion system and the precarization regime in Mao's China were fine-tuned between 1949 and 1957. It was a prelude to further modulations such as a shift in labour policies and the recurring centralization-decentralization pattern in later periods. Moreover, this chapter pays special attention to the conditions of temporary workers in the Mao era and provides arguably the most systematic information about this issue by far.

The state played a decisive role in both forging and modulating the social exclusion system that was incorporated into its grand pursuit of socialism, nationalism, and political legitimacy. Under the grand goal of socialist egalitarianism, the CCP embarked on formalization and gradually eliminated exploitation. However, under the grand goal of socialist developmentalism, the CCP had an unfailing drive of accumulation by enhancing extraction and constraining consumption, which always involved reducing labour costs. The dual desire for social security supply and primitive socialist accumulation, the then underdeveloped industrial production, and the then abundance of labour power together defined the priorities for allocating subsistence resources and life opportunities to labouring people. Just like Silver's account of how

capitalism reconciles the contradiction between legitimacy and profitability,[390] under socialism, a system of social exclusion emerged that was based on types of enterprise ownership, employment statuses, and rural-urban origins. Formal employees in SOEs, employees in collective enterprises, temporary employees, and peasants were entitled to progressively decreasing economic and political rights and thereby progressively increasing levels of precariousness. In this regard, the employment of temporary workers, primarily as a means to reduce labour costs, was *de facto* built into the Chinese planned-economy system.

The rigidity of the boundaries between different groups of labouring people was primarily circumscribed by the gravity of constructing socialism in a backward country with massive surplus labour both in rural and urban areas in a hostile international environment. The period 1949-1957 saw the appearance of the first and also the most influential modulator of the social exclusion system. During this period, there were two U-turns on social exclusion. With 1955 as the watershed, the first U-turn was directly caused by the fundamental conflict between accumulation and redundancy or consumption. With 1957 as the watershed, the second U-turn was indirectly caused by such a conflict via the shift from decentralization to recentralization of industrialization. In addition, 1957 was also a watershed between labour policies that promoted permanent employment and labour policies that promoted temporary employment. Throughout this period, labour resistance failed to play a significant role in changing the boundaries of social exclusion.

[390] Silver 2003, 20-25.

Chapter Five

Radical Inclusion and Radical Exclusion, 1958-1965

The period 1958-1965 witnessed the rise and fall of the Great Leap Forward. Previous literature on the Great Leap Forward has focused on the multi-dimensional causes, catastrophic consequences—the great famine and massive deaths, and the state's countermeasures.[391] This chapter shifts away from these traditional topics to examining how the Great Leap Forward recalibrated the precarious state of different groups of labouring people by wielding a tremendous impact on the rigidity of the then social exclusion system. Although there has been literature on how the fall of the Great Leap Forward led to intensified social exclusion hence after,[392] this chapter extends such analysis by firmly linking the conditions of labouring people with the expansion and retrenchment of the national economy, and unveiling how the rise of the Great Leap Forward brought about radical inclusion of those who were previously excluded from socialized production and from more secure positions into the industrial workforce and more secure jobs. This chapter also goes further than the extant literature by examining how different groups of labouring people were affected differently in the aftermath of the Great Leap Forward.

Part II of this thesis aims to articulate the exclusion-centred precarization regime in Mao's China. Chapter Five lays the basis of this regime by giving a bird's eye view of the social exclusion system in the Mao era and introducing the first modulator—the

[391] Wemheuer 2014; Dikötter 2010; Kung and Lin 2003; Li, Wei and Yang 2005.
[392] Luo 2003.

centralization-decentralization circle. It is worth noting that while the alternation of centralization and decentralization loomed between 1949 and 1957, it was between 1958 and 1965 that it gained full momentum. This chapter continues to unfold the then precarization regime by showing how the fully-fledged reprise of the centralization-decentralization circle radically reshaped the landscape of labour precariousness. It also introduces the second modulator of the social exclusion system—labour policies that shifted away from promoting job security to the deployment of disposable precarious labour.

This chapter contributes to the argument regarding the decisive role of the state in manufacturing labour precariousness in the following ways. While Chapter Four highlighted the role of the state as the initiator of the social exclusion system, this chapter emphasizes the role of the state as an explorer in constructing socialism using a mass line and its implications for the labouring people and the role of the state as a regulator of enterprise staffing. Meanwhile, while Chapter Four portrayed the state as a planner who made involuntary but pragmatic concessions in labour security, this chapter on the period 1958-1968 shows that the state proactively embraced precariousness-prone labour policies and legitimatized it in the then ideology. In this sense, this chapter deepens the understanding on the multifaceted role of the Chinese state in making labour precariousness.

This chapter first gives an overview of the economic and political circumstances of the period 1958-1965 at the macro level. It then successively examines how the rise and fall of the Great Leap Forward, coupled with the shift in labour policies, had

affected formal employees in state-owned units, workers in collective units, most importantly, temporary workers, and lastly peasants.

Chinese Political Economy between 1958 and 1965

The year 1958 was the opening year of the second five-year plan (1958-1962). In this year, the government launched the movement of the Great Leap Forward. Between 1958 and 1960, the government mobilized the whole country in the hope of constructing socialism in a greater, faster, better and more economical fashion (*duo kuai hao sheng*). Once the movement met the hard constraint and started to generate disastrous consequences, between 1961 and 1965 (particularly in 1961 and 1962), the government embarked on economic adjustment. This U-turn on socialist construction brought about a U-turn on social exclusion.

Driven by the eagerness to catch up with Britain and overtake the United States (*ganying chaomei*) in a short time, in the Chengdu Conference in March 1958, the CCP set the economic goals of 1958: compared with the figure in 1957, the gross output value of industry was expected to grow by 33 per cent; the production of steel was expected to grow by 35.5 per cent; the investment in infrastructure was expected to grow by 41.5 per cent. These goals were then further escalated to impossible levels, both by the blindly optimistic central government and by the local governments who attempted to over-fulfil the goals as a manifestation of political progressivism.[393]

[393] Su 2007, 307-322; CASS and CA 2011b, 3.

To achieve these goals, the government intensified accumulation and radicalized decentralization. The larger-than-ever scale of industrialization carried out during the Great Leap Forward presupposed an intensification of accumulation. According to Figure 8, the accumulation rate jumped from 20-odd per cent in the early 1950s to 33.9 per cent in 1958 and peaked at an amazing 43.8 per cent in 1959. In the mind of Mao, the ambitious goals of the Great Leap Forward could not be fulfilled without the local governments and the masses. In fact, although the Ministry of Labour re-centralized the right of recruitment in 1957, in the same year, the central government launched reforms that aimed to raise the autonomy of local governments in deciding industrial production, commodities exchange, financing, and recruitment, and of individual enterprises in managing their own operations.[394]

Moreover, in April 1958, the central government decided that all enterprises affiliated with it would be sent down to be under the management of local governments unless the enterprise was of strategic, particular, or experimental importance.[395] As a result, of the 1,165 central units, 885 became local units (76 per cent).[396] The management of these sent-down units allowed local governments to gain access to 20 per cent of their profit.[397] Together with the large-scale local industrialization, the revenue of local governments inflated. According to Figure 8, the share of local governments in the national government revenue dramatically jumped from some 20 per cent in the early 1950s to over 70 per cent in 1959. Some local governments further

[394] CASS and CA 2011b, 3; Deng et. al. (eds.) 2009, 8.
[395] Central Government 1995a, 265.
[396] CASS and CA 2011b, 3.
[397] Central Government 1994.

sent down enterprises affiliated with them to lower levels of governments. For example, in Beijing in 1958, a substantial proportion of enterprises affiliated with the municipal government were sent down to be managed by the district governments.[398]

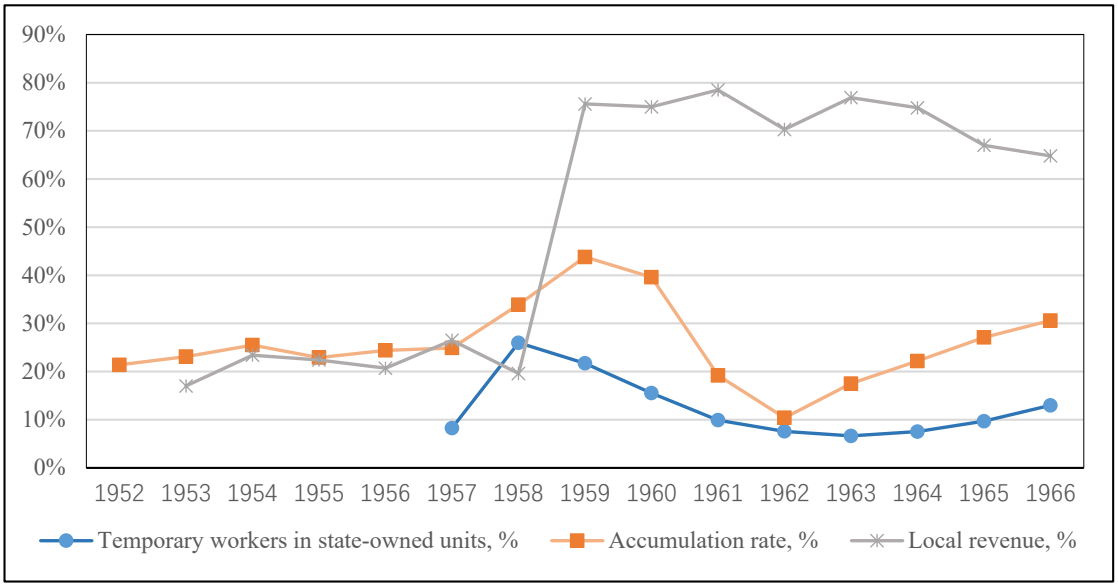


Figure 8. Temporary Workers, Accumulation, and Revenue of Local Governments in China, 1952-1966

Source: Data on the rate of accumulation come from Zhuang, Yuan and Li 1986, 209. Data on the percentage of temporary workers are calculated from National Bureau of Statistics 1987a, 13, 33, 54. Data on local revenue come from Lou (ed.) 2000, 79.

With higher autonomy came higher expectations, which together brought about a mass line of industrialization. In 1958, the central government set the goal that the output value of local industry was expected to catch up with or surpass that of local agriculture within five to seven years. To do so, the central government called upon all levels of governments—from the central government, provincial governments, municipal

[398] Yang (ed.) 1990, 18.

governments, country governments, township governments, all the way to leaders of communes and brigades—to organize industrial production.[399] A greater say in running local enterprises and a larger share of national government revenue also facilitated local states' industrialization initiative. Moreover, the central government requested developed industrial cities to aid the industrialization of less developed interior and border provinces. For example, during the Great Leap Forward, large numbers of Shanghai workers were mobilized to work in Northwest China.[400]

As a result, take Beijing for example, in 1958, self-made steel-smelting furnaces sprouted up in many factories, schools, residential compounds, and communes. In urban areas, sub-district governments organized housewives to engage in production. In suburb counties, garment factories, shoemaking factories, distilleries, agricultural machinery factories, agricultural product processing factories, construction materials factories, and so forth mushroomed. In Tong County alone, the local communes founded some 3,000 factories.[401] At the national level, in 1958, the number of small-scale industrial factories using traditional technology (*xiaotuqun*) increased by 5.8 times; the number of small-scale industrial factories using modern technology (*xiaoyangqun*) increased by 96 per cent; *xiaotuqun* and *xiaoyangqun* together employed 33.3 million workers, 180 per cent more than that in 1957. In 1959, the number of *xiaotuqun* and *xiaoyangqun* accounted for 99 per cent of all industrial enterprises; they employed 69 per cent of all the industrial workforce and contributed approximately 60

[399] CASS and CA 2011b, 6.
[400] Shen 2010, 60.
[401] Yang (ed) 1990, 18-19.

per cent of the overall industrial output value; 54.1 per cent of *xiaotuqun* and *xiaoyangqun* were affiliated with rural communes or brigades.[402]

In addition, industrialization in the second five-year plan differed from that in the first five-year plan in the labour-intensive inclination. Diverging from the previous overwhelming emphasis on heavy industry to serve strategic purposes, local industrialization was expected to serve the agriculture, the large-scale heavy industry, the daily lives of the mass, and export. Given the relative scarcity of capital and abundance of labour power, the central government particularly encouraged local states to develop industries that were small-scale, lightly-invested, swiftly-constructed, but yielded a lot.[403] In comparison, according to the research bureau of the national economic committee, during the first five-year plan, the increase in labour productivity and in the input of manpower respectively contributed 60 and 40 per cent of the growth of the industrial output value; however, during the second five-year plan, the average number of industrial workers increased by 76 per cent while the industrial output value increased by 21 per cent; when taken into consideration the recession in the early 1960s, between 1958 and 1960, the average number of industrial workers increased by 179 per cent while the industrial output value increased by 135 per cent.[404]

Before long, such decentralized, mass-line, labour-intensive industrialization encountered the hard budget constraint—grain.[405] On the one hand radical industrialization brought about an explosion in the size of the urban population and

[402] CASS and CA 2011b, 75-76.
[403] Central Government 1995b.
[404] CASS and CA 2011b, 716.
[405] Chen 2005, 163.

greater need for commodity grain; on the other hand, it reduced the size of the population that engaged in agricultural production. Between 1958 and 1960, the number of industrial and construction workers increased by 1.8 times while the amount of commodity grain decreased by 15 per cent.[406] In addition to this, China broke up with the Soviet Union in 1960 and then began to repay the debt to the latter mainly using agricultural products and minerals.[407]

To cope with the grain crisis, on the one hand, the central government raised the amount of grain extracted from rural China to alarming levels and lowered the ration of commodity grain for individual urban residents. Compared with the levels in 1957, in 1961, the average food grain consumed by the rural and urban population respectively dropped by 25 and 20 per cent, which caused the great famine.[408] On the other hand, it increasingly imported grain from overseas. China imported 0.12 million tons of grain in 1957, but 7.8 million tons of grain in 1961,[409] which squeezed the importation of other scarce goods. The fiscal deficit reached 11.5 per cent of total government revenue in 1959 and 12.5 per cent in 1960, the peak level throughout the planned-economy era.[410] In addition, severe shortages of raw materials, electricity, machinery, labour, and so forth often brought production to a halt.[411] Overstaffing re-emerged as a problem. In the first half of 1960, non-production workers accounted for 17.6 per cent of the industrial workforce.[412]

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406 CASS and CA 2011b, 94.
407 Wen et. al. 2012, 58.
408 CASS and CA 2011b, 94.
409 CASS and CA 2011a, 92.
410 National Bureau of Statistics 1999b, Table A09.
411 CASS and CA 2011b, 104.
412 CASS and CA 2011a, 131.

This situation forced the central government to retrench accumulation and recentralize industrialization. As shown in Figure 8, the accumulation rate dived to 10.4 per cent in 1962 before rebounding. In the first half of 1959, amidst an atmosphere of anti-leftist reflection of the Great Leap Forward, Mao proposed in a conference to gradually recentralize the four major economic powers. However, the Lushan conference taking place in July 1959 changed gears from anti-leftist to anti-rightist and suspended the recentralization initiative.[413] In late 1959, a new round of leap forward was launched. The production growth goals set for 1960 were even higher than those for 1958.[414]

From late 1960 onwards, recentralization gained momentum. The central and provincial governments re-grasped the four rights, withdrew the sent-down enterprises, imposed rigorous control over the extra-budgetary funds of local states and individual enterprises, retrenched the investment in infrastructure, shut down poorly-performing enterprises, and so on.[415] Between late 1960 and late 1962, the number of SOEs was reduced from 95,000 to 46,000; the number of the industrial workforce was reduced from 21.4 to 11.8 million; the industrial output value dropped by 48.5 per cent.[416] In particular, enterprises founded by communes were shut down in large numbers so that more people could engage in agricultural production. Nonetheless, after short-term adjustments, collective enterprises continued to flourish in cities to accommodate workers dismissed from SOEs.[417]

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413 CASS and CA 2011a, 237.
414 Su 2007, 345-357.
415 CASS and CA 2011b, Preface, 4, 238-9.
416 CASS and CA 2011b, 89.
417 Yang (ed.) 1990, 22-26.

From 1964 onwards, given the looming threats of war because of the Sino-Soviet split, the intensified aggression of the United States against the socialist bloc, and the escalating threats from the Nationalist party's plot of striking back at mainland China, the CCP began to relocate and develop heavy industries in inland China, which was called the Third Front Movement *(sanxian jianshe)*.[418] This movement again boosted accumulation. Figure 9 shows how the above shifts in accumulation and the path of industrialization recalibrated the composition of labouring people.

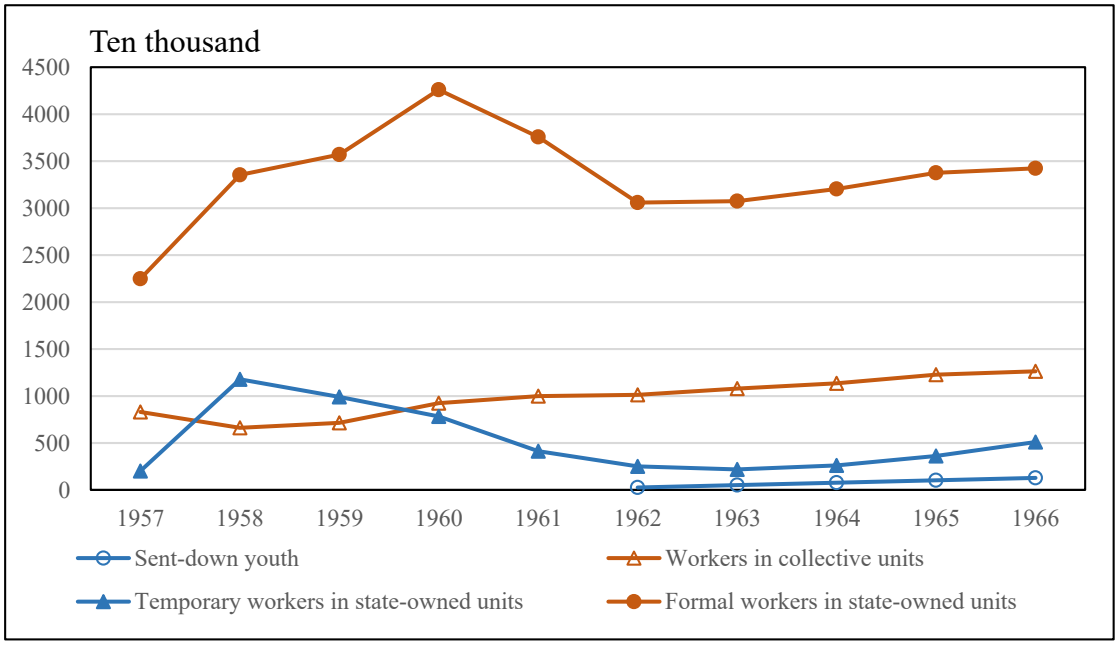


Figure 9. Workers in Different Precarious Categories in China, 1957-1966

Source: Data on sent-down youth are estimated according to National Bureau of Statistics 1987a, 110-111. Data on temporary and formal workers in state-owned units and on workers in collective enterprises come from National Bureau of Statistics 1987a, 13, 33.

[418] CASS and CA 2011b, 2.

Explosion and Retrenchment of Formal Workers in SOEs

As a result of the shift from decentralization to recentralization in 1957, formal workers in SOEs bitterly felt the third U-turn on social exclusion. At the beginning of 1958, the central government planned to continue the downsizing trend, including rigorously banning new recruitment and mobilizing redundant labourers in enterprises, demobilized servicemen, and college and middle-school graduates to engage in agricultural production.[419] In Chengdu Conference in March 1958, the central government reiterated that it would learn from the lessons of 1956 and maintain the central control over labour planning.[420] However, in the face of high production goals and industrial expansion, in June 1958, the central government believed that the redundant labour recruited in 1956 had been fully absorbed and local governments must be granted autonomy in recruitment to feed local industrialization. At the end of June 1958, the Ministry of Labour devolved the right of recruitment to provincial governments, who further devolved this right to lower levels of authorities.[421] Thus, local units could recruit staff without the approval of upper-level governments.

As had happened in 1956, particularly amidst the Great Leap Forward, the devolution of the right to recruit led to an explosion in the size of the SOE workforce. Given the ambitious production goals for 1958, the expectation of even higher goals for

[419] CASS and CA 2011a, 32.
[420] CASS and CA 2011a, 2.
[421] National Bureau of Labour 1980, 16-24.

1959, and the concern about labour shortage, enterprises hired new workers not only for new production tasks, but also for labour hoarding. In 1958 alone, 20.8 million new workers were added to the urban industrial workforce, including 16.6 million that hired from peasants and the urban unemployed, 3.3 million that transformed from previous handicrafts people and vendors, and 0.9 million that were students and demobilized servicemen. This number surpassed the increase in the total number of workers during the first five-year plan. Of them, 8.8 million were formal employees.[422] On average, the wage of the new hires in 1958 was 50 per cent lower than that of existing workers.[423] The immediate result was that the labour productivity of industrial enterprises dropped by 8.5 per cent in 1958.[424] As mentioned above, the pressure on grain, finance, raw materials, and so forth, emerged, too.

In the light of this, in January 1959, the central government required that enterprises stop recruiting new formal employees and regularizing temporary workers, and begin to dismiss redundant labour. At this stage, dismissal only affected temporary workers. Meanwhile, the right of recruitment was recentralized in the hand of central and provincial governments.[425] Later in mid-1959, thanks to reflections on the Great Leap Forward, production goals were substantially lowered to achievable levels and thereby the number of formal employees in state-owned units mildly increased from 33.5 million in 1958 to 35.7 million in 1959 (see Figure 9). As a result of the leap forward in 1960, the number of formal employees in SOEs further expanded by

[422] CASS and CA 2011a, 34, 194.
[423] CASS and CA 2011a, 34.
[424] CASS and CA 2011a, 91.
[425] Central Government 1996a.

approximately 20 per cent and reached 42.6 million (see Figure 9). Of them, approximately eight million were female.[426]

In 1961, the salience of the grain crisis finally reined in the Great Leap Forward and formal SOE employees began to feel the chill. Between 1961 and 1963, not only new recruitment was suspended, but also incumbent workers were massively dismissed. As shown in Figure 9, the number of formal employees in state-owned units dropped from 42.6 million in 1960 to 30.7 million in 1963 before growing again. Some enterprises took this opportunity to get rid of female workers with multiple children and workers at an old age, with less physical strength, with illness, and with disabilities.[427] The majority of dismissed workers were sent to work in rural communes and also had their household registration record transferred to rural areas. Some were reallocated to work in collective enterprises or worked as temporary workers in previous SOEs.[428] In particular, some people were mobilized to work in interior provinces during the Great Leap Forward but lost their jobs during the downsizing and then returned to their hometown cities, only to find that the control over the inward transfer of household registration records in big cities had been dramatically intensified and that they could only work as temporary workers on temporary household registration status.[429] Meanwhile, between 1958 and 1962, the average annual growth rate of the nominal wage of workers in state-owned units was minus 1.5 per cent; that of the real wage of these workers was minus 5.4 per cent.[430]

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426 CASS and CA 2011a, 502.
427 Lin 2014.
428 Central Government 1997.
429 Shen 2010, 60-61.
430 National Bureau of Statistics 1984, 166.

After the economy recovered and the Third Front Movement commenced, formal employees in SOEs resumed expansion. In 1964 and 1965, many unemployed urban residents got formal jobs in state-owned units. In Shanghai, they accounted for 37.3 per cent of the newly-added formal workforce to state-owned units during this time.[431]

Upgrading and Expansion of Workers in Collective Enterprises

For workers in collective enterprises, the period 1958-1965 was a period of radical inclusion, albeit with setbacks. On the one hand, with handicraft cooperatives (*shougong hezuoshe*) massively transformed into quasi-SOEs or SOEs, a large number of workers were entitled to higher compensation and benefits and more political rights. On the other hand, with the establishment of new collective units on a large scale, those previously excluded from the industrial workforce, particularly housewives, began to work in collective units.

As mentioned earlier, state ownership was regarded as the optimal form of ownership in Mao's China. Amidst the Great Leap Forward, upgrading handicraft cooperatives into big collective enterprises or even into SOEs was regarded as a way to accelerate their growth. By anchoring the hope of local industrialization on handicraft cooperatives that often constituted the majority of their industrial facilities, local governments were particularly obsessed by the idea of upgrading. Moreover, such upgrading allowed the cooperatives themselves to climb up the order of priorities in

[431] Li et. al. (eds.) 1997.

investment, allowed their management to become cadres, and allowed their members to become workers with a similar status to that of SOE workers and to join the trade union.

In February 1958, the provincial government of Henan required that all handicraft cooperatives be transformed into cooperative factories (*hezuo gongchang*) with few exceptions. In March 1958, in Chengdu Conference, the central government announced that handicrafts cooperatives could be transformed into cooperative factories affiliated with the country-level administrative bureau of handicrafts when they were mature. According to the data compiled in mid-1959, of the over five million members of handicraft cooperatives, 37.8 per cent became workers of newly-transformed SOEs affiliated with local governments; 13.6 per cent became workers of newly-transformed cooperative factories; 35.3 per cent became workers of newly-transformed factories affiliated with communes.[432]

With the transformation of handicraft cooperatives into cooperative factories, local governments grabbed the collective assets, replaced the profit-sharing scheme that prevailed among cooperatives with the fixed-wage system, and seized the upper hand in deciding their production, commodities distribution, and financing. Except for the fact that SOEs submitted their profits to the state while cooperative factories paid taxes, the latter operated in the same way as SOEs and thereby won the nickname of secondary SOEs (*er guoying*). Cooperatives that were transformed into factories affiliated with communes were managed in a similar way.[433] Cooperative factories were more often

[432] CASS and CA 2011a, 616-7.
[433] Ji (ed.) 1991, 240-242, 244.

called big collective enterprises (*dajiti*) and were affiliated with municipal, prefectural, or county governments. In contrast, small collective enterprises (*xiaojiti*) were those affiliated with sub-district governments or equivalents.[434] Generally, workers of cooperative factories enjoyed stable employment. However, take Shanghai for example, compared with that of SOE workers, the average wage per capita of workers in big collective enterprises was approximately ten per cent lower; their pension was much lower; their healthcare insurance did not cover their immediate families.

Nonetheless, their situation was better than that of their counterparts in small collective enterprises whose wages were lower, whose employment was more precarious, and whose access to insurance and pensions was barely existent.[435] In Shanghai in 1966, workers in big collective enterprises totalled 170,000 and all of them were union members; workers in small collective enterprises totalled over 420,000 and were excluded from trade unions and thereby labour insurance.[436]

Moreover, during the second five-year plan, primarily in response to the call of local industrialization, a large number of new collective units were built in cities. Most of them were affiliated with sub-district governments and thereby were called sub-district industrial facilities (*jiedao gongye*). Some of the sub-district industrial facilities were founded by SOEs, state organs, armed forces, and schools. Nonetheless, a majority of them were founded by sub-district governments. In comparison, the former tended to be larger in scale and have regular production tasks; the latter were smaller and

[434] Beijing Archives 1975, 153-02-608.
[435] Li 2015, 5-6.
[436] Li 2015, 618.

loosely organized; the members of the latter only got together to work when they received orders.[437] According to the commandment of the central government, the wage of workers of sub-district industrial facilities should be lower than that of SOEs and cooperative factories.[438]

Sub-district industrial facilities were concentrated on low-end industrial production, small trade, maintenance, catering, nursing, laundry, and so forth. This was as much a precondition for the feminization of the workforce in collective units as its product. In 1958, the nationwide industrializations drained the surplus labour and brought about a pervasive labour shortage. It was reported that, in the industrial enterprises of Shanxi in mid-1958, the demand-supply gap of apprentices was 25 per cent and that of temporary workers was 43 per cent.[439]

To cope with the severe labour shortage, the government mobilized students, servicemen, and most importantly, housewives, to engage in industrial production. In the autumn of 1959, in eleven major industrial cities including Beijing, Tianjin, Wuhan, Chengdu, Harbin, and so on, female workers accounted for 76 per cent of the workforce in sub-district industrial facilities.[440] First, housewives replaced a large number of male workers in the service industry so that these male workers could join industrial production such as steel smelting. This practice was called "replacing males with females" (*yi nv dai nan*). Second, some housewives were organized into cooperatives that were specialized in housework such as catering, nursing, and laundry. Thus, other

[437] Ji (ed.) 2000, 133-134.
[438] National Bureau of Labour 1980, 91-97.
[439] Labour 1958a.
[440] Ji (ed.) 1991, 237-9.

housewives were freed from daily household chores and were able to join the industrial production. Third, housewives were also organized into production brigades or small factories that supported the production of big factories.[441] Between 1958 and 1960, an estimated 50 million or more domestic workers were mobilized into social production.[442]

The establishment of urban communes greatly fuelled the inclusion of the underemployed or unemployed into social production. Urban communes sprouted up in 1958 and gained momentum in 1960. Like rural communes, urban communes took an active role in local industrialization.[443] The Changqiao Commune in Xicheng District, Beijing well exemplified the function of urban communes. Between 1958 and mid-1961, this commune founded 14 factories, three production groups, 34 service stations (for labour channelling), 42 nurseries, and 34 canteens. These facilities were run by over 4,400 workers, 90 per cent of which were women.[444] As a result, at the national level, between 1957 and 1960, the share of the workforce in social production in the entire working-age population jumped from 72.4 per cent to approximately 90 per cent.[445]

Owing to the reasons mentioned above, from late 1959 onwards, the central government began to rein in the radical upgrading and inclusion. In August 1959, the central government required that handicraft cooperatives that were transformed into factories affiliated with communes be regarded as collective enterprises and be

[441] Labour 1958b; CASS and CA 2011a, 161.
[442] CASS and CA 2011a, 69.
[443] Luo 2003, 85-88.
[444] Beijing Archives 1961, 110-00-1249.
[445] CASS and CA 2011a, 69.

responsible for their own gains and losses, and that handicraft cooperatives that were transformed into SOEs withdraw such transformation if this transformation, which often brought about the concentration of small production, invoked difficulty to their own operation and inconvenience to the masses they served.[446] Then during the economic adjustment period, as shown in Table 7, handicraft enterprises were downsized or even shut down. As a result, the number of self-employed handicraftsmen increased from 0.3 million at the end of 1961 to one million in 1963.[447] Meanwhile, the government discouraged sub-district factories and called upon female workers to return home to do housework. Urban communes faded away, too. Between 1960 and 1963, the proportion of female workers in the workforce of state-owned and collective units dropped by approximately 35 per cent.[448]

Table 7. Handicraft Workers in Enterprises with Different Types of Ownership in China, 1961 and 1962

In millions

Time	SOEs	Cooperative Factories and Cooperatives	Factories Affiliated with Rural and Urban Communes
The end of 1961	0.83	2.82	2.86
September 1962	0.35	3.21	1.03

Source: CASS and CA 2011b, 631-632.

When the downsizing came to an end, from 1963 onwards, the central government once

446 CASS and CA 2011b, 614-615.
447 CASS and CA 2011b, 635.
448 Deng et. al. (eds.) 2009, 82-83; CASS and CA 2011a, 182-3.

again began to encourage the feminization of the urban workforce and the development of the sub-district industry. In 1963, with the great leap backward of urban industrialization, it gradually occurred to the central government that a large number of dismissed urban workers and members of the newly-grown urban workforce had to be sent down to rural areas for employment.[449] In the same year, the Ministry of Labour required that, in order to guarantee the labour supply of urban units and the sending-down of urban males to rural areas, the employment of urban females needed to be prioritised over that of urban males. To enforce this requirement, the government granted units that employed female workers extra headcount quota of temporary workers in case of the absence of female workers because of pregnancy or family obligations.[450] In 1964, the Ministry of Labour reiterated that female accounted for two-thirds of the urban unemployed, and that the employment of urban females should be prioritized over that of peasants.[451] In particular, the municipal government of Shanghai promoted part-time jobs in the commercial sector that allowed housewives to balance their employment with their domestic obligations. Many other governments copied this practice.[452] As a result, the number of female workers rebounded.[453] Meanwhile, sub-district governments once again began to organize collective units to relieve unemployment.[454]

[449] Shanghai Archives 1963, B127-1-852.
[450] Deng et. al. (eds.) 2009, 83; Shanghai Archives 1963, B127-1-852.
[451] CASS and CA 2011a, 149-151.
[452] Shanghai Archives 1965, B127-2-690, B98-4-1992-1; 1966, B123-6-1366.
[453] Deng et. al. (eds.) 2009, 82-83.
[454] CASS and CA 2011a, 73, 127, 131; Shanghai Archives 1965, B127-1-882-57

Diversification and Fluctuation of Temporary Workers

The period 1958-1965 saw the institutionalized promotion of temporary employment. During this time, the army of temporary workers experienced deep diversification and drastic fluctuation. On the one hand, the government pushed forward the employment of urban labourers as temporary workers and the employment of rural labourers as both-workers-and-peasants (*yigong yinong*). Under the arrangement of both-worker-and-peasant, peasants maintained their status as peasants but temporarily engaged in industrial production on fixed-term contracts. The state also tacitly indulged in the abuse of outsourced workers. The result was deepened stratification among temporary workers. On the other hand, owing to the shift from decentralization to recentralization, this period witnessed the peak of temporary workers in the workforce of state-owned units in 1958 (26 per cent) and the second low of that in 1963 (seven per cent, second to six per cent in 1972) throughout the planned-economy era.[455] In addition, despite the fluctuation of temporary workers, owing to the routinization of regularization, temporary workers who survived the downsizing had regular opportunities to become formal employees.

Diversification

Following the introduction of the labour contract system in 1957, from 1958 onwards, the reform of the employment institution gained momentum. The institution of permanent employment was criticized as being incompatible with constructing

[455] Source: Figure 1.

socialism in a swift and economical way. It not only prevented units from dismissing redundant labour and workers who were old, physically weak, with illness or disabilities, but also increased the number of urban population and thereby boosted related costs by invoking the inflow of the families of formal employees of rural origins into cities. Moreover, it consolidated the distinction between workers and peasants, and between urban China and rural China.[456] In summary, in the eyes of the CCP in the late 1950s, the permanent employment system that it promoted in the early 1950s to win the support of the working class and to facilitate the nationwide allocation of labour power suddenly became economically costly and politically reactionary.

Such criticism paved the way for the introduction of a new employment institution. In a conference in May 1958, Liu Shaoqi put forward the idea of two employment systems that escalated the importance of temporary employment to that of permanent employment. The emerging new employment institution was well summarized in *Several Provisions on the Recruitment and Allocation of Labour Power (Draft)* issued by the Ministry of Labour at the end of 1959. It stipulated that, according to different circumstances, units should recruit new workers as formal employees, contract workers, or both-workers-and-peasants respectively. In practice, units applied the labour contract system to new hires with urban household registration status and applied the both-worker-and-peasant system to new hires with rural household registration status.[457]

In 1958, for the first time the Ministry of Labour required that units use fewer formal employees and more temporary workers, and that the majority of new hires be

[456] CASS and CA 2011a, 103.
[457] CASS and CA 2011a, 5.

long-term or short-term temporary workers except for those with sophisticated skills.[458] In 1962, the State Council issued the *Interim Provisions on the Employment of Temporary Workers in State-owned Enterprises* that stipulated that all temporary and seasonal work should be performed by temporary workers and short-term temporary workers should not be regularized. At this time, the state maintained the control over the annual quota of temporary workers of individual state-owned units.[459] In 1964, the central government highlighted the importance of temporary employment in alleviating urban unemployment.[460] In 1965, the State Council introduced the *Interim Provisions on Improving the Employment and Management of Temporary Workers*. Apart from reiterating the above provisions, this regulation stipulated that the state would withdraw control over the annual quota of temporary workers of individual state-owned units while maintaining control over the gross wage pertaining to temporary workers. This regulation also made it clear that the number and gross wage of outsourced workers were at the will of individual units.[461]

These policies were well implemented. At the national level, of the 16.6 million new SOE workers hired from peasants and the urban unemployed in 1958, 12 million were temporary workers (57.7 per cent).[462] Of the 1.86 million SOE workers newly hired from peasants and the urban unemployed in 1963, 1.66 million were temporary workers (89.2 per cent).[463] Of the 0.63 million SOE workers newly hired from peasants

458 CASS and CA 2011a, 162.
459 Beijing Archives 1962, 002-14-075.
460 CASS and CA 2011a, 145.
461 CASS and CA 2011a, 120-122.
462 CASS and CA 2011a, 194.
463 CASS and CA 2011a, 79.

and the urban unemployed in the first half of 1965, 0.4 million were temporary workers (63.5 per cent).[464] In 1965, the share of temporary workers in state-owned units was ten per cent; among industrial workers, the proportion was 13 per cent.[465]

Thanks to the mobilization of females into social production during the Great Leap Forward, a large number of housewives became temporary workers. To relieve the financial pressure of their employees, some units allowed the spouses of formal employees to work in the unit in the name of spouse workers (*jiashu gong*). Particularly in Shanghai, sub-district governments mobilized housewives to join the unit in the name of community workers (*lilong gong*) or community women workers (*lilong funv*).[466] At the end of 1958, community workers totalled 112,000, approximately 5.5 per cent of the total workforce in state-owned units in then Shanghai.[467] In mid-1960, community women workers totalled over 120,000, more than the number of temporary workers in factories in the urban area of Shanghai.[468] Urban communes that proliferated in 1960 organized not only housewives, but also underemployed males, into social production. Typically, as mentioned above, urban communes would have several service stations that matched casual labourers with temporary vacancies of other units. Nominally, they were affiliated with the service station. In the real sense, they were temporary workers of the recipient units. As we will show later, this practice quite resembled that of labour dispatch in present-day China.

In the face of large-scale local industrialization, the central government radically

[464] CASS and CA 2011a, 87.
[465] CASS and CA 2011a, 107.
[466] Shanghai Archives 1972, B123-8-620.
[467] Shen et. al. (eds.) 1998.
[468] Shanghai Archives 1960, A11-2-42-12.

departed from previous policies that curbed the use of peasant workers to the promotion of it in the name of both-workers-and-peasants. In contrast to the permanent employment system, the system of both-worker-and-peasant was celebrated as having the following merits. It allowed units to get rid of redundant and underperforming employees, and to lower investment on welfare facilities. It protected employees from occupational diseases by shortening the time of exposure to hazardous working environments. It was conducive to the control of the excessive growth of the urban population. It increased the income of peasant temporary workers and their affiliated communes and helped peasant temporary workers to gain some modern, industrial savvy. In the long run, the both-worker-and-peasant system could contribute to the narrowing down of the rural-urban distinction and the worker-peasant distinction and thereby laid the foundation for the future transformation into communism.[469]

In June 1958, the central government celebrated the employment of both-workers-and-peasants in enterprises affiliated with country-level governments or lower in Sichuan and this practice shortly gained nationwide popularity. This practice was largely suspended amidst the downsizing in 1961-63 and was re-promoted from 1964 onwards.[470] In 1958, there were approximately 70 million both-workers-and-peasants nationwide, including 15 million in enterprises affiliated with rural communes, some 50 million that engaged in steel smelting in rural areas, and three million in urban units.[471] The promotion of the both-worker-and-peasant system toned down during the

[469] CASS and CA 2011a, 115
[470] CASS and CA 2011a, 12.
[471] CASS and CA 2011a, 100.

economic adjustments and resumed in 1964. This time, not only new hires became rotation workers (see the immediate paragraph below), but also a large number of veteran formal SOE employees were rotated, too.[472] In Sichuan, owing to the radical popularization of this system, the proportion of formal employees in the SOE workforce dropped from 90-odd per cent to 82 per cent in 1965. At the national level, in 1965, some two million peasants were both-workers-and-peasants.[473]

The both-worker-and-peasant system incorporated the tripartite contract system invented by the Beijing municipal government in 1957 and went beyond it by routinizing the labour exchange between urban units and rural communes in the context of proliferating local industrialization. This system took various forms, mainly including temporary or seasonal workers at both urban and rural enterprises, outsourced workers (when communes or production brigades organized peasants to finish tasks subcontracted by SOEs), and rotation workers (*lunhuan gong*) who were supplied by communes and rotated every three to five years to avoid excessive exposure to hazardous working environments. Agricultural processing plants, local commercial units, administrations of electricity, post, telecoms, and water resources were big users of temporary or seasonal both-workers-and-peasants.[474] Mines and chemical plants were major users of peasant rotation workers.[475]

Both-workers-and-peasants were concentrated in enterprises affiliated with country-level governments or lower that flourished during the Great Leap Forward. In

[472] Labour 1965; Cheng and Zhao 1991
[473] CASS and CA 2011a, 459-460.
[474] Shanghai Archives 1964, B47-2-6. 1964, B102-1-113, B102-1-113-33, B181-1-466-85.
[475] CASS and CA 2011a, 104, 113, 166-167. Shanghai Archives 1964, B127-2-118-20; 1966, B127-2-867; 1967, B84-2-458-17; 1976, B127-4-179, B127-4-179-21.

1958, the central government required that, apart from management and some skilled workers, all the other workers in county-level units be temporary workers (mainly both-workers-and-peasants). [476] In 1958 alone, county-level enterprises recruited approximately ten million new workers.[477] In the same year, in the local enterprises of Jiyuan, Henan, the vast majority of workers were contract workers. For example, of the 181 workers in a metallurgical plant, 179 were contract workers; all the 37 frontline workers in a coal mine were contract workers. [478] In 1959, temporary workers accounted for 30 per cent of the workforce in the industrial enterprises in Pudong County, Shanghai, and over 16.7 per cent of that in Jiading County, Shanghai.[479]

Alongside the widely promoted temporary workers and both-workers-and-peasants, as a result of developing collaborations between well-established enterprises and various kinds of subcontractors, the outsourced workers that had prevailed in pre-1949 China resurged and grew rapidly. On the one hand, the unemployed and underemployed wanted jobs. On the other hand, units needed outsourced workers to buffer production fluctuation and lower costs. For example, in the early 1960s, thanks to the small-batch, labour-intensive nature of production in the textile industry and the rising demand for export to repay the debt to the Soviet Union, textile mills were big users of outsourced workers. In 1963, textile mills in Shanghai employed approximately 38,000 workers and used some 6,000-person-time outsourced workers. They subcontracted certain processing procedures to local residents and equipped them

[476] Central Government 1995b.
[477] CASS and CA 2011a, 34.
[478] Wang 1958.
[479] Shanghai Archives 1959, A72-2-512-71, A72-2-513-18.

with not only necessary tools but also the supervision of experienced workers. Thus, they maintained a flexible workforce, reduced labour costs, and exploited the free space of local communities as well.[480]

Moreover, units resorted to using outsourced workers to bypass the authorized quota limit and the complicated recruitment procedures, both pertaining to employing temporary workers.[481] Thus, organizations of outsourced workers were an extra shop floor of SOEs and their existence greatly facilitated the increase in the number of the workforce outside the authorized labour plan.[482] In fact, the tacit indulgence in outsourced workers was built in the government's explicit promotion of cost-saving temporary employment. In Shanghai in the early 1960s, the municipal government rigorously controlled both the employment of formal employees and the gross wage of temporary workers, thus forcing SOEs to turn to outsourced workers that were entirely outside the state control.[483] In Beijing, to help units to circumvent the quota of temporary workers, the municipal government approved that service stations that channelled the underemployed into temporary vacancies could organize labour service teams.[484] As we will show in Chapter Eight, it was still the case in the 2010s that enterprises embraced "outsourced" workers when the government began to counter the abuse of agency workers.

As a result, many outsourced workers worked with formal employees and temporary workers in the same workplace. In this case, they were aptly called

[480] Shanghai Archives 1964, B202-2-227-50.
[481] Beijing Archives 1963, 110-00-1467.
[482] Shanghai Archives 1968, B248-2-58-81.
[483] Shanghai Archives 1967, B227-2-54.
[484] Beijing Archives 1963, 110-00-1467.

outsourced-onsite workers (*waibao neizuo gong*).[485] In August 1967, of the 75,000 outsourced workers in labour service teams (more details below) in urban Shanghai, 59,000 were outsourced-onsite workers (79 per cent).[486] Among these outsourced-onsite workers, approximately 80 per cent of them worked for the unit regularly. Among these outsourced-offsite workers (*waibao waizuo gong*), 67 per cent worked together in particular workshops and 33 per cent worked at home.[487] This practice largely resembled the "actually labour dispatch, disguised as labour outsourcing" prevalent in the 2010s (more details in Chapter Seven). In 1964, the municipal labour bureau of Shanghai required that outsourced-onsite workers be under the management of the subcontractor and be free from the management of the recipient unit.[488] As we will show in Chapter Eight, this distinguishing criterion of outsourced workers from temporary workers was activated in the 2010s when the government attempted to draw a line between outsourced workers and agency workers.

Various types of subcontractors matched the labour demand with supply. According to the municipal labour bureau of Shanghai, all collective units were automatically qualified for being subcontractors as long as they were capable of accomplishing certain production tasks.[489] In most cases, labour bureaus and sub-district governments (particularly after the establishment of urban communes) organized the unemployed and underemployed under their jurisdictions into community production teams (*lilong shengchanzu* in Shanghainese) or labour service teams

[485] Shanghai Archives 1960, B123-4-688; 1961, A11-1-61.
[486] Shen et. al. (eds.) 1998.
[487] Shanghai Archives 1968, B227-2-54.
[488] Shanghai Archives 1964, B200-3-323; 1964, B123-6-181.
[489] Shanghai Archives 1964, B200-3-323.

(*laodong fuwu dui*) that provided goods or services directly to consumers or to other urban units.[490] These production or service teams sprouted up in 1958. Workers in these teams were primarily made of housewives.[491] Between 1961 and 1962, many dismissed temporary workers also joined these teams. In 1964, sub-district labour service teams in Shanghai absorbed some 44,000 unemployed workers. In 1966, these teams in Shanghai had over 100,000 workers, approximately five per cent of the workforce in state-owned units in this city.[492] There were also sectoral subcontractors. For example, in Beijing, the transportation sector organized teams that provided crane and transportation services.[493] In Shanghai, production teams organized by the Bureau of Handicraft were in continuous competition with those organized by sub-street governments.[494] In addition, rural communes and production brigades were common subcontractors, too.

According to a survey of outsourced workers in Changning District, Shanghai in 1968, the majority of outsourced workers were females aged 30-40. 60 per cent of them were dismissed in the early 1960s. On average, one labour service teams had collaborations with approximately 20 units.[495] Generally, sub-district governments or other organizers of production teams or service teams extracted 10-25 per cent of the gross wage of outsourced workers as commission.[496]

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[490] Shanghai Archives 1960, B163-2-1044; Beijing Archives 1963, 110-00-1467.
[491] Beijing Archives 1963, 110-00-1467. Gu 1958.
[492] Shen et. al. (eds.) 1998. Shanghai Archives 1965, B127-1-882-77; 1965, B127-1-882-57; 1972, B104-2-568-29.
[493] Beijing Archives 1963, 110-00-1467.
[494] Shanghai Archives 1965, B127-2-690.
[495] Shanghai Archives 1968, B227-2-54.
[496] Beijing Archives 1962, 002-14-075; 1963, 110-00-1467. Shanghai Archives 1959, A20-2-35-68.

Stratification

Compared with formal employees, all kinds of temporary workers were somewhat discriminated against as they were between 1949 and 1957.[497] In 1959, the monthly average wage of SOE workers was 43.7 RMB (1.7*25.5 days); that of collective workers was 35.8 RMB (1.4*25.5 days).[498] In the same year, according to a survey of 24 factories in Xuanwu District, Beijing, 48 per cent of temporary workers dispatched by sub-district governments (mainly housewives and jobless students) earned less than 25 RMB per month; 40 per cent earned 25-30 RMB per month; only 11 per cent earned over 30 RMB per month.[499] In 1960, according to the municipal government of Shanghai, of those who were channelled into unexpected urgent production, community women workers should be paid one RMB per day for those living at home and 1.2 RMB per day for those living in the workplace; jobless youth should be paid 0.8 RMB per day for the first six months and then be paid the same rate as community women workers.[500]

The take-home pay of both-workers-and-peasants was even lower. Over 60-70 per cent of their wages was handed over by the recipient unit to the communes that these workers were affiliated with in exchange for the food grain for their families and themselves and the annual dividend of the commune.[501] Outsourced workers were also much cheaper than formal employees. For example, at one construction firm in

[497] Shanghai Archives 1960, B134-6-431-55; 1961, G28-2-150-10, B134-6-582-62.
[498] National Bureau of Statistics 1987a, 152.
[499] Beijing Archives 1959, 110-00-1099.
[500] Shanghai Archives 1960, B127-2-993.
[501] Shanghai Archives 1964, B184-2-77; Labour 1958c.

Shanghai in 1968, for the work of filtering one cubic metre of sand, one outsourced-onsite worker got paid 0.96 RMB while one formal employee got paid three RMB. In other words, the pay for one formal employee was sometimes more than enough for paying three outsourced workers.[502]

Moreover, different kinds of temporary workers, outsourced workers, and both-workers-and-peasants had distinct compensation schemes, and distinct opportunities of formalization and being dismissed when it came to downsizing (as shown later). The inferiority of community workers and outsourced workers was reflected in the then official documents that excluded them when referring to "temporary workers." For example, in mid-1960, the Number One Steel Mill of Shanghai had 1,105 temporary workers, 2,229 community women workers, and 1,853 outsourced-onsite workers. Temporary workers were entitled to labour insurance as specified in the *1953 Labour Insurance Regulation*. Community women workers were entitled to free healthcare service but not to sick pay. Community women workers once complained: "they call us 'comrades' when talking about production and 'ladies' when talking about the distribution of bonuses and welfare benefits. We have worked here for two years and remained 'housewives.' When can we become 'workers'?" Outsourced workers had to pay for themselves when they were ill.[503] Being excluded from free healthcare services was common among outsourced workers. For example, Zhoujiaqiao and Tianshan were two labour service teams in Shanghai who together had collaborations with 57 units.

[502] Shanghai Archives 1968, B227-2-54. The fact that the overall costs per formal employee were three times that of peasant workers can also be found in Human Resource Office of Shengli Petroleum 1989.

[503] Shanghai Archives 1960, A11-2-42-23

Only two units provided some healthcare services for outsourced workers. Worse, outsourced workers tended to be poorer than other workers and many could not afford to see the doctor when falling ill.[504]

Table 8 shows the numbers, profiles, and compensation schemes of five types of nonstandard workers used by enterprises of the City Construction Bureau of Shanghai in 1959. It is clear that the compensation of contract workers, community workers, spouse workers, both-workers-and-peasants, and outsourced workers was roughly deteriorating in a successive order.

Table 8. Stratification within Nonstandard Workers in China: An Example, 1959

Categories and Numbers	Profile	Compensation
Contract workers 1462	-Mainly male -Allocated by labour bureaus -Heavy manual labour	-40.8 (1.6* 25.5 days) RMB or higher per month -Paid monthly -Free healthcare service -Paid sick leave (at 50%) for at most three months.
Community workers 4936	-Mainly female -Organized by local labour bureaus -20% in auxiliary work -80% in heavy manual labour	-40 % of them, 30.6 RMB per month -Others: 1-1.2 RMB per day -Free healthcare service -Paid sick leave for at most three days.
Spouse workers 873	-Mainly female -Recruited to alleviate the financial difficulties of formal employees -30% in auxiliary work -70% in heavy manual labour	-25.5 (1* 25.5 days) or 30.6 (1.2* 25.5 days) RMB per month -Paid monthly -No health insurance unless their direct relatives were formal employees (half reimbursed in this case) -Paid sick leave for at most three days.

[504] Shanghai Archives 1968, B227-2-54.

Both-workers-and-peasants 600	-Supplied by rural communes -Heavy manual labour	-Male: 1.4-1.6 RMB per day -Female: 1-1.2 RMB per day -No benefit entitlements
Outsourced workers 2000	-Organized by sub-district governments -Heavy manual labour	-Piece-rate pay -No benefits entitlements

Source: Shanghai Archives 1959, A54-2-711-11.

Outsourced workers, as the lowest rung of temporary workers, were discriminated against in many other aspects. Generally, outsourced workers were more likely to be exposed to job-related injuries and illnesses. Many units outsourced dirty, laborious, dangerous, and poisonous tasks that formal employees and contract workers were reluctant to do to labour service teams and refused to take the responsibility of providing related safety protection. Moreover, in some factories, with the presence of outsourced-onsite workers, formal employees actually assumed the position of management. They looked down upon outsourced workers and claimed that "enslaving one hundred outsourced workers is easier than taming one hundred dogs!" In addition, in daily lives, outsourced workers were commonly the last in the queue to use the welfare facilities such as canteens and bathrooms.[505] In the light of this, outsourced workers wanted to become temporary workers. There were cases that outsourced workers were transformed into temporary workers when they were regularly needed or when they suffered from work-related injuries and illnesses.[506]

[505] Shanghai Archives 1968, B227-2-54.
[506] Shanghai Archives 1959, B134-6-431-6; 1960, B163-2-1044; 1962, B112-4-659-6, B112-4-659-19, B119-2-866-30.

Fluctuation

Between 1958 and 1965, as a result of the oscillating strategies of industrialization and associated changes in labour policies, the life chances of nonstandard workers dramatically fluctuated. Between 1958 and 1960, thanks to the combination of ambitious production goals, decentralized industrialization, and labour policies that promoted flexibility, the previously unemployed, underemployed, and housewives were provided abundant opportunities of being included in social production as temporary workers. As mentioned above, the opening year 1958 witnessed the highest proportion of temporary workers in the workforce of state-owned units throughout the Mao era, that is, 26 per cent (11.8 million) (see Figure 1), to say nothing of the fact that this percentage omitted the massive employment of community workers, outsourced workers, both-workers-and-peasants, and so forth.[507]

Moreover, following the first wave of regularization nationwide in 1956, the years 1958-1960 saw the second wave of regularization, albeit again with setbacks. In Shanghai in September 1958, the municipal government announced that temporary workers that joined the unit before the end of 1957 could be regularized as long as they worked on a regular basis and had a local household registration status, a clear political background, sound health, and certain skills, and that seasonal workers, outsourced workers, and sent-down but returned workers should not be regularized no matter how long they had worked in such statuses.[508] In fact, from 1958 onwards, household

[507] An exception for the household registration status criterion was the rotation workers in mines. In April 1961, the Ministry of Labour announced that regular peasant rotation workers at mines could be regularized and have their household registration statuses converted into urban ones. See Beijing Archives 1961, 110-00-1245.

[508] Shanghai Archives 1958, B76-1-276-155.

registration status, political background, health condition, and skills formed the basic criteria of regularization for all kinds of nonstandard workers that worked on a regular basis both in and beyond Shanghai.[509]

For temporary workers, the years 1959 and 1960 were mixed with dismissal and regularization. At the beginning of 1959, in the face of looming pressures invoked by excessive expansion of the industrial workforce in 1958 as mentioned above, the government planned that the overall urban employees should have been reduced by eight million by the year-end and that enterprises could formalize some regular temporary workers after completing downsizing.[510] It also required that both-workers-and-peasants were the first to be dismissed, successively followed by apprentices and housewives with housework obligations.[511] As a result, on the one hand, by July 1960, approximately six million workers had been dismissed and four million of them had been sent to rural areas.[512] In Shanghai in 1959, of the 112,000 community workers at the end of 1958, some 40,000 were dismissed.[513]

On the other hand, in 1959, the municipal government of Shanghai reiterated the above 1958 notice on regularization and additionally mentioned that community workers and spouse workers should not be regularized.[514] In practice, in 1959, of the 10,926 temporary workers recruited by the Construction Engineering Bureau of Shanghai before the end of 1957, 9,855 were regularized (90.2 per cent). Workers with

[509] Shanghai Archives 1959, B134-6-285, B134-6-285-8; 1960, B127-2-993. Beijing Archives 1960, 125-002-00083.
[510] CASS and CA 2011a, 35.
[511] Central Governmentcentral 1996b.
[512] CASS and CA 2011a, 172.
[513] Shanghai Archives 1960, A11-2-42-12.
[514] Shanghai Archives 1959, B127-1-308.

job-related injuries or illnesses were automatically qualified for regularization. Except for counter-revolutionists, workers who themselves or whose family members were rich peasants or landlords and workers who were once prisoners could also be considered for regularization, as long as they had excellent job performance.[515] Table 9 displays why the 1,071 (the difference between 10,926 and 9,855) temporary workers at the Construction Engineering Bureau of Shanghai failed to be regularized. Clearly, political background and household registration status mattered a lot. In Number 17 state-owned cotton textile mill in Shanghai in 1959, of the 431 temporary workers that joined the factory before the end of 1957, 398 were regularized (92.3 per cent).[516] Nonetheless, in 1959 although housewives constituted 45.3 per cent of the entire temporary workforce in the Number Two Commercial Bureau of Shanghai, none of them were regularized.[517] In the same year, in enterprises affiliated with the county-level governments in Shanghai, only those in non-auxiliary positions had chances of regularization.[518]

Table 9. Reasons of Regularization Failure in China: An Example, 1959

Category	%
Counter-revolutionists and previous criminals *(huai fenzi*)	27.1
Without a Shanghai household registration status	25.5
Underperformance	14.2
With serious illnesses	6.5
Used to be or having relatives who were rich peasants or landlords	2.8
Political background unverified	6.5
Others	17.2

[515] Shanghai Archives 1959, A54-2-636-1, A54-2-636-5, A54-2-636-7.
[516] Shanghai Archives 1959. B134-6-285.
[517] Shanghai Archives 1959. B98-4-1069-12.
[518] Shanghai Archives 1959. A72-2-45-35.

Source: Shanghai Archives 1959, A54-2-636-1.

In 1960, amidst a new round of leap forward, the municipal governments of both Beijing and Shanghai approved that temporary workers that met the criteria of regularization mentioned above and joined the unit before the end of 1958 were qualified for regularization. In this year, based on the above criteria and an additional age limit (40 for unskilled workers and 45 for skilled workers to be eligible for regularization), the Construction Bureau of Beijing regularized 7,100 (69.6 per cent) of the 10,200 temporary workers recruited before the end of 1958.[519] Moreover, in 1960, the municipal government of Shanghai announced that community workers and outsourced-onsite workers that met the above threshold of regularization for temporary workers and joined the unit before the end of 1958 could be regularized and that those joined the unit after the end of 1958 could be transformed into temporary workers. In addition, the government required that their wages remained unchanged after regularization, but they were entitled to the same set of welfare benefits as formal employees.[520] In this year, of the 11,500 community workers in Shanghai, 75,000 became formal employees (65.2 per cent).[521]

Between 1961 and 1963, with the re-centralization and retrenchment of industrialization, dismissal overtook regularization as the dominant trend. As had happened to formal employees of SOEs during this period, all kinds of temporary workers were massively dismissed.[522] In state-owned units, the number of temporary

[519] Beijing Archives 1960, 125-002-00083.
[520] Shanghai Archives 1960, A11-2-42-23, A11-2-42-12.
[521] Shen et. al. (eds.) 1998.
[522] Shanghai Archives 1961, B163-2-1224, B232-2-15-42; 1962, A11-1-69, G26-2-297; 1963, B134-6-902.

workers dropped from 7.8 million in 1960 to 2.2 million in 1963 before rebounding (see Figure 1). In the construction enterprises of Shaanxi, the proportion of temporary workers in the entire workforce dropped from 43 per cent in 1959 to 18 per cent in 1964.[523] In Shanghai between January and July 1962, some 80,000 temporary workers and spouse workers were dismissed. They then took on more precarious employment. Some worked in sub-district industrial facilities or joined labour service teams and became outsourced workers. Some ran their own businesses. Some were sent down to rural areas.[524]

Meanwhile, it seems that the government routinized the regularization of temporary workers who had regularly worked for one unit for over two or three years. As mentioned above, in 1959, temporary workers joined the unit before the end of 1957 were regularized on a large scale. In 1960, those joined the unit before the end of 1958 were qualified for being regularized. Even when the downsizing had gained momentum, in October 1961, the State Council withdrew the ban on the regularization of temporary workers imposed by the Ministry of Labour in February this year[525] and announced that, among the remaining workers after downsizing, regular temporary workers who had worked for one unit for two or three years could be regularized.[526] Thus, small-scale regularization still occurred in 1961 and 1962.[527] In 1963, the State Council announced that regular temporary workers that joined one unit before the end of 1960

[523] CASS and CA 2011a, 176.
[524] Shanghai Archives 1962, A62-1-17.
[525] Beijing Archives 1961, 110-00-1245, 163-001-00310.
[526] Shanghai Archives 1961, B123-5-216.
[527] Shanghai Archives 1961, B273-2-311-26, B273-2-311-28, B105-7-1124-1, B273-2-311-49. Beijing Archives 1962, 088-001-00281.

could be regularized.[528] In practice, household registration status, political background, health condition, and skills remained the primary considerations for selecting the candidates for regularization.[529] For temporary workers in China, such routinization created an entrenched expectation of regularization in due course and thus a mindset of using temporary employment as a stepping stone towards formal employment.

In 1964 and 1965, thanks to the policies that re-promoted the use of temporary workers as mentioned above and the recovery of the economy, temporary workers resumed expansion. A large number of former formal workers that were laid off between 1961 and 1963 returned to cities for jobs, only to be recruited as both-workers-and-peasants. Their household registration status remained rural and they had to hand over 60 per cent of their wages to the communes that they were affiliated with.[530] In these two years, regularized temporary workers accounted for 18.3 per cent of the new-added formal workforce to state-owned units in Shanghai.[531]

Rural China as a Reservoir

Between 1958 and 1965, the U-turn that happened to formal employees of SOEs and temporary workers was in sync with the one that happened to peasants. By showing the times of the number of the rural workforce over that of the urban workforce, Figure 10 captures the radical inclusion of the rural workforce in urban units and the subsequent

[528] Beijing Archives 1963, 002-15-183, 110-00-1458.
[529] Beijing Archives 1963, 135-01-1340, 002-21-163, 119-001-00732, 088-001-00281, 119-001-00896. Shanghai Archives 1964, B256-2-68, B112-4-1096.
[530] Shanghai Archives 1964, B127-2-861, B162-2-20-289; 1966, B134-6-1448, B127-2-867.
[531] Li et. al. (eds.) 1997.

radical exclusion of the urban workforce to rural areas during this time.

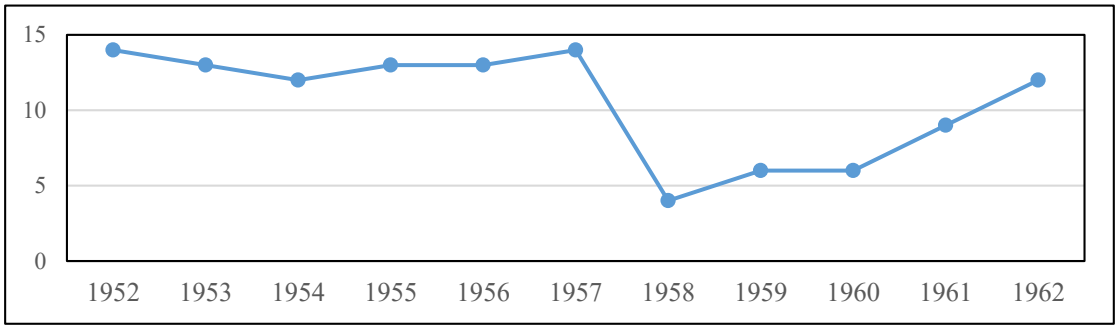


Figure 10. Numbers of Rural Workforce Divided by Numbers of Urban Workforce in China, 1952-1962

Source: CASS and CA 2011a, 90.

Between 1958 and 1960, as a result of the radical, decentralized industrialization, peasants massively joined urban industrial production by becoming both-workers-and-peasants. Between 1958 and 1960, the number of the rural workforce dropped by 23 million. Of them, 19 million joined SOEs, which accounted for 76 per cent of the newly-added workforce to SOEs and 72 per cent of the newly-grown workforce of rural China during this period.[532] In 1958 alone, of the newly-added 20.8 million to the urban workforce, 11 million came from rural China.[533]

From 1959 onwards, the government began to tighten the control over the inflow of peasants into cities.[534] Workers of rural origins were also among the first to be dismissed during the downsizing. Moreover, of the over 17 million workers dismissed

[532] CASS and CA 2011a, 90.
[533] CASS and CA 2011a, 194.
[534] National Bureau of Labour 1980, 321-322; CASS and CA 2011a, 182-183.

in 1961 and 1962, 13 million were sent down to rural China.[535] At the same time, urban youth continued to be mobilized to work in rural China to alleviate urban unemployment. Between 1962 and 1966, approximately 1.3 million urban youth were sent to rural areas.[536]

Conclusion

Following the foundational work of Chapter Four which introduced the social exclusion system and its first and perhaps most effective modulator—the centralization-decentralization circle, this chapter continues to unfold the exclusion-centred precarization regime in Mao's China by: (1) examining how the fully-fledged alternation of centralization and decentralization between 1958 and 1965 radically redrew the boundaries between different groups of labouring people; (2) introducing the second modulator of the precarization regime in the Mao era—a shift in labour policies from promoting job security to promoting the deployment of precarious labour. It extends the previous literature on the Great Leap Forward period by shedding light on the implications of this sweeping movement on different groups of labouring people, which as we have shown appeared significant but have been downplayed in the existing scholarship.

The period 1958-1965 saw the third reprise of the alternation of centralization and decentralization and thereby the third alternation of social exclusion and social

[535] CASS and CA 2011a, 90.
[536] National Bureau of Statics 1987, 110.

inclusion. The rise of the Great Leap Forward between 1958 and 1960 was characterized by decentralization of industrialization and radical inclusion. Formal workers in state-owned units expanded explosively. With the transformation of handicraft cooperatives into cooperative factories and SOEs, a large number of collective workers became quasi-SOE workers. Temporary workers grew rapidly and featured feminization. Peasants also joined the industrial workforce on a large scale. The fall of the Great Leap Forward between 1961 and 1965 was characterized by recentralization of industrialization and radical exclusion. Tens of millions of formal employees in state-owned units were laid off. The majority of temporary workers were dismissed. Together with dismissed urban workers and newly-grown urban youth, peasants working in cities were exiled to their hometown villages in large numbers.

With the consolidation of the socialist regime in the prior period and the decline in the urgence of the need to win the acceptance of the masses, throughout the period 1958-1965, the state promoted the employment of temporary workers, which contributed to the expansion and stratification of temporary workers. The arrangement of both-workers-and-peasants matured during this period and outsourcing between well-established units and small collective units became a common practice.

It is worth noting that, despite the massive downsizing of the urban workforce between 1961 and 1963, the whole period of 1958-1965 was a peaceful one without salient labour protests. Mao once commented on the masses' reaction to the downsizing: "Our masses are really good. They assemble and disperse as soon as called."[537]

[537] Bo 1997, 1094.

However, a violent eruption of grievances was in store.

Chapter Six

Rebellion, Regularization, and Rebounding, 1966-1976

The period 1966-1976 saw the rise and fall of the Cultural Revolution. Previous scholarship on this decade has mainly focused on the origins of the revolution, the factional struggles, and the implications for later political structure, economic reforms, and the social life of Chinese people. In this literature, workers were portrayed mostly as political actors fighting for factional interests just like the other non-worker actors such as the red guards.[538] The struggles of precarious workers and their rebel organizations were also mentioned.[539]

However, just as precarious workers were treated as a residue of the industrial workforce in the literature on workers in the planned-economy era, the uprising of precarious workers was also treated as a residue of the factional struggles of the working class in the literature on workers during the Cultural Revolution. There is a dearth of literature that systematically grounds the organized resistance of precarious workers in the historically contingent economic and political circumstances and explains the origins of the rise and fall of such struggles. Using underexplored Chinese language memoir and archival materials, this chapters attempts to fill this gap by examining the institutional incentives and limits of precarious workers' struggles during the Cultural Revolution. On top of that, this chapter provides accounts regarding the large-scale regularization following precarious workers' uprising in the early stage of

[538] MacFarquhar 1974; Esherick, Pickowicz and Walder (eds.) 2006; Wang 1995; Walder 2016.
[539] Li 2015, 617-662; Perry and Li 1997; Sheehan 2002, 103-138.

the Cultural Revolution and explains the rebounding of precarious workers thereafter, which is almost absent in the extant literature.

This chapter completes the exclusion-centred precarization regime I try to articulate in Part II of this thesis by introducing the third modulator—labour movements. As mentioned in earlier chapters, the resistance of precarious workers existed between 1949 and 1957 but failed to make a difference; when it comes to workers' organized protests, the period 1958-1965 was a rather peaceful one. In contrast, the transient explosion in the magnitude of precarious workers' uprising during the Cultural Revolution decade not only brought about the largest-scale regularization in the Mao era, but also to some extent reined in the precariousness-proneness of the then labour policies.

This chapter reiterates the argument that labour precariousness was built into the actually existing Chinese socialism by unveiling the state's response to the protests of precarious workers and by accentuating the transience of the gains from such resistance. This chapter highlights the role of the state as an oppressor of labour movements directed towards economic gains. Such oppression was consistent with the other roles of the state regarding labour precariousness I have examined in earlier chapters.

This chapter first gives an overview of the changing political, economic, and international environments during the Cultural Revolution decade. It then examines, against such background, how SOE workers, collective workers, and most importantly, all walks of temporary workers, seized the chance of rebellion to improve their economic and political rights, and how these protests were cracked down on by the

government. This is followed by an exploration into how the delayed regularization in 1971 was carried out, and why the employment of temporary workers rebounded thereafter.

Chinese Political Economy between 1966 and 1976

The year 1966 was the opening year of the third five-year plan (1966-70). However, with growing uneasiness about bureaucratism within the CCP, particularly after the failure of the Socialist Education Movement in 1962-1965, in May 1966, Mao drafted the *Circular of the Central Committee of the CCP on the Great Proletarian Cultural Revolution*, better known as the *May 16 Circular*, and had it passed by the Politburo. Widely interpreted as the first official document of the Cultural Revolution, this circular declared that representatives of the bourgeoisie had sneaked into the party, the government, the army, and various cultural circles and they must be cleared out or transferred to other positions. This document also announced the establishment of the Central Cultural Revolution Group that once became the *de facto* top power organ of China. The Cultural Revolution permeated all economic-political spheres throughout the decade, rendering both economic plans and labour plans poorly implemented.

Later in August 1966, the CCP adopted the *Decision of the Central Committee of the CCP Concerning the Great Proletarian Cultural Revolution*, usually known as the "*Sixteen Points*," which boldly aroused the masses to join the revolution. It pointed out that the success of the Cultural Revolution hinged on the uprising of the masses and

cadres must trust the masses, rely on them, and respect their initiative. However, to try to return the genie of the tumultuous mass movements into the bottle and resume social order, the CCP had the majority of mass organizations dissolved by the end of 1969. In other words, during the Cultural Revolution, although the masses had their own agency, the mass movements largely sprouted up and faded away at the will of the CCP. In addition, the *Sixteen Points* emphasized that the Cultural Revolution aimed to achieve greater, faster, better, and more economical development of the social productive forces by revolutionizing people's ideology and that the Cultural revolution and production would not hamper each other with fully aroused masses and proper arrangements.[540] The dual emphasis on revolution and production in turn set limits for both of them. For all walks of precarious workers in particular, they were only able to organize themselves and outpour their grievances between late 1966 and early 1967. This transient uprising consequently generated transient gains.

At the same time, after the confrontations between North Vietnam and the United States in the Gulf of Tonkin in August 1964, the United States' aggression against communist countries dramatically escalated. Moreover, between late 1968 and early 1969, military clashes erupted between China and the Soviet Union in Zhenbao Island, which dragged the two countries to the brink of war. In response to this, the Third Front Movement gained momentum during the third five-year plan. It aimed to invest in armaments, machinery, chemicals, petroleum, railroad, and so forth, in interior China ("Big Third Front"), which was less likely to be bombarded than coastal China if the

[540] Central Government 1966.

war broke out. Not only new factories were built there, but also a large number of coastal industrial facilities were moved there.

During the implementation of the third five-year plan, 70.6 per cent of the national infrastructure capital was invested in interior China, approximately 10-15 per cent higher than any other five-year plans in the Mao era.[541] Alongside the "Big Third Front" construction, local states were instructed to undertake local industrialization in similar industries ("Small Third Front" construction).[542] To finance such strategic industrialization, on the one hand, the accumulation rate that had dropped from 43.8 per cent in 1959 to 20-odd per cent in the mid-1960s rebounded to 30-odd per cent in most years of the Cultural Revolution decade.[543] On the other hand, the government ran a deficit of 2.25 billion RMB (5.4 per cent) in 1967.[544] Together with the chaos because of the Cultural Revolution, the financial difficulties darkened the hope of rebellions for economic gains and the employment prospects of the then labouring people, particularly the newly-grown urban youth.

In addition to the above situation, decentralized development staged a comeback. As the economy recovered from the catastrophic consequences of the Great Leap Forward, in 1966, Mao reiterated the importance of decentralization. However, owing to the chaotic political economy at the dawn of the Cultural Revolution, his proposal did not materialize until 1969 when mass movements ebbed away. In 1969 and 1970, as had happened in 1957 and 1958, the central government sent down the majority of

[541] National Bureau of Statistics 1984, 40.
[542] Naughton 1988.
[543] Zhuang, Yuan and Li 1986, 209.
[544] National Bureau of Statistics 1984, 131.

enterprises affiliated with the central government and granted local states more autonomy in financing, industrial production, commodities exchange, and so forth.[545] As a result, the share of local governments in the national government revenue jumped from 64.8 per cent in 1966 to over 82 per cent in the early 1970s.[546]

From 1970 onwards, based on the then dynamics of the United States and the Soviet Union, Mao became inclined to believe that the cloud of war over China was temporarily cleared.[547] In 1972, after 25 years of no diplomatic ties, the then president Richard Nixon of the United States visited China and the bilateral relations between China and the United States stepped into a path of normalization. Under such circumstances, in the early 1970s, China slowed down the Third Front Movement and implemented the fourth five-year plan (1971-75) that set high goals of investment and production and aimed to promote a new leap forward of the national economy. It paid particular attention to local industrialization.

According to this plan, the central government allocated a special fund of eight billion RMB for local states to develop small coal mines, small steel plants, small fertilizer firms, small cement plants, and small machinery factories (five small industries), provided tax deductions to county-level enterprises, and asked the well-established industrial bases to provide technology and equipment to emerging local industrial enterprises.[548] The combination of radical decentralization and local industrialization generated the "three breakthroughs" in 1971: the number of state-

[545] Yu 1998.
[546] Lou (ed.) 2000, 79.
[547] Deng and Chen 2017.
[548] Wang 2001, 309-310.

employed workers exceeded 50 million; the gross wage of these workers exceeded 30 billion RMB; grain sales exceeded 40 billion kilograms; all substantially surpassed the plan control figures. In the light of this, in 1973, in order to cool down the economy, the central government lowered the goals of the fourth five-year plan.[549] Meanwhile, the large-scale importation of foreign machinery and equipment that valued at approximately 4.3 billion USD in the early 1970s further strained the national budget.[550] Figure 11 displays how the changing priorities of economic and political priorities were felt by labouring people between 1966 and 1976.

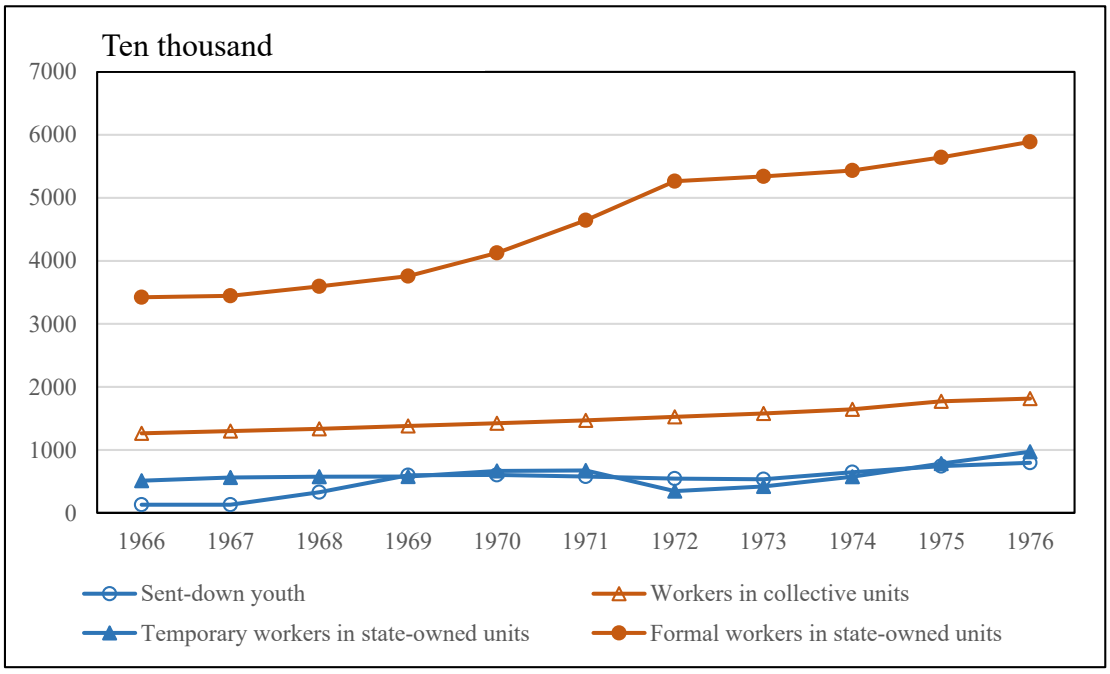


Figure 11. Workers in Different Precarious Categories in China, 1966-1976

Source: Data on sent-down youth are estimated according to National Bureau of Statistics 1987a, 110-111. Data on temporary and formal workers in state-owned units and on workers in collective enterprises come from National Bureau of Statistics 1987a,

[549] Li 2018.
[550] Wen et. al. 2012, 71.

13, 33.

Expansion and Upgrading of Formal SOE and Collective Workers

During the Cultural Revolution, compared with other types of workers, formal SOE workers were the most influential rebellious force and also gained the most. At the beginning of the Cultural Revolution, a large number of formal SOE workers rose up for enlarging their material lot. The common practice was as follows: first, they grabbed the confidential documents of their units that they were previously denied access to and often found that their units didn't follow the instruction issued by higher-level bureaus and raised their wages accordingly; second, they forced the cadres of their units to repay the back wages by organizing mass rallies to criticize them.[551] The central government condemned such action as a "wind of economism" and cracked down on them.

The largest one of such actions was the strike waged by approximately 50,000 coal miners in Inner Mongolia in mid-1969. Finding that the provincial government of Inner Mongolia had failed to follow one directive issued by the Ministry of Coal before the Cultural Revolution that authorized a pay rise for miners, miners of the Shiguaigou Colliery staged a strike and won back their wage. However, after the army took over Inner Mongolia in late 1969, cadres who permitted the payment of the back wage were sentenced to death. Zhou Enlai announced that the Shiguaigou strike was the strongest evil wind of economism since 1949 and was a counterrevolutionary incident with an

[551] Shen 2010, 296-307.

extremely pernicious nature.[552] Politically, the power of workers reached the zenith when the worker rebels in Shanghai overthrew the then Shanghai municipal government in January 1967.[553] The aims of this rebellion exceeded the traditional interests of workers and fall out of the focus of this thesis.

A large number of enterprises suspended recruitment at the beginning of the Cultural Revolution and gradually resumed it as the production was normalized.[554] The combination of decentralization, local industrialization, and regularization of temporary workers generated the rapid expansion of the formal SOE workforce between 1970 and 1972. With these motivators reined in, the growth of formal SOE workers slowed down.

The Cultural Revolution witnessed a new wave of upgrading and expansion of collective workers. Amidst the left-leaning vibe of the Cultural Revolution, the impulse of transforming collective enterprises into SOEs, the optimal form of socialist enterprises in the then mainstream view, once again materialized. In fact, in January 1967, the central committee of the CCP issued the *Circular on Anti-Economism*, which required that collective enterprises not be transformed into SOEs. Nonetheless, in Beijing in the second half of 1967, collective enterprises that were transformed into SOEs during the Great Leap Forward but were transformed back to be collectively-owned were once again transformed into SOEs. Several large collectively-owned garment factories and shoe factories became SOEs, too.[555] In Beijing in 1968 and 1969, sub-district industrial firms built during the Great Leap Forward were transformed into

[552] Yang 2016.
[553] Perry and Li 1997; Li 2015.
[554] He et. al. (eds.) 1990, 137-138.
[555] Ji (ed.) 1991, 299-300.

big collective enterprises in large numbers.[556] In the remaining handicraft cooperatives, the distribution of dividend according to shareholding was banned in 1968, thus largely hollowing out the essence of collective ownership.[557]

In 1970, the inclusion of housewives into production staged a comeback, known as following the path of the May Seventh Directive (*zou wuqi daolu*). In August 1966, the People's Daily published Mao's reply on 7 May 1966 to a letter from Lin Biao, the then vice chairman of the CCP. This letter has been better known as the *May Seventh Directive* (*wuqi zhishi*). In this directive, Mao depicted his ideal society in which the rigid social division of labour was broken up and as a result: workers took the main responsibility for industrial production, but engaged in the study of military science, political science, and general knowledge and in the production of agriculture and sidelines as well; peasants took the main responsibility for agricultural production, but studied the above knowledge and founded industrial firms whenever feasible; so did cadres, students, and other labouring people.[558] The eruption of the mass movements delayed the materialization of this directive to 1970 when the central government circulated a document titled *The Number 401 Factory Followed the Path of the May Seventh Directive and Organized Housewives into Collective Production to Serve Military Preparedness*. Coupled with the then decentralization, this document brought about the rise of the May Seventh labour company (*wuqi laodong lian*).

Generally, May Seventh labour companies were collective units founded by sub-

[556] Yang (ed.) 1990, 30.
[557] Ji (ed.) 2000, 172-174.
[558] People's Daily 1966.

district governments, state-owned units, or collective units. For those founded by sub-district governments, their participants were the unemployed or underemployed. They engaged in providing goods and services for residents and larger units, for example, commissioned stores, commissioned canteens, commissioned gas stations, waste recycling stations, nurseries, and so forth.[559] For those founded by state-owned or collective units, their typical participants were spouses of the formal employees of the unit, mainly housewives, and sometimes retired workers. They were more often called the May Seventh housewives' company (*wuqi jiashu lian*). Their production aimed to support the primary operations of the unit by taking advantage of the industrial residues, including materials, water, and gas, to produce supplementary goods and services for the unit and beyond, and exploiting vacant land within the unit to grow vegetables and raise pigs. For example, the Beijing Sugar, Cigarette and Wine organized a May Seventh housewives' company to package tea and tobacco leaves and repair work protection equipment. In 1970, the monthly average wage of SOE workers nationwide was 50.75 RMB (2.0*25.5 days); that of collective workers was 33.75 RMB (1.3*25.5 days).[560]

In Beijing, workers of the May Seventh housewives' company were paid 0.8 RMB per day for the first three months and 1.2 RMB per day later. Spouses of formal employees of state-owned units could have half of their healthcare fees covered by the unit.[561] In Shanghai, between 1970 and 1972, over 35,000 people joined May Seventh

[559] Beijing Archives 1975, 153-02-608.
[560] National Bureau of Statistics 1987a, 152.
[561] Beijing Archives 1972, 119-002-251.

labour companies.[562]

Rebellion of Temporary Workers

Despite the transience and marginality of temporary workers' rebellion during the Cultural Revolution, given the focus of the thesis, this section provides a detailed narrative on this issue. As one points out, there were two Cultural Revolutions. The first one was top-down; initiated by Mao, it aimed to exploit the rebellion of the masses to purge the government. The second one was bottom-up; initiated by the masses, it aimed to exploit the rare political freedom and fighting against the political and economic oppression from the privileged. The rebellion of temporary workers fell into the second category.[563]

With the *Sixteen Points* legitimatizing the mass movement, temporary workers of all kinds outpoured their anger. Owing to the significant compensation gap between formal employees and temporary workers, temporary workers inevitably claimed for economic benefits. On the one hand, such claims contradicted the unfailing drive of the central government for accumulation or production in an economical fashion. On the other hand, such claims contradicted the designated general direction of the Cultural Revolution, that is, political, rather than economic. As a result, the central government denounced their actions as a wind of economism and shortly cracked down on them. Nonetheless, in deterrence to the strong grievances unleashed, the central government

[562] Shanghai Archives 1972, B104-2-568-29.
[563] Xidong 1996.

promised to deal with the problems pertaining to temporary workers in the late stage of the Cultural Revolution.

This section delineates how temporary workers, both-workers-and-peasants, and outsourced workers, had fought for their rights during the Cultural Revolution. It hopes to unravel the limits of temporary workers' movements in the planned-economy era and further prove that temporary employment was built into China's planned-economy system.

Hong Gong Si

During the Cultural Revolution, Hong Gong Si was perhaps the largest local rebel organization of temporary workers. At the peak time, it had approximately 400,000 members in Shanghai (some 20 per cent of the workforce in state-owned units in then urban Shanghai).[564] Table 10 provides a basic timeline of Hong Gong Si from establishment to liquidation. Since the publication of the *May 16 Circular* in May 1966, the masses were educated through political meetings organized by grassroots units to exercise the "four great freedoms," namely, the right to speak out freely, air views, hold debates, and write big-character posters. In Shanghai, amidst the chaos at the beginning of the Cultural Revolution, many temporary workers were dismissed. The municipal branch of the ACFTU and the Labour Bureau of Shanghai became the assembly points for temporary workers and their big character posters. In these posters, they spoke out the bitterness and discrimination they suffered from as temporary workers and asked

[564] Unless otherwise specified, all the materials on Hong Gong Si used in this thesis come from Shen 2010. Shen was one of the leaders of Hong Gong Si.

for regularization to end the nightmare of intermittent unemployment. One such influential poster was drafted by the Budding (*mengya*) group of *Daxin* Weaving Mill in Changsha, Hunan. It systematically criticized the institution of temporary employment from a Maoist perspective. This poster was widely circulated among temp rebels in the Yangtze River Delta and contributed to the incubation of temporary workers' rebel organizations.

Table 10. Timeline of Hong Gong Si, 1966-1967

Time	Event
05/1966	Big-character posters that criticized the institution of temporary employment and temporary workers' rebel organizations began to sprout up in many places.
10/1966	200 Suzhou temps went to Shanghai to protest and were snubbed by related cadres.
09/11/1966	The Shanghai Workers' Revolutionary Rebel General Headquarters (Gong Zong Si) held its inaugural meeting.
13/11/1966	Zhang Chunqiao, sent by the Central Cultural Revolution Group, endorsed Gong Zong Si as a legitimate, revolutionary organization.
15/11/1966	The Shanghai Temporary and Outsourced Workers' Revolutionary Rebel General Headquarters (STOH, the predecessor to Hong Gong Si) held its inaugural meeting.
22/11/1966	The STOH won official endorsement after parades, days of hunger protest, and negotiations. Branches of the STOH began to emerge in various districts of Shanghai.
08/12/1966	The STOH held a mass rally at the Cultural Square of Shanghai.
09/12/1966	The STOH helped Gong Zong Si out of the encirclement of the Red Defenders (*Chiweidui*), a conservative workers' organization, at the Number 24 Dyeing Mill of Shanghai.
?/12/1966	The STOH changed its name to the Shanghai Red Workers' Revolutionary Rebel General Headquarters (Hong Gong Si) to downplay its economic appeal.
05/01/1967	Hong Gong Si held a mass rally at the People's Square that criticized the cadres of the municipal government of Shanghai, including the mayor, and called for the establishment of a new employment institution that adhered to the Mao Zedong Thought.

05/01/1967	Wen Wei Po, a Shanghai-based newspaper, published *To Shanghainese*. Commissioned by Zhou Enlai, organized by one top cadre of Shanghai and signed by eleven Shanghai-based rebel organizations, this article called on Shanghai worker rebels to return to their positions and resume production.
06/01/1967	The railway branch of Hong Gong Si organized its temporary workers and operated the Number 14 express train, which resumed the once paralysed railway transportation between Beijing and Shanghai. Zhou Enlai spoke highly of this act.
09/01/1967	-Wen Wei Po published the *Urgent Circular*. Led by Gong Zong Si and signed by 32 Shanghai-based rebel organizations, this article reiterated the importance of production and called on all economic claims to be processed in the late stage of the Cultural Revolution. Representatives of Hong Gong Si refused to sign this circular. -People's Daily reprinted *To Shanghainese.*
11/01/1967	-The central committee of the CCP, the State Council, the Military Commission of the Central Committee of the CCP, and the Central Cultural Revolution Group together sent greetings to the above 32 rebel organizations. -People's Daily reprinted the *Urgent Circular*. -The central committee of the CCP issued the *Circular on Anti-Economism*.
17/02/1967	The central committee of the CCP and the State Council co-issued the *Circular on the Treatment of Temporary Workers, Contract Workers, Rotation Workers, and Outsourced Workers during the Cultural Revolution*, which outlawed rebel organizations pertaining to all types of temporary workers.
24/02/1967	Hong Gong Si was dissolved. Some of its members joined Gong Zong Si. Some founded the Criticizing Two Employment Institutions Liaison Station, which was later cracked down on by Gong Zong Si.
End of 1967	Leaders of Hong Gong Si were detained and sentenced to years in prison. A number of involved temps were dismissed.

Source: Compiled from Shen 2010.

Despite similar working conditions shared by members of temporary workers' different rebel organizations, these organizations were largely isolated from each other, not only geographically, but also across organizations of different types of temporary workers. In 1966, the official residence of the Bureau of East China was located in Shanghai. It

was the immediate upper-level bureau of the municipal administration of Shanghai and was in charge of Shanghai and six provinces, including Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shandong. When the temporary workers of Suzhou, Jiangsu arrived in Shanghai after a long march in late October 1966, they hoped to find support from their Shanghai counterparts. However, temporary workers in Shanghai had not organized themselves yet and roughly a dozen joined their parade. Instructed by the central government that the masses could only join the Cultural Revolution of their own unit, the cadres of the Bureau of East China promised to report the grievances of the Suzhou temp rebels to the central government and persuaded them to return to Suzhou.

Moreover, although workers of one production team that engaged in low-end processing for big factories joined all Hong Gong Si's public activities, they were not recognized by Hong Gong Si and in the end they founded their own rebel organization called the Red Detachment of Women (*Hongse Niangzijun*). Last but not least, Hong Gong Si and another influential temp rebel organization Quan Hong Zong (more details below) did not have official collaborations. On 8 December 1966, Hong Gong Si dispatched a delegation to Beijing. At that time, the leaders of Quan Hong Zong were in Beijing, too. As a planned-to-be national organization, Quan Hong Zong invited Hong Gong Si to affiliate with it as its Shanghai branch and got refused because the latter wanted equal cooperation.

Aware of their marginality both in the industrial army and in the then movements, temporary workers' rebel organizations actively sought the patronage of formal employees, only to find that they were both exploited and restricted by the latter. Jingan

Cultural Pavilion was the reception centre of the municipal government of Shanghai during the Cultural Revolution. All walks of temporary workers went there to exchange their experiences and network with each other. Of them, several activists stood out and undertook some basic liaison and induction work. Emboldened by the establishment and recognition of Gong Zong Si, these activists founded their own organization called the STOH, which was the predecessor to Hong Gong Si. They also cordially invited leaders of Gong Zong Si to attend their inaugural meeting but were refused.

While Gong Zong Si was backed by the Central Cultural Revolution Group, Hong Gong Si had no official backing at all. In the light of this, Hong Gong Si decided to stand together, fight together, and triumph together with Gong Zong Si. When members of Gong Zong Si were encircled by the Red Defenders at the Number 24 Dyeing Mill of Shanghai, Hong Gong Si mobilized tens of thousands of members and helped them out.[565] Moreover, Hong Gong Si allied with Gong Zong Si and refused to support the rebel organizations that went to Shanghai from the six provinces under the jurisdiction of the Bureau of East China. However, later in January 1967, Gong Zong Si initiated the petition which resulted in the *Urgent Circular*. This circular ignored the appeal of temporary workers and representatives of Hong Gong Si refused to sign it. Gong Zong Si also reaped all the political gains that should have been shared with Hong Gong Si by electing the assistant conductor of the celebrated Number 14 express train on 6 January 1967, who was a member of Gong Zong Si, as the Shanghai representative of the ninth CCP national congress. The conductor of this train, who was a member of

[565] Dai Liqing, one of the leaders of Gong Zong Si, refuted that he turned to Hong Gong Si for help during this incident. See Li 2015, 414.

Hong Gong Si, was deliberately omitted.

Given that the uprising of temporary workers was an unexpected and unwelcome consequence of the Cultural Revolution for the government and the conservatives, it was doomed to experience difficulties. The red guards not only wrote big character posters that condemned the rebellion of temporary workers as being for their individual interests, but also used loudspeakers and flyers to disturb the inaugural meeting of the STOH. Nonetheless, female temporary workers proved to be faithful rebels. Most participants of the inaugural meeting were females. So were the participants of the protest parades towards the municipal government of Shanghai and the Bureau of East China. At first, the then deputy director-general of the Labour Bureau of Shanghai Yu Yongshi refused to recognize the STOH as a revolutionary mass organization. The mediation between members of the STOH and Yu ended in a standoff when both of them went on hunger protest. Then the STOH marched to the Bureau of East China and finally reached an agreement with the cadre representatives of the Bureau and Yu on 22 November 1966. The Labour Bureau of Shanghai shortly issued this agreement as an official notice.

In this agreement, as a newly-born organization, the STOH traded off radical egalitarian claims for political recognition as a survival strategy and achieved it without omitting its biggest concern, that is, unemployment. The contents of the agreement were as follows. First, the STOH was a legitimate, revolutionary mass organization. Second, the protest parades of the STOH were revolutionary acts. Third, the institutions pertaining to temporary workers and outsourced workers were unreasonable and should

be abolished. Fourth, no one could dismiss temporary workers and outsourced workers (those with stained political background excluded) under whatever pretext. Fifth, the STOH would hold a mass rally and open fire on the bourgeois reactionary line. Sixth, units should re-employ the temporary workers and outsourced workers that they dismissed after 16 May 1966 within two weeks of the release of this notice.[566]

In fact, Hong Gong Si oscillated between economic claims and political prudence throughout its transient existence, which was symptomatic of the two distinct factions within it. One faction insisted that this organization was one primarily and exclusively for the rights of temporary workers and outsourced workers. Its intention was explicitly reflected in the initial name Shanghai Temporary and Outsourced Workers' Revolutionary Rebel General Headquarters. However, another faction contended that whatever the true intention was, it should present itself primarily as a progressive mass organization that closely followed the designated direction of the Cultural Revolution, which was by no means for the rights of precarious workers.

At first, the second faction gained the upper hand. As shown above, the agreement between the STOH and the government did not include any radical economic claims. The Number One directive issued by the STOH after it was officially recognized required that all members keep working as usual without further notice. The subsequent activity of the STOH was mainly writing articles that criticized the temporary employment system, which was a common practice among rebel organizations. In the first mass rally, Fei MinZhang, the top leader of the STOH and an outsourced worker,

[566] Shanghai Archives 1966, B6-1-130-245.

followed the idea of the second faction and avoided mentioning regularization at all. Instead, he tried to dress the STOH as a revolutionary rebel organization by using a Mao quote as a political umbrella in his speech criticizing the institution of temporary employment and outsourcing as being capitalist and profit-oriented. With regard to demonstrating adherence to the direction of the Cultural Revolution, this tactic turned out to be so unconvincing when compared with the actions of Gong Zong Si, which was fighting with the municipal government of Shanghai at that moment. The STOH reprised this tactic when it adopted the new name of Shanghai Red Workers' Revolutionary Rebel General Headquarters (Hong Gong Si) that appeared less likely to be linked with the particular interests of precarious workers and emphasized that temporary workers and outsourced workers were part of the working class.

However, when Fei realized that the *Urgent Circular* would eliminate any possibility for improving the material lot of precarious workers in the near future, he refused to sign it. Although Hong Gong Si later declared that it was firmly in line with the stance of the *Urgent Circular*, it was too late. It is worth noting that formal employees were the main participants of the "wind of economism," rather than temporary workers and outsourced workers. This was because the government had official documents pertaining to the wages of formal employees of state-owned units so that formal employees could take advantage of the unpublicized documents and make claims for back wages using the strategies mentioned above. Their wages were paid on a monthly basis so that leaving work to participate in rebellion activities would not affect their income much. However, the wages of temporary workers and

outsourced workers were informally determined and they did not have related documents with which to ground their economic claims. Worse, their wages were paid on a daily basis and they got no pay once they stopped working.[567]

Owing to these reasons, members of Hong Gong Si only got fringe benefits by claiming that their wages should be paid on a monthly basis and the unit should repay their wage during the weekends. As a result, amidst the "wind of economism," the Number Two Commercial Bureau of Shanghai repaid 637,000 RMB to apprentices whose regularization was delayed by one year and to workers in cooperative factories who requested a pay rise; it paid 66,700 RMB to close the benefit gap when some collective enterprises were transformed into SOEs; in comparison, it repaid 79,800 RMB to temporary workers who requested to be paid on a monthly basis, rather than on a daily basis, and to outsourced workers who requested to be paid an hourly rate, not a piece rate.[568]

Despite efforts of window-dressing, the central government which had stimulated the uprising of the masses sounded the death knell for temp rebels' organizations by outlawing them on 17 February 1967. The notice issued this day invalidated all sorts of agreements between temp rebel organizations and local governments and resumed all the institutions pertaining to temporary workers and outsourced workers introduced before the Cultural Revolution. Under such insurmountable pressures, on 24 February 1967, Hong Gong Si was dissolved. The new power that took over Shanghai in January 1967 closely followed the instructions from the central government and swept away the

[567] Li 2015; Shen 2010.
[568] Shanghai Archives 1967, B248-2-7-28

previous gains of precarious workers.[569] Those who benefited from the agreement initiated by Hong Gong Si and got reemployed after being dismissed were dismissed again.[570] Amidst a vibe of anti-economism, regularization was suspended from 1967, too.[571] After that, temporary workers and outsourced workers continued to protest, but in a cellular, wildcat fashion. In January 1968, the central government issued the *Circular on Further Countering Anti-revolutionary Economism and Speculation and Profiteering Activities*. This circular reiterated that all kinds of precarious workers should not organize themselves, all temporary workers should not be regularized, and that all problems pertaining to wages and benefits should be dealt with in the late stage of the Cultural Revolution.[572]

Quan Hong Zong

During the Cultural Revolution, owing to its engagement with the Central Cultural Revolution Group, the National Red Labouring People's Revolt League (Quan Hong Zong) was the most influential rebel organization of precarious workers.[573] Table 11 provides a basic timeline of Quan Hong Zong. While the case of Hong Gong Si shows the multi-dimensional difficulties a temp rebel organization encountered in daily operation, the case of Quan Hong Zong displays the fundamental limits of the uprising of temporary workers from the perspective of the central government.

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[569] Shanghai Archives 1967, B154-6-20-25, B109-4-11, B112-5-17, B76-4-417-11. It was the same in Beijing. See Beijing Archives 1967, 047-01-889.
[570] Shanghai Archives 1967, B227-2-66, B154-6-20.
[571] Shanghai Archives 1967, B163-4-29.
[572] Central Office of Financial Leading Group 1999, 236.
[573] Unless otherwise specified, all the materials on Quan Hong Zong come from Li, Bote 2007. Li was one of the leaders of Quan Hong Zong.

Table 11. Timeline of Quan Hong Zong, 1966-1967

Time	Event
08/11/1966	Quan Hong Zong was founded in Beijing.
08/12/1966	Approved by the State Council, the ACFTU officially endorsed Quan Hong Zong. Its branches began to sprout up in multiple places nationwide.
25/12/1966	Failed to have an official conversation with the Ministry of Labour and the ACFTU, Quan Hong Zong summoned over 50,000 members at the Tiananmen Square and then marched to the Ministry of Labour and occupied the majority of its facilities.
26/12/1966	Representatives of Quan Hong Zong were cordially received by the Central Cultural Revolution Group led by Jiang Qing.
01/01/1967	Quan Hong Zong reached an agreement titled the *Joint Announcement* with the Ministry of Labour and the ACFTU. The *Joint Announcement* emphasized job security and required that units not dismiss temporary workers during the Cultural Revolution and reemploy those that had been dismissed. Owing to pressure from the Central Cultural Revolution Group, it was not circulated publicly nationwide.
08/01/1967	Quan Hong Zong held an international press conference on the conditions of temporary workers in China, which raised hackles of Zhou Enlai.
16/01/1967	Quan Hong Zong held a conference that criticised the institution of temporary employment in Beijing.
22/01/1967	Quan Hong Zong held a mass rally at the Tiananmen Square.
02/1967	The central government issued a circular as mentioned above that outlawed the *Joint Announcement* and all rebel organizations pertaining to precarious workers. Quan Hong Zong decided to relocate to Guangzhou and continued protests.
03/1967	Leaders of Quan Hong Zong were detained and sentenced to years in prison.

Source: Li, Bote 2007; Beijing Archives 1966, 002-18-077.

First, given that the central government had been struggling to make ends meet throughout the planned-economy era, it always tended to suppress the masses' economic claims. Although Jiang Qing had great sympathy for temporary workers, the extent to which such sympathy could materialize depended on what the state could

afford. However, according to Zhou Enlai, the state finance could not afford to support all workers as formal employees.[574] Aware of this hard budget constraint, Jiang quickly shifted her stance to support Zhou and reined in the release of the *Joint Announcement*. Second, given that the Cultural Revolution ultimately aimed to counter bureaucratism, the central government had little patience to tolerate any distraction from this direction. Unlike Hong Gong Si, Quan Hong Zong exclusively focuses on voicing grievances for temporary workers and even did not bother to pretend to adhere to the direction of the Cultural Revolution. The Central Cultural Revolution Group withdrew support for Quan Hong Zong as soon as it failed to persuade its leaders to seize the power of the ACFTU.[575] Third, although the central government encouraged the masses to rise up and seize the power of the rotten local and divisional governments, it by no means tolerated the genuinely nationwide solidarity of the masses which posed threats to its own rule. Quan Hong Zong, as a looming national league, stepped on this nerve and was quickly squashed.

Rebellion of Both-Workers-and-Peasants

As mentioned in Chapter Five, between 1961 and 1963, as a result of the failure of the Great Leap Forward, a large number of urban workers were mobilized to work in the countryside. They were called sent-down workers (*xiafang gongren*). When the economy recovered, they were reemployed mainly as both worker-and-peasants in urban units. During the Cultural Revolution, together with both-workers-and-peasants

[574] Qi 2016, 674-675.
[575] Fangyuan. n. d.

with rural origins, they fiercely unleashed their grievances.

In Shanghai, in 1961 and 1962, approximately 366,000 workers (some 15 per cent of the workforce in state-owned units) were mobilized to leave their jobs; 183,000 of them were sent to rural areas, including 79,800 to the surrounding villages.[576] Many couples broke up when one party was sent down and the other remained in the city. The dramatic decrease in the income of sent-down workers often caused financial difficulties and family crises, particularly for couples with multiple children, which was quite common among then urban households. According to an investigation conducted by the Cotton Textile Industry Bureau of Shanghai in 1966 that covered 20,542 of its 29,600 sent-down workers, 58.7 per cent of the informants reported difficulties in adjusting to rural life. In the mid-and-late 1960s, they became a major source of temporary workers and earned significantly less than their previous colleagues who refused to go to the countryside. For example, at the Number 36 National Cotton Mill of Shanghai in 1966, over 70 per cent of the workforce was sent-down workers. On average, they earned 20 RMB less than formal workers in comparable positions every month. At Chuansha Spinning Mill in Shanghai in 1966, sent-down workers accounted for 62.5 per cent of the workforce. [577]

As sent-down workers, they were treated as peasants and were reemployed under the arrangement of both-worker-and-peasant. In Shanghai, both-workers-and-peasants were more often called four-six workers (*si liu gong*) because they could only keep 40 per cent of their wages and the remaining 60 per cent was handed over by the recipient

[576] Shen et. al. (eds.) 1998.
[577] Shanghai Archives 1966, B134-6-1448.

unit to the commune with which they were affiliated in exchange for food grain and the annual dividend of the commune. Both-workers-and-peasants tended to feel that they were exploited. On the one hand, the annual dividend of the commune was often lower than what they handed over. For example, a construction worker in Shanghai in the 1960s would earn 2.5 RMB per day and 1.5 RMB of it was handed over to the commune. Under the accounting system of the commune, one-RMB cash income was commonly equal to six work points (*gongfen*). Thus, 1.5 RMB amounted to nine work points. However, in the allocation of the annual dividend, one work point amounted to 0.05-0.15 RMB depending on the performance of the commune. If we made one work point equal to 0.09 RMB, for every 1.5 RMB handed over to the commune, the both-worker-and-peasant received 0.72 RMB in the end. On the other hand, they found it unreasonable to pay for the food grain for themselves and their families since their urban colleagues did not pay for it. Thus, they decided to completely discredit the institution of four-six workers.[578]

During the Cultural Revolution, large numbers of sent-down workers[579] and both-workers-and-peasants of rural origins in Shanghai organized under the rubric of Shanghai Suburb Sent-down Workers and Temporary Workers' United Revolutionary Rebel General Headquarters (SSTH).[580] The SSTH was also incubated at Jingan Cultural Pavilion through the networking of both-workers-and-peasants who came

[578] Shanghai Archives 1967, B336-1-17.

[579] There was a smaller and exclusive rebel organization of sent-down workers which was active in the same period. It was called the Returned Sent-Down Shanghai Workers Rebel General Headquarters. Narratives on their activities during the Cultural Revolution are available at Li 2015, 628-630.

[580] Unless otherwise specified, the materials on the SSTH come from Shanghai Archives 1967, B336-1-17, B119-4-28-24.

there to be received by the municipal government. On 22 November 1966, in a mass rally held at Shanghai Stadium, the SSTH proclaimed its establishment and the then director-general of the Labour Bureau of Shanghai Wang Ke declared that the SSTH was a legitimate, revolutionary mass organization. Subsequently, branches of the SSTH sprouted up in multiple districts and counties in Shanghai. At peak time, the members of SSTH totalled over 100,000. After the inaugural meeting, the SSTH held a series of mass rallies to criticize the institution of both-worker-and-peasant. It compiled an official newsletter called *Struggle, Criticism, and Transformation* (*Dou Pi Gai*).

The claims of the SSTH were mainly economic. At first, on 30 November 1966, the SSTH reached the first agreement with the Labour Bureau of Shanghai which stipulated that sent-down temporary workers were entitled to the same political rights as formal employees. On 29 December 1966, they signed the second agreement whereby sent-down workers could keep 100 per cent of their wages on the condition that they returned their household plots of land and paid a regular living allowance to the commune and paid for the food grain and that both-workers-and-peasants of rural origins could keep 90 per cent of their wages. On 7 January 1967, they reached the third agreement whereby workers that were sent-down before 1957 and had not been reemployed were qualified for immediately being assigned a job in their previous units and workers that were sent down in and after 1958 were prioritized in the queue to be allocated jobs. In addition, workers of the textile branch of the SSTH imposed pressures on the Cotton Textile Industry Bureau of Shanghai and won regularization.[581]

[581] Shanghai Archives 1970, B45-5-48-74.

In a similar situation to Hong Gong Si, on 9 January 1967, the SSTH refused to sign the *Urgent Circular*. Nonetheless, aware of the increasing pressure on economic claims, on the same day, it issued an urgent notice that required its members to go on working and declared that it would change gears to open fire on the Bureau of East China. On 16 January 1967, the SSTH stepped back further and announced that it would comply with the *Circular on Anti-Economism* issued by the central committee of the CCP and that it accepted the institution of both-worker-and-peasant to be enforced as it was before the Cultural Revolution. After the central government outlawed all mass organizations pertaining to precarious workers, on 28 February 1967, the SSTH was dissolved.

Rebellion of Outsourced Workers

Outsourced workers, who were in an even more disadvantaged situation than temporary workers, were keen participants of the Cultural Revolution, too. In Shanghai, they organized rebel organizations and held mass rallies to criticize the institution of outsourcing and pressure the government. They understood their situation highly incisively. The *Number One Urgent Notice* of the Shanghai Temporary and Outsourced Workers' Revolutionary Rebel *United* General Headquarters argued that working class was the ruling class in socialist society, but were exploited and oppressed wage labourers in capitalist society, and that transforming the should-have-been formal employees into temporary workers and outsourced workers would change the colour of China's regime. In a mass rally, the top leader of this organization said that the

institution of temporary employment and outsourcing discouraged related workers' enthusiasm for socialist construction, frittered their fighting spirit by rendering them busy all the time to barely make ends meet, stratified the working class, and enlarged the contradictions among the people.[582]

The rebel organizations of outsourced workers also successfully reached several agreements with the Labour Bureau of Shanghai and the Bureau of East China. In these agreements, outsourced workers not only won official recognition for their rebel organizations, but also won significant concessions pertaining to their employment status and political and economic rights. First and foremost, in a high-profile agreement between a temp-outsourced workers' rebel organization and the Bureau of East China, the latter acknowledged that temporary workers and outsourced workers, including but not limited to workers of production groups and labour service teams, were members of the working class.[583] In the Mao era, to some extent, the privileged status that formal workers in state-owned units enjoyed validated the claim that the working class was the ruling class. Meanwhile, this fact tacitly narrowed the connotation of "working class" to exclusively refer to formal workers in state-owned units. By escalating precarious workers to the status of "working class," this acknowledgement provided a solid ground on which all claims pertaining to equal treatment between formal and informal employees could be based.

Second, in these agreements, outsourced workers commonly demanded equal political rights to those of formal employees such as the right to join the trade union

[582] Shanghai Archives 1967, B336-1-43.
[583] Shanghai Archives 1966, B6-1-130-252.

that was linked to the access to labour insurance, the right to join the Cultural Revolution, including actions for seizure of power, the right to join political courses and receive Mao's little red book of quotations, etc. Third, outsourced workers made economic claims, too, mainly including being directly managed and paid by the recipient unit, being paid on a monthly basis, being provided with the same workplace safety equipment as formal employees, and so forth.[584] The official endorsement of these agreements fulfilled the above demands and related workers did benefit before their organizations were outlawed because of reasons mentioned above.[585]

Regularization of Temporary Workers

Apart from the uprising of temporary workers in late 1966 and early 1967, during the Cultural Revolution decade, before 1971, the employment of all walks of temporary workers went largely as it was before 1966. For example, in September and October 1967 alone, units in Shanghai newly employed 17,471 temporary workers. The then municipal government of Shanghai estimated that half of them were regularly needed.[586] It is worth noting that the origins of temporary workers during this period had dramatically changed. Table 12 gives a concrete flavour of such a change using the case of the Tractor and Automobile Industrial Company of Shanghai that then had 2,210 temporary workers. The salient presence of community workers and downsized

[584] Shanghai Archives 1966, B6-1-130-252, B163-4-29-1; 1967, B336-1-114.
[585] Shanghai Archives 1966, B134-6-1450-51.
[586] Shanghai Archives 1967, B227-2-51.

workers in the army of temporary workers was a legacy of the Great Leap Forward. Owing to the anti-economism campaign, between 1967 and 1970, regularization of temporary workers was largely suspended.[587]

Table 12. Renewed Origins of Temporary Workers in China: An Example, 1972

Origins	%
Community workers	23.6
Downsized workers (not sent down)	22.6
Downsized workers (sent down and returned)	16.65
Long-term temporary workers	13.4
Demobilized servicemen	9.7
Peasants whose land was grabbed	4.4
Unemployed urban youth	4.0
Previous prisoners	2.35
Those with stained political background	1.85
Dismissed workers	1.13
Those left the unit amidst the “wind of economism”	0.2

Source: Shanghai Archives 1972, B116-3-671.

In 1971 when the government just recovered from the fiscal deficit in 1967, partly to fulfil the promise that all economic issues would be solved in the late stage of the Cultural Revolution, partly to resume the regularization routine, the State Council issued the *Notice on Reforming the Institution of Temporary Workers and Rotation Workers*. This notice pointed out that it was reasonable to employ temporary workers in temporary or seasonal positions and employ rotation workers in mines. However, it was following a counterrevolutionary revisionist line to promote the use of fewer formal employees and more temporary workers and to escalate the importance of

[587] Central Office of Financial Leading Group 1999, 236.

temporary employment to that of permanent employment. In the light of this, this notice stipulated that regular positions should be staffed with formal employees and temporary workers that worked in regular positions were qualified for being regularized as long as they had a clear political background, proper political performance in the Cultural Revolution, sound health, and appropriate age. This notice also enhanced the protection of temporary workers. According to it, temporary workers had the same entitlements as formal employees in comparable positions during their job tenure with regard to political rights, food grain ration, and work safety equipment. They were entitled to the same benefits if they suffered from job-related disabilities or death.[588]

Once enforced, this notice brought about the largest scale of regularization in the Mao era. In late 1971 and the first half of 1972, approximately 6.5 million regular temporary workers benefitted from this Notice and became formal employees.[589] Different from previous regularization, temporary workers with rural household registration status were included in this wave of regularization. Once regularized, their household registration status became urban.[590] Meanwhile, temporary workers in collective units that satisfied the above criteria were qualified for being regularized, too.[591]

In Beijing, conditions that prevented temporary workers from being regularized included: working in seasonal or temporary positions, working as outsourced workers, working in May Seventh labour companies, working in units affiliated with communes

[588] Beijing Archives 1971, 133-02-75.
[589] Committee of Reforming the System of National Economy (ed.) 1983, 108.
[590] Beijing Archives 1971, 133-02-75. Shanghai Archives 1971, B103-4-295-3.
[591] Beijing Archives 1971, 133-02-75; 1972, 135-002-384. Shanghai Archives 1972, B123-8-621.

or production brigades, etc.[592] In Shanghai, those working in seasonal or temporary positions or as outsourced workers could not be regularized, either.[593] Regular temporary workers were categorized into three groups: those who were qualified for immediate regularization; those who were qualified for later regularization because of immorality, disobedience, long-term sick leave, unclear political background, and so forth; and those who were unqualified for regularization for being enemies of the people. The majority of regular temporary workers fell into the first category.

For example, at the Construction Engineering Bureau of Shanghai, of the 9,359 regular temporary workers in 1971, 9,025 were regularized this time (96.4 per cent); 286 were promised of regularization later (3.05 per cent); 48 were denied regularization (0.5 per cent). At the Tractor and Automobile Industrial Company of Shanghai, of the 2,210 temporary workers in 1971, 1,972 were regularized this time (89.2 per cent); 207 were promised of regularization later (9.4 per cent); 31 were denied regularization (1.4 per cent).[594] In Shanghai in 1974, those whose regularization was suspended in 1971 were allowed to be regularized on the condition that they had made some progress.[595] In addition, in Shanghai in the late 1960s and early 1970s, lots of temporary workers were regularized and then sent to interior China to support the Third Front Movement.[596] During the Cultural Revolution and shortly after, temporary workers who suffered from job-related disabilities were automatically regularized, too.[597]

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592 Beijing Archives 1971, 133-02-75; 1972, 153-02-340.
593 Shanghai Archives 1972, B123-8-621.
594 Shanghai Archives 1971, B89-1-644, B103-4-382-73; 1972, B119-4-300-59, B116-3-671.
595 Shanghai Archives 1974. B154-6-294-9.
596 Shanghai Archives 1967, B227-2-36; 1969, B173-4-568-44, B173-4-568-177; 1971, B173-4-626-187, B173-4-629, G106-2-99.
597 Shanghai Archives 1980, B127-6-255; 1981, B127-6-255, B123-10-1473-22, B123-10-1522-132.

Rebounding of Temporary Workers

It turned out that the gains of the rebellion of temporary workers were built on sand. The 1971 great regularization was the last nationwide regularization in Mao's China.[598] As shown in Figure 1, temporary workers rebounded after 1971 and the majority of them had a new title called "out-of-the-plan workers" (*jihuawai yonggong*).

As mentioned at the overview section, the fourth five-year plan (1971-75) aimed at a new leap forward of the economy and a new round of decentralization had gained momentum since 1970. Both boosted the demand for workers. However, owing to the 4.3 billion USD of imported machinery and equipment after the normalization of the Sino-US relationship, the state was struck in deficit again in the early 1970s.[599] In fact, between 1966 and 1978, as a result of prolonged poor state finances, the average annual quota of newly-added workers to state-owned units, including both formal employees and temporary workers were some 1.5 million, which was surpassed by the actually added workers every year on average, that is, 2.86 million, by a wide margin.[600]

In addition to this situation, during the Cultural Revolution decade, the control over the employment of temporary workers intensified. As mentioned in Chapter Five, in 1965, the State Council withdrew control over the annual quota of temporary workers of individual state-owned units while maintaining control over the gross wage

[598] Beijing Archives 1973, 182-15-398.
[599] National Bureau of Statistics 1984, 131.
[600] Editorial Board 1991b, 111-114.

pertaining to temporary workers. In August 1967, to control the operating costs of the economy, the central government required that the bank refuse to allocate money for units to pay the wages of temporary workers unless the employment of such workers was authorized by local governments.[601] In response to this, local governments re-gained control over the employment of temporary workers.[602] In 1972, following the "three breakthroughs" in 1971 as mentioned above, the central government reiterated in a report about food grain that the employment of temporary workers must be brought into line with the national labour plan.[603] Meanwhile, the state tightened the control over the gross wages of temporary workers.[604]

Under such circumstances, while the government once openly and repeatedly condemned the act of employing temporary workers outside the labour plan as recruiting autonomously and disobediently,[605] it tacitly tolerated this act as a supplement of the formal labour plan during the Cultural Revolution decade. Generally, the wages of temporary workers recruited within the labour plan were paid by the authorized wage fund of individual units while those of out-of-the-plan workers were paid under the accounting category of miscellaneous expenses.[606] Apart from such a subtle difference, these two groups of temporary workers basically received the same treatment.

Out-of-the-plan workers had long existed and only became a statistical category

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601 Central Government 1967.
602 Shanghai Archives 1967, B227-2-51.
603 National Bureau of Labour 1980, 16-24; He et. al. (eds.) 1990, 137-138.
604 Beijing Archives 1972, 201-02-50; 1975, 135-002-696, 153-02-608.
605 Beijing Archives 1957, 026-001-00055, 137-001-00140; 1962, 002-14-075. Shanghai Archives 1957, B26-2-503-4, B48-2-1940; 1958, B127-2-732; 1963, B134-6-902.
606 Beijing Archives 1972. 153-02-340.

in 1973. In state-owned units between 1973 and 1978, the number of temporary workers recruited within the labour plan mildly rose from 2.48 to 2.69 million while that of out-of-the-plan workers dramatically jumped from 1.71 to 9.04 million.[607] Of the 9.04 million out-of-the-plan workers, 7.03 million worked in regular positions; approximately five million came from rural China.[608] Given that the quota of workers in collective units was relatively loosely controlled, among those out-of-the-plan workers who came from urban China, the majority of them were employed in the name of collective unit workers but worked in state-owned units.[609] SOEs could employ such workers themselves or receive such workers from sub-district collective units. In Shanghai, to encourage sub-district collective units to supply labour to SOEs, during the Cultural Revolution decade, the municipal government of Shanghai allowed these units to charge 50 per cent of the gross wage of workers they provided for SOEs as commission.[610] These workers were called "support workers" (*zhiyuan gong*). In this sense, these sub-district collective units were doing exactly what sub-district service stations in the 1960s and labour agencies in present-day China were doing and these "support workers" were *de facto* what we now call agency workers.

Out-of-the-plan workers were disproportionally concentrated in enterprises affiliated with county-level governments. In 1977, 56 per cent of out-of-the-plan workers nationwide were employed by these enterprises.[611] As mentioned above, in the early 1970s, local governments were mobilized to found five small industries that

[607] National Bureau of Statistics 1987a, 33, 35; National Bureau of Statistics 1989.
[608] Editorial Board 1991b, 111-114.
[609] Editorial Board 1991a, 309-312.
[610] Shanghai Archives 1981, B127-6-234-59.
[611] Editorial Board 1991a, 309-312.

needed a large number of new hires. However, according to the principle of priority, enterprises affiliated with county-level governments were in the rear of the queue to get staffed. With a tight labour plan, these enterprises simply did not have the authorized quota of either formal employees or temporary workers and had to resort to employing out-of-the-plan workers.[612]

During the Cultural Revolution period, as had happened during the rise and fall of the Great Leap Forward, the labour exchange between rural and urban China was two-way. On the one hand, during this decade, some 13 million peasants flowed into cities.[613] On the other hand, while the sent-down of urban youth in the late 1950s and early 1960s were insignificant, the sending down of urban youth gained momentum during the Cultural Revolution decade because of the urban unemployment pressure. Between 1962 and 1966, 1.29 million urban youth were sent down to the countryside (0.26 million per year on average). Between 1967 and 1976, 15.32 million were sent down (1.53 million per year on average). With the gradual return of the sent-down urban youth, in 1976, approximately eight million of them remained in the countryside.[614]

Conclusion

During the Cultural Revolution decade, the rise of all walks of temporary workers unveiled the discrimination against them. Against the risks of being unemployed time

[612] Editorial Board 1991a, 309-312; Editorial Board 1991b, 111-114.
[613] Chen (ed.) 1990, 24-25.
[614] National Bureau of Statistics 1987a, 110.

to time, they made claims for stable employment. Against their lower wages and curtailed benefits, they put forward economic claims. Most importantly, against their inferior status compared with formal employees, they made claims to be treated as members of the working class. The crackdown on the temp rebel organizations strongly proved that the employment of temporary workers and the discrimination against them were built into China's planned-economy system. Nonetheless, the rebellion of temporary workers won them the largest scale of regularization in the Mao era. In other words, during the Cultural Revolution, labour resistance brought about social inclusion.

Between 1966 and 1976, from mobilizing the masses at the beginning of the Cultural Revolution to fostering local industrialization throughout this decade, the CCP clearly re-embarked on decentralization after recentralization in the first half of the 1960s. Such decentralization invoked another wave of social inclusion, marked by the expansion of formal employees in state-owned units, the upgrading and expansion of workers in collective units, and the expansion of temporary workers. The expansion of workers in collective units in this decade took the form of the May Seventh labour company, which mainly consisted of housewives. The expansion of peasants in this decade primarily took the form of out-of-the-plan workers.

In a nutshell, four elements worked together to shape the work and lives of temporary workers in the planned-economy era. The unfailing desire for accumulation throughout the planned-economy era defined the salient existence of temporary workers in this era. There had been three alternations of centralization and decentralization in this era that continued to fine-tune the rigidity of social exclusion. Labour policies had

changed gears to promote temporary employment since 1957. Labour resistance only played an effective role in improving the conditions of temporary workers in the Cultural Revolution decade. When the reform was launched in 1977, these modulators gradually went outdated and new ones were looming.

Part III Precarious Labour in Post-Mao China

Chapter Seven

Restoration of Private Exploitation and Unmaking of Exclusion, 1977-present

Mao's death in 1976 marked the end of the radical socialist experiment. There has been a plethora of literature that documents how economic reforms have been carried out[615] and how such reforms have impacted on labouring people and their resistance[616] in the post-Mao era. However, many scholarly works only cover a certain period of the reform era and certain aspects of workers' life. Moreover, studies of the spheres of production and social reproduction are often scattered in different bodies of literature. In the light of this, using both the findings of the extant literature and underexplored archives and numerical data from official sources, this chapter provides a historic and comprehensive narrative of labour precarization in China since 1977. It clearly delineates how the precarization regime in the Mao era was dismantled, and how the new precarization regime grew out of the ruins of the old one and rose to dominance. It links the labour conditions in Mao's China to those in post-Mao China, the sphere of production to the sphere of social reproduction, and different aspects of working conditions.

Part III that consists of Chapter Seven, Eight, and Nine provides a comprehensive picture of the precarization regime in post-Mao China that features private exploitation, in the spheres of both production and social reproduction. In post-Mao China, social

[615] Naughton 1996, 2006.
[616] Pun 2005; Lee 1998, 2007.

exclusion based on types of enterprise ownership has been greatly weakened; social exclusion based on the rural-urban divide has been loosened but remain entrenched in big cities; social exclusion based on employment status has been recalibrated with the dichotomy between contract workers and agency workers replacing the old dichotomy between permanent workers and temporary workers. While such a curtailed social exclusion system has continued to aggravate the exploitation imposed on the excluded groups, unlike in the Mao era, it is the unleashing and restoration of the profit-seeking instinct of capital, both private and state-owned, that defines the precarious conditions of Chinese labouring people in post-Mao China. With the marketized transition ongoing and the fading away of radical socialist ideology, old modulators of the precarization regime have been replaced by a new one—labour market regulation.

This chapter first delineates China's changing orientation of state-led development and the changing economic landscape after 1976. It then successively examines how the unmaking of the ownership-based social exclusion and the rural-urban segregation came hand in hand with the restoration of private or quasi-private exploitation. This is followed by an account of the rise of informal employment. This chapter ends with an examination of the uneven commodification of healthcare, housing and education. For the sake of continuity, this chapter omits the rise of agency workers and the recalibration of social exclusion based on employment statuses, and leaves it to Chapter Eight whose focus is on the regulation on labour dispatch in China.

Updated Triad of Socialism, Nationalism, and Political Legitimacy

In the reform era, socialism, nationalism, and political legitimacy remain the CCP's grand goals to govern China. Nonetheless, the connotations of these three goals have dramatically changed. While Mao's China oscillated between egalitarianism and developmentalism, reform-era China has overwhelmingly embraced developmentalism. Despite this fundamental change, the state that initiated socialist transformations in the Mao era remained the primary initiator of major reforms in the reform era.

After forty years of marketized reform, the CCP still alleges that it rules China under the rubric of socialism. However, this new socialism has largely been reduced to economic development. In 1978, in the groundbreaking Third Plenary Session of the Eleventh Central Committee of the CCP, the then leaders, pivoting on Deng Xiaoping, decided to take economic development as the central task. In 1992, Deng further proposed that "the essence of socialism is liberation and development of productive forces, elimination of exploitation and polarization, and the ultimate achievement of prosperity for all." Of these somewhat conflictual components, proposed by Deng Xiaoping in 1992, "development is the absolute principle."[617] In contrast, socialist egalitarianism was associated with common backwardness and poverty and was replaced by a new ideology that "let some people and some regions prosper before others so that they can bring along the backward regions."[618] While the adherence to socialist egalitarianism underpinned the elimination of private exploitation in Mao's time, the omission of socialist egalitarianism and the legitimatization of social stratification paved the way for the restoration of private exploitation in the sphere of

[617] Deng 1993a.
[618] Deng 1993b.

production and the retreat of the state from the sphere of social reproduction in the reform era.

When it comes to economic development, while leaders in the planned-economy era believed that the establishment of socialist forms of organizations was as much a precondition for modern economic development as its product,[619] leaders in the reform era disconnected economic development with socialist forms of organization and re-connected it with marketization. In 1978, the nationwide discussions on the criteria for testing truth opened fire on "two whatevers" put forward by Mao's immediate successor Hua Guofeng: "we will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave." The criticism of "two whatevers" evolved into reflections on and criticism of the planned-economy system, which ideologically prepared for the restoration of the market as an alternative.[620] Under such circumstances, Deng proposed that reforms were to cross the river by feeling the stones and the criteria was that being black or white, as long as it caught mice, it was a good cat. To be clear, the planned economy and the market economy are just two means that lead to economic achievement and should be used whichever more productive. In practice, the market economy has been regarded as the good cat, which has led to the replacement of the state with the market as the main agent in channelling capital, raw materials, and labour, and an ever-flourishing private sector and an ever-shrinking state-owned sector.

Meanwhile, while nationalism continued to push the Chinese government to catch

[619] CASS and CA 1998b, 8; Meisner 1999, 199.
[620] Schoenhals 1991.

up with the developed economies, in the reform era, it has pushed in a different way. Criticizing the previous insistence on self-reliance as "closed doorism," China's new leaders have decided to embark on substantial opening and take advantage of resources of both China and abroad.[621] Such a mindset shift paved the way for China's integration into the world economy, via both commodity and capital exchange. China's successful integration into the international division of labour has been based largely on the relatively cheap but high-quality labour power, which helps to demolish the rural-urban segregation but has also subjected Chinese workers to the ruthless exploitation of global capital.

Lastly, while leaders in Mao's China tended to sacrifice the living standards of the masses for accumulation and anchored the hope of maintaining political legitimacy in approaching socialist egalitarianism, leaders in the reform era pursued accumulation and economic development by resorting to using foreign capital and fostering the private economy and anchored the hope of maintaining political legitimacy in increasing the living standards of the masses. On the one hand, thanks to foreign and private capital, the expanded economic scale has laid the foundation for radical social inclusion which generated a new and robust source of political legitimacy and *de facto* rendered the privileges of core workers as a source of political support replaceable. On the other hand, such means of economic growth has constantly provoked grassroots grievances, which the state has responded to by means of repression or concessions to maintain control over the society.

[621] Teiwes and Sun 2011.

Chinese Political Economy in the Reform Era

Despite the chronic governmental financial difficulties in the Mao era, the state regarded the supply of employment and social reproduction support for urban residents and the supply of some public services for rural dwellers as its obligations and managed to largely fulfil them. In contrast, in the reform era, fiscal pressures had largely been translated into austerity and into the state's retreat from the above obligations. In line with such a shift, alongside the revitalization of private and foreign enterprises, SOEs were re-oriented towards profit-making entities. Meanwhile, China has been gradually integrated into the global economy with Chinese firms integrated into the global value chains. These changes, as shown in later sections, have prepared the institutions for the restoration of private exploitation and the loosening of exclusion in the reform era.

The post-Mao era began with radical investment to enhance economic growth and radical redistribution to improve the living standards of the masses. Both aimed to foster political support for the looming reforms that dramatically diverged from the Mao era. In 1978 alone, the value of the import of foreign technology and equipment amounted to 7.8 billion USD. To support these foreign-related projects, the government also built domestic projects. These two types of investment together cost over one-third of the government revenue in 1978, resulting in a 55.8 per cent increase in industrial infrastructure investment when compared with the figure in 1977. Industrial investment in 1979 and 1980 was almost the same level as in 1978, if not higher.[622] Moreover, between 1979 and 1981, the government spent a total of over 140 billion RMB on

[622] Wen et. al. 2012, 86-87.

improving the lives of both rural and urban residents (the annual government revenue was some 110 billion RMB during this period), including 44.2 billion RMB on increasing the purchase price of agricultural products, over 40 billion RMB on reducing taxes on peasants and on subsidizing imports, 30 billion RMB on increasing the wages and bonuses of urban employees, 15.2 million RMB on building new residential compounds for urban employees, and 10.5 billion RMB on reducing urban unemployment.[623] As a result, in 1978, the state ran a deficit rate of 11.8 per cent, the highest since 1960. As shown in Figure 12, this had been followed by a protracted, but milder deficit until 1988 when the deficit again surged.[624]

Under the financial pressure in the late 1970s and early 1980s, the government began to retreat from the agricultural sector. Between 1978 and 1985, the share of expenses on agriculture and rural areas in the public expenditure, including expenses to support agricultural production, build rural infrastructure, develop agricultural technology, alleviate rural poverty, and so forth, dropped from 13-odd to 7-odd per cent.[625] Such de-investment coupled with de-collectivization that started in 1978 and was completed nationwide in 1984. While boosting peasants' enthusiasm for cultivating their own lot of plough land, the dismantling of rural communes and the establishment of the household responsibility system atomized peasants and devastated collective welfare supply, which rendered them responsible for any risks against their own individual families. De-collectivization also lifted the restriction that rural communes

[623] Zhao 1982.
[624] National Bureau of Statistics 2010, Table 1-15.
[625] Lou (ed.) 2000, 140.

imposed on peasants' flows into cities, which institutionally prepared for the spring-up of peasant workers.[626]

Unlike what had happened in rural China, reforms in urban China in the 1980s unfolded in a boiling-frog fashion. In the planned-economy era, SOEs submitted all their profits to the state and had all their production capital allocated by and all their losses made up by the state, which was aptly called "eating from the big pot." From 1979 onwards, by preventing SOEs from eating from the big pot of the national finance and re-orienting SOEs towards profit-seeking entities in the market, the state financially retreated from SOEs, which had been translated into retreat from the supply of secure employment and social reproduction goods for urban citizens. In 1979, the State Council issued policies to empower the management of SOEs with the discretion of producing according to market demands and retaining a certain proportion of profits for future development and employee welfare on the condition of completing the annual plan. In the same year, the state experimented on stopping funding SOEs in investing in fixed capital and sustaining daily operations, thus forcing SOEs to borrow from banks and to be responsible for their loans if they wanted to invest beyond their after-tax profits. After January 1985, this policy was enforced nationwide.[627]

The above moves together aimed to push SOEs to pursue profits for their own survival and prosperity. In reality, they dragged a large number of SOEs to the brink of bankruptcy. Figure 12 shows the growing proportion of loss-making industrial SOEs in all industrial SOEs since 1985. For those SOEs, while the government in the planned-

[626] Wen et. al. 2012, 95-97.
[627] Gao n. d.

economy era would take measures to improve their performance, in 1986, the then government introduced the *Law of Enterprise Bankruptcy* that legally prepared for the closure of underperforming SOEs.[628] In 1987, the government began to popularize the contract responsibility system under which SOEs as contractors signed contracts with governments as issuing parties. Such contracts detailed the production goals of SOEs and the allocation of profits between them and the issuing government. SOEs then signed contracts with different business bureaus within them and further decomposed the production goals. By allowing enterprise managers at all levels greater discretion over production and further linking the performance of enterprises to the bonuses of them and rank-and-file workers, this system aimed to boost productivity and profitability.[629]

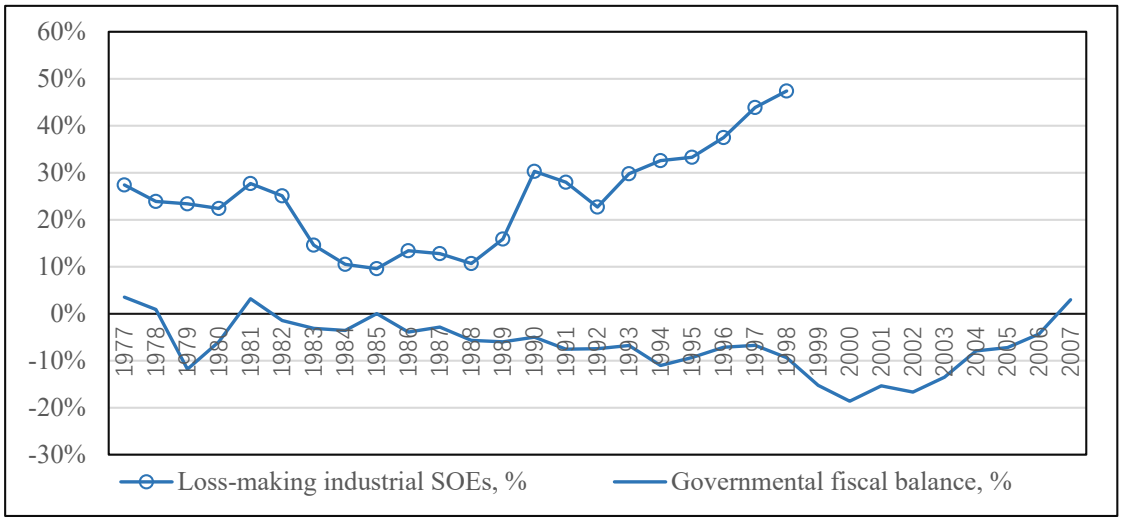


Figure 12. Proportion of Loss-Making Industrial SOEs and National Fiscal Deficits in China, 1977-2007

Source: Data on the proportion of loss-making industrial SOEs come from Lou (ed.)

[628] Gao n. d.
[629] Maschmeyer and Yang 1993.

2000, 222; Data on fiscal deficits come from National Bureau of Statistics 2010, Table 1-15.

Between 1949 and 1957, by transforming foreign and private enterprises into SOEs and collectivizing self-employed handicraftsmen, the CCP almost eliminated private exploitation. From the late 1970s onwards, however, private enterprises, both domestic and overseas, has staged a comeback. In 1980, in the light of the unemployment pressure, the then government began to encourage self-employment. In 1984, a milestone document *Decision on Reforming the Economic Regime* from the Central Committee of the CCP pointed out that economies with various types of ownership should be developed.[630] Meanwhile, thanks to the dismantling of rural communes, the private economy blossomed in rural China.[631] In 1988, then then constitutional amendment officially recognized the private economy as "supplementary to the socialist public economy."[632]

At the same time came the deepening integration of China into the international division of labour. From 1979 onwards, special economic zones sprouted up, first in coastal cities, including Shenzhen, Zhuhai, Shantou, and Xiamen, and then in Hainan. Special economic zones experimented on multiple institutional reforms, including but not limited to employment and labour insurance, land use, and tax exemption and reduction, to create a friendly business environment for foreign capital. In 1984,

[630] Hu (ed.) 2014.
[631] All-China Confederation of Industry and Commerce 2007, 3.
[632] National People's Congress 1988.

emboldened by the success of special economic zones, the central government further opened 14 coastal cities that were granted more discretion in attracting foreign capital than other cities. In 1985, the opening area was further extended to include the whole Yangtze River Delta, Pearl River Delta, South Fujian Delta, and the Pan Bo Sea Region.[633] Between 1983 and 1991, the value of foreign direct investment grew from 1.92 billion USD to 12 billion USD.[634] In the 1990s, the opening regions further grew to include the whole coastal area and then provincial capital cities in the hinterland. This process reached a milestone when China joined the WTO in 2001 that led to significantly greater market access of foreign goods and capital to the Chinese market and Chinese goods and then capital to the overseas market as well.[635]

In 1992, in the 14th national congress of the CCP, marketization was officially erected as the grand goal of reform, which greatly accelerated and deepened subsequent economic reforms. In 1993, influenced by neo-institutional economists, the central government pointed out that the direction of SOE reforms was to establish a set of modern enterprise institutions that was compatible with the market economy, under which, the ownership of the enterprise was clearly defined, rights and obligations of the enterprise specified, functions of the enterprise separated from functions of the government, and management followed scientific methods. According to neo-institutional economics, private ownership was the only type of ownership that was regarded as "clearly defined." Thus, the above direction of SOE reforms means the

633 Tang 2008.
634 National Bureau of Statistics 2010, Table 1-53.
635 Tang 2008.

privatization of SOEs. Similarly, in neo-institutional economics, minimal state intervention was regarded as the key to the success of enterprises. Moreover, in the then mainstream views, the supply of social reproduction facilities and services was regarded as counterproductive for enterprises and as more associated with the responsibility of the state. In the light of this, the separation of SOE functions from government functions on the one hand means the state's retreat from SOEs both in finance and in management, and on the other hand means the SOEs' retreat from the sphere of social reproduction. With little room for the voice of workers in the principles of scientific management, its implementation was doomed to ruin workers' participation in the management of the enterprises they worked for.[636]

The 1990s witnessed dramatic reforms on SOEs in the above direction. As a result of the state's financially retreat from SOEs, according to Figure 12, in the 1990s, the proportion of loss-making industrial SOEs soared. In the light of this, in 1994, the central government launched a new SOE reform under the rubric of "optimizing capital portfolio" (*youhua ziben zuhe*). This scheme consisted of four components: increasing the assets of SOEs (*zengzi*) by increasing governmental investment, overhauling SOEs (*gaizao*) by improving their management and operations, disconnecting their social reproduction facilities and services from their production facilities (*fenliu*) by transferring the former to local governments, and bankrupting underperforming SOEs (*pochan*). Thanks to the financial strain of both governments and SOEs, only disconnection and bankruptcy were well implemented. In 1995, the state decided to

[636] Gao n. d.

accelerate the reform of small-scale SOEs by introducing reorganization, combination (*lianhe*), merger, leasing, contracting, share-holding, and sale. Within the next few years, the majority of small-scale SOEs were privatised. In 1997, the central government further encouraged the merger and bankruptcy of SOEs which brought about the largest scale of privatization and layoffs ever. The reforms of collective enterprises had followed a similar timeline and pattern. Figure 13 shows the changing numbers of industrial SOEs and industrial collective enterprises between 1977 and 2007. Thanks to the above processes, we can identify a downward trend in both curves.

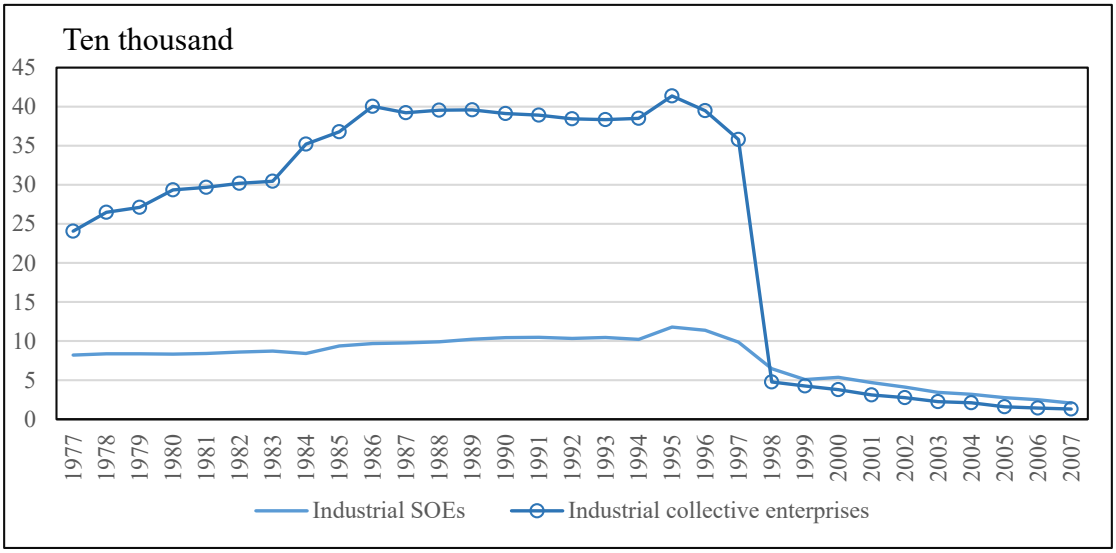


Figure 13. Numbers of Industrial SOEs and Industrial Collective Enterprises in China, 1977-2007

Source: National Bureau of Statistics 2010, Table 1-34.

Note: Numbers of industrial enterprises between 1985 and 1997 included industrial enterprises in and below the village level while numbers after 1997 excluded them. Numbers of industrial collective enterprises between 1998 and 2006 only included those with annual sales beyond five million RMB while numbers of industrial SOEs

during the same period included all SOEs. In 2007, the number of both industrial SOEs and industrial collective enterprises only included those with annual sales beyond five million RMB.

The fall of SOEs and collective enterprises had coincided with the rise of privative enterprises. Between 1949 and 1957, SOEs resorted to outsourcing to and monopolizing the sales of private enterprises to diminish the private sector. In the 1990s, SOEs and collective enterprises did the same and in the end contributed to the restoration of the private sector. According to Table 13, in the 1990s, SOEs were both the major raw material suppliers and major clients of private enterprises, which indicated that the then SOEs massively subcontracted to private enterprises. Moreover, the then SOEs and collective enterprises also supplied private enterprises with a significant percentage of their managers and technicians. In fact, many owners of private enterprises themselves worked in SOEs and collective enterprises. Moreover, as shown in Table 13, in the 1990s, some private enterprises went further and embarked on merging and renting SOEs and collective enterprises. Data from the same investigation series show that among all surveyed private enterprises, those transformed from SOEs and collective enterprises respectively accounted for 25.7 per cent in 2001 and 20.3 per cent in 2005. The majority of those enterprises were transformed by management buyout. Of all surveyed private enterprises transformed from SOEs and collective enterprises in 2001, 60.6 per cent were brought by former top managers; 23.1 per cent were brought by outside investors.

Table 13. How the Fall of SOEs and Collective Enterprises Contributed to the Rise of Private Enterprises? 1992-1996

	1992	1994	1996	1999
SOEs as main material suppliers	42.8%	37.9%	40.3%	
SOEs as main customers	34.4%	26.4%	28.9%	
% of managers from SOEs	36.4%		18.7%	
% of managers from collective enterprises	17.6%		20.3%	
% of technicians from SOEs	38.9%		17.9%	
% of technicians from collective enterprises	18.0%		15.2%	
% of urban private employers from SOEs	36.4%	33.3%	12.2%	22.9%
% of urban private employers from collective enterprises	19.3%	14.2%	15.3%	24.5%
% of private enterprises that had merged or rented SOEs and collective enterprises			5.5%	11.3%
% of private enterprises that planned to merge or rent SOEs and collective enterprises			17.6%	15%

Source: Compiled from the All-China Confederation of Industry and Commerce 2007.

The economic success of private enterprises shortly won political recognition and wider market access. In 1997, the Fifteenth National Congress of the CCP escalated the status of the private economy from "supplementary" to "an important component of the socialist market economy."[637] In 2005, the State Council issued *Several Suggestions on Encouraging, Supporting, and Guiding the Development of Individual, Private Economy and Other Non-Public Sectors*, better known as the "36 Provisions." This document grants permission to private capital to enter sectors that were conventionally monopolized or dominated by state capital such as electricity, telecoms, railway, airlines, infrastructure construction, social service supply, finance, and national defence, and encourages private capital to participate in the restructuring of SOEs.[638] In this way,

[637] Jiang 1997.
[638] Central Government 2005.

the “36 Provisions” greatly facilitate the permeation of private capital to the whole national economy.

The above processes have fundamentally restructured the economic landscape of China. In 1977, SOEs and collective enterprises respectively contributed 77 per cent and 23 per cent of the national gross industrial output value[639] and 78.8 per cent and 21 per cent of urban employment.[640] In 2016, however, SOEs and collective enterprises together contributed four per cent of the combined gross industrial output value of SOEs, collective enterprises, and other enterprises with an annual revenue of 20 million RMB or above and 16 per cent of urban employment. In contrast, (domestic) private enterprises contributed 35.4 per cent of such gross industrial output value and 29.2 per cent of urban employment; foreign enterprises, including those invested by capital with Hong Kong, Macao, and Taiwan origins, contributed 21.6 per cent of such gross industrial output value and 6.4 per cent of urban employment.[641] Figure 14 shows the changing distribution of workers in urban enterprises with different types of ownership between 1977 and 2015.

In addition the reconstruction of enterprises with different types of ownership, another factor that tremendously impacts on China’s working conditions has been China’s integration into the global commodity chain. According to Figure 15, between 2012 and 2016 (the time when data are available), exports contributed approximately ten per cent of all industrial sales in China. China’s share in aggregate world export

639 National Bureau of Statistics 2004, 22, Table 2-4.
640 Appendix A.
641 National Bureau of Statistics 2017a, Table 4-1, Table 13-1.

value has been climbing. In 2015, 13.8 per cent of the world export value was contributed by China. Enterprises with different types of ownership depend on the foreign market differently. Exports contributed over 30 per cent of the industrial sales of foreign enterprises and some five per cent of those of domestic private enterprises. For SOEs, roughly one per cent of their industrial sales came from exports.

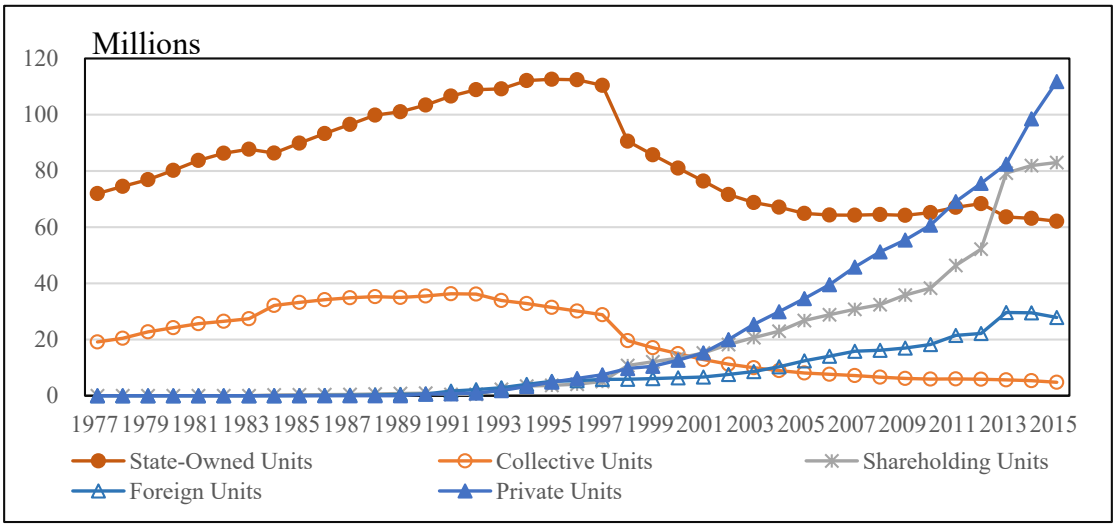


Figure 14. Employment in Urban Enterprises with Different Types of Ownership in China, 1977-2015

Source: Appendix A.

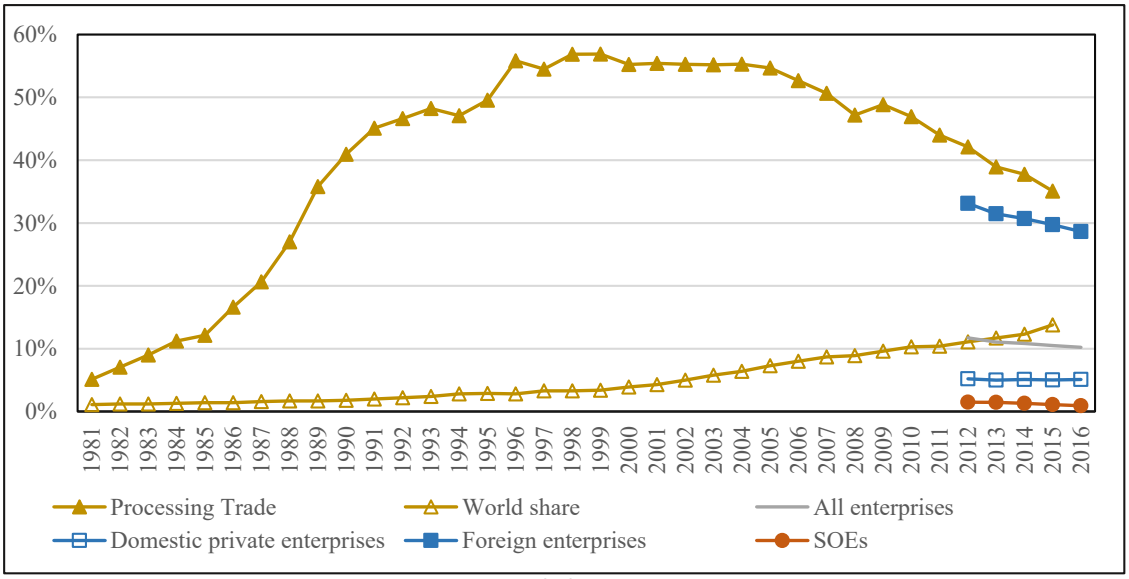


Figure 15. China's Integration into the World Economy, 1981-2016

Source: Data on the proportion of processing trade export value in the overall export value come from National Bureau of Statistics 2016c, Table 6-8; Data on the proportion of export value in the overall sales of different enterprises come from National Bureau of Statistics 2013/2015a/2015b/2016b, 2017b, all in Table 1-11.

Meanwhile, it is worth noting that the share of processing trade export value in all export value peaked at 56.9 per cent in 1998 and remained at over 30 per cent in the 2010s. Given that processing trade mainly takes advantage of the processing or assembly work by Chinese workers, the substantial presence of processing trade in China's exports, together with China's significant share in world exports, unveils China's role as the world factory in the global commodity chain, which subjects the working conditions of Chinese labourers to the power of global buyers and to the competency of rival labourers in other countries. In the well-researched case of Apple and its primary contract manufacturer Foxconn, as shown in Figure 16, Foxconn's Applization, which can be translated into Apple's increasing bargaining power over Foxconn, had been accompanied by an upward trend in Apple's profit margins but a downward trend in Foxconn's profit margins, which had generated catastrophic consequences for Foxconn workers with serial suicides as an extreme form.

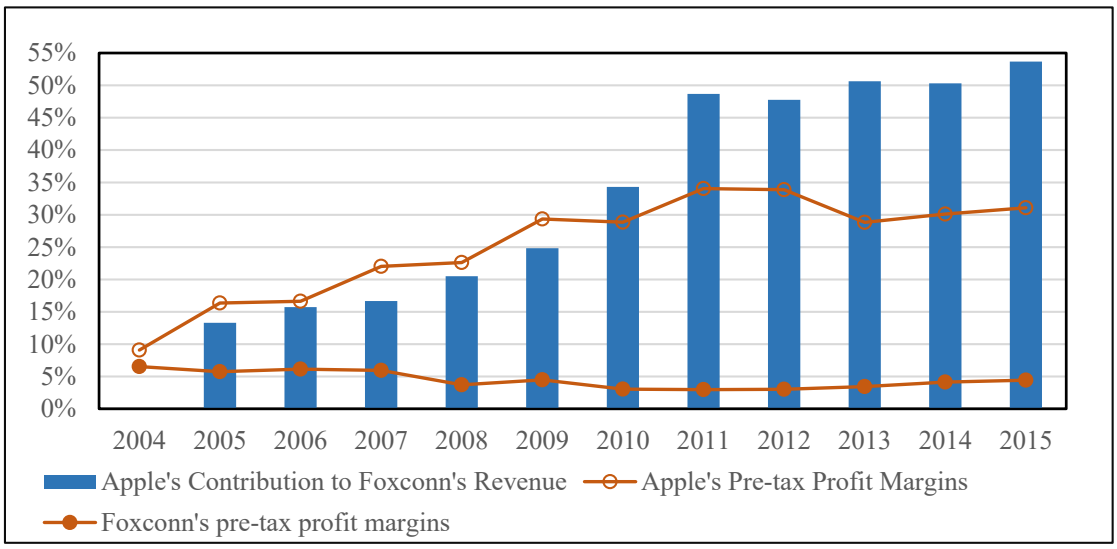


Figure 16. Profit Margins of Apple and Foxconn during Foxconn's Applization, 2004-2015

Source: Feng 2017.

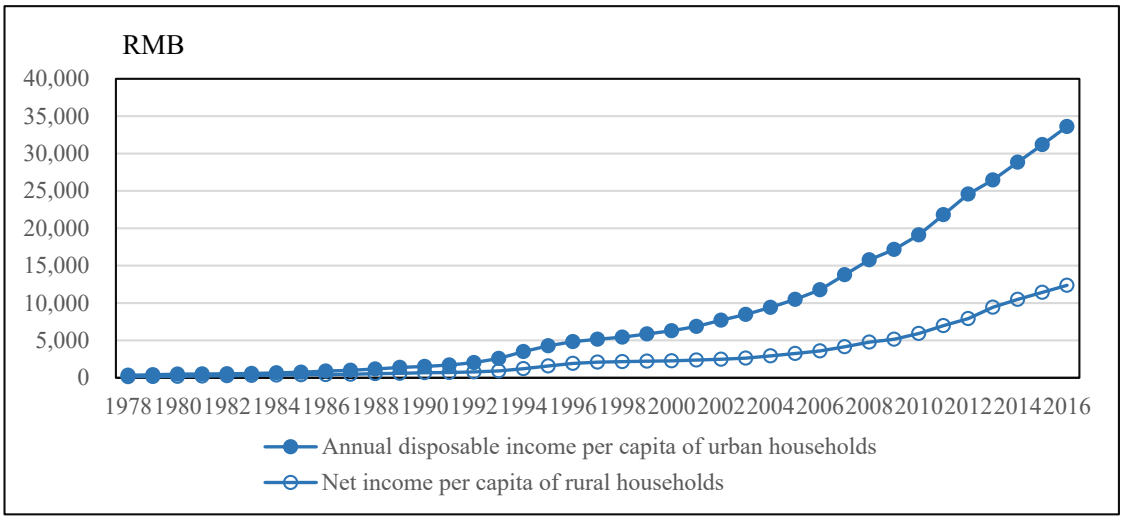


Figure 17. Rural-Urban Households Income Gap in China, 1978-2016

Source: National Bureau of Statistics 2017a, Table 6-6, 6-11, 6-16.

Last but not the least, the above reforms called for the surge of peasant workers. With the dismantling of rural communes and the booming of the private sector, the state lost the institutional defence in both rural and urban areas that prevented the inflows of

peasants into cities. The expansion of the private sector had demonstrated greater appetite for cheap migrant labour than had the state sector in the Mao era. In rural China, with the retreat of government investment, as shown in Figure 17, the rural-urban gap had been widening. With the commodification of social reproduction resources and intensified extraction from peasants via arbitrary taxes and fees, as shown in Figure 18, peasants' needs for cash income had soared. All these factors pushed them to seek off-farm jobs.

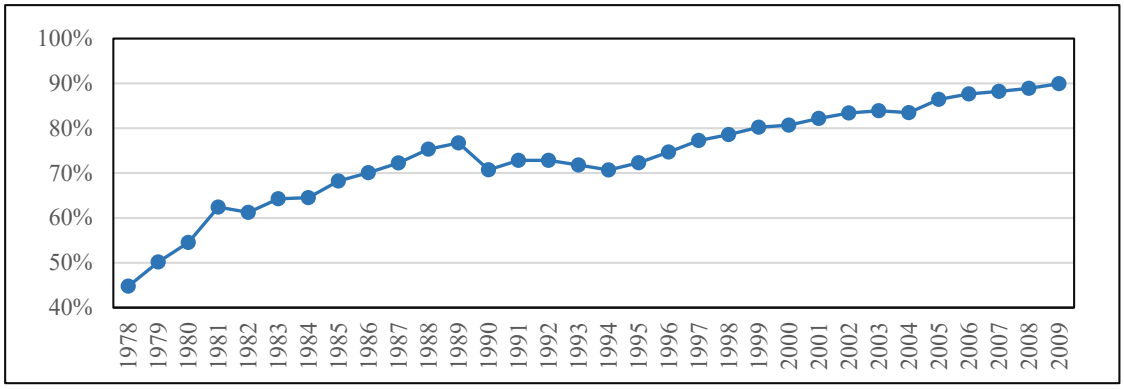


Figure 18. Proportion of Cash Expenditure in the Gross Expenditure of Rural Households in China, 1978-2009

Source: National Bureau of Statistics 2010, Table 2-28, Table 2-34.

Unmaking of the Ownership-based Social Exclusion

In the reform era, the deterioration and retrenchment of formal employment in SOEs and the rise of predatory employment in the private sector, have on the one hand restored private exploitation, and on the other hand largely unmade social exclusion

based on the types of enterprise ownership.[642]

The reorientation of SOEs towards profit-making entities underpinned the reorientation of national employment policy from one that prioritized full employment in Mao's time to one that prioritized economic output maximizing in the reform era,[643] which is largely at the expense of workers' job security. Since the early 1980s, the conditions of formal SOE employees have stepped into a path of continual deterioration, including but not limited to job tenure, compensation, and political rights. Such deterioration on the one hand dismantled the rigid boundary between formal SOE workers and other workers that existed in the Mao era, on the other hand subjected them to exploitation comparable to that in the private sector.

Given the grim working conditions in private enterprises, both domestic and foreign-invested, the growth of private employment from almost zero to dominance has been the most fatal blow for labouring people in the reform era. Although workers in the private sector do not necessarily earn less than their counterparts in SOEs, their jobs are much more insecure and they are much less likely to be covered by social insurance. Within the private sector, with regard to working conditions, domestic private employment is even worse than foreign employment. Thus, as with what happened in the Mao era, in the reform era, the type of enterprises ownership remains a valid indicator of working conditions, but to a lesser extent. A spectrum of working conditions according to types of ownership unfolded with SOEs and domestic private

[642] Given that workers in urban collective enterprises shared many of the experiences of SOE workers in the reform era, this chapter includes their experience in this section.
[643] Xue 1986.

enterprises as two extremes and foreign enterprises and enterprises with hybrid ownership somewhere in the middle. Given that the privilege of SOE workers has been largely curtailed and that it is easier to move between enterprises with different types of ownership in the reform era than in the Mao era, social exclusion based on the ownership of enterprises has been evaporating.

Reforming SOEs: From Fixed Workers to Contract Workers

As shown in Chapter Four, in Mao's time, SOE fixed employees enjoyed permanent employment, which was called the "iron rice-bowl." In the reform era, the lifetime job security was progressively undermined via the re-introduction and universalization of the labour contract system, the popularization of the optimizing staffing combination (*youhua laodong zuhe*) scheme, and finally the mass layoffs, which were all led by the state. According to Chapter Four and Five, in Mao's time, SOE fixed employees did not have labour contracts while most of the temporary workers were supposed to have fixed-term contracts to facilitate dismissal. With SOEs becoming profit-seeking market entities, in the reform era, the labour contract system spread from including all new hires in certain regions, to include all new hires in the whole country, and then to including all veteran fixed employees. By transforming all employees into contract workers, the universalization of the labour contract system marked a decisive step towards the elimination of stratification within the labouring people based on different types of ownership of the enterprise employers and based on different employment arrangements they were on. Meanwhile, the prevalence of fixed-term labour contracts

largely replaced lifetime job security with utter precariousness.

Amidst the debates over the priorities of labour policies in the late 1970s and early 1980s, the issue of re-introducing the labour contract system appeared. Given the then urban unemployment pressure, many cadres tended to prioritize the expansion of employment. Reformers, however, argued that greater attention should be paid to raising labour productivity. They blamed the "iron rice bowl" as a major impediment to raising labour productivity and identified labour contracts as an important means of dissolving it. As a result of the upper hand of reformers and the substantial disagreement among policymakers, the labour contract system was re-introduced together with employment promotion policies and was slowly popularized in the 1980s. The main elements of the re-introduced labour contract[644] did not significantly differ from its predecessor in the Mao era. It detailed the obligations and benefits of employers and employees during a fixed term and anchored the renewal of contracts on the performance of employees and the need of employers.[645]

In September 1980, the municipal government of Shanghai took the initiative to apply the labour contract system to new hires in regular positions in 21 enterprises. The contracts mainly lasted for one or two years.[646] In October 1981, the central government issued *Several Provisions on Creating New Employment Opportunities,*

[644] To distinguish them from contract workers (*hetong gong*) in Mao's time, the state dubbed the workers recruited under the labour contract system in the 1980s and after as contract-system workers (*hetong zhi gongren*). The state argued that contract-system workers were part of formal employees and enjoyed the same political rights as fixed employees while contract workers were informal, temporary workers (See China Labour 1983). Such distinction was also reflected in the then labour statistics. However, given that such distinction is farfetched, this chapter omits it and uses "contract workers" to refer to all workers hired under the arrangement of labour contract with exceptions regarding statistics.

[645] White 1987b.

[646] Chen, Shaohui 2003, 153; Shanghai Archives 1982, B123-11-130, B127-6-379-26.

Revitalizing the Economy, and Solving Urban Employment Problems which stipulated that it was to enforce employment institutions of multiple forms, including contract labour, temporary labour, and fixed labour so that units could not only recruit employees but also get rid of them conveniently.[647] Emboldened by this document, by 1982, the labour contract system had been tried in more regions, including Beijing, Guangxi, Guangdong, Henan, Hubei, and so on.[648] Almost all experimental sites reported that the labour productivity of contract workers was significantly higher than those with "iron rice bowls."[649] For example, at the Number Two Bed Sheet Company, Shanghai in the early 1980s, the absenteeism rates of fixed workers and contract workers were 15 per cent and one per cent respectively; within the same period, contract workers also yielded more.[650]

Being more confident, in 1983, the Ministry of Labour and Personnel (an amalgamation of the previously separated Ministry of Labour and Ministry of Personnel that was founded in 1982 and dissolved in 1988) issued the *Circular on Proactively Experimenting with the Labour Contract System.* It set up a two-stage road map for the implementation of the labour contract system from reserving it for new hires to applying it to all employees. It stipulated that this system should be tested in all SOEs and big collective enterprises and briefly mentioned the reform of the wage system and the labour insurance system to support the reform of the labour contract system.[651]

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[647] Central Government 1981.
[648] Chen, Shaohui 2003, 153-154.
[649] White 1987b, 375.
[650] Zhong 1984.
[651] Ministry of Labour and Personnel 1983.

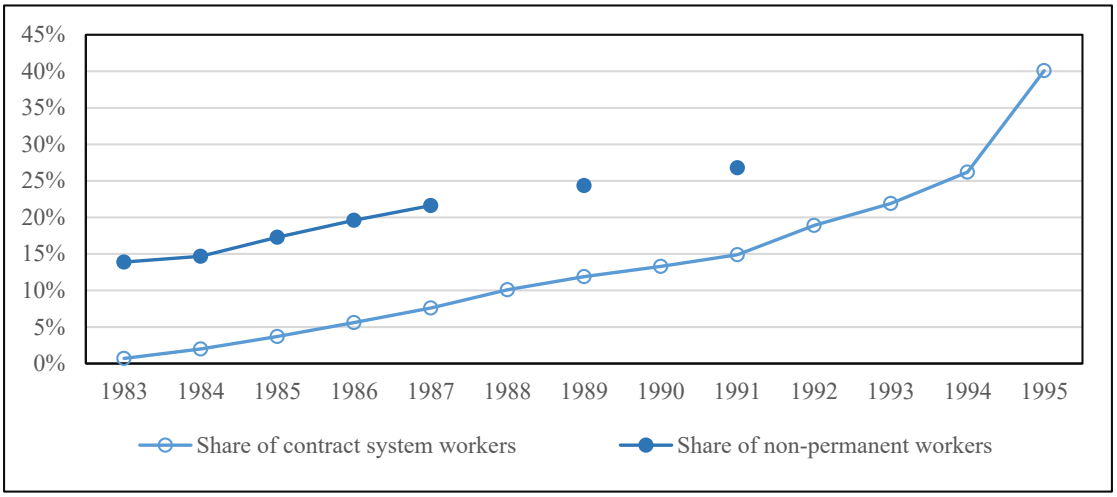


Figure 19. Proportions of Contract-System Workers and Non-Permanent Workers in China's SOEs, 1983-1995

Source: The 1983 and 1984 figures are calculated from National Bureau of Statistics 1987a, 33, 35; The 1985-1989 figures come from Editorial Board 1991a, 481. Other data come from Editorial Board 1993, Wang (ed.) 1996a and 1996b, and Figure 1.

As a result, the whole country began to experiment with the labour contract system. In 1986, the state issued a package of policies concerning the reforms of employment institutions, including labour recruitment, the enforcement of the labour contract system, dismissal, and unemployment insurance [652], which greatly fuelled the further proliferation of the labour contract system. Figure 19 shows the generalization of contract-system workers in SOEs, who were only part of the non-permanent workers in then SOEs. In 1988, a large number of collective enterprises began to embrace the

[652] This package includes *Guoying qiye shixing laodong hetong zhidu jige guiding de tongzhi* (Circular on several provisions on the implementation of the labour contract system in SOEs), *Guoying qiye citui zhigong zanxing guiding* (Interim provisions on employee dismissal in SOEs), *Guoying qiye zhigong daiye baoxian zanxing guiding* (Interim provisions on insurance for being out of employment in SOEs), *Gaige guoying qiye zhaogong zhidu de zanxing guiding* (Interim provisions on reforming the recruitment institutions in SOEs).

labour contract system, too.[653] This system proliferated in the private sector even later, in the 1990s.[654] Together with the spread of labour contracts was employers' enhanced rights to dismiss contract workers. Even before the labour contract concluded, managers could dismiss workers on the pretext of underperformance.[655] Nonetheless, in the 1980s, the mobility of contract workers were low. In 1988, of the then 10.08 million contract workers in SOEs, only 0.06 million left after their contracts naturally concluded.[656] In 1991, the then vice minister of the Ministry of the Labour reported that on average, the then annual turnover rate of contract workers was three to five per cent.[657]

In 1985, given the slow permeation of the labour contract system, the government introduced the optimizing staffing combination scheme. The main elements of the optimizing staffing combination scheme were as follows. First, except for the factory director, all other staff need to be combined with someone in the factory who could employ them to remain in their position. Second, the combination happened across the command chain; according to performance, the factory director selected competent workshop directors and signed labour contracts with them; those workshop directors selected competent group leaders and signed labour contracts with them; those group leaders selected competent workers and signed labour contracts with them. Third, those who failed to be employed became redundant and were subject to procedures regarding

653 Editorial Board 1991a, 88-92.
654 China Labour 1992.
655 Zhong 1984; Bian 1985.
656 Specially-invited commentator 1989.
657 Li 1991.

re-employing redundant labour.[658] As a result of the optimizing staffing combination scheme, fixed workers who underperformed, or were old, physically weak, ill, and disabled were cleared from the active workforce of enterprises.[659] At the national level, in 1988, of the then 100 million SOE workers, 13.3 million were involved in this scheme and approximately six per cent of them became redundant.[660] Nonetheless, these redundant workers maintained their status as fixed workers at that time.

From the late 1980s, the government began to experiment with transforming veteran fixed workers into contract workers by universalizing the labour contract system, which was called introducing a universal labour contract system (*quanyuan hetong zhi*). In 1988, Beijing Microcomputer Group adopted the universal labour contract system and all staff became contract workers. The length of the contract ranged from over ten years to less than one year. The contract ended when it was due, when the employee had been redundant for one year, when the employee failed to fulfil his or her obligations, or when the employee failed to recover from non-work-related illnesses or injuries after a certain period of time.[661] In the same year, in Yantai, Shandong, eleven enterprises experimented with the universal labour contract system. They signed contracts with veteran fixed workers, suspended the healthcare benefits of their immediate family members, but increased their wages by 17 per cent.[662] In 1990, of the total 6,754 workers at five experimental enterprises in Beijing, 6, 659 became contract workers and the remaining 95 left out of grievances. Of the former, 61.4 per

[658] Zhao 1985; Gong 1989.
[659] Gao n. d.
[660] National Bureau of Statistic and the Ministry of Labour 1989, 329.
[661] Gao and Chen. 1988.
[662] Bi 1989.

cent signed long-term contracts (over ten years) with their enterprises; 30.6 per cent signed mid-term contracts (three to five years); 5.8 per cent signed short-term contracts (one year or shorter); 2.2 per cent signed project-based contracts.[663]

Based on these experiments, in April 1991, the *Ten-year Plan for the National Economy and Social development and the Outline for the Eighth Five-year Plan* pointed out that the general labour contract system should be gradually established during the eighth five-year plan (1991-95).[664] In 1992, at the national level, 16.3 per cent of urban enterprise employees were contract workers and approximately 8.82 million enterprise employees were involved in the implementation of the general labour contract system.[665] In the same year, the Ministry of Labour issued several documents that required all provinces to experiment with the general labour contract system and provided details of implementation, which greatly fuelled the popularity of the labour contract system (see Figure 19). Institutional efforts to popularize the labour contract system peaked when the Labour Law was enacted in 1994 that had a special chapter on the labour contract. In the same year, the Ministry of Labour issued the *Circular on the Full Implementation of the Labour Contract System* that stipulated that the labour contract system should have been fully implemented nationwide by the end of 1996 with few exceptions.[666] In fact, at the national level, by the end of 1995, an estimated 85 per cent of enterprise employees had become contract-system workers.[667]

Although veteran fixed workers in SOEs and urban collective enterprises were

[663] Yun et. al. 1990.
[664] National People's Congress 1991.
[665] Ministry of Labour and the National Bureau of Statistics 1993.
[666] Ministry of Labour 1994.
[667] Wang (ed.) 1996b.

transformed into contract workers, they tended to have long-term or quasi-permanent contracts, which was different from newly-added contract workers who tended to have short contracts. Table 14 shows the length of the labour contracts in SOEs, urban collective enterprises, and other enterprises in six provinces—Jiangsu, Anhui, Henan, Hubei, Guangdong, and Sichuan—in 1995, 2002, and 2007. While the sample may be biased in some ways, it is still clear that a decreasing proportion of workers in SOEs and urban collective enterprises enjoyed 10-year or longer contracts. A nationwide investigation led by a research team dispatched by the standing committee of the National People's Congress found that, in 2005, the majority of labour contracts in China were for one year or shorter, to say nothing of the common occurrence of absence of labour contracts (also see Table 14). [668]

Table 14. Length of Labour Contracts in Enterprises in Urban China, 1995, 2002, 2007

	Category	≥10ys, %	> 1y, < 10ys, %	≤1y, %	No Contracts, %
1995	SOEs and Collective enterprises	75.4	22.3	2.3	
	Others	18.5	37.5	44.0	
2002	SOEs and Collective enterprises	62.4	24.1	9.3	4.2
	Others	16.8	30.7	30.2	22.3
2007	SOEs and Collective enterprises	54.8	36.6	3.7	4.9
	Others	17.2	53.0	12.9	16.9

[668] He 2005.

Source: Li and Zhao 2012.

Reforming SOEs: Off the Duty and Becoming Informal Workers

It is only with mass layoffs (*xiagang*) that the lifetime job security of formal SOE workers was fundamentally eroded and the most exclusive group of labouring people in Mao's time was physically dissolved. *Xiagang* means being off-duty in Chinese. What distinguished *xiagang* workers from laid-off workers is that *xiagang* workers only included formal employees. While off their previous duty, they nominally remained the members of their employer units for a certain period of time during which the units had obligations, albeit often unfulfilled, to provide meagre living allowances for them and find them new jobs. Thus, *xiagang* is largely a euphemism for layoff. The word *xiagang* already appeared amidst the downsizing of urban employment between 1961 and 1963[669] when the excessive expansion of urban residents considerably went beyond the financial and food capability of the state. Apart from that, although rounds of overhauls of the production organization of SOEs had been conducted in Mao's time to identify redundant labour and to reposition or get rid of them, the extent of downsizing was largely capped to the extent that only temporary workers were affected.[670] However, in the reform era, mass layoffs was implied in the re-orientation of SOEs. It re-emerged in the 1980s and became a common occurrence throughout the late 1990s and early 2000s.

In 1978, approximately 15 per cent of the industrial workforce was estimated as

[669] Shanghai Archives 1967, B336-1-17.
[670] Editorial Board 1991b, 213-221

redundant.[671] Subsequently, between 1978 and 1985, the government overhauled many SOEs and a large number of redundant workers left their posts. Then with the implementation of the optimizing staffing combination scheme from 1985 onwards, in 1988 alone, approximately 848,000 formal SOE employees became redundant and were repositioned.[672] In 1986, the enactment of the *Law of Enterprise Bankruptcy* legally prepared for overall redundancy and mass layoffs of bankrupt enterprises. Meanwhile, in the late 1980s, there had been tentative debates about unemployment under socialism. The official magazine of the Ministry of Labour published articles that argued that mild unemployment was conducive for the development of socialist productive forces and further SOE reforms necessitated the unemployment of redundant workers.[673] In 1991, as a result of various kinds of SOE reforms, nearly one million SOE workers lost their posts.[674] This process accelerated after 1992 and gained full momentum between 1998 and 2000. In the period 1992-2015, in cities, the number of SOE workers dropped by 44.9 per cent from peak time in 1995; the number of collective workers dropped all the way by 86.7 per cent (see Appendix A). This round of downsizing ignited numerous anger and mass protests. However, these protests hardly reversed the insurmountable marketization trend.[675]

While redundant fixed workers were channelled to other positions within the state-owned sector in Mao's time, in the 1980s and early 1990s, with the reorientation and

[671] Deng et. al. (eds.) 2009, 138-140
[672] National Bureau of Statistic and the Ministry of Labour 1989, 329.
[673] Song 1989; He 1989.
[674] Editorial Board 1993, 1-8.
[675] Lee 2007, 69-156; Li 2003; Lee 2000; Hurst and O'Brien 2002; Wu 2010; Chen, Feng 2003; Xie 2008; Hurst 2004.

later the shrinking of SOEs, they were at best repositioned in collective units that were affiliated with the SOEs they once worked for. This was a beginning of the subsequently continual degradation of their situation. In the 1990s and early 2000s when layoffs became common, through the "re-employment project," the state provided employment services such as training and job-matching, distributed allowances for living and social insurance for a certain period of time, and so on. Nonetheless, redundant workers were increasingly pushed to the market and joined the army of informal workers, including the army of agency workers (more details in Chapter Eight).[676] Only former fixed employees of SOEs were entitled to the benefits provided by the "re-employment project," although they might not necessarily receive them because of financial strains of local governments. Contract workers in SOEs and workers in collective enterprises were simply laid off without remedies.[677] It is worth noting that when the SOE reforms lost momentum in the early 2000s, the government continued to expect SOEs to be stabilizers of the society by providing stable employment. Thus, jobs remained more secure in SOEs, both for formal and informal workers, than in non-SOEs.[678]

Reforming SOEs: Diminishing Compensation and Political Competitiveness

For formal employees of SOEs, with the unfolding of the reforms, not only their job tenure became volatile and their number retrenched as mentioned above, but also their wages increasingly hinged on their performance, their all-encompassing welfare

[676] National Committee of Reforming the Economic System 1998; Chinese Labour Academic Association and Beijing Municipal Labour Academic Association (eds.) 1999.
[677] Yu 2000, 125-139; Wu 2010.
[678] An interview with MOHRSS researcher M1, Beijing, 31 August 2016.

benefits were greatly curtailed, and their political status as the master of the society largely hollowed out. When compared with the situation in Mao's time, with the growth of China's economy and the deepening of marketised reforms, their material conditions have been better off while their political entitlements undoubtedly worse off. When compared workers in the private and foreign sector, it is clear that the type of ownership of enterprises has been losing importance as a pillar of social exclusion.

In the reform era, wage reforms in SOEs have marched in the direction of making the compensation of individuals commensurate with the performance of both their employers and themselves. In most of Mao's time, wages of SOE workers were categorized into eight general grades. The majority of workers were paid hourly rates that were designated by the state according to the grade they belonged to, rather than piece rates. Their wages were largely independent of their own performance and the performance of their SOE employers, which were aptly called "iron wages." While guaranteeing the income security of rank-and-file SOE workers, in the reform era, this practice was criticized as dysfunctional to motivating workers since it compensated workers with little consideration of whether they contributed or not, whether they contributed more or less, or whether they outperformed or underperformed their peers. In the light of this, on the one hand, as a further effort to prevent SOEs from eating from the big pot of national finance, the state linked the annual gross wage of individual SOEs to their annual performance. Such linkage was experimented in 1985 and was enforced in almost half of all SOEs in 1992.[679] On the other hand, as shown in Figure

[679] Ding and Yang 1992.

20, from 1978 onwards, within the gross wages of SOEs, an increasingly higher proportion was allocated in forms of piece-rate wages and bonuses, which depended on workers' performance.

In addition to the increasing insecurity of wages of SOE workers, there has been the decreasing competitiveness of their wages. In Mao's time, the relatively high wages of SOE workers contributed to the superiority of this group. In the reform era, as shown in Figure 21, when it comes to wages, while SOE workers maintain their advantages over urban collective workers, they almost lost the edge over workers in other enterprises. When taking into consideration the compensation difference between domestic private enterprises and foreign enterprises in China, one study finds that between 2005 and 2010, SOEs and foreign enterprises paid their workers more than living wages while domestic private enterprises paid their workers less than living wages.[680]

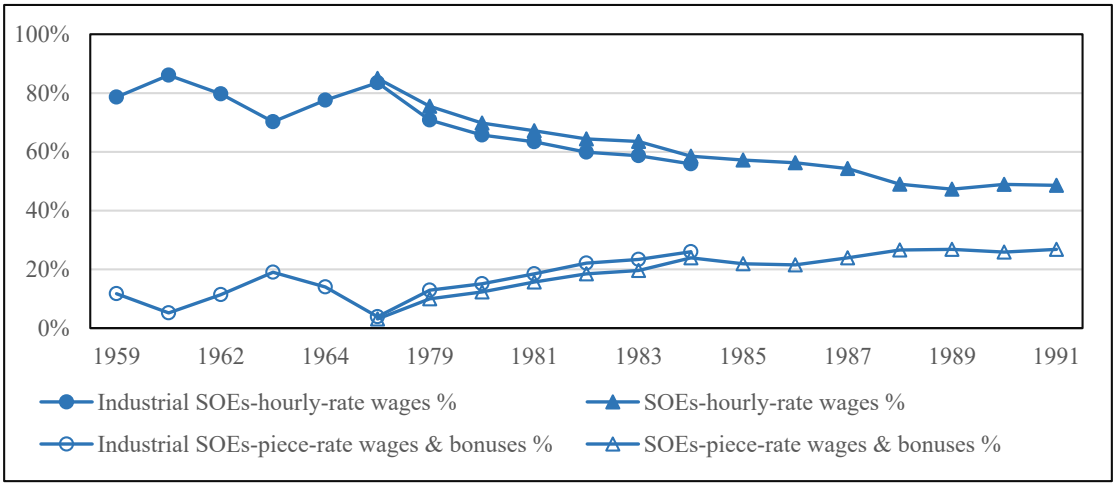


Figure 20. Proportions of Hourly-Rate Wages, Piece-Rate Wages, and Bonuses in the Gross Wages of China's SOEs, 1959-1991

[680] Xu, Chen and Li 2015.

Source: Data on wages in SOEs were available in Wu (ed.) 1993, Table 3-113. Data on wages in industrial SOEs come from National Bureau of Statistics 1987a.

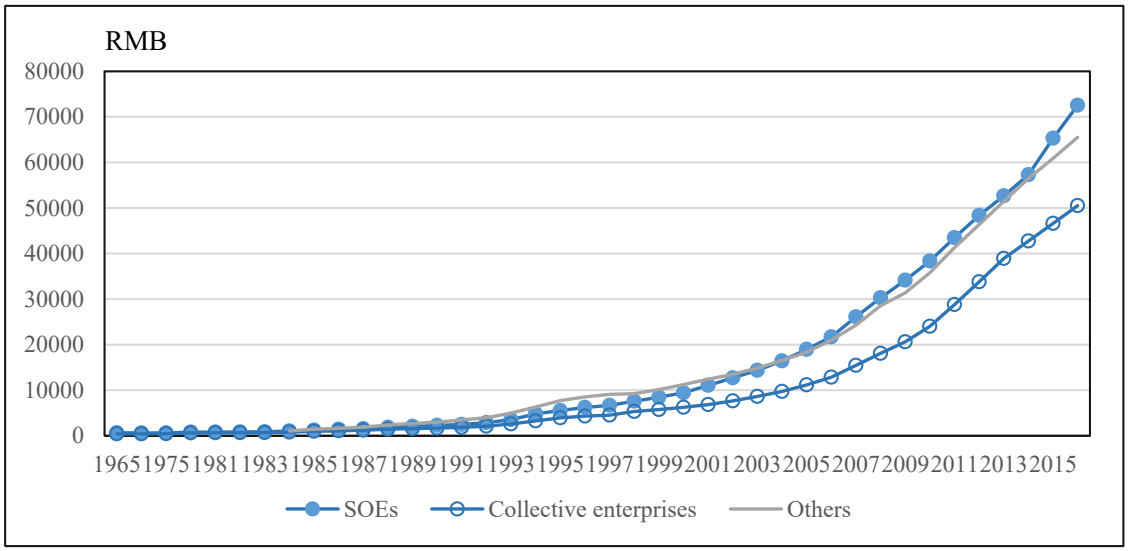


Figure 21. Average Annual Wages of Workers in SOEs, Collective enterprises, and Other Enterprises in China, 1965-2016

Source: Yu (ed.) 2016, 1-20; National Bureau of Statistics 2017a, 4-14.

Moreover, mainly in the 1990s, the cradle-to-grave welfare benefits that fundamentally distinguished formal SOE employees from other labouring people in the Mao era have been greatly curtailed, rendering formal SOE employees exposed to financial pressures brought by the commodification of social reproduction resources as with other workers, albeit to a lesser extent. First, under the rubric of separating the functions of governments from those of enterprises, SOEs retreated from operating their own social reproduction facilities, including but not limited to nurseries, schools, hospitals, and crematories. They had them shut down, handed over to local governments, or restructured into profit-seeking entities targeting general customers. The replacement

of those non-for-profit social reproduction facilities with profit-seeking facilities has greatly boosted costs pertaining to the self-maintenance and childrearing of formal SOE workers (more details below).[681] Second, SOEs retreated from the supply of work-unit apartments to formal employees for negligible rent and instead provided them with modest pecuniary subsidies for buying houses in a commodified and even financialized real estate market (more details below).[682] Third, SOEs partly retreated from the supply of fully-funded healthcare insurance and pensions and replaced them with a new system underpinned by the mutual contribution of employees and employers.[683]

Last but not the least, while Mao's China had gone a long way to enhance workers' participation in factory management (mainly in SOEs) that fulfilled their expectation as the master of the society to some extent, Deng's China has dwarfed workers into wage labourers who are in constant anxiety of where to get tomorrow's bread and overwhelmingly care about pecuniary gains in the near future.[684] The rationalization of management via the popularization of scientific management has greatly empowered managers and transformed what Andrew Walder called "organized dependence" into despotism.[685] It is in this sense that observers noticed that the management practice of SOEs resembles that in the private sector.[686] This reflects that state exploitation has been enhanced to the level of private exploitation in the post-Mao era while it was kept at a level that guaranteed the permanent employment and all-encompassing welfare

[681] Wu 2010, 162-163.
[682] Song 2009.
[683] Frazier 2010.
[684] Andreas forthcoming; Zhao 2012, 66-67.
[685] Lee 1999.
[686] Lau, Qian and Roland 2000; Gallagher 2011.

benefits of the majority of the urban workforce in the Mao era.

Rise of Predatory Private Employment

From the very beginning, as shown in Table 15, domestic private enterprises and foreign enterprises embraced the labour contract system more cheerfully than SOEs and collective enterprises. It is worth noting that private enterprises had a significant percentage of temporary workers more than any other types of enterprises. Moreover, as shown in Table 16, even in 2007, over two decades after the initial introduction of the labour contract system, domestic private enterprises had a higher proportion of workers without labour contracts than SOEs and foreign enterprises. The lack of written labour contracts rendered it hard to authenticate the employment relations between workers and employers, which have effectively prevented these workers from resorting to labour laws when disputes arise. Moreover, Table 16 also indicates that, in 2007, in all the three types of enterprises, a large proportion of workers was employed under labour service contracts, an attempt that employers made to shirk their responsibility as *de facto* employers (more details in Chapter Eight).

It is clear from Table 17 that, in 2002, SOEs outperformed enterprises invested by capital outside mainland China in the coverage of pensions and unemployment insurance while losing their edge over the latter in the coverage of healthcare insurance and work-related injury insurance. Nonetheless, both of them outperformed domestic private enterprises by a wide margin in the coverage of all the four kinds of labour insurance. In addition, the restoration of predatory private employment has also raised

concerns about coercive management, excessive overtime, pervasive wage arrears, work-related injuries, diseases, and fatalities, and so forth.[687]

Table 15. Composition of Workers in Enterprises with Different Types of Ownership in China, 1992

	SOEs	Foreign Enterprises	Others (Mainly Private Enterprises)
Fixed workers, %	82.5	41	40.9
Contract workers, %	15.8	47.9	27
Temporary workers, %	0.9	9.4	29.5
Others, %	0.8	1.7	2.6

Source: ACFTU 1993, 10.

Note: The above data are from a national investigation that mainly covered relatively big enterprises.

Table 16. Percentage of Contract Workers in Enterprises with Different Types of Ownership in China, 2007

	SOEs	Foreign Enterprises	Private Enterprises
With undue labour contracts, %	68.5	81	47.3
With terminated labour contracts, %	3.0	2.7	3.7
With labour service contracts, %	15.9	6.1	10.8
Without any contracts, %	12.7	10.2	38.2

Source: ACFTU 2010, 231.

Table 17. Coverage of Labour Insurance in Enterprises with Different Types of

[687] ACFTU 1987, 1993, 1999, 2006, 2010, 2014.

Ownership in China, 2002

		SOEs	Foreign Enterprises I	Foreign Enterprises II	Private Enterprises
Pension, %	Peasant workers	40.4	50.4	37.4	25.6
	Urban workers	93	86.9	67.8	47.8
Unemployment insurance, %	Peasant workers	21.7	15.2	13.4	5.0
	Urban workers	77.9	70.4	49.4	26.1
Healthcare insurance, %	Peasant workers	31.5	34.4	29.6	17.6
	Urban workers	64.6	78	59.8	33.9
Work-related injury insurance, %	Peasant workers	30.8	57.2	68.6	19.9
	Urban workers	45.8	55.8	52.4	23.5

Source: ACFTU 2010, Table 18.

Note: Foreign enterprises I refer to those invested by overseas capital. Foreign enterprises II refer to those invested by capital from Hong Kong, Macao, and Taiwan.



Figure 22. Growth of Labour Disputes in China, 1996-2017

Source: Jia (ed.) 2017, Table 8-1; CLB 2018a.

As a reflection of workers' grievances towards their poor working conditions, labour

disputes soared. Figure 22 shows that the number of labour disputes dealt by related bureaus and the number of workers involved had been on the rise between 1996 and 2017. Workers' demands had largely focused on the basic elements of job security. As shown in Figure 23, the primary cause of labour disputes had been about wages, followed by labour insurance, and dismissals. These three reasons had caused over 80 per cent of China's labour disputes. However, legal channels to protect labour rights had been losing their effectiveness. According to Figure 24, when a labour dispute was filed, generally, the demands of workers were more likely to be supported by governments than those of employers. Nonetheless, as time went by, the possibility of a neat win by workers had been on a steady decrease.

In the light of this, aggrieved workers have been one of the most militant groups in present-day China. According to a study conducted by the CASS, between January 2000 and September 2013, of collective action that involved over 100 people, approximately 30 per cent were labour disputes; labour disputes was the primary cause of collective action involving 100-1,000 people and 1,000-10,000 people, accounting for 28.3 per cent and 36.5 per cent respectively.[688] According to the China Labour Bulletin (CLB) Strike Map, as shown in Figure 22, labour strikes had been increasing between 2011 and 2015 before decreasing because of the slowdown of the economy. According to Table 18, private enterprises were overrepresented in strikes while SOEs were underrepresented and the number of strikes in foreign enterprises were commensurate with the size of their workforce, which further confirms the superiority

[688] New Beijing's Daily 2014.

of working conditions in SOEs firstly over those of foreign enterprises and secondly over those of private enterprises.

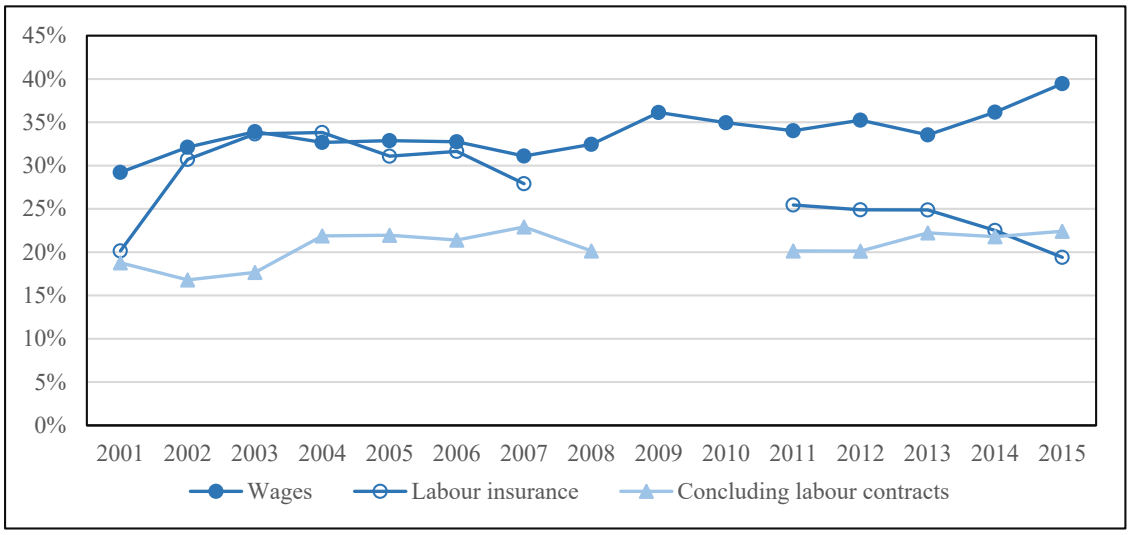


Figure 23. Main Causes of Labour Disputes in China, 2001-2015

Source: Jia (ed.) 2017, Table 8-1.

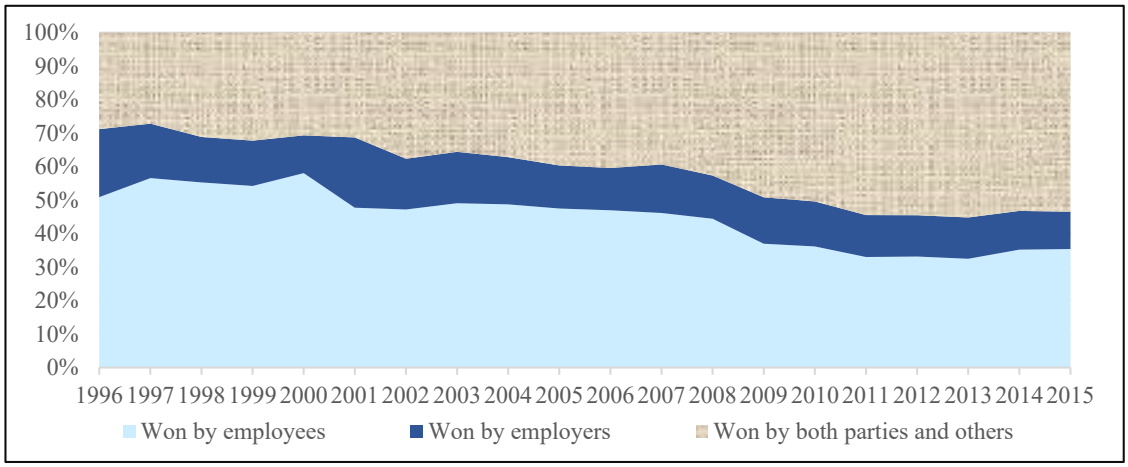


Figure 24. Results of Labour Disputes Settled by Governments in China, 1996-2015

Source: Jia (ed.) 2017, Table 8-1.

Table 18. Strikes in Enterprises with Different Types of Ownership in China, 2011-2017

	Strikes, %	Employment, %
Private enterprises	51.8	38.6
SOEs	11.6	21.4
Foreign enterprises	7.8	9.6
Unknown and others	28.9	30.3

Source: CLB 2018a.

Note: The percentage of employment here is calculated based on the number of urban employees that worked for enterprises in 2015.

Weakening of the Rural-urban Segregation

As detailed in previous chapters, in Mao's time, the majority of peasants were constantly excluded from the urban labour market and thereby from state exploitation; for the few that were included, they mainly worked as the lowest-rung temps that were largely excluded from labour insurance and regularization. In the reform era, as a result of comprehensive reforms mentioned above, hundreds of millions of peasants were included in the urban labour market and thereby exposed to private exploitation or state exploitation comparable to that in the private sector. Owing to super exploitation brought by semi-proletarianization and the entrenched household registration system, they continued to be at the lowest rung of the urban workforce and were largely excluded from labour-related social insurance and essential public services in the cities.

Unleashing Peasant Workers

At least until the early 2000s, the government still prioritized the employment of urban

citizens over that of peasants. Whenever urban unemployment loomed large, peasant workers in cities bore the brunt. Mao's death in 1976 was followed both by a decrease in the number of sent-down urban youth to rural areas and by an increase in the number of called-back urban youth to their home cities. Between 1978 and 1980, some 18 million people flowed into cities, including both returned sent-down urban youth and peasants.[689] Meanwhile, as mentioned above, SOE reforms took off and redundant employees needed to be repositioned. All these factors enhanced pressure on the supply of employment and food and thereby invoked a new round of expelling peasants. As detailed in Chapter Six, during the Cultural Revolution decade, out-of-the-plan workers were the dominant form of temporary workers in urban units and a considerable proportion of them was peasants. In 1980, peasants employed by state-owned units as temporary workers totalled 9.31 million.[690]

In the light of this, from the late 1970s, urban units began to evict peasant workers so as to take in urban residents. In 1978, the State Council endorsed the *Opinions on Controlling the Sale of Grain* drafted by the Ministry of Commerce. It required that out-of-the-plan workers of rural origins should be evicted to their hometown villages.[691] In 1981, the State Council issued the *Circular on Rigorously Controlling the Urban Employment of Peasants and the Transformation of Agricultural Population into Non-Agricultural Population*. This document reiterated the necessity of evicting out-of-the-plan workers and emphasized that urban units should not hire peasants with few

[689] State Council 1981.
[690] State Council 1981.
[691] Editorial Board 1991b, 111-114

exceptions; public security bureaus should strictly control the conversion of rural household registration status into urban and grain bureaus should not supply commodity grain to those who failed to comply with this document and arbitrarily left rural areas.[692] By the end of 1983, over four million out-of-the-plan workers had been dismissed, most were peasants.[693] When SOE reforms gained momentum, in the late 1980s, particularly in 1988, some two million peasant workers were dismissed by their urban employers.[694]

In the 1990s, to prioritize the re-employment of laid-off formal SOE workers over the urban employment of peasants, it was quite common that urban government used the following policies to control the inflow of peasants, which set up not only institutional, but also psychological and economic barriers for peasants to integrate into urban life. First, they designated quotas on peasants that could be recruited by urban units under their jurisdiction and required urban units to apply for the quota they needed before recruiting peasants. Second, they only authorized urban units to recruit peasants when qualified urban labourers were unavailable. Third, they imposed a certificate management system on peasant workers and required them to acquire the following certificates in order to legally stay and work in cities, including but not limited to ID card, diploma, certificate of health, certificate of birth control of migrating population, certificate of working in cities, and certificate of temporary residence. Acquiring those certificates could be costly and time-consuming. Fourth, they set restrictions on

[692] State Council 1981.
[693] Editorial Board 1991b, 111-114.
[694] Editorial Board 1991a, 309-312

positions open for peasants and mostly reserved positions that involved laborious, dirty, and hazardous work for peasants. Fifth, they discouraged urban units from recruiting peasants by charging them fees in the name of, including but not limited to, fees for managing migrant workers, fees for urban accommodation, fees to offset the urban non-staple food subsidy, and fees for contribution to the re-employment fund. Sixth, they prevented peasants from renting private residences and required urban units to provide accommodation for them.[695]

The other side of the coin is that from 1983 onwards, peasants have been allowed to freely migrate into market towns, the lowest level of urban administrative units.[696] When the urban unemployment pressure ebbed, in the 2000s, the government finally changed gears to enhance the protection of peasant workers. For example, in 2003, the State Council required local governments to withdraw the restrictions on urban positions open for peasants.[697] In 2004, the State Council issued the *Circular on Further Improving the Employment Environment of Peasant Workers*.[698] In 2006, in the *Several Opinions on Solving the Problems of Peasant Workers*, the State Council ruled out the practice of dismissing peasant workers on the pretext of guaranteeing the employment of urban citizens.[699]

Despite these contradictory policies, as shown in Figure 25, between 1985 and 2016, the number of peasant workers had been growing steadily. In 2016, peasant workers totalled 281.7 million, including 112.4 million local peasant workers and 169.3

[695] ACFTU 1999, 263
[696] State Council 1983.
[697] State Council 2003.
[698] State Council 2003.
[699] State Council 2006.

million outbound peasant workers.[700] As shown in Figure 26, no later than 2007, peasant workers had made up a significant proportion of the workforce in industries such as construction, hotel and catering, mining, manufacturing, urban agriculture, forestry, animal husbandry and fisheries, and wholesaling and retailing.

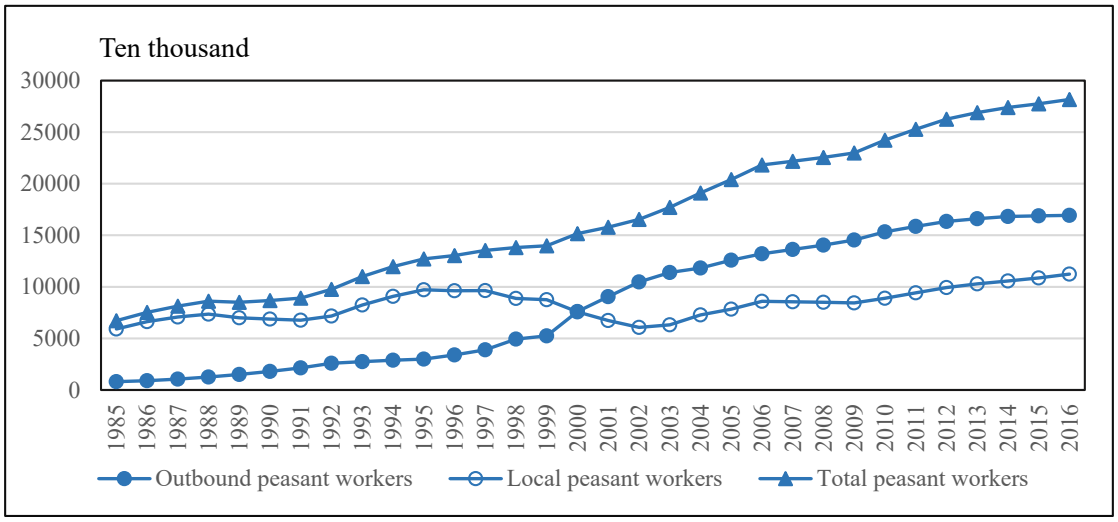


Figure 25. Growth of Peasant Workers in China, 1985-2016

Source: Data on 1985-2009 come from Lu 2012. Data on 2014-2016 come from National Bureau of Statistics, 2015c, 2016d, 2017c.

Note: Local peasant workers refer to those who migrate to local townships to work over six months in the survey year. Outbound peasant workers refer to those who migrate outside local townships to work over six months in the survey year.

[700] National Bureau of Statistics 2017c.

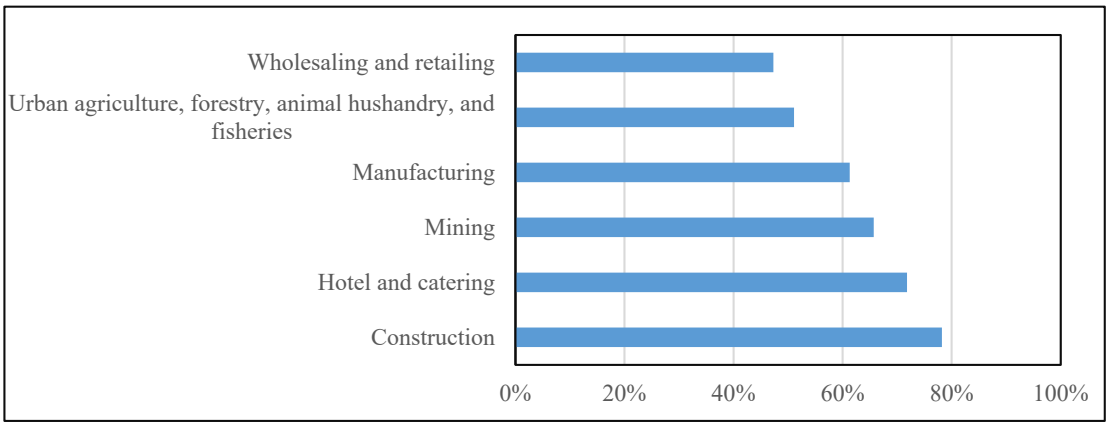


Figure 26. Top Six Industries Mostly Staffed by Peasant Workers in China, 2007

Source: ACFTU 2010, 36.

Retaining the Rural-Urban Dualism in the Urban Labour Market

Despite integration into the urban labour market, cursed by the trap of semi-proletarianization, peasant workers were inferior to workers with urban household registration status in various dimensions of working conditions. First and foremost, on average, peasant workers earned significantly less than urban workers (See Figure 27). While the absolute wages of peasant workers had been on an upward trend, the relative wages, when compared with those of workers in urban units, show a downward trend. Given that workers in urban units included both urban workers and peasant workers, the actual wage gap between urban workers and peasant workers can be even larger.

Second, as shown in Table 17, peasant workers were much less likely to be covered by social insurance. Consistent with the situation in the Mao era, the central government institutionalized the discrimination against peasant workers with regard to labour insurance, at least at the beginning of the reform era. In the 1980s, to facilitate the introduction of the labour contract system, newly-added contract workers were entitled

to an allowance valued at 15 per cent of their wages as a compensation for curtailed welfare benefits when compared with veteran fixed workers. In 1992, the Ministry of Labour made it clear that contract workers of rural origins were not eligible for this allowance.[701] As a result, according to a national investigation conducted by the ACFTU, in 1997, for the same position, the overall costs, including wages and all kinds of welfare benefits, of a peasant worker made up one sixth to one-third of those of a fixed worker.

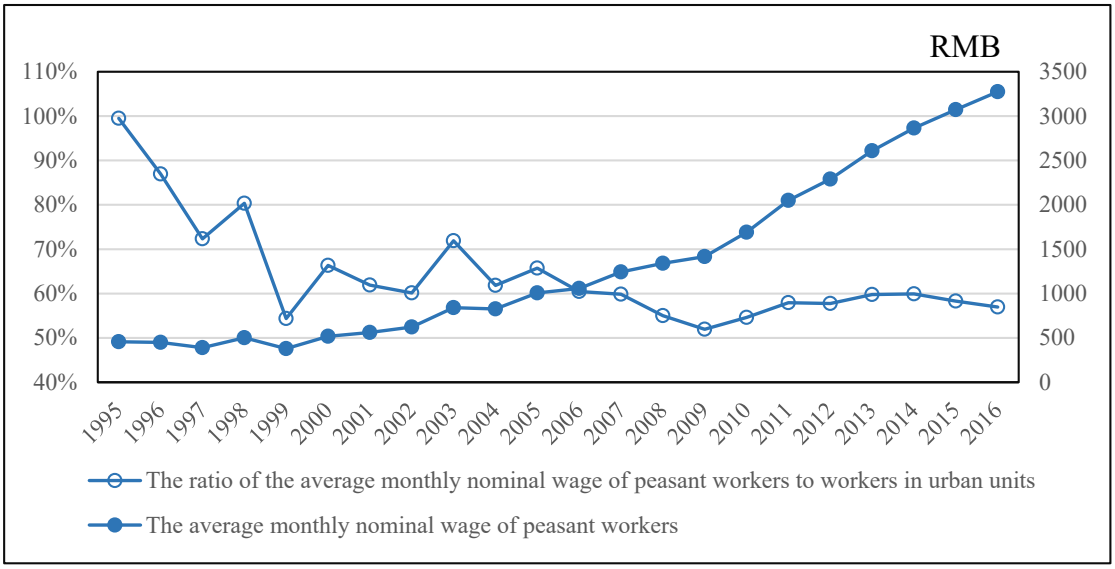


Figure 27. Chinese Peasant Workers' Rising Absolute Wages and Falling Relative Wages, 1995-2016

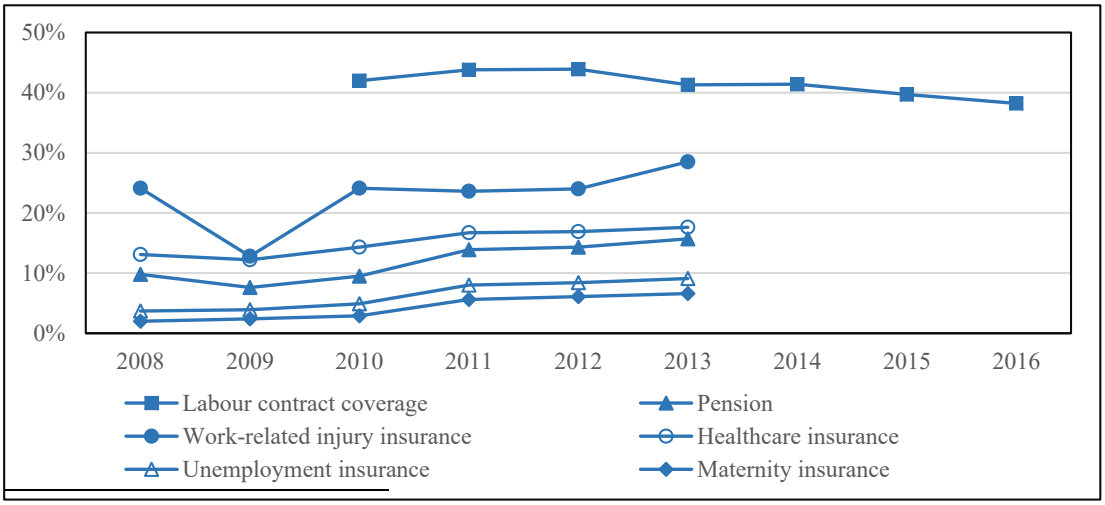
Source: The average monthly nominal wage of peasant workers between 1995 and 2007 is calculated based on Table 1, Table 2, and Table 3 of Lu 2012. These between 2008 and 2012 are from National Bureau of Statistics 2014. These between 2013 and 2016 are from National Bureau of Statistics 2015c, 2017c. The ratios are calculated from wage data from National Bureau of Statistics 2011, Table 4-12, and National Bureau of

[701] Ministry of Labour 1992.

Statistics 2017a, Table 4-11.

Note: Data between 1995 and 2012 only include outbound peasant workers. Data between 2013 and 2016 involve all peasant workers. Workers in urban units include peasant workers.

Third, peasant workers remained overrepresented in positions that urban workers despised. Even in 1997 when SOE layoffs gained momentum, conventionally unfavourable positions such as miners, security guards, and firefighters remained unattractive for urban workers.[702] Fourth, peasant workers tended to work longer hours than urban workers. In 2002, on average, peasant workers worked 53.1 hours per week while urban workers worked 44 hours per week.[703] In addition, when compared with urban workers, peasant workers were more likely to work without contracts or with short-term contracts and work under informal employment arrangements. Figure 28 shows the poor coverage of labour contracts and labour insurance for outbound peasant workers in the most recent years.



[702] ACFTU 1999, 262.
[703] ACFTU 2006, 97.

Figure 28. Coverage of Labour Contracts and Labour Insurance for Outbound Peasant Workers in China, 2008-2016

Source: National Bureau of Statistics 2014, 2015c, 2016d, 2017c.

In addition to the discrimination in the workplace, peasant workers remained largely excluded from being able to freely settling down in cities. After being allowed to work in cities, migrant workers have gradually been allowed to settle in market towns since 1984, and then in small county-level cities since 1997[704] and to convert their rural household registration status into urban one under certain circumstances. In 2015, 165.6 million peasants migrated to market towns or county-level cities for jobs to where they can change their household registration status as long as they have a legal and stable residence, including rented ones. Problems remain, however, with the 111.9 million peasants who have migrated to cities that have not fully opened up to the conversion of household registration status. They had limited access to public services in cities, particularly local schools, and had to leave their children behind in their hometown villages.[705]

Rise of Precarious Employment

Both Mao's and post-Mao China embrace precarious labour to solve unemployment. Nonetheless, Mao's China was committed to providing employment for urban residents,

[704] Kam and Zhang 1999.
[705] National Bureau of Statistics 2014, 2015c, 2016d, 2017c.

including females. It successfully maintained the security of the majority of urban jobs. In contrast, as a result of both the state's retreat from urban employment supply and the government's active promotion of precarious employment to lessen unemployment, post-Mao China saw the explosion in the size of precarious employment. Women bore the brunt of such retreat.

In Mao's China, private economies were regarded as one form of capitalist economies and collective economies were deemed to have capitalist tails and that were to be transformed into state-owned economies. The government took a firm anti-private stance most of the time and had an unfailing impulse to transform collective economies into state-owned ones. In contrast, in the face of the then urban unemployment pressure, in 1980, the State Council issued the *Decision on Further Improving Urban Employment Services*. It proposes the combination of employment allocated by labour bureaus, employment generated by voluntarily organized individuals, and self-employment as the principal of employment supply in the reform era, which means to encourage collective and private economies and related employment and heralds the retreat of the state from employment supply.[706] To remove the ideological adversity pertaining to collective and private economies, in 1983, when the then president Hu Yaobang received the representatives of urban youth that engaged in collective and private economies, he delivered a speech which celebrated all workers that contributed to causes conducive to the country and to the people as glorious, including SOE workers as well as those in collective enterprises and self-employment.[707]

[706] Deng et. al. (eds.) 2009, 19.
[707] People's Daily 1983.

As a result, urban workers increasingly worked in the collective and private sector. If we compare the period 1966-76 and the period 1977-88, the average annual workforce increment to SOEs dropped from 2.84 to 2.6 million while that to collective enterprises increased from 0.53 to 1.43 million. Meanwhile, between 1977 and 1988, the number of self-employed expanded explosively from 0.15 to 6.59 million.[708]

When laid-off workers loomed large, in the late 1990s and early 2000s, the central government adopted more proactive employment policies and began to encourage labour-intensive enterprises, the service sector, the private sector, small and medium-sized enterprises and flexible employment of all kinds, including but not limited to part-time, fixed-term, seasonal employment, labour dispatch, and self-employment.[709] All these new jobs were quite precarious. Take Beijing for example, to create more jobs for laid-off workers, the municipal government took measures to encourage the development of the service industry such as catering, retailing, maintenance and the private sector, and to develop jobs in residential compounds such as care services for children and the elderly, gardening, serving as security guards, and cleaning, which were all poorly regulated by the labour law. It also encouraged highly employable laid-off workers to operate their own business, moderately employable ones to join labour dispatch agencies and to become agency workers, and poorly employable ones to take on jobs in residential compounds as part-timers.[710]

As a result, as shown in Figure 2, the area of "others" (the difference between the

[708] Appendix A.
[709] Central Government 2002; State Council 2005.
[710] State Council 2002, 3-16.

sum of urban employment and the total number of workers in each specified type of employment) expanded wildly in the 1990s and early 2000s. Between 1990 and 2008, it was comparable to, if not larger than, the area of all defined employment in the private sector. According to a researcher of the MOHRSS, many workers in this category seemed to be employed without labour contracts and this area therefore shrank substantially after the enforcement of the LCL.[711] While those in private enterprises were legally entitled to social insurance, those employed in the "other" sector barely had any protection. Although there are some subsidized insurance programs for workers in flexible employment, they cover few people.[712]

Women were disproportionately hit by the retreat of the state from employment supply. In the Mao era, despite constant urban unemployment pressure, the government went a long way to boost women's participation in production. In the reform era, mainly from the late 1980s onwards, urban unemployment pressure was translated into women's retreat from the labour market. According to an investigation conducted by the ACFTU in eleven provinces in 1987, enterprises were reluctant to recruit female workers and women needed significantly high grades than men in recruitment exams to be considered; so were this was also the case for women with higher education: units either refused to take in female graduates or were more likely to return female than male graduates; female contract workers were mostly recruited at prime age (17-22 years old) and they had difficulties in getting their contracts renewed after 22 that was considered to be an age of being ready to marry and start a family; women were

[711] An interview with MOHRSS researcher M2, Beijing, 30 September 2017.
[712] An interview with MOHRSS researcher M2, Beijing, 10 May 2017.

overrepresented among redundant workers because of SOE reforms.[713]

Moreover, in the 1980s, there were heated discussions over letting women return home and the stage-wise employment of women, namely employment before marriage and after children grew up.[714] Amidst SOE reforms in the 1990s, women were more likely to be forced to retire early and they had greater difficulties in getting re-employed than men.[715] As shown in Figure 29, although the labour force participation rates of both male and female went on a downward trend between 1990 and 2017, those of female dropped more sharply.

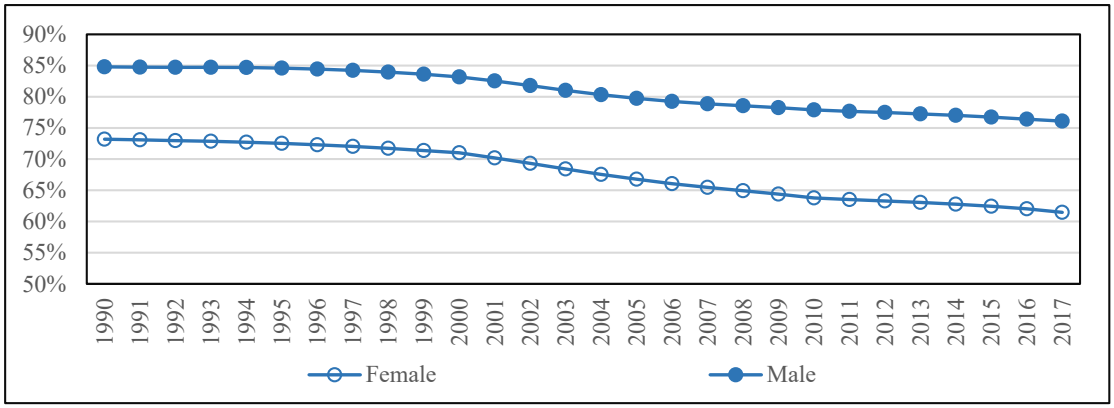


Figure 29. Male and Female Labour Force Participation Rates in China, 1990-2017

Source: World Bank 2018a.

Commodification and Decommodification of Social Reproduction

In the Mao era, with the elimination of the private economy, the state monopolized the supply of healthcare, education, and housing, three essential facilities for the social

[713] ACFTU 1988.
[714] Song 2011; Jacka 1990; Hooper 1984.
[715] Qingdao branch of the ACFTU and the All-China Confederation of Women 1994.

reproduction of labour power, in urban China. In the reform era, with the restoration of the private economy, the retreat of the state from such supply, and the transformation of public institutions towards profit-seeking entities,[716] the sphere of social reproduction has become a playground for profit-seeking capital, which has further squeezed the income of the working class.

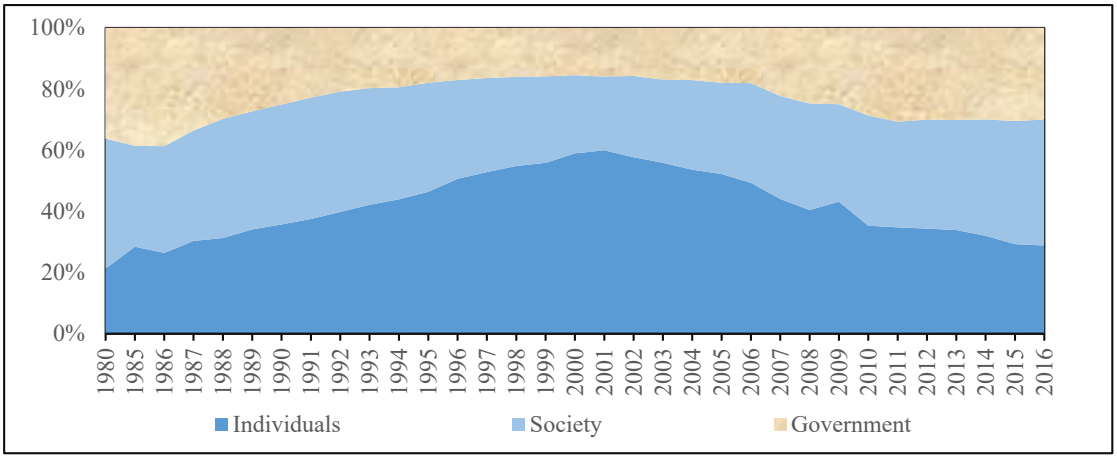


Figure 30. Distribution of Medical Expenditure among Individuals, the Society, and the Government in China, 1980-2016

Source: National Committee of Hygiene and Birth Control 2017, Table 4-1-1.

Note: Medical expenditure covered by the society refers to the expenditure covered by employers, rural collectives, and so on.

According to Figure 30, it is clear that the government gradually retreated from health between 1985 and 2002 before returning thereafter. As a result, the proportion of individual expenses in the medical expenditure rose from 21.3 per cent in 1980 to 60 per cent in 2001 before dropping to 28.8 per cent in 2016. Nonetheless, according to

[716] Fang 2007.

Figure 31, while the proportion of medical expense in the gross consumption of urban residents went down between 2005 and 2013 before re-surging, that of rural residents had shown a steady upward trend, which indicates that the de-commodification efforts prioritized urban areas over rural areas.

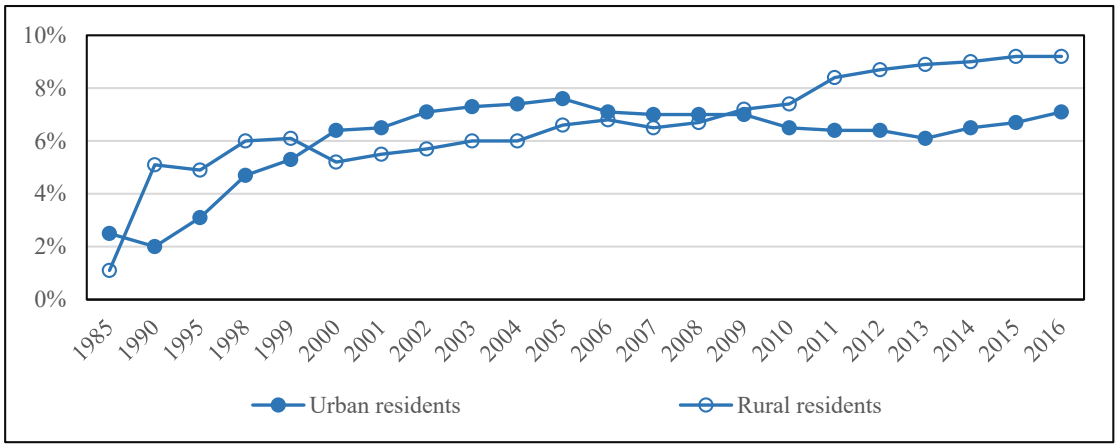


Figure 31. Proportion of Medical Expense in Gross Consumption Per Capita in China, 1985-2016

Source: Data on 1985 comes from National Committee of Hygiene and Birth Control 2003, Table 4-4. Data on 1990-2004 come from National Committee of Hygiene and Birth Control 2005, Table 4-5. Data on 2005-2009 come from National Committee of Hygiene and Birth Control 2010, Table 4-1-4. Data on 2010-2016 come from National Committee of Hygiene and Birth Control 2017, Table 4-1-5.

The best data on the commodification of education so far come from a nationwide investigation led by the China Institute for Education Finance Research, Peking University, in 2016-2017. According to this investigation, in 2017, approximately 37.5 per cent of the gross education expenditure nationwide was not covered by the state. In

other words, this 37.5 per cent was mainly covered by individuals. According to Table 19 and Table 20, in 2017, education expenses constituted a substantial proportion of household consumption, particularly for those with children in senior middle schools; while all educational institutions were public in the Mao era, private ones had taken in a nonnegligible proportion of students in the new millennium, particularly those in the stage of early childhood education; roughly one third of household education expenditure was invested in extra-school education, mostly held by profit-seeking private entities; extra-school education was mainly for academic purposes; depending on the stage of education, 30-50 per cent of students participated in extra-school academic training and 10-30 per cent were involved in extra-school non-academic training; urban parents invested significantly more than rural parents.

In addition, as shown in Figure 32, despite the exemption of tuition fees and miscellaneous fees nationwide in 2006, between 1992 and 2016, the proportion of education and entertainment expenses in gross consumption per capita for urban residents kept increasing; that for rural residents grew steadily between 1983 and 2003, and dropped temporarily between 2002 and 2013 before increasing again.

Table 19. Education Expenses and Private Education Popularity in China, 2017

	% of education expenses per student in gross household consumption per year			% of students enrolled in private schools
	China	Rural Area	Urban Area	
Early childhood	10.7	8.4	11.7	56.8
Elementary school	10.4	7.5	11.9	7.0
Junior middle school	15.2	13.6	16.0	9.5

Senior middle school	26.7	30.9	25.6	8.3

Source: China Institute for Education Finance Research 2018.

Table 20. Extra-school Education Expenses in China, 2017

		Elementary School	Junior Middle School	Senior Middle School
% of extra-school education expenses in household education expenditure		38.3	32.5	26.7
% of academic training expenses in household extra-school education expenditure		86.9	81.3	87.3
% of students enrolled in extra-school academic training	China	33.4	43.7	48.2
	Rural area	20.8	24.4	26.0
	Urban area	40.0	52.3	54.2
% of students enrolled in extra-school non-academic training	China	27.9	16.2	14.6
	Rural area	6.8	3.1	4.1
	Urban area	38.8	21.9	17.4

Source: China Institute for Education Finance Research 2018.

Most importantly, the house price has been soaring in China in recent years, which has financially hit the expanding middle class badly. Given local states' heavy reliance on land sales to replenish governmental finance, the commodification of housing has been a result of both the retreat of the state and the predatory impulse of the state.[717] Take Beijing for example, according to Figure 33, house prices in Beijing had been growing rapidly between 1999 and 2015; for urban residents, their annual disposable income per capita was only able to afford 1.5-4 square metres.

[717] Zhou, Feizhou 2007.

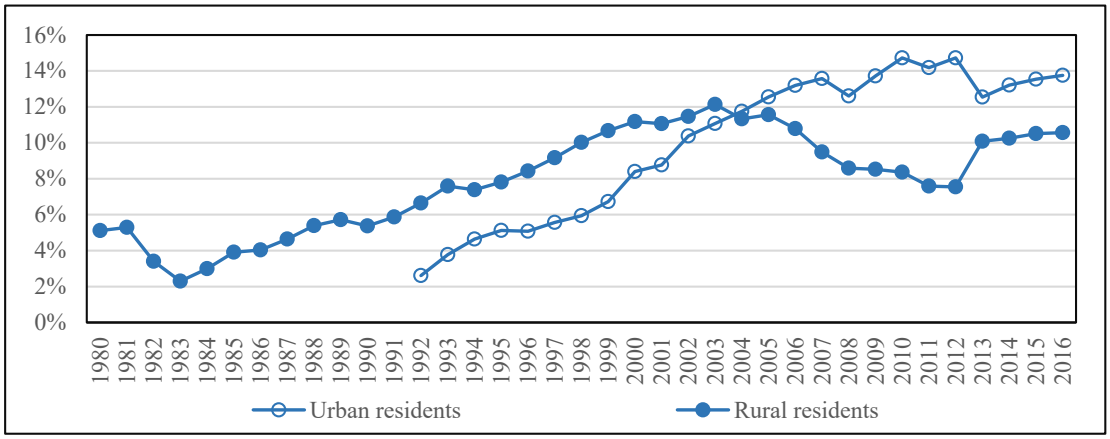


Figure 32. Proportion of Education and Entertainment Expenses in Gross Consumption Per Capita in China, 1980-2016

Source: National Bureau of Statistics 2018a, 2018b.

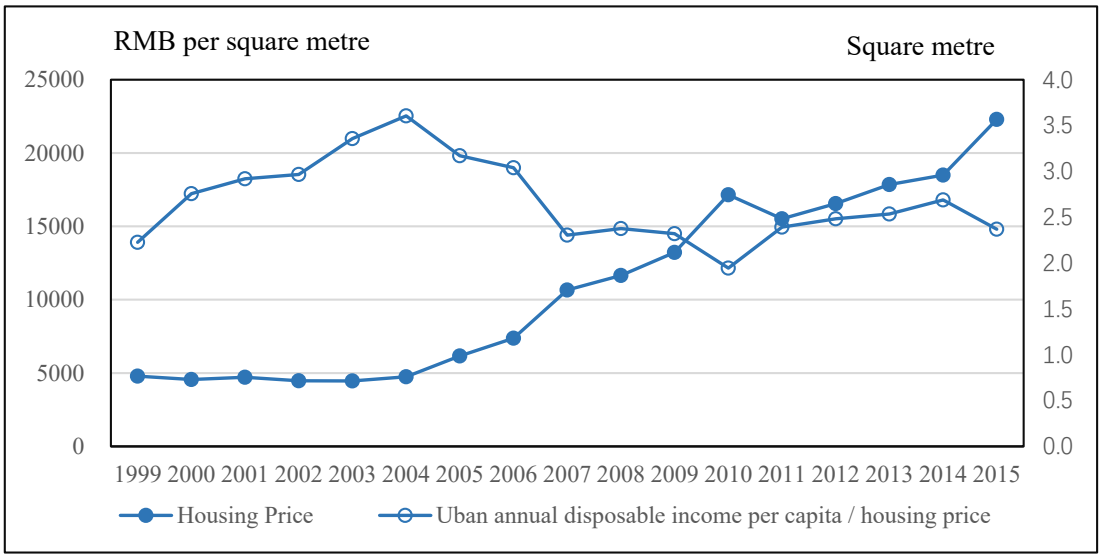


Figure 33. House Price and Urban Residents' Affordability in Beijing, 1999-2015

Data: Data on house prices come from Wind database. Data on the urban annual disposable income come from Beijing Bureau of Statistics 2017.

Conclusion

The main findings of this chapter are summarized below. The precarization regime has been greatly overhauled in the reform era. The reform China has gone a long way to dismantle the bases of social exclusion inherited from Mao's China. With the deterioration and retrenchment of fixed SOE workers and the rise of predatory private employment, social exclusion based on the type of ownership of enterprises and that based on employment statuses were loosened, though it has not vanished yet. With the flood of peasants into cities, social exclusion based on the rural-urban segregation has also been softened. However, given that a considerable proportion of peasant workers is still denied access to urban public services and that peasant workers were still at the lowest rung of the urban workforce, the rural-urban dualism remains in present-day China. Moreover, with the retreat of the state from urban employment supply, informal employment has surged and an industrial reserve army in a Marxist sense has emerged. Last but not the least, with the retreat of the state from the supply of social reproduction facilities, the predatory impulse of the state to take advantage of this sphere, and the involvement of private capital in this sphere, there has been the heavy commodification of healthcare, education, and housing, which has become a severe financial albatross for Chinese people.

Chapter Eight

Institutional Recalibration and Its Unintended Consequences, 2008-Present

In 2007, after thirteen years of dormancy, China's government restarted labour regulation and successively passed the LCL, the Employment Promotion Law, and the Mediation and Arbitration of Labour Disputes Law. While the 1994 Labour Law aims to institutionalise the flexibilization of the labour market, in the face of rising labour grievances, the 2007 LCL changed gears to institutionalize labour protection. Nonetheless, while the LCL has delivered good news for the working class in some respects, it has also generated unintended consequences, particularly the abuse of agency workers.

Previous studies on the LCL have focused on its effects. Quantitative studies indicate that once the LCL was implemented, the percentage of migrant workers with written contracts increased,[718] but less progress was made in increasing social insurance coverage.[719] In addition, a larger proportion of workers now has contracts that last for three years or longer.[720] The extent of compliance varies because stakeholders' interests converge in written contract requirements but diverge in social insurance coverage.[721] Meanwhile, the LCL is found to have larger effects on SOEs than on private ones,[722] and larger effects on urban workers than on migrant workers.[723]

[718] Li and Freeman 2015.
[719] Gallagher et al. 2015. However, Figure 28 in Chapter Seven shows that a smaller proportion of outbound peasant workers had labour contracts in 2016 than in 2010.
[720] An interview with labour scholar C, Beijing, 7 July 2017.
[721] Chung 2015.
[722] Cui, Ge and Jing 2013.
[723] Cheng, Smyth and Guo 2015.

Ironically, several qualitative studies have reported that the LCL itself fueled precarious employment by invoking layoffs and labour dispatch.[724] According to a sample survey conducted by the ACFTU, in Shanghai, the proportion of agency workers in the enterprise workforce in 2011 had increased by 36.1 per cent when compared with the figure in 2007; in Jiangsu, this proportion in 2011 had increased by 47.1 per cent when compared with the figure in 2008.[725]

There has been little research on how the LCL emerged from rounds of bargaining between different stakeholders of employment relations. Using interviews and data from official sources, this chapter extends the extant literature by unveiling the hidden stances and interests of different stakeholders in the law-making process and the constant pressures to revise the law to the advantage of employers. This chapter thereby helps to contextualize the emergence of labour regulation as the most important modulator in the exploitation-centred precarization regime in post-Mao China.

Previous studies on agency workers in China have mainly focused on the conditions of these workers. Owing to their timing, some also shed light on the effects of the agency labour regulation. For example, Lu Zhang's pioneering study of China's automobile industry between 2004 and 2007 found that automobile factories that were built in the early 1990s and before staffed unskilled positions with agency workers and paid them significantly less than their formal employees' wage to resolve the contradiction between pursuing profitability and maintaining legitimacy with formal

[724] Wang et al. 2009; Cairns 2015.
[725] ACFTU 2012b.

employees.[726] A questionnaire investigation conducted in Guangzhou in 2011 and 2012 finds that agency workers in China were still discriminated against with regard to wages, social security, and benefits, and were vulnerable to occupational hazards.[727] Drawing on the adjudication of cases involving labour dispatch disputes between 2012 and 2016 from the database of China's Supreme People's Court, Philip Huang found that agency workers still had difficulties in claiming overtime pay and claiming "equal work, equal pay" with regular employees of the accepting unit.[728] A questionnaire survey of approximately 5,000 enterprises in twenty cities co-conducted by the MOHRSS and the Foreign Enterprises Service Corporation (FESCO) in mid-2013 indicates that, among those enterprises that once had ten per cent or more of agency workers in the workforce, 28.6 per cent of these hired the majority of agency workers directly; in 40.2 per cent of the cases, the majority of agency workers became outsourced workers; 2.2 per cent moved the agency-labour-intensive business out of China.[729] A national survey conducted by the ACFTU between May and October 2014 found that outsourcing the peripheral business had been the main solution to reduce the use of agency labour nationwide.[730]

There is a dearth of research on the rise of agency workers in China's urban workforce, which in fact heralds the recalibration of social exclusion based on employment status.[731] When it comes to the effects of the agency labour regulation, we

[726] Zhang, Lu 2014.
[727] Juliana 2014.
[728] Huang 2017a, 2017b.
[729] FESCO 2013.
[730] ACFTU 2015.
[731] Xu Feng's work is an exception. But it is not detailed. See Xu 2013, 143-163.

do not know how the regulation has been carried out at the local level on a day-to-day basis, what are the current working conditions of outsourced workers who were previously employed by the same company as agency workers, what are the specific constraints of this regulation, and so on. In the light of this, this chapter examines how agency labour rose to prominence in the urban workforce in present-day China, how the agency labour regulation was implemented at the local level, and under what constraints it failed to deliver the expected results.

Chapter Seven detailed how social exclusion based on types of enterprise ownership and the rural-urban divide has been loosened in the post-Mao era and how private exploitation in the spheres of both production and social reproduction grows out of the ruins of the planned-economy system and becomes the dominant feature of the new precarization regime. This chapter completes the exploitation-centred precarization regime by examining how the third dimension of social exclusion in the Mao era—exclusion based on employment status—has been recalibrated in the post-Mao era, and by examining the how well the main modulator of the new regime—labour (protection) regulation—worked and fine-tuned the ruthless exploitation unleashed by marketized reforms.

This chapter first gives a brief overview of the immediate background, the law-making process, and the main provisions of the LCL and its effects. Given that agency labour is the primary form of nonstandard labour in the workplace in present-day China and there is a dearth of research that systematically examines the rise of agency workers and related regulation, this chapter then moves to fill in the gap. It shows how the

employment dualism has evolved in the reform era and taken the form of agency workers versus contract workers in present-day China. This is followed by a discussion of how agency labour regulation has been implemented, and why it has generated unintended consequences.

Enactment of the LCL and Its Effects

While sticking to the notion that "development is the absolute principle," in the early 2000s, in the face of rising social turbulence and a looming legitimacy crisis, the central government began to emphasize labour protection more than ever. The LCL is exactly a product of such a shift. As shown in Chapter Seven, in the 2000s, labour collective action made up a considerable proportion of mass unrest. In addition, the central government became worried about the proliferation of short-term employment that had destabilized employment relations and posed the risk of mass layoffs once the economy slowed down. The central government was also eager to remedy the legitimacy crisis invoked by the divergence between its discourse that China was a country led by the working class and the reality that working conditions had been rapidly deteriorating.[732] Last but not the least, the 1994 Labour Law mainly applies to formal employment and appears incapable of protecting the ever-expanding nonstandard workers such as those without labour contracts, with labour service contracts, and so on.[733]

The LCL is a result of tugs-of-war bargaining among different stakeholders

[732] An interview with MOHRSS researcher M1, Beijing, 31 August 2016.
[733] Huang 2013; Dong 2011, 48.

pertaining to employment relations. At the central level, although often criticized as an instrument of the CCP's control over the working class, during the legislation process of the LCL, the ACFTU was the most radical promoter of labour protection. In 2005, it established an interim group responsible for mobilising its nationwide network to raise workers' awareness of voicing their demands for this law and to collect workers' opinion on this law. It proposed *Three Requirements and Seven Points for Attention* to achieve this goal. Three requirements are: familiarizing leaders of local trade unions with the importance, necessity, and urgency of participation in the making of the LCL; charging local trade unions with the task of selecting 10-30 enterprises with representativeness of different types of enterprises in their jurisdictional county or district and selecting at least ten workers from each representative enterprise to collect their advice on this law; propagandizing the importance of workers' participation in the lawmaking process of the LCL. Some of the seven points for attention are: adhering to the principal of labour protection when consulted for the provisions of the LCL and making concessions only on trivial issues; paying particular attention to agency-labour-intensive industries and enterprises when collecting workers' opinion; mobilizing local trade unions and securing opinion of workers from enterprises with different types of ownership and on different scales, and of workers on contracts of different periods, including peasant workers and management.[734] Such efforts led to the broad representativeness of workers during the consultation of the LCL (as shown below).

Charged with the dual responsibility of employment promotion and labour

[734] Dong 2011, 104-113.

protection, the MOHRSS was less determined than the ACFTU to insist labour protection. Given that economic development remained prioritized over labour protection, the work of local labour bureaus was often subject to that of local bureaus of finance and local commissions of development and reform. In addition, labour bureaus held vested interests in the rise of agency workers by running labour agencies (as shown below). Nonetheless, Chang Kai, a leading labour scholar who participated in the making of the LCL celebrated the efforts of the MOHRSS in pushing for labour protection in the making of the LCL. In comparison, the State-Owned Assets Supervision and Administration Commission of the State Council, the representative state organ of SOEs who were the primary users of agency workers in China, stood firmly against more labour protection.[735]

While the ACFTU and the MOHRSS pushed hard for more labour protection in the LCL, employers naturally pushed hard for less protection, whose influence was clearly reflected by the swing of key provisions of the LCL as shown below. Workers mainly participated by contributing their opinion. In March 2006, the Standing Committee of the National People's Congress promulgated the first draft of the LCL and canvassed public opinion on it. Within one month, over 190,000 items of opinion were collected and approximately 70 per cent of them were contributed by workers.[736] In addition, once covered in May 2007, the Shanxi brickyard labour scandal in which owners of brickyards in Shanxi bought at least hundreds of labourers, including children,

[735] An interview with MOHRSS researcher M1, Beijing, 31 August 2016; an interview with labour scholar C, Beijing, 7 July 2017.
[736] Workers' Daily 2007.

from human traffickers and forced them to work as slaves appalled the whole country. It terminated the seemingly endless disagreements and led to the enactment of the LCL in June 2007.[737]

The LCL institutionalizes remedies against common labour right violations. Prior to the final release, it had four consultation drafts which, as a result of divided opinion among different stakeholders, had swung back and forth. First, against the widespread absence of labour contracts, the LCL stipulates that a written contract should be concluded within one month after the date on which the employer starts using the employee; otherwise, if the employee has worked for more than one year without a contract, the employer and the employee shall be deemed to have concluded an open-ended employment contract; if the employee has worked for over one month but less than one year, the employer shall each month pay the employee twice his or her wage within this period; there is a slight leap backward here when compared with the counterpart provision in the first consultation draft, which deems all employment relations without labour contracts as having concluded open-ended contracts.

Second, against the proliferation of short-term contracts, the LCL stipulates that an open-ended employment contract shall be concluded once the employee has been working for the employer for a consecutive period of not less than ten years or after fixed-term employment contract is concluded on two consecutive occasions. When compared with the counterpart provision in the first draft, this provision was reinforced in later drafts by detailing the circumstances under which an open-ended contract shall

[737] Dong 2011, 3-8.

be concluded. Third, also to stabilize employment relations, the LCL stipulates that employers should pay employees a severance fee that is positively related to his or her tenure when the contracts terminate naturally. The severance fee doubles if the employer terminates the contract before it is due. Compared with the first draft, later drafts detail the calculation method of severance fees but also add more circumstances under which such fees can be exempt. Fourth, against the narrow coverage of social insurance, the LCL, and more important, the 2007 Social Insurance Law, make contributions to the social insurance fund an obligation of employers.

Finally, against the abuse of nonstandard labour, the LCL has two specialized sections respectively on labour dispatch and part-time labour. The section on labour dispatch designates the division of rights and obligations among agency workers, labour dispatch agencies, and user enterprises. The first draft of LCL almost aimed to wipe out labour dispatch. It stipulates that labour agencies shall put down a deposit of no less than 5,000 RMB in bank accounts designated by local labour bureaus for each agency workers they hire. Given that labour dispatch agencies are often light-asset and tend to pursue high volume with low margins to make profits, this provision is simply devastating. Moreover, it requires that user enterprises directly sign labour contracts with agency workers once they have used them for more than one year and want to continue to use them. However, these two provisions were deleted in the second draft. The third draft of the LCL degraded protections further by deleting one provision in the second draft that requires labour agencies to renew contracts with the agency worker once the first contract is due on the condition that the worker has proven that he or she

qualifies for the job and has not violated workplace codes. These concessions paved the way for the abuse of agency workers after the enactment of the LCL.

In addition, as to part-time labour, the LCL requires that their hourly rate not be lower than the minimum hourly rate designated by local states and they get their pay no later than fifteen days after they finish work. Meanwhile, however, the LCL also makes it clear that employers don't need to sign written labour contracts with part-time employees and that either employers or part-time employees can terminate their employment relations without prior notice or severance fees.[738]

Employers have never stopped their attack against the LCL. They and their supporters have successfully created a discourse that the LCL has dragged China's economy by rigidifying the labour market and should thereby be revised to lean more to the side of employers. As early as in 2007, the half year between enactment (June 2007) and enforcement (January 2008) of the LCL had witnessed fierce countermoves from employers. A high-profile one was Huawei, one of the world's largest maker of telecommunications equipment. Between September and December 2007, Huawei offered benefits and new contracts to over 7,000 employees that worked at Huawei for over eight years if they voluntarily terminated their old contracts. This action was interrupted as to evade open-ended contracts.[739]

From 2012 onwards, China's growth significantly slowed down. Statistically, China's GDP growth rate has dropped from approximately ten per cent (2002-11) to

[738] The four consultation drafts of the LCL can be find in Chang (ed.) 2008.
[739] Qiu 2007.

seven per cent (2012-14), and further down to approximately six per cent since 2015.[740] Employers and their supporters associated such economic slowdown with the LCL. In 2015, the National People's Congress received two proposals for revising the LCL endorsed by over 60 representatives who aimed to revise provisions pertaining to social insurance and severance fees.[741] In 2016, the National People's Congress received ten proposals pertaining to the LCL revision. Five of them were led by employers or the management of enterprises and one by a provincial cadre of the All-China Federation of Industry and Commerce. They proposed to revise provisions on open-ended contracts and severance fees and to shift from excessive protection for employees to more protection for employers.[742] Moreover, Lou Jiwei, China's former minister of finance criticized the LCL in three public speeches in 2015 and 2016. His main ideas were that the LCL had rigidified China's labour market by increasing the costs of getting rid of workers and by pushing for collective bargaining and had drawn away many investors.[743]

Under such circumstances, there had been heated social debates about whether or not the LCL should be revised in 2016. Within the pro-revision camp stand employers, their allies in state organs, academia, and the legal industry. Their main argument was that the LCL has significantly increased labour costs and lowered the competitiveness of made-in-China products and also rigidified the labour market. Within the anti-revision camp mainly stand scholars and some cadres. Their strongest refutation comes

740 World Bank 2018b.
741 Legal Daily 2015.
742 Wang 2016.
743 Jiang 2016.

from Zhou Guoliang, the vice leader of the Labour and Personnel Disputes and Arbitration Office of Shanghai. Based on sample data on labour costs of enterprises in Shanghai between 2001 and 2014, he found that the annual average growth rate of labour costs per capita in Shanghai was respectively 10.34 per cent in 2001-2007 and 11.88 per cent in 2008-2014; the rise in labour costs after the enactment of the LCL had been accompanied by a rise in profits per unit of labour costs; in addition, the proportion of social insurance and severance fees in gross labour costs hardly increased (which in turn reflected that related provisions of the LCL had not been well implemented).[744] Moreover, scholars in this camp argue that the labour cost increase in recent years was primarily because of labour shortage [745] or heavy taxes and social insurance contributions.[746] Despite all these discussions, so far, the LCL has only been amended once to enhance the protection of agency workers.

Rise of Agency Workers in Post-Mao China

The following sections move on to focus on agency workers. As mentioned in Chapter Four, Five and Six, in Mao's China, as a means of facilitating the employment of some urban citizens and peasants, quasi-labour dispatch already existed. In urban areas, labour bureaus and sub-district governments organized labour service teams and dispatched team members to SOEs and charged recipient SOEs commissions. In rural

[744] Zhou 2016.
[745] Xie 2017.
[746] Shi and Su 2016.

areas, communes dispatched their members to urban units and extracted 60-70 per cent of the wages from dispatched members as management fees. In reform China, mainly taking advantage of urban unemployment pressure, SOE reforms, peasant migration, foreign investment, the expansion of labour-intensive enterprises, the enactment of the LCL, and labour shortage, labour dispatch flourished and gradually rose to prominence among various nonstandard employment arrangements. In this process, the state has played a dominant role both indirectly as the initiator of reforms that fostered labour dispatch, and directly as the supplier of labour dispatch solutions.

The expansion of agency workers, together with the dismantling of formal SOE workers and the nationwide enforcement of the labour contract system as detailed in Chapter Seven, transformed the employment structure in China's workplaces from a dichotomy of fixed SOE workers and temporary (contract) workers to a dichotomy of contract workers and agency workers. Given that fixed SOE workers, contract workers, and agency workers have descending working conditions one after another, such a transformation is one of degradation.

Contributing Factors of Agency Labour Growth in Reform China

The expansion of agency labour presupposed the replacement of a state-led with a market-led labour allocation system. In Mao's time, the state decided how many, who, when, and under what employment arrangement individual SOEs could recruit. With reforms in the 1980s, individual enterprises were granted the autonomy to make such decisions although the state always maintains control over the number of SOE recruits

and gross wages of individual SOEs. The state dubbed this process "fostering a labour market," which means to encourage the autonomous match of labour supply and demand. Such a transformation allows room for the rise of labour agencies, state-owned or private, and thereby the surge of agency workers.

In the late 1970s, in the face of urban unemployment pressure, the then central government encouraged local states to build collective complex facilities under the rubric of labour service companies (*laodong fuwu gongsi*). These companies introduced jobs to the unemployed, pooled the unemployed, provided them with training, organized workshops or service teams to employ them, or dispatched them to work for temporary vacancies, which were largely a more institutionalized form of labour service teams in the Mao era. As these responsibilities indicate, labour service companies were not only independent producers, but also (1) labour dispatch agencies in the sense that they signed contracts with the recipient unit and received wages of dispatched workers and management fees from the latter, and (2) contractors in the sense that they organized specialized service teams. Not only local labour bureaus, local personnel bureaus, local trade unions, sub-district governments, and other official bureaus, but also SOEs, built their labour service companies.[747] Labour service companies flourished in the 1980s. In 1987, at the national level, labour service companies totalled 56,051; they employed 7.3 million workers and managed 1.7 million temporary workers; of the newly-added workforce to collective enterprises in 1987, 63 per cent joined labour service companies.[748]

[747] Chen (ed.) 1990.
[748] Deng et. al. (eds.) 2009, 59-61, 402-403.

Within the workforce employed or managed by labour service companies, alongside the urban unemployed were redundant SOE workers. Once off their previous posts, they were repositioned in labour service companies affiliated with their SOE employers while maintaining their employment status as fixed SOE workers. In this sense, labour service companies acted as a buffer for SOE reforms. When dispatched by labour service companies, they became *de facto* agency workers. According to the Ministry of Labour, in 1988, approximately ten per cent of redundant SOE workers were dispatched to other units.[749] According to an investigation conducted by the ACFTU, in 1995, 27 per cent of redundant SOE workers were reemployed (the remainder were offered training, long holidays, etc.), including 2.9 per cent who became dispatch workers and 1.4 per cent who became outsourced workers.[750]

In the late 1990s, the deepened SOE reforms greatly fuelled the growth of agency workers who were previously formal SOE workers. Between 1996 and 2003, the government required SOE groups with large-scale layoffs to establish their individual reemployment service centres. Apart from distributing living allowances and paying social insurance fees to laid-off workers, these centres were charged with similar responsibilities to those of labour service companies in the 1980s: providing training, introducing laid-off workers to new jobs, and organizing labour dispatch. Dispatch workers remained the members of sending SOEs who received commissions from recipient units and paid social insurance fees for these workers. Many SOEs were also encouraged to establish their own labour dispatch agencies specialized in supplying

[749] Ren 1988.
[750] Wu, Jie (ed.) 1995, 69-79.

agency labour to themselves.[751] Labour service companies in the late 1990s were also more involved in labour dispatch than they were in the 1980s.[752]

In the early 2000s, to buffer the closure of reemployment service centres, the government re-emphasized encouragement for labour dispatch to provide jobs and social insurance payment for workers out of these centres. In 2002, in a circular on the reemployment of laid-off workers, the central government pointed out that labour dispatch organizations should be developed to facilitate the flexible employment of laid-off workers. In 2003, in the *Opinion on Several Issues Regarding Part-time Employment*, the Ministry of Labour and Social Insurance (the successor of the Ministry of Labour) permitted labour agencies to dispatch part-time agency workers. In 2003, the then president Hu Jintao proposed in a conference to proactively develop labour dispatch agencies and other employment service organizations to help the reemployment of laid-off workers. At the local level, in Beijing, to foster the development of labour dispatch, the municipal government offered subsidies and tax reductions for labour agencies that employed a certain per cent of laid-off workers for a certain period of time.[753] In Shanghai, circa 2000, to facilitate the reemployment of laid-off workers, local labour bureaus founded 27 labour dispatch agencies. In 2002, approximately 1,800 labour dispatch agencies were registered in Shanghai.[754]

The expansion of peasant workers and the growth of labour dispatch also came hand in hand. In the 1980s, with the dismantling of rural communes, the unemployment

[751] National Committee of Reforming the Economic System 1998.
[752] Zhou, Kaichang 2007, 201-216.
[753] Zheng 2010, 22.
[754] Tu 2007, 14-22.

problems of rural surplus labour gained significance. In the light of this, some county-level and township-level governments built labour service companies that had similar functions to their urban counterparts. On the one hand, they were labour dispatch agencies. They dispatched peasants to urban units or to local township enterprises, signed contracts with recipient units, and charged them management fees. These workers were called "labour service workers" (*laowu gong*), which is simply a synonym of agency workers. This title was used to address all agency workers, rural or urban, in the 1990s. On the other hand, they were contractors. They organized peasants into teams to provide services such as building work, babysitting, and so on.[755] But of course, most peasant workers migrated into cities spontaneously.

The entry of foreign capital into China contributed to the rise of agency workers, too. In the late 1970s, on the one hand, newly-entered representative offices of foreign institutions had limited knowledge of China and eagerly sought local help with recruitment. On the other hand, the then government felt the imperative to regulate the activities of these institutions. Thus, the government ruled out spontaneous recruitment of these institutions and built specialized companies that recruited Chinese staff, dispatched to them, and charged them commissions. It is under such circumstances that, in 1979, China's first specialized labour dispatch agency called FESCO came out. It was founded by the financial and commercial division of the municipal government of Beijing. Between 1979 and 1988, workers dispatched by FESCO were in fact formal SOE employees who enjoyed "iron rice bowls" no matter being dispatched or returned.

[755] Wang 1985; Labour Bureau of Suzhou 1985; Personnel Bureau of Fenyi, Jiangxi 1985; Zhu 1985.

However, after 1988, once being returned and failing to be re-dispatched, they were provided with living allowances for two years before being laid off. In 1999, almost half of the 1,300 foreign enterprises in Beijing were clients of FESCO, including Sony, Microsoft, Nokia, Siemens, Panasonic, to name a few.[756]

Last but not the least, the rise of a labour-intensive private sector, both overseas and domestic, also fuelled the growth of labour agencies that later embarked on labour dispatch. In the 1980s, to guarantee the labour supply of processing-trade foreign enterprises that flooded into Dongguan, a city in Guangdong, the municipal government not only founded their own labour agencies, but also encouraged the flourishing of private labour agencies.[757] In Wenzhou, Zhejiang, in the 1980s, with the thriving of local private enterprises, private labour agencies emerged to bridge the labour needs of these enterprises with rural surplus labour.[758] These agencies lived on charging jobseekers in their earlier years and turned to charge employers when labour shortage loomed.[759] In 2005, enterprises at Suzhou Industrial Park, which is home to over 4,000 factories, mostly labour-intensive, used 19,561 agency workers, which was 8.2 per cent of the workforce in this industrial park; agency workers accounted for 14.9 per cent of the workforce in foreign enterprises; over 50 per cent of all the agency workers worked in regular positions.[760]

In addition to these structural factors have been firm-specific factors. SOEs have been encouraged to become heavy users of agency workers by the tight wage quota and

[756] Chang 1999.
[757] Editorial Board 2010, 119-121.
[758] Labour Bureau of Wenzhou 1993.
[759] Interviews with managers of labour dispatch agencies, Dongguan, 22 November 2016.
[760] Dong 2007, 15-16.

the unique accounting principle authorized by the State-Owned Assets Supervision and Administration Commission of the State Council and its predecessor. To boost the efficiency of SOEs, from 1985 onwards, the annual general wage quota of individual SOEs has been linked to individual annual financial performance. According to the accounting principle of SOEs, only the wages of formal workers enter the wage quota; wages of temporary workers are categorized as operational fees, independent of wage quotas and free from the direct control of the State-Owned Assets Supervision and Administration Commission of the State Council and its predecessor. Meanwhile, the remuneration of formal workers in many SOEs is significantly higher than the societal average after major SOE reforms ebbed away. Under such circumstances, cheap temps have been massively deployed in SOEs as rank-and-file staff to lower labour costs and raise profitability.[761]

For foreign enterprises, although they had been allowed to recruit on their own, their earlier encounter with labour dispatch created somewhat path dependency. In addition, some foreign enterprises in China use agency workers because their headcount is controlled by their headquarters.[762] For small private enterprises, it is sometimes cheaper to use the human resource management services provided by labour dispatch agencies instead of recruiting their own human resource staff.[763] Electronics contract manufacturers are giant users of agency labour because of their labour-intensive production mode and fluctuating orders. In 2015, over half of agency labour in Suzhou

[761] Interviews with human resource managers of SOEs, multiple cities, between September and November 2016.
[762] Interviews with human resource managers of foreign enterprises, multiple cities, between September and November 2016.
[763] An interview with a manager of a labour agency, Beijing, 19 August 2016.

New District was used by ASUSTeK Computer Inc., a contract manufacturer for Apple.[764]

All these enterprises expanded their use of agency labour to circumvent the LCL after 2008. The LCL, together with other labour laws, requires employers *de jure* to pay five kinds of social insurance—for healthcare, retirement, occupational disease, unemployment, and maternity respectively—and the housing fund (*wuxian yijin*). When added up, employers' compulsory contribution of the five kinds of social insurance and the housing fund every year can amount to 30-40 per cent of the total wages of employees. The LCL also clearly stipulates that labour dispatch agencies are employers *de jure.* Thus, using workers dispatched by labour agencies, the employer *de jure*, allows enterprises to obscure and shirk some responsibilities as employers *de facto*, including the five kinds of social insurance and the housing fund, to say nothing of the convenience of lowering labour costs by fabricating employment dualism. By returning agency workers to labour dispatch agencies when necessary, enterprises are also in a better position to avoid open-ended contracts and severance fees, which is of vital importance to enterprises with fluctuating orders. In addition, many enterprises use agency labour to bypass the maximum probationary term of six months required by the LCL. They prolong such terms to years to cut labour costs.[765]

Labour dispatch is also a common response to the shortage of unskilled workers. Thanks to the demographic transformation, in 2012, for the first time during the reform

[764] A group interview with labour officials, Suzhou New District, 27 October 2016.
[765] Interviews with managers of labour agencies and labour officials, multiple cities, between September and November 2016.

era, China's working population (15–59 years old) decreased, falling by 3.45 million.[766] Official statistics indicate that the supply of light manual labour and unskilled labour, such as manufacturing workers, security guards, cashiers, cleaners, and salesclerks, is considerably lower than the demand in China's big cities.[767] Given the difficulties in recruitment brought by the draining labour pool, employers have increasingly favoured outsourcing recruitment to labour dispatch agencies over hiring staff themselves. In Suzhou, one labour official estimated that local factories reached approximately 70 per cent of their new hires via labour dispatch agencies in 2015.[768] This number is even higher for enterprises with a seasonal production rhythm. They use labour dispatch agencies to rapidly triple or quadruple the workforce to ensure that orders can be met in time. Rather than taking one-time commissions for recruitment and leaving workers to sign labour contracts with enterprises, labour dispatch agencies often leverage labour shortage and sign contracts with workers in order to earn monthly commissions for their labour dispatch services.[769]

State as an Agency Labour Supplier

Labour agencies are active agents in making the labour market more flexible.[770] The Chinese state contributed to the rise of agency workers not only by initiating reforms that brought about the above processes, but also by directly providing agency labour

[766] China News 2013.
[767] Department of Employment Promotion 2014.
[768] A group interview with labour officials, Suzhou, 27 October 2016.
[769] Interviews with managers of labour agencies and human resource managers of various enterprises, multiple cities, between September and November 2016.
[770] Xu 2013.

solutions. Both owing to the legacy of the planned-economy era when the state served as an allocator of labour power and to the predatory impulse of the state, state-owned labour agencies occupy a considerable market share in the labour dispatch industry in present-day China.

In the Mao era, the government built specialized labour agencies to supplement labour bureaus in labour channelling. In the reform era, to buffer the retreat of the state from the administrative allocation of labour power and to facilitate the autonomous match of labour supply and demand, while permitting the bloom of private agencies, the government took a lead to build labour agencies or equivalents. In the early 1950s when urban unemployment was severe, the government built labour agencies in major cities to facilitate the employment of the unemployed and to provide relief to them. When urban unemployment vanished, in 1958, these agencies were dissolved. When urban unemployment loomed large in the early 1960s as a result of the failure of the Great Leap Forward, they were resumed. When the economy later recovered, they were again closed down.[771]

In the 1980s, it was labour service companies founded by SOEs, state organs, and public institutions that made up the vacuum left by the retreat of the state in channelling labour and providing employment. From the late 1980s onwards, with the expiration of the tax exemption period and the underperformance and even bankruptcy of SOEs that the majority of labour service companies were affiliated with and relied on, the collective economies that these companies operated gradually shrank and they became

[771] Editorial Board 1991a, 318.

more like labour agencies. In the early 1990s, labour service companies affiliated with county-level local labour bureaus and beyond were overhauled into public institutions called employment service bureaus.[772] In 1991, labour agencies nationwide totalled 13,812. 70 per cent of them were owned by local labour bureaus and 30 per cent were owned by local trade unions, local women federations, local personnel bureaus, SOEs, etc.[773] In 1992, private labour agencies nationwide totalled only 350, mainly targeting peasant workers.[774]

The 1990s saw the expansion of specialized labour agencies in the state sector. In January 1990, the government issued the *Interim Provisions on Employment Introduction*. It granted local offices of employment services (a common sub-division of local labour bureaus) the right to establish specialized labour agencies. These agencies bridged employees and employers not only by introducing them to each other, but also by providing temporary dispatch workers and charging commissions in return.[775] They became more involved in labour dispatch when SOE reforms gained momentum. As mentioned above, in the 1990s, SOEs founded reemployment service centres and specialized labour agencies. Most of these centres were closed down before 2003. Labour agencies affiliated with SOEs were ruled out in the 2007 LCL and gradually retreated from such services. In addition, in the 1990s, the state also retreated from the employment supply and allocation for college graduates. Just like labour bureaus established labour agencies or equivalents to buffer the state's retreat from

[772] Ministry of Labour 1990.
[773] China Labour 1993.
[774] Zeng et. al. 2008, 180
[775] Zeng et. al. 2008, 182-191.

employment supply and allocation for the mass, in the 1990s, personnel bureaus established talent exchange centres (*de facto* labour agencies) to help college graduates to find jobs, including jobs as agency workers.[776]

In addition to labour bureaus and personnel bureaus, other state organs also founded their own labour agencies that specialized in supplying agency workers to their operations. For example, local health bureaus and hospitals had their own labour agencies that dispatched nurses and doctors to them; local propaganda bureaus operated their own labour agencies to dispatch editors and journalists to themselves.[777]

With the simultaneous expansion of private labour agencies in the 1990s, the competition between public and private labour agencies emerged. In the late 1990s, in Wusha, Changan Township, Dongguan that was home to a high-profile industrial park visited by several of China's top leaders, a business association of Hong Kong capital once operated a labour agency to recruit workers and made money by charging these workers fees. Noticing its prosperity, the local labour bureau deployed administrative means to force it to shut down so that itself could recruit there.[778] In 2003, nationwide, labour agencies totalled approximately 26, 000; only some 5,050 (19.4 per cent) were private.[779]

In addition, to serve foreign enterprises, inspired by the success of FESCO, other state organs built their own foreign services companies one after another that later developed into comprehensive human resource service suppliers. For example, in 1986,

[776] Xu 2013.
[777] Zheng 2010, 27-29.
[778] A group interview with managers of labour agencies, Dongguan, 22 November 2016.
[779] Zeng et. al. 2008, 190.

the Ministry of Labour founded what later known as China Star International Economic and Technical Corporation. In 1987, the Committee of State National Science and Technology (the predecessor of the Ministry of Science and Technology) founded the China International Intellectech Corporation. In 1991, the State Administration for Industry and Commerce founded China International Enterprise Cooperation Corporation. In the mid-1990s, together with FESCO and China International Talent Development Centre, these companies monopolized labour dispatch to foreign institutions in Beijing. According to a list compiled by the Confederation of Chinese Enterprises and the Association of Chinese Entrepreneurs in 2017 that ranked the top 500 Chinese enterprises that made the most revenue, the China International Intellectech Corporation and FESCO were the only two human resources enterprises that were shortlisted.[780]

As labour shortage loomed large since the early 2000s, private labour agencies have explosively expanded. After China entered the WTO in 2001, foreign human resource companies like Manpower and Adecco have also entered China by founding joint ventures with Chinese companies.[781] As a result, in present-day China, main players in the labour dispatch industry are: first, state-owned foreign services human resources companies who have had their business gone well beyond providing dispatch workers to foreign enterprises and are usually large on scale; labour agencies run by local labour bureaus, local personnel bureaus (before they two amalgamated into local bureaus of human resources and social security again in 2008) and other state organs;

[780] SOE news 2017.
[781] Group interviews with managers of labour agencies, Shanghai, 12 October 2016.

private labour agencies that are usually small and light-asset and many make profits illegally, for example, by docking wages of agency workers; joint ventures, and so on. Nonetheless, state-owned labour agencies remain the biggest players in the labour dispatch market.[782]

New Employment Dualism

This section discusses how the rise of agency workers[783] have reshaped the employment structure in China's workplaces between the early 2000s and 2014 when the *Interim Provisions on Labour Dispatch* was enacted.

With the unfolding of the above processes, as shown in Table 21, the proportion of agency workers in the overall enterprise workforce has been increasing. Data on China (general residents) come from a random survey conducted by the MOHRSS that included over 60,000 urban residents and 40,000 peasant workers in 40 cities. It is clear that, between 2008 and 2011, agency workers occupied an increasing share of the sample. Similarly, in Shanghai, including one of its districts Pudong, according to surveys conducted by local labour bureaus between 2003 and 2010, an increasing percentage of enterprise workers were agency workers. According to investigations conducted by the ACFTU, in 2006, agency workers nationwide totalled some 25 million;

[782] Zheng 2010, 27-29.

[783] This chapter uses "agency workers" to refer to "dispatched workers" (*paiqiangong*) and "labour service workers" (*laowugong*) in Chinese. Particularly before the enactment of the LCL in 2007, "labour service workers" is an umbrella concept that pools different types of nonstandard workers together. It not only included "agency workers" defined by the ILO, namely, those "deployed and paid by a private employment agency, but the work is performed for the user firm (ILO 2016)" (in China, many employment agencies are public, as shown above), but also those who signed labour service contracts (*laowu hetong*), rather than labour contracts (*laodong hetong*) with the party they directly worked for and those who did not sign any contracts. In Chinese scholarly works, "dispatched workers" and "labour service workers" are interchangeable concepts.

in 2011, agency workers nationwide totalled 42 million, including 37 million in enterprises (13.1 per cent of the enterprise workforce) and five million in state organs and public institutions.[784]

Enterprises with different types of ownership have different proportions of agency workers in the workforce with SOEs as the primary user. According to the ACFTU, in 2011, agency workers respectively accounted for 16.2 per cent of the workforce in SOEs, 14 per cent of the workforce in foreign enterprises, and 2.7 per cent of the workforce in private enterprises.[785] According to an investigation conducted by the MOHRSS in 2011 that involved 86 of all the 117 central SOEs (*yangqi*), on average, 60.5 per cent of their workforce was formal contract workers; the remainder included 12.9 per cent of agency workers, 22.1 per cent of outsourced workers, and others. Of these 86 central SOEs, only 34 had all agency workers dispatched by agencies not affiliated with them; ten had all agency workers dispatched by their own labour agencies; 42 used both their own and other labour agencies. Of all agency workers at these 86 central SOEs, 58.5 per cent had worked there for over two years and 21.7 per cent had worked there for over five years. Half of these surveyed central SOEs designated different compensation schemes for formal employees and agency workers.[786]

Take the Sinopec Group (a centrally state-owned oil and gas enterprise) for example, from 2007 to 2011, the share of formal contract workers in the workforce

[784] Shanghai Bureau of Human Resources and Social Security 2011.
[785] Shanghai Bureau of Human Resources and Social Security 2011.
[786] Zhang 2012, 167-197.

dropped from 65.6 to 60.2 per cent while the share of agency workers rose from 32.5 to 35.2 per cent and the share of part-time workers increased from 1.9 to 4.7 per cent. In 2011, of formal contract workers, 62.9 per cent were fixed workers recruited under the planned-economy system and they were replenished by college graduates who became new contract workers. Rank-and-file workers were mainly agency workers or outsourced workers. In 2010, in comparable positions at Sinopec, agency workers earned approximately two-thirds of the wages of formal contract workers.[787]

Agency workers were much more common in some industries than in other industries. Table 22 shows the proportion of agency workers in the overall workforce of industries that were most obsessed with agency workers. It is clear that service industries, construction, and industries monopolised by SOEs were heavy users of agency workers. Table 23Table 21 shows the composition of agency workers in different places at different times. Both the national data and the local data demonstrate that agency workers were mainly migrant workers, followed by laid-off workers, which is consistent with the contributing factors as mentioned above. Many agency workers once worked for the same enterprise as contract workers and only to be transformed into agency workers later. According to an investigation conducted by the ACFTU branch of Shanghai, of the 4,000 agency workers surveyed in 2003, 1,193 (29.8 per cent) became agency workers after with previous labour contracts with the same employer concluded. This is particularly salient in enterprises transformed from SOEs. According to a survey involving 289 such enterprises in Shanghai conducted by the

[787] Zhang 2012, 167-197.

local ACFTU branch, after privatization, the percentage of contract workers at these enterprises decreased by 30.2 per cent while the percentage of agency workers increased by 26.4 per cent.[788]

Table 21. Growth of Agency Workers in China's Workforce, 2000-2011

	China (General Residents), %	Shanghai (Enterprise Workforce), %	Pudong (Enterprise Workforce),%
2000			7.6
2003		28.3	
2004			22.5
2006		33.8	
2007		38.3	
2008	5.0	39.7	
2009	5.5		
2010	6.8	38.5	
2011	7.0		

Source: Data on China (general residents) (2008-11) and Shanghai (enterprise workforce) (2003-08) come from Zhang 2012, 62. Data on Shanghai (enterprise workforce), 2010 comes from the Shanghai Bureau of Human Resources and Social Security 2011. Data on Pudong (enterprise workforce) come from Dong 2007, 381.

Note: Data on Shanghai (enterprise workforce) and Pudong (enterprise workforce) should not be regarded as representative of the local conditions as they come from local labour bureaus' sample investigations that tended to focus more on enterprises with many agency workers than on those with few. Nonetheless, both series of data display an upward trend in the number of agency workers in the workforce, which is likely a general trend that happened to the local workforce.

[788] Zhou (ed.) 2007, 14-22.

Table 22. Top Industrial Users of Agency Workers in China, 2011

China		Shanghai		Ningbo	
Construction	36.2%	Moveable property leasing, business services	68.5%	Mail and telecoms	72.3%
Information Communications and computer-related services	17.9%	Real Estate	63.2%	Petrochemical operation	56.0%
Electricity, gas, and water supply	15.3%	Wholesaling and retailing	47.9%	Metallurgy	54.0%
Scientific research, technology services	12.7%	Hydraulic projects and environment	40.6%	Port	43.0%
Finance	11.1%	Manufacturing	38.7%	Airlines	37.5%
Manufacturing	10.1%	Information technologies	35.1%	Electricity	32.9%

Source: The national data come from the ACFTU 2012b. The Shanghai data come from the Shanghai Bureau of Human Resources and Social Security 2011. The Ningbo data come from ACFTU 2014, 181-189.

Table 23. Composition of Agency Workers in China, 2003, 2008, 2011

	Migrant Workers	Laid-off Workers	Other Urban Workers
China, 2011	52.6%		
Fujian, 2011	41.4%	27.4%	31.2%
Fujian, 2008	38.1%	29.9%	32.0%
Shanghai, 2003	50.6%	21.4%	28.0%

Source: The national data and data on Fujian, 2011 come from the ACFTU 2012b. Data on Fujian, 2008 come from Zheng 2010, 78. Data on Shanghai, 2003 come from Zhou (ed.) 2007, 14-22.

Such salient penetration of agency workers into China's workforce has prepared the

way for a new employment dualism. Although all employees in present-day China are supposed to be contract workers, the abuse of agency labour and the deliberate discrimination against agency workers have provided an outlet for legally violating labour laws. In reality, agency workers were systematically discriminated against when compared with formal employees. Most importantly, agency workers earned significantly less than formal employees and the compensation gap between agency workers and formal employees seemingly had been widening, albeit with industrial variations, at least before the enactment of the Interim Provision on Labour Dispatch in 2014.

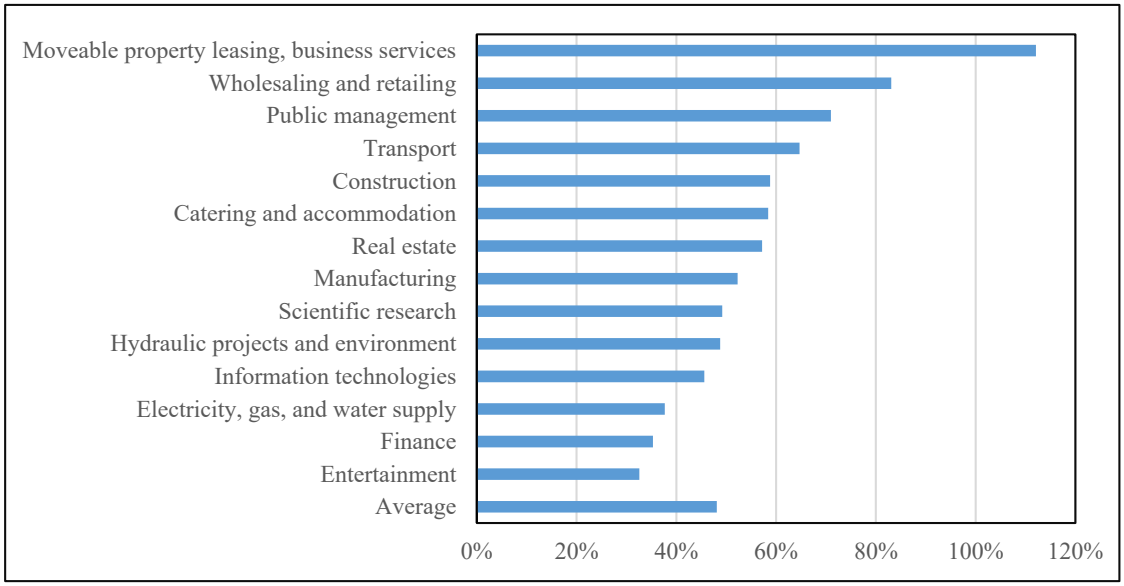


Figure 34. Wage Ratio between Agency Workers and Formal Employees in Some Industries in Shanghai, 2010

Source: Shanghai Bureau of Human Resources and Social Security 2011.

According to the ACFTU, at the national level, between 2009 and 2011, the ratio between the average wage of agency workers and that of all enterprise workforce

dropped from 0.73: 1 to 0.56: 1. In 2011, the ratio of average wages between agency workers, peasant workers, and rank-and-file urban employees were 0.59: 0.77: 1, welfare benefits excluded.[789] In Shanghai, according to the local trade union, in 2003, the average monthly wage of agency workers made up 80-90 per cent of contract workers.[790] Figure 34 shows the situation in Shanghai in 2010. On average, agency workers earned 48.1 per cent of that of formal employees. Such gaps do not include the compensation differences pertaining to bonuses, social insurance, and welfare benefits, which are often more appalling.[791] Under such circumstances, strikes staged by agency workers had mainly focused on wage issues, for example, auto parts workers in Beijing in 2013,[792] mobile phone workers in 2014,[793] auto workers in 2017,[794] sanitation workers in 2018,[795] and so on.

Moreover, as happened in the Mao era, agency workers' were over represented in work-related death. According to a sample survey conducted by the Shanghai branch of the ACFTU in 2003, agency workers made up approximately 80 per cent of all worked-related death in surveyed enterprises; agency workers commonly had no access to safety education and equipment; the compensation discrimination also stimulated agency workers to work so hard that their personal safety and health was exposed to risks.[796] In addition, when compared with formal employees in comparable positions,

789 ACFTU 2014, 94.
790 Zhou (ed.) 2007, 21.
791 ACFTU 2014, 80; ACFTU 2010, 251.
792 Sina Caijing 2013.
793 RedChinaCn. Net 2014.
794 CLB 2017.
795 CLB 2018b.
796 Zhou, Changzheng (ed.) 2007, 19-20.

agency workers were less likely to join trade unions and to get training opportunities and promotions.[797]

Implementation of the Agency Labour Regulation

This section examines how the labour dispatch regulation operates in China and its effects. The 2007 LCL requires that labour dispatch agencies hold a minimum of 0.5 million RMB as registered capital and sign two-year or longer full-time labour contracts with dispatched workers, and that user enterprises put agency labour "generally" in temporary, auxiliary, or substitute positions. Moreover, agency workers are entitled to equal pay for equal work with regular employees in the accepting unit. However, as shown above, the effects of these requirements have largely been offset by the effects of LCL's requirements pertaining to regular employment with regard to open-ended labour contracts, social insurance, and severance fee.

To counter the rapid growth of agency labour after the enactment of the LCL, an amendment to it was introduced in 2012. It increases the amount of the minimum registered capital of labour dispatch agencies to two million RMB. It requires labour dispatch agencies to obtain licenses before operating. It further details the provision of equal pay for equal work by requiring the unit that accepts agency labour to adopt a unified compensation scheme for its own employees and agency workers. The amendment also escalates the wording of "generally" to "only" and defines three kinds

[797] Shanghai Bureau of Human Resources and Social Security 2011.

of positions open for agency labour: temporary positions that last for less than six months, auxiliary positions that provide supplementary services to the primary business, and substitute positions that are *ad hoc* vacancies created by the temporary absence of regular employees. The 2014 *Interim Provisions on Labour Dispatch* has been the most rigorous piece of agency labour regulation. It requires that all enterprises lower the proportion of agency workers in the entire workforce to a maximum of ten per cent before 1 March 2016 (state organ users and public institution users are excluded). The question is: how and how well have these regulations been implemented?

The MOHRSS has proposed three guiding principles concerning the enforcement of the regulation: the regulation cannot result in unemployment, disturb the operation of enterprises, or threaten social stability.[798] After the initial campaign-style initiatives at the local level, the daily enforcement of the regulation adopted a "no reports from below, no action from above" approach. Aggrieved agency workers could turn to the local labour inspectorate and the local labour disputes arbitration committee for help, and might then file a lawsuit or petition when necessary.[799] Since it appears that the differences in ownership are overarching explanations of the variations in legal compliance of different enterprises as our fieldwork progressed, this chapter largely omits the differences in labour law compliance among different regions.

Equal Pay for Equal Work

Unequal pay for equal work provokes fierce criticisms of labour dispatch in China. The

[798] A group interview with labour officials, Guangdong, 22 September 2016.
[799] Interviews with local labour officials, multiple cities, between September and November 2016.

remuneration gap between formal employees and agency workers is the largest in SOEs where the wages of formal employees are beyond market regulation.[800] According to a manager of a central SOE, equal pay for equal work, once fully realized, could cost 26 billion of the 30 billion RMB profit in his industry in 2012. Thus, SOEs have become strong opponents of the equal pay for equal work provision. They successfully forced the proponents, including the MOHRSS and the ACFTU, to make a concession: equal pay for equal work should not include social insurance and welfare benefits.[801]

Local labour officials were sluggish in enforcing equal pay for equal work because employers loathed it. They also found it hard to implement because of the ambiguity of the concept of "equal work" and "equal pay." As a result, formalistic compliance, rather than substantive compliance, was pursued through a creative implementation of the regulation. The related provision is phrased as: "agency workers shall have the right to receive the same pay as received by employees of the accepting unit for the same work. The accepting unit shall adopt the same compensation policy for agency workers and formal employees in comparable positions according to the principle of equal pay for equal work." When informed of related violations, the local labour inspectorate would ask the enterprise to provide the documentation of its compensation policy to see whether or not it included agency workers. If it did not, then it was required to include them. If it did but the agency workers were underpaid, the inspectorate would ask the enterprise whether or not the compensation policy had been approved by the congress

[800] Interviews with labour officials and human resource managers of various enterprises, multiple cities, between September and November 2016.
[801] Ministry of Human Resources and Social Security 2013.

of employees' representatives or equivalents. If it had been approved, the current compensation policy had to be respected even though it discriminated against agency workers. If not, the inspectorate would ask the enterprise to submit the compensation policy to the congress or equivalents for discussion. However, even labour officials themselves doubted whether or not the congress of employees' representatives or equivalents could represent the real interest of workers, to say nothing of the fact that it normally only included formal employees.[802]

Litigation could hardly help agency workers. The Supreme Court of China required that all judicial documents (with few exceptions) issued by local courts be available online at wenshu.court.gov.cn from mid-2013. Ninety-two judicial documents issued by courts in Shanghai in which agency workers asked for equal pay for equal work were available at this website in January 2017. No prosecutors succeeded in court either because judges insisted that these agency workers could not prove that they were underpaid, or that they were not in identical positions to formal employees in the accepting unit, or because employers had the right to tailor compensation according to each worker's diploma, job tenure, work experience, morale, and so on.

To avoid legal risks, some employers had made progress in narrowing the remuneration gap between agency workers and formal employees. For example, Beijing Post and Shandong Airways had launched several rounds of wage increase specifically for agency workers in recent years. Some employers, particularly labour-intensive foreign enterprises, however, obscured equal pay by adopting different

[802] A group interview with labour officials, Shanghai, 11 October 2016; a group interview with labour officials, Suzhou, 27 October 2016.

compensation schemes between agency workers and formal employees. At Foxconn (Shenzhen), agency workers were paid solely according to hourly rates, while formal workers were paid base wages, overtime wages, and bonuses. To earn the same level of wage, agency workers had to work longer hours than formal employees in comparable positions. After the promulgation of the regulation, some employers adopted a unified payment system for the two groups of workers, while retaining the large gap in bonuses between them. In a state-owned steel company in Changsha, the normal festive bonuses were 200 RMB for agency workers and 20,000-50,000 RMB for formal employees when the business was thriving.

With regard to welfare benefits, formal employees of SOEs could enjoy all the five kinds of social insurance, the housing fund, and some extra insurance and benefits; agency workers normally only enjoyed three kinds of social insurance (for healthcare, occupational disease, and retirement, respectively) and had no access to any extra insurance and benefits, which could amount to a significant percentage of their total wages when monetized. In most foreign and private enterprises, access to the five kinds of social insurance, the housing fund, and the overtime pay remained the privilege of formal employees. Labour agencies would buy agency workers cheap commercial insurance for occupational disease (approximately 20 RMB per month per capita), instead.[803] To avoid equal work, some employers avoided placing agency workers and formal employees in similar positions. In the foreign enterprises of Tianjin Xiqing industrial park, agency workers were commonly all placed in rank-and-file positions

[803] Interviews with human resource managers and agency workers of various enterprises, multiple cities, between September and December 2016.

while formal employees were all in management.[804] Some employers, however, just changed job titles to avoid equal work. For example, agency workers were "drivers" while formal employees were "senior drivers" although they might have similar driving skills and work experience.[805]

The Ten Per Cent Cap

The number of agency workers in China actually did decrease after the promulgation of the *Interim Provisions on Labour Dispatch*. In Shanghai, the number of agency workers dropped from a peak of 1.33 million to 0.88 million at the end of 2015.[806] In Guangdong, the numbers fell from a peak of 1.63 million to 0.85 million in mid-2016. According to a labour official in Guangzhou Labour Bureau, of the 100 randomly selected enterprises in Guangzhou in 2016, 76 per cent had reduced the number of agency workers by at least 20 per cent after the enactment of the *Interim Provisions on Labour Dispatch*.[807] The majority of labour dispatch agencies investigated also reported a significant shrinkage of their labour dispatch business. However, it is too early to conclude that the regulation has successfully prevented the abuse of agency labour in China.

Employers mainly use two methods to deal with the ten per cent cap: temp-to-formal conversion and dispatch-to-outsourcing conversion.[808] Temp-to-formal

[804] Interviews with workers, Tianjin, No. TJ33-No. TJ47, December 2016.
[805] A group interview with labour officials, Shandong, 19 October 2016.
[806] A group interview with labour officials, Shanghai, 11 October 2016.
[807] A group interview with labour officials, Guangdong, 22 September 2016.
[808] This section is based on interviews with human resource managers of various enterprises, managers of labour agencies, and local labour officials in multiple cities between September and November 2016, unless otherwise specified.

conversion means that agency workers are transformed into formal employees of the accepting enterprise. It is what agency workers expect and also what the regulation aims to achieve, since agency workers are better off after a temp-to-formal conversion. Dispatch-to-outsourcing conversion means that agency workers are transformed into "outsourced" workers. The standard practice of labour dispatch, outsourcing and the common practice of dispatch-to-outsourcing conversion are specified below.

In standard labour dispatch, the accepting enterprise signs a labour dispatch contract with the labour dispatch agency; the labour dispatch agency signs labour contracts with agency workers and dispatches them to the accepting enterprise who manages their labour process; the agency receives a monthly package from the accepting unit, including commissions for itself, wages for dispatched workers, and insurance fees for local insurance bureaus; only the commission is taxed. In standard outsourcing, the issuing party signs an outsourcing contract with the contractor and contracts out certain tasks to the latter; the contractor signs labour contracts with its employees and manages them to accomplish the task at his premises using his machines, as what happens between Apple and its contract manufacturer Foxconn;[809] the contractor receives a revenue based on the quantity and quality of the task finished; the whole revenue is taxed. Although there is no legislation clarifying the main difference between labour dispatch and outsourcing in China, in practice, the interviewees concurred that the difference lay in who managed the workers and what type of revenue was taxed.[810]

[809] Chan, Pun and Selden 2013.

[810] Interviews with labour officials, human resource managers, and managers of labour agencies,

By contrast, the common practice of dispatch-to-outsourcing conversion triggered by the ten per cent cap is as follows: the enterprise re-signs a business outsourcing contract to replace the previous labour dispatch contract, usually with the same labour dispatch agency, or with companies jointly owned by the enterprise and the labour dispatch agency. The latter pays taxes for such business as contractors, rather than as labour dispatch agencies. Given that the regulation does not present clear definitions of agency workers or outsourced workers, by changing the documentation and the taxation arrangement, user enterprises can disguise agency workers as "outsourced" workers. "Outsourced" workers often continue to work at the facilities of the accepting unit and under its management. That is why such practice is called "actual labour dispatch, disguised as labour outsourcing."

Employers may seek to outsource some business to contractors, as in the case of Apple with Foxconn. However, they simply cannot find enough mature contractors since agency labour is widely and massively deployed in all kinds of industries in China that is at the lower end of the global commodity chain. In addition to labour, production facilities, processing techniques, and management are all crucial for standard contractors, thus creating high-entry barriers for labour dispatch agencies. With formal workers placed in management and the majority of informal workers working in rank-and-file positions, coupled with the need to impose quality control, the issuing enterprises therefore have to be deeply involved in the management of the "outsourced" work, thus inevitably resulting in "actual labour dispatch, disguised as labour

multiple cities, between September and November 2016.

outsourcing." Such practice had been so prevalent that labour officials in Shanghai said that the majority of "business outsourcing" that derived from labour dispatch fell into this category.

The lawmakers of the *Interim Provisions on Labour Dispatch* were aware of the prevalence of such creative compliance. In the consultation draft of the *Interim Provisions on Labour Dispatch*, Article 2 stipulates: "labour dispatch refers to the employment practice that the labour dispatch agency dispatches its employees to the accepting unit who manages these workers. Outsourcing business to contractors but retaining the management of workers of contractors is one form of labour dispatch." According to this provision, the practice of "actual labour dispatch, disguised as labour outsourcing" will be regarded as one form of labour dispatch, which cannot help enterprises to approach the ten per cent cap. However, Article 2 in the consultation draft version was deleted in the enforced version. Local labour officials concurred that the ten per cent cap was so stringent that it had forced employers to act creatively. They were aware of the prevalence of this kind of "outsourcing" but imposed no penalties on employers. They also complained that the ten per cent cap lacked social support. Employers loathed it while agency workers cared more about income than employment status.

Interviews with local labour officials show that, in Suzhou New District in 2016, 70-80 per cent of agency workers worked under the name of "outsourced" workers; in Guangzhou, after the enactment of the *Interim Provisions on Labour Dispatch*, approximately 33 per cent of enterprises formalized all agency workers, while 54 per

cent introduced "outsourcing." At the enterprise level, as shown in Table 24, SOEs were highly responsive to the ten per cent cap. A substantial percentage of agency workers became formal workers, while a considerable number of agency workers and new recruits became "outsourced" workers (layoffs were rare). Among foreign enterprises, those using agency labour because of the headcount constraint imposed by their headquarters tended to prioritize compliance with the Chinese law and transform the majority of agency workers into formal employees. Those placing agency workers in labour-intensive business such as retailing and manufacturing, however, tended to ignore the cap or transform agency workers into "outsourced" workers. Labour dispatch remained their best solution to cope with fluctuating tasks.[811] Agency workers continued to dominate the shop floors of many electronics contract manufacturers in Tianjin, Changsha, and Shenzhen.[812]

Table 24. A Sample of SOEs' Response to the Ten Per Cent Cap in China

No.	Location	Industry	AW Peak, %	AW 2016, %	OW 2016, %
1	Guangdong	Communication	-	0	47.6
2	Guangdong	Energy	80	6.5	14.8
3	Guangdong	Logistics	50	19	17.8
4	Shanghai	Communication	-	2.6	39.5
5	Shanghai	Logistics	61	36	-
6	Shanghai	Energy	-	1.7	5.1
7	Suzhou	Energy	-	0	86.8
8	Shandong	Communication	70	7	-
9	Shandong	Manufacturing	37	14.9	8.3
10	Shandong	Transporting	-	9.9	0

[811] Interviews with human resource managers of foreign enterprises, multiple cities, between September and November 2016.
[812] Interviews with agency workers, multiple cities, between September and December 2016.

11	Shandong	Logistics	-	24.7	9.3

Source: Compiled from interviews with human resource managers of related enterprises, multiple cities, between September and December 2016.

Note: AW = agency workers; OW = "outsourced" workers; - = unknown.

The cap has various effects. As shown in Table 25, both temp-to-formal conversion and dispatch-to-outsourcing conversion have significantly raised labour costs. For temp-to-formal conversion, employers need to close the remuneration gap between newly-transformed formal workers and previous formal workers in comparable positions with regard to wages, basic social insurance, extra insurance, the housing fund, bonuses, and pay extra fees associated with formal employees, such as trade union fees. The enterprise will also need to increase the remuneration of these new formal workers according to the length of tenure and pay them pensions after they retire as the enterprise does for previous formal workers. In this way, the increase in labour costs because of temp-to-formal conversion is relatively low in the first year of the conversion and will grow annually. Dispatch-to-outsourcing conversion could also be more expensive than labour dispatch. Only the commission paid by the accepting unit is taxed in labour dispatch, while the whole revenue is taxed in outsourcing. Moreover, "contractors" need money to buy extra business insurance to hedge the risk of more employer responsibility *de jure*. Given that the cost increase invoked by temp-to-formal conversion will keep rising while that invoked by dispatch-to-outsourcing conversion will stay rather stable and that China has not issued substantial laws to regulate labour outsourcing, employers favour dispatch-to-outsourcing conversion over temp-to-

formal conversion.

In comparison, agency workers' welfare increases when they are formalized, and decreases when they are transformed into "outsourced" workers. "Outsourced" workers are more remote from the accepting unit with regard to the employment relationship and cannot be transformed into formal workers (while agency workers can). Some enterprises even lowered the pay of these "outsourced" workers to offset the cost increase because of dispatch-to-outsourcing conversion. While Chinese labour laws have special provisions to counter the abuse of agency workers, they do not have special provisions against the abuse of "outsourced" workers generated by "actual labour dispatch, disguised as labour outsourcing." In response to this, many "outsourced" workers invoked by the ten per cent cap chose to leave the enterprise. The annual turnover rate of agency workers in a SOE in Guangdong was once approximately six to seven per cent, while the company lost some 20 per cent of its "outsourced" workers between January and September 2016.[813]

Table 25. A Sample of Enterprise Labour Costs Increase Because of the Ten Per Cent Cap in China

No.	Location	Ownership	Increase in Labour Costs in the First Year
1	Guangdong	State	Unknown because of TFC, at least 8% because of DOC
2	Guangdong	State	at least 8% because of TFC, 30 million RMB because of DOC
3	Shanghai	Foreign	12% because of TFC, 17% because of DOC

[813] A group interview with human resource managers of Guangdong Post, Guangzhou, 23 September 2016.

4	Shanghai	State	20% because of TFC, 25% because of DOC
5	Shandong	State	at least 12% because of TFC, unknown because of DOC
6	Shandong	State	10,000-20,000 RMB per capita because of TFC, unknown because of DOC

Source: Compiled from interviews with human resource managers of related enterprises, multiple cities, between September and December 2016.

Note: The base for the percentage increase is previous labour costs of related agency labour. TFC: temp-to-formal conversion; DOC: dispatch-to-outsourcing conversion.

Other Provisions

Another major provision to counter the abuse of agency labour is that agency workers shall only be placed in temporary, auxiliary, or substitute positions. Although the 2012 amendment to the LCL defines these three kinds of positions, it is still difficult to judge whether or not the placement of agency workers is legitimate in many cases. For example, it is hard to ascertain whether or not the position of human resource managers in a toy factory is auxiliary according to the amendment that defines auxiliary staff as those providing supplementary services to the primary business—more legal details are needed to differentiate "primary" from "supporting." In practice, as in the case of the implementation of equal pay for equal work, local labour bureaus trusted the congress of employees' representatives or equivalents in enterprises to delimit the coverage of temporary, auxiliary, and substitute positions. Thus, procedural justice again triumphed over resultant justice.[814] Agency workers were still employed for assembly lines in

[814] Interviews with local labour officials, multiple cities, between September and November 2016.

contract manufacturers, call centres of communication service providers, and other positions alike.[815]

The effort to raise the entry threshold of labour dispatch agencies was in vain, too. An increase in the amount of the minimum registered capital from 0.5 million RMB to two million can hardly prevent the proliferation of small, asset-light agencies. In all the cities where we interviewed local labour officials, labour dispatch agencies could easily buy from professional asset firms an asset verification report of two million RMB for a cost of 5,000 to 20,000 RMB. Local labour bureaus had no capacity to authenticate these reports and they were exposed to the risk of administrative litigation if they refused to issue licenses for labour dispatch to labour agencies with such reports, even if they knew that those agencies were family-run and operated in the owners' home. The entry threshold was so low that the labour dispatch market remained crowded with tiny, unscrupulous agencies, which made docking of wages and insurance fees a daily occurrence.[816]

The provision that aims to stabilize the employment of agency workers fails to regulate those employers that use short-term agency labour to cope with fluctuating orders. The lawmakers expected to use the requirement of two-year or longer labour contracts with agency workers to force labour dispatch agencies to channel agency workers among enterprises with different peak times. None of the agencies that we interviewed, however, liked this idea because it was too risky. Once a worker is returned,

[815] Interviews with agency workers, multiple cities, between September and December 2016.
[816] Interviews with labour officials, Guangdong, 22 September 2016; interviews with labour officials, Shandong, 19 October 2016; interviews with managers of labour agencies, Dongguan, 22-23 November 2016.

the agency is required by the law to pay the local minimum wage before the worker is re-dispatched. For agencies earning meagre commissions from enterprises, this responsibility is too heavy to shoulder. In practice, the most common form of agency labour in electronics manufacturing in Dongguan and Shenzhen was hourly workers. They were on three-to-six-month contracts with agencies, and were paid by hourly rates. Even if agency workers were on two-year contracts with the agency but were returned by the accepting unit halfway, agencies could still circumvent the minimum wage responsibility by, for example, threatening to dispatch them to remote places to force them to resign.[817]

Contextualizing the Limited Success of the Regulation: Old Legacies and the "New Normal"

China's ongoing transformation and the "new normal" (slower growth and economic restructuring) give us clues to understand the limited success of the regulation.

On the one hand, the legacy of the planned economy is still felt, even if the market-orientated reform has been ongoing for over thirty years. One labour official in Shanghai put it bluntly: "the remuneration gap between agency workers and formal employees is the largest in SOEs not because agency workers there are too poorly paid, but because formal employees are too well paid."[818] Equal pay for equal work cannot be achieved in SOEs with the compensation of formal workers protected by the state and the compensation of agency workers determined by the labour market. Moreover,

[817] Interviews with agency workers, Dongguan and Shenzhen, between November and December 2016.
[818] A group interview with labour officials, Shanghai, 11 October 2016.

as in the case of the practice developed in the planned-economy era, the wage quota of SOEs in present-day China is still authorized by the government. Although the *Interim Provisions on Labour Dispatch* requires SOEs to comply with the ten per cent gap, the State-owned Assets Supervision and Administration Commission insisted that the wage quota of individual SOEs could only be adjusted according to financial performance, not according to the number of employees, thus forcing SOEs to transform agency workers into "outsourced" workers to lower their percentage of agency workers.[819]

The entrenched rural-urban dualism consolidated in the planned-economy era also hampers the enforcement of the regulation by locking migrant agency workers—the majority of agency workers in China—in a state of continuous migration between cities and their hometown villages. Our interviews with migrant agency workers indicate that working in big cities to make money and settling down in small cities or hometown villages remained the dominant trajectory of this group. Emboldened by the shortage of blue-collar workers in recent years, the migrant workers at prime ages that we interviewed said that they changed jobs frequently and they had no worries of unemployment. Under such circumstances, the regulation alone can hardly stabilize their employment. Meanwhile, although the gap in social insurance between agency workers and formal employees is salient, particularly in foreign and private enterprises, migrant workers are discouraged from contributing to or demanding employers contribute to the pension pool of the cities where they work. In the eyes of our agency worker informants, such contributions not only lowered their present income but also

[819] Interviews with human resource managers of SOEs, multiple cities, between September and November 2016.

might not be able to translate into real benefits because of their mobility and the obstacles in transferring social insurance entitlements among different regions of China (more details in Chapter Nine).[820]

On the other hand, the fact that China is experiencing a "new normal" has made the government concerned less about labour protection and more about economic revitalization and employment promotion. In 2014, the Chinese President Xi Jinping said that China needed to adapt to a "new normal" characterized by slower growth, the upgrading of industry, and an innovation-driven economy.[821] As mentioned above, the growth of the China's economy has slowed down significantly since 2012. One of the Chinese government's countermeasures is to lower the operating costs of enterprises, particularly labour costs. To do so, enterprises' contributions to social insurance and to the housing fund have been lowered and increases to the minimum wages have been reduced. For example, according to labour officials in Guangdong, the provincial government lowered the average premium rate of occupational injury insurance contributed by employers from 0.63 to 0.43 per cent in 2015, lowered the premium rate of unemployment insurance contributed by employers from 1.5 to 0.8 per cent in 2016, and froze the minimum wage level from May 2015 onwards (which had been adjusted annually before).[822] However, labour dispatch had already been widely used by employers to avoid contributions to social insurance and the housing fund.

Under such circumstances, the MOHRSS suggested that local labour bureaus

[820] Interviews with agency workers, multiple cities, between September and December 2016.
[821] Xinhuanet. 2014.
[822] A group interview with labour officials, Guangdong, 22 September 2016.

soften the ten per cent cap and focus more on equal pay for equal work, which excludes social insurance and welfare benefits. Moreover, in 2016, the MOHRSS stopped the initiative of issuing a guideline to distinguish so-called "outsourcing" from labour dispatch despite the fact that considerable preparatory work had been carried out in 2015.[823] Labour dispatch and its variations, such as "actual labour dispatch, disguised as labour outsourcing" had, therefore, been tacitly incorporated into the central government's general plan to cut the operating costs of the real economy. A labour bureau official in Shanghai said incisively: "it's good news when enterprises are still playing cat-and-mouse games with you. At least, they are still doing business in China. Real troubles come when they stop playing and close down."[824] Meanwhile, with the slowdown of economic growth, the MOHRSS has shifted focus from the quality to the quantity of employment. Flexible employment had been promoted and valued as a means to buffer the impact of an economic slowdown on employment.[825]

Conclusion

This chapter examines the promulgation and effects of labour regulation in the new millennium. It shows how the most important modulator of the exploitation-centred precarization regime in post-Mao China worked in practice. Related to agency labour, the most prevalent form of nonstandard labour in China's workplaces nowadays, this

[823] An interview with MOHRSS researcher M1, Beijing, 5 December 2016.
[824] A group interview with labour officials, Shanghai, 11 October 2016.
[825] An interview with MOHRSS researcher M1, Beijing, 5 December 2016.

chapter traces how agency labour has risen to prominence and how the agency labour regulation was implemented at the grassroots level and failed to deliver expected result. The main findings of this chapter are summarized below.

In the face of rising labour unrest, the Chinese government changed gears to enhance labour protection, exemplified by the enactment of the LCL, the *Interim Provisions on Labour Dispatch*, and other labour protection regulation. The LCL itself is a result of rounds of bargaining among different stakeholders in employment relations. While it significantly enhanced the legal protection for formal employees with regard to the open-ended contract, severance fees, social insurance, and so on, it made great concessions in protecting agency workers. And in fact, the enactment of the LCL was followed by an explosion in the size of agency workers in China. Amidst the recent slowdown in China's economic growth, the LCL has been under pressure of revision to lift some restrictions on employers.

Agency work is the dominant nonstandard employment arrangement in the workplace in present-day China. In reform China, agency workers flourished as a result of urban unemployment pressure, SOE reforms, peasant migration, foreign investment, the expansion of labour-intensive enterprises, the enactment of the LCL, labour shortage, and so on. During this process, the state has played double roles, both as the initiators of serial reforms and as a direct supplier of agency workers. The rise of agency workers in China has forged a new employment dualism with contract workers as formal employees and agency workers being discriminated against in major dimensions of working conditions.

The labour dispatch regulation in China is like a cat-and-mouse game involving rounds of pursuit, near captures, and repeated escapes. In the first round, the central government introduced the LCL to enhance the protection of agency workers, only to prompt employers to employ more agency labour in the workforce. In the second round, an amendment to the LCL and the *Interim Provisions on Labour Dispatch* were enacted with a more detailed requirement of equal pay for equal work and a stringent ten per cent cap, only to trigger more countermoves from local governments, employers, and labour dispatch agencies to hollow out the regulation. After the enactment of the regulation, while some enterprises have narrowed the remuneration gap between agency workers and formal employees, others have retained a large gap in overtime pay, bonuses, and welfare benefits between the two groups. The regulation has reduced the number of agency workers, but has invoked the abuse of the more precarious "outsourced" workers, as well. The regulation has had little effect on limiting the use of agency labour to temporary, auxiliary, or substitute positions, raising the requirements of engaging in labour dispatch business, or stabilizing the employment of agency workers. China's ongoing transformation from a planned to a market economy since the 1980s and from high growth to a "new normal" since 2010 has fundamentally constrained the full implementation of the agency labour regulation.

Chapter Nine

Formal and Agency Workers in Present-day China

So far, this thesis has chronicled the evolution of precarization regimes since 1949. We are now in a good position to examine the result of the cumulative changes for decades. Given the focus of this thesis, this chapter continues to pay particular attention to precarious forms of workers. As mentioned in Chapter Eight, the existing literature has shed some light on the conditions of agency workers. In addition, the literature on student interns in China finds that many students in vocational schools had been forced to intern in factories under the government's encouragement of close school-factory cooperation. [826] They often suffered from the feelings of restrained mobility, resignation, and powerlessness; their classroom studies and work in the factory were often misaligned.[827]

This chapter extends the extant literature in two ways. First, it extends the scholarship on the conditions of agency workers by providing a concrete sense of their daily lives that is a result of the conjuncture of the employment dualism and the rural-urban dualism, and by putting emphasis on how the ownership type of enterprises affected their conditions. Second, it explains how a multilayered labour market has evolved out of the changing economic and demographic circumstances and situates normal agency workers and student interns in this market to further make sense of their emergence and conditions.

[826] Koo 2016; Woronov 2015.
[827] Smith and Chan 2015.

Therefore, in this chapter, we are also in a good position to examine the implications of the conditions of precarious workers on labour movements and labour policies and engage in two related debates put forward by Chapter One. The first is whether or not precarization is a process of de-proletarianization. Supproters of the contention that precarization is a process of de-proletarianization emphasize the faction within the working class across the line of secure versus insecure workers and question class as a basis to build workers' solidarity. The second is whether or not formalization is an effective policy to reduce the abuse of precarious labour. This chapter engages in these two debates by comparing the conditions of formal employees and agency workers. This is also an effort to examine the relevance of the prevalent discourse on employment dualism in the workplace of present-day China.

This chapter further exposes the limitations of labour regulation as the main modulator of the exploitation-centred precarization regime. While Chapter Eight addresses this issue from the perspective of policy-making and implementation, this chapter addresses it from the perspective of workers. It shows how the precarious state of these workers was socially embedded and went beyond the reach of labour policy. This chapter focuses particularly on formalization as a policy pushed by the central government to rein in the abuse of agency workers. By requiring that enterprises in China lower the proportion of agency workers in their entire workforce to a maximum of ten per cent before 1 March 2016, the government intended to force employers to convert agency workers into their formal employees. The question is, can formalization significantly reduce precariousness in present-day China?

Based on participant observation and interviews conducted in 2016, this chapter provides a detailed examination of the working conditions of both formal workers and agency workers in SOEs and those of agency workers in labour-intensive foreign enterprises in China. This chapter omits private enterprises because they were not big users of agency labour when compared with SOEs and foreign enterprises.

Formal and Agency Workers in SOEs

The enterprise group Oriental Star (pseudonym) I investigated is a giant state-owned one engaged in financial savings and logistics with multilayered subsidiary facilities all across China. The proportion of agency workers in its employee portfolio peaked at an astonishing 52.7 per cent in 2012.[828] After the promulgation of the *Interim Provisions on Labour Dispatch*, it started to diversify the workforce by introducing "actual labour dispatch, disguised as labour outsourcing" in essence. In 2015, formal workers, agency workers, and "outsourced" workers accounted for 66.4 per cent, 19.2 per cent, and 13.7 per cent of the workforce respectively.[829] This chapter focuses on agency workers in Oriental Express—the express mail sector of Oriental Star. Oriental Express was initially founded in 1985. At the end of 2011, it had 45,418 branches nationwide with 82,891 workers engaged in fast mail service, of which 67.9 per cent were agency workers.[830]

[828] Oriental Express unpublished. Human resources management 2012.
[829] Oriental Express unpublished. Human resources management 2015.
[830] Oriental Express unpublished. Oriental Express initial public offerings prospectus.

Before interviewing agency workers, I worked in a labour agency called Talent Pool (pseudonym) for one month from July to August 2016. This agency began to dispatch workers to Capital Star, the Beijing subsidiary of Oriental Star, in July 2014. By August 2016, Talent Pool had been providing approximately 270 agency workers to Capital Star, of which 60 were to the Capital Express, the subsidiary of Capital Star that engaged in fast mail service. In this agency, I conducted semi-structured interviews with thirteen of its staff to gain a general understanding of how labour dispatch operated in China and in the Capital Express in particular. After that, I interviewed thirty agency workers or "outsourced" workers from twelve branch outlets of Capital Express. Most of them were "outsourced" workers or agency workers or were once agency workers but had become formal employees of Capital Express in recent years.[831] I also joined my informants in collecting and delivering express mail on nine occasions, each lasting from two to four hours, covering not only office blocks, schools, but also residential complexes. Such experiences help me to make better sense of the daily life of couriers—the majority of the labour force of Capital Express.

Changing Faces of Employment Dualism

Employment dualism has characterized the workforce at Oriental Star from the very beginning. It appeared as fixed workers versus temporary workers in Mao's China and as directly-employed contract workers versus agency workers and outsourced workers

[831] Given that agency workers and "outsourced" workers at Capital Express shared similar working conditions and that those "outsourced" workers were in fact agency workers (for details, please refer to Chapter Eight), this chapter uses "agency workers" to refer to them.

in present-day China.

The workforce at Oriental Star had been stratified with regard to employment status when its predecessor was founded in 1878.[832] When the CCP took over the Oriental Star, it simply took on all and took responsibility for all. In addition to formal employees, long-term temporary workers and newly employed temporary workers that were regularly needed were regularized. Like the other SOEs, in the early 1950s, Oriental Star had built up an employment system centring on fixed employment.

In addition to fixed workers, Oriental Star also used temporary workers, including outsourced workers and both-workers-and-peasants to extend coverage of services and meanwhile to keep the incremental costs modest. At the end of 1949, at the national level, Oriental Star had over 21,000 contractors, mainly in rural areas. Contractors were compensated on a commission-only basis for completing certain business for Oriental Star. The number of contractors grew to 45,000 in 1953, making up over 80 per cent of branches of the Oriental Star, before shrinking to 23,000 or 51.6 per cent of all branches in 1956. The number of contractors jumped to 35,000 during the Great Leap Forward before decreasing again. In the 1960s and 1970s, Oriental Star attempted to internalize their business by conversing urban contractors into their own employees and suspending business ties with rural contractors. In 1978, contractors totalled 11,000, accounting for 23.8 per cent of Oriental Star's branches. Oriental Star also used lots of both-workers-and-peasants in rural China. In 1965, the number of both-workers-and-peasants who worked for the company totalled over 7,000.

[832] Hu (eds.) 2004.

In 1971, Oriental Star had 605,710 workers, 93.4 per cent of whom were fixed workers. After the massive regularization in 1971 and 1972, at the end of 1973, this proportion jumped to 97.9 per cent. Since the early 1980s, Oriental Star had introduced the labour contract system and began to re-encourage outsourcing. In 1985, 6.5 per cent of the entire workforce was contract workers; contractors totalled 14, 278 and were responsible for 30.2 per cent of its postal services.[833]

Table 26 shows the employment structure at Capital Star between 1949 and 2014. Before 1990, the vast majority of workers at Capital Star were permanent workers while temporary workers accounted for less than five per cent of the workforce. In 1983, Capital Star began to introduce contract workers, who signed fixed-term labour contracts with Capital Star and could not be converted into permanent workers.[834] As mentioned before, since 1985, the total wage ration of individual SOEs has been linked to their individual financial performance and only the wage of formal employees entered the wage ration, which pushed Capital Star to resort to using temps when extra hands were needed. The majority of new entrants to Capital Star were temps in the 1990s.[835]

In 1998, Capital Star established its own staffing company—Dragon Labour (pseudonym)—which specialized in providing agency labour to Capital Star. Temps were then converted into agency workers. In 1990, formal workers (both permanent workers and contract workers) made up 98.5 per cent of the workforce. In 2012,

[833] Editorial Board 1988, 56-67.
[834] Hu (eds.) 2004, 340-341.
[835] An interview with a worker, Beijing, No. BJ5, 5 September 2016.

however, the proportion was a mere 51.9 per cent. Pressured by the 2014 *Interim Provisions on Labour Dispatch* which prohibit user enterprises from operating their own staffing firms, Capital Star transferred its agency workers from Dragon Labour to several private labour agencies in mid-2014, including Talent Pool.

Table 26. Composition of Workforce at Capital Star, 1949-2014

Year	Overall Workforce	Permanent Workers, %	Temporary Workers, %	Contract Workers, %	Year	Overall Workforce	Formal Workers, %	Agency Workers, %
1949	1633	100			2000	22038	87.3	12.7
1950	1767	100			2001	19259	95.6	4.4
1951	2110	100			2002			
1952	2163	100			2003	25585	65.1	34.9
1953	3102	100			2004	25526	64.3	35.7
1954	3446	100			2005	26053	61.7	38.3
1955	3527	100			2006	27389	57.0	43.0
1956	5171	96.1	3.9		2007	30307		
1957	5200	96.2	3.8		2008	30842		
1958	6475	97.3	2.7		2009	30567		
1959	7307	91.6	8.4		2010	25467		
1960	7142	97.3	2.7		2011	25334		
1961	6908	97.0	3.0		2012	25369	51.9	
1962	6543	97.4	2.6		2013	25338		
1963	6470	99.2	0.8		2014	22845		
1964	6490	99.2	0.8					
1965	6594	97.7	2.3					
1966	6594	97.4	2.6					
1967								
1968	7031							
1969	7067	98.1	1.9					
1970	6143	98.6	1.4					
1971	6606	98.4	1.6					
1972	6859	96.0	4.0					
1973	7246	98.7	1.3					
1974	7445	98.7	1.3					
1975	7939	98.0	2.0					
1976	8378	98.0	2.0					
1977	8601	97.6	2.4					

1978	9320	98.4	1.6					
1979	10525	96.5	3.5					
1980	11219	97.7	2.3					
1981	12552	94.6	5.4					
1982	13229	91.1	1.1					
1983	13413	89.9	1.1	5.5				
1984	14359	83.6	1.1	14.3				
1985	15185	97.5	1.7	0				
1986	16242	98.5	1.2	0.2				
1987	16903	95.4	1.4	3.2				
1988	17468	91.7	1.4	7.0				
1989	17920	87.8	1.6	10.6				
1990	18560	84.3	1.5	14.2				

Source: Hu (eds.) 2004; Capital Star unpublished.[836]

Pressured by the ten per cent cap imposed by the 2014 *Interim Provisions on Labour Dispatch*, Capital Star has transformed some agency workers into "outsourced" workers and also hired new entrants in this way since 2014. As specified in Table 27, three career tracks operated within present-day Capital Star. The number of Track A staff was in decrease since no new hires could enter this track and neither Track B nor Track C workers could be converted into Track A workers. Track C workers, however, had annual opportunities to escalate to Track B. Most rank-and-file workers joined Capital Star in Track C and a minority of them could become Track B workers after years of service.

Table 27. Three Career Tracks at Capital Star, 2016

[836] Capital Star unpublished. Capital Star Yearbook 2000-14.

Career Tracks	Employment Status	Composition	Job Security and Welfare
Track A	Permanent workers	Veteran management and Veteran frontline workers	Best
Track B	Contract workers	Majority of management and minority of frontline workers	Medium
Track C	Agency workers and Outsourced workers	Minority of management and majority of frontline workers	Worst

Source: Fieldwork.

In December 2008, Capital Star packaged its fast mail businesses and founded Capital Express, which consisted of dozens of subsidiaries. Each subsidiary consisted of several branch outlets. In 2013, each branch outlet packaged some big clients, such as schools and business complexes, into networks. In 2014, Capital Express deployed 8,148 workers in over 100 branch outlets.[837] Each branch outlet was responsible for the collection and delivery of fast mail in an area of one or two postcodes. Depending on the volume of fast mail, the number of workers at each branch outlet ranged from 20 to 70. Over two thirds of them were in Track C; less than one third were in Track B; and at most one or two were in Track A. Each branch outlet was staffed with one manager, dozens of couriers, and several support workers handling the record and distribution of inward and outward mail, warehousing, and customer service. They were assisted by drivers affiliated directly with Capital Express who channelled mail between sorting centres and branch outlets within Beijing. Managers tended to be in Track B while couriers and support staff tended to be in Track C.

Couriers constituted the majority of Track C staff. Unlike part-time help workers,

[837] Capital Star unpublished. Capital Star Yearbook 2014.

they worked full-time. At the end of 2011, 44.16 per cent of Oriental Express workers, including agency workers, were under 30 years old with another 32.33 per cent aged 30-39; 61.27 per cent of them had a high school diploma, equivalents or lower.[838] After work trials of two days, shortlisted candidates for rank-and-file positions would be asked to sign labour contracts with labour agencies, for example, Talent Pool. Every month, Talent Pool calculated the wage bill of its dispatched employees according to attendance records and wage distribution schemes updated by Capital Express. After Capital Express authenticated the payroll, Talent Pool would receive a payment that included wages for its dispatched workers, social insurance fees to be paid to social insurance bureaus, and commissions for Talent Pool itself—the 2016 rate was 65 RMB per person per month.

Couriers' wages were mainly determined by a piece rate system. The piece rate for delivering one item of mail ranged from 0.5 to 1.2 RMB. The piece rate for collecting one ranged from eight to twenty-five per cent of the shipping fare. These two commissions made up over 80 per cent of couriers' wages. Although a courier could earn over 10,000 RMB in November every year because of the online shopping festival, their normal monthly wage was between 3,000 and 6,000 RMB. The monthly wage of support workers was set as a certain proportion of the gross wage of the branch outlet, mostly between 2,000 and 4,000 RMB.

The income gap between agency workers and formal employees at Capital Express was once wide, but had been gradually narrowed in the new millennium. In 2004, the

[838] Oriental Express unpublished. Oriental Express initial public offerings prospectus.

annual wage of all agency workers rose by 3,000 RMB at a time. In 2005, their monthly wage increased by 100 RMB, while the monthly wage of formal employees rose by 110 RMB. In 2011, agency workers with urban household registration status were entitled to the housing fund. In 2012, Capital Express began to prioritize agency workers when deciding on awards to facilitate their temp-to-formal conversions.[839] Promotion opportunities did not vary by employment statuses. For example, in 2008, 430 of the 509 managers of Capital Express were agency workers.[840] In 2016, the piece rates for mail delivery and collection did not change with the employment status of couriers. Moreover, all those working for Capital Express were entitled to the five kinds of basic social insurance, for health care, retirement, work-related injury, maternity, and unemployment respectively. Nonetheless, formal employees did enjoy some exclusive benefits such as extra retirement insurance, extra medical care, allowances for winter heating, childcare, and so forth, which amounted to approximately 500 RMB per month.[841]

Entrenched Rural-Urban Dualism

Another salient distinction within the workforce at Capital Express has been their places of origins. Peasant workers were concentrated in rank-and-file staff and they toiled hard for a livelihood. In contrast, urban citizens, mainly Beijingese, were concentrated in

[839] Capital Star unpublished. Capital Star Yearbook 2014.
[840] Capital Star unpublished. Capital Star Yearbook 2009.
[841] My findings at Capital Express echoes with those of Vincent Chen and Anita Chan at China's auto joint ventures. Based on a questionnaire survey, they find that these companies keep the gap in wages and in work conditions between regular and agency workers small to mitigate agency workers' dissatisfaction and reduce their tendency to take militant actions. See Chen and Chan 2018.

management and even those in frontline positions were likely to be charged with less demanding tasks than those of peasant workers. And they worked mainly for social insurance coverage and for passing time. Table 28 details the profiles of management, support workers and couriers within branch outlets of Capital Express.

Table 28. Profiles of Staff within Branch Outlets at Capital Express, 2016

Position	Place-of-Origins	Gender	Toughness	Remuneration
Management	Beijingese dominate	Male	Medium	Best
Support Staff	Beijingese and migrants	Female	Lowest	Worst
Couriers	Migrants dominate	Male	Highest	Medium

Source: Fieldwork.

Generally, couriers at Capital Express were young, unskilled, male peasant workers capable of lifting parcels of up to 40 kilograms. Thanks to the booming e-commerce in China, over half of mail Capital Express dealt with were online shopping parcels—some could be really heavy and big—while the minority were all kinds of documents. Most couriers worked outdoor, no matter it was daylight or sunset, burning or freezing, raining or snowing. A courier' working day at Capital Express began at 7:30 am. Along with the support staff, they unloaded mail bags from lorries, unpacked them, added them with yesterday's undelivered mail, sorted mail according to different segments, and finally typed in and scanned the mail each was responsible for in his personal digital assistant before departing for the first round of delivery, usually approximately 9 am. Carrying mail in their electric tricycles, they shuttled back and forth among the concrete

jungles while calling customers to fetch their mail or receiving calls or messages in their personal digital assistant for onsite pick-ups. Every time one item was delivered, they would keep the waybill and scanned it later on using their personal digital assistant to notice the system that this item of mail had been successfully delivered. After they had attempted to deliver all the mail, in success or failure, they would return to their branch outlet where they would scan all the waybills again by a scanner for future reference before a certain time point, 12 am for the first round.

They would repeat this set of movements for the second round beginning at 2:30 pm and the third beginning at 4:30 pm and ending at 6 pm or later. During late autumn and winter when days were short, some couriers brought them with a low-voltage lamp for lighting after sunset. Usually, the first round would handle over 50 per cent of mail deliveries for the day while the second and third were charged with more mail collections. A couriers' working day ended when he handed over all the money he received that day to the accountant, 7 pm at the earliest, but more commonly at 9 pm. Couriers at Capital Express enjoyed at most one day off each week and might continue to work for one month without stop during peak seasons such as the annual "double-eleven" online shopping festival in November.

Beijingese were more likely to become managers of Capital Express. Located in Beijing as a prominent SOE, Capital Star was once overwhelmingly dominated by Beijingese. In the late 1970s and early 1980s, Capital Star allowed the offspring of its employees to take over their parents' jobs to alleviate the then youth unemployment.[842]

[842] Hu (eds.) 2004

Nowadays, even if the promotion opportunities appeared equal between Beijingese and migrants, the high mobility of migrants meant that many of them would leave for a new job before being promoted. As a result, most branch managers of Capital Express were Beijingese. So were the majority of meso-level managers. According to a document in the bulletin of one branch outlet, of the thirteen newly nominated subsidiary-level managers in 2016, ten were Beijingese.

Beijingese managers tended to favour Beijingese workers. A minority of couriers were Beijingese. Many of them were in middle age, reemployed by Capital Star as agency workers after being dismissed during the downsizing of other SOEs. They were more likely to be assigned to less demanding positions. As a migrant courier said:

"There is a population management bureau here. Our branch outlet deals with all the mail involving ID cards in and out of Beijing for them. Four people have been assigned to serve it, all Beijingese. In fact, one is enough. The staff of the bureau will sort out cards for delivery. They only need to pack it."[843]

Notably, for Beijingese, toiling less than migrants did not necessarily mean earning less. Wages at the branch level were determined by a complicated and fluid method that left room for manoeuvring by branch managers (more details later). Workers acquainted with managers were thus more likely to be paid a larger slice while Beijingese workers were more likely to establish close relationships with Beijingese managers. During my fieldwork, I had heard repeated complaints about Beijingese workers who toiled less but were paid more than migrants.

Working as a courier also entailed distinct meanings for migrant and local couriers

[843] An interview with a worker, Beijing, No. BJ7, 6 September 2016.

and thereby they had distinct working attitudes. For male migrants, the main breadwinner of their current or future family, being a courier was a job for making money. They would try their best to deliver and collect as many as possible mail to earn a higher income. For Beijingese, in addition to all kinds of cheap and good-quality public goods the state provided, many of them had benefitted from the city reconstruction in the past decades and become landlords. As locals, thanks to the sky-rocketing house price, they also became better off. Being a courier thus became a way to spend life and acquire welfare coverage. Such distinction is vividly expressed by the following three couriers.

"Why are we here? To earn money, to create a better environment for our families… The invisible desire to make money motivates us to work hard."

- A champion courier of a labour emulation, from Henan[844]

"I'm here to dawdle, to exercise myself. Otherwise, what can I do staying home? My child got married early. Only my wife and I are at home. I can hang out with these young men here. Days fly fast this way."

-A Beijingese courier[845]

"Of course there are tricks in the calculation of wages. But you will offend the manager if you seek justice. I don't want to be the thorny one. I don't care, anyway."

–A Beijingese driver[846]

Within the branch outlet, the majority of Beijingese concentrated in support work. They were mostly female, working every five days for two days off or working every two days for one day off. As mentioned above, their wages were much lower than couriers. They had no chance of getting promoted. One support worker in charge of customer service called this kind of job as "*hun.*" "*Hun*" meant to idle time away

[844] An interview with a worker, Beijing, No. BJ12, 27 September 2016.
[845] An interview with a worker, Beijing, No. BJ16, 9 October 2016.
[846] An interview with a worker, Beijing, No. BJ15, 30 September 2016.

without significant advancement. In her eyes, "support work was essentially about "*hun*." We "*hun*" from a little girl to a little wife, and from a little wife to a little mom. We leave and go home once we get bored with this job." This situation echoed with the aforementioned Beijingese courier's "I'm here to dawdle," reflecting the prevalent understanding of working in Capital Express for Beijingese, which migrants could not afford to have.

Precarious Agency Workers, Protected Formal Workers?

Meilan, a young mother of a two-year-old, was from a rural village in Hebei, just one hour by train from Beijing. She became an agency worker at Capital Express in 2012. After two two-year contracts, she signed a three-year contract with Sky Labour (a labour agency, pseudonym) in 2016. Her main responsibility was to record and distribute inward mail. In a resentful tone, she said,

> "Every time I receive a lower wage than I deserve, Capital Express always says, 'We don't dock your money. Sky Labour does…'
>
> Female workers at Capital Express all know that to give birth to a child, we have to quit. Otherwise…one colleague found her foetus dead at month eight. I know another one. The foetus was strangled to death by the umbilical cord at month seven. Its mother toiled too much. I know four female workers at Capital Express who suffered miscarriages. I asked for maternity leave when I was pregnant. I was refused. I was only permitted to work for shorter hours later when I found I was bleeding."[847]

Meilan's words cast light on the precarious nature of agency labour at Capital Express, particularly for females. Her experience was not an exception. During my

[847] An interview with a worker, Beijing, No. BJ24, 30 October 2016.

fieldwork, I was often told that labour agencies made profits by docking wages and social insurance fees. The branch outlets' managers might assist the labour agencies, sharing in their gains and helping to hide their deception.

"I have a relative working at Land Staffing (an agency labour supplier to Capital Express, pseudonym). I know how it works. For example, for a monthly wage of 6,000 RMB, the agency worker only receives 5,000. For the remaining 1,000, Land Staffing takes 100 while the manager of the branch outlet takes 900. I know one manager who bought a house in Shandong after running one branch outlet for two years."

-Qiang, a courier, agency worker[848]

"Once we went to the social insurance bureau…It showed that we paid approximately 300 RMB each month for insurance. But our wage slips showed that we were charged more than 700 RMB for insurance fees monthly. We complained to the manager. He asked us to complain to our labour agency. They kicked us back and forth like this."

-Feng, a courier, agency worker[849]

The fact that many agency workers had their labour contracts renewed did not necessarily mean that their employment was secure. Once they made mistakes, agency workers would be sent back to labour agencies (and then usually dismissed), while formal employees might simply receive warnings. In 2014, more than 2,200 agency workers were dismissed when Capital Star transferred agency workers from its own labour agency to other labour agencies.[850] Moreover, once an agency worker reached 45 years of age (for females) or 50 years of age (for males), although before the mandatory retirement age (50 for female workers, and 60 for male workers), s/he would be dismissed even if s/he committed no mistakes, while formal employees at that age would be transferred to less demanding positions.

[848] An interview with a worker, Beijing, No. BJ12, 27 September 2016.
[849] An interview with a worker, Beijing, No. BJ2, 31 August 2016.
[850] Capital Star unpublished. Capital Star Yearbook 2015.

However, while formal employees of Capital Express were somewhat better off than agency workers, their employment status did not necessarily guarantee them income security. Rather, the income security of both formal and agency workers was subject to the same following factors.

The first factor was Oriental Express's shrinking market share. From 2007 to 2015, with regard to the number of mail items dealt with, the market share of state-owned express companies, of which Oriental Express was the largest, shrank from 59.3 to 9.9 per cent.[851] Although the express industry in China has been expanding explosively in recent years, the revenue of Capital Express decreased by 3.85 per cent in 2014 when compared with the figure in 2013, after its profit dropped from 140 million RMB in 2012 to 60.2 million RMB in 2013.[852] In response to this, in late 2015, Capital Express initiated a new round of the cost-saving, efficiency-improving campaign which almost halved the commission rates for both delivery and collection of mail, resulting in an almost halved wage. Welfare benefits were also significantly cut. Festive gifts such as mooncakes for the Mid-Autumn Festival and dumplings and meat for the Spring Festival, paid annual leave, and partly publicly funded trips had almost disappeared for the rank-and-file staff. For formal employees particularly, the reimbursement rate of medical care was lowered from 87 to 85 per cent in 2014.[853]

The second factor was pervasive penalties. Penalties affecting the income of branch outlet staff operated at the outlet level, the network level, and the individual

[851] National Bureau of Post and Deloitte 2014; National Bureau of Post 2016.
[852] Capital Star unpublished. Capital Star Yearbook 2013-15.
[853] Capital Star unpublished. Capital Star Yearbook 2015.

level. At the outlet level, penalties were determined by the overall performance of the outlet, including revenue, rates of successful delivery, rates of complaint, and code compliance. For one failure or offence at the outlet level, one point would be deducted in the performance assessment of the branch outlet, resulting in a deduction of 10,000 RMB from the gross wage of the branch outlet that month, which was evenly shared by all outlet staff. At the network level, workers running the network were punished collectively for five per cent of the arrears if they failed to collect the monthly shipping fares of clients. They also lost 300 RMB for each client if they failed to develop the required number of new big clients. Table 29 lists the common individual-level penalties for couriers. It is clear that the listed failures were so unavoidable that some of my informants reported that they might trigger at least two penalties every month. Most importantly, an oral command from the manager of the outlet was enough to impose a penalty, which, as shown below, had greatly emboldened arbitrary wage docking.

Table 29. Common Individual-Level Penalties for Couriers at Capital Express, 2016

Description	Penalty in RMB
Failing to notify the receiver before delivery	50
Failing to deliver the mail in due time	50
Losing one item of mail	500
Changing the status of mail as “delivered” before it is	500
Invoking one receiver to call the service line to track mail	50
Failing to reach the monthly required successful delivery rate, usually 95 per cent	(1-achieved rate)* delivery commission
Scanning one waybill later than the designated time	50
Omitting scanning one waybill	10
Failing to collect the mail within 1h after being notified	300

Being complained about service attitude once	500-1,000
Being complained to the State Post Bureau once	1,000-2,000

Source: Fieldwork.

The third and most sweeping factor was arbitrary wage docking. Wages were co-determined by multilayered entities, as shown in Figure 35. Reports of commissions and bonuses were compiled at the lowest level and were examined and summed up by intermediaries before reaching the headquarter of Capital Express. Wages were decided by the headquarter and were divided by intermediaries according to their performance before reaching individual workers. Combined with other institutions, this wage determination system encouraged and allowed room for arbitrary wage docking.

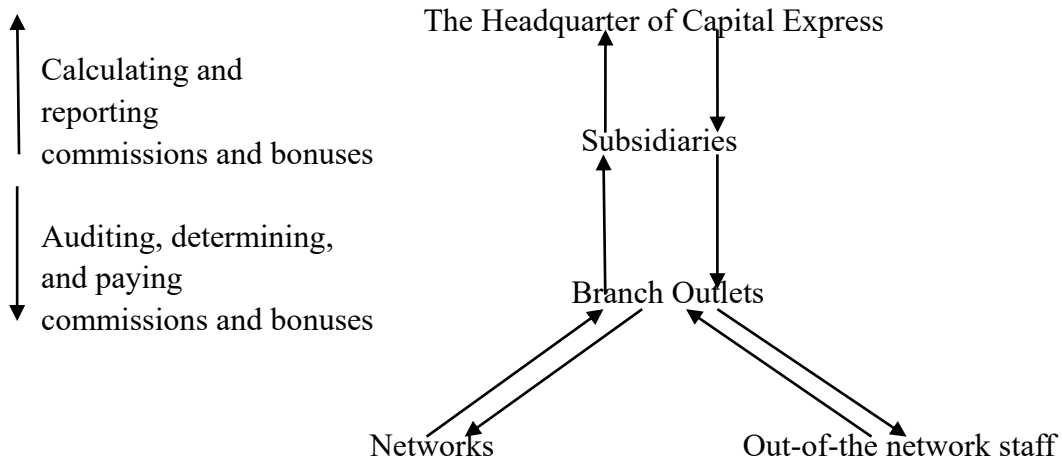


Figure 35. Determination of Rank-and-file Wages at Capital Express, 2016

Source: Fieldwork.

Managers often docked wages for the sake of themselves and those under their patronage, usually relatives or acquaintances. Many informants reported that Track-A

workers were like “zombies.” They only showed up for one or two days per week (if they appeared at all) but had their names on the payroll. The fact that underperforming managers would receive little wage, even the minimum living allowance equivalent to the minimum monthly wage of Beijing (1,890 RMB in 2016), also encouraged them to dock the wages of couriers.

Such behaviour was emboldened and enabled by the following factors. First, each branch outlet operated in a distinct environment, making it impossible for Capital Express to set universal commission rates. For example, couriers serving the Central Business District might deliver 200 items of mail and collect 100 items while those in the suburbs might toil all day and end up with 40 deliveries and no collections. Second, to encourage competition and boost revenue, Capital Express empowered lower-level operations with great autonomy, including the determination of wage distributions. According to a network leader, “there are multiple ways to allocate the money as long as everyone accepts it.” Generally, for individual couriers, the commission rate of each item of mail he delivered or collected might depend on whether or not the mail belonged to a certain network, whether or not the network reached the monthly performance goal, whether or not the receiver or the sender was an enterprise client, and so on. Third, it was a privilege, rather than a right, for workers to see their monthly wage slips that detailed payment and deductions.

Therefore, rank-and-file workers only had a vague idea of how much they should be paid each month. When they received less than expected and complained to managers, the common replies were as follows: the commission rates had been changed;

they had been penalized because of misbehaviours; or, it was the labour agency that docked the money. One formal employee once roared to me, “I earned 5,900 RMB last month. This month, I get 100 RMB more in bonus, but 1,000 RMB less in the total wage. How is this possible?! More bonus, less wage!” Most victims chose to bear it silently since they could not prove that their wages had been docked, and they dared not offend managers as long as they wanted to keep their jobs.

Although rank-and-file workers at Capital Express were resentful of pervasive penalties and arbitrary wage docking, they had not been able to prevent them from repeating every day. As shown above, individual endeavours often failed. What about collective action? The trade union of Capital Express, which charged the formal employees of Capital Express monthly trade union fees, turned a blind eye to these violations of rights. The isolated distribution of individual couriers and branch outlets effectively forbade their mass mobilization and organization across branch outlets.

Within the branch outlet, my informants reported occasional strikes and collective resignations, particularly when Capital Express dramatically cut the commission rates in the cost-saving and efficiency-improving campaign. Workers involved in strikes were dismissed before long. An exception was a strike that happened at Capital Express’ sorting centre in Beijing Capital International Airport years ago. Before long, the sorters’ demands were met and their sorting work was shortly resumed. After all, a strike at this node could greatly paralyze the operation of not only Capital Express, but also Oriental Express. Unlike sorters, however, couriers did not have as much strategic power. In fact, compared with the wages of migrant workers in other industries, the wages of couriers

tend to be higher. Compared with the wages of couriers in private firms, the wages of couriers at Capital Express might be lower, but the difference was compensated for by basic social insurance. In addition, the deskilled nature of their labour process made them highly replaceable. On the one hand, these factors persuaded the majority of staff at Capital Express to continue to work, albeit with ambivalence or even resentment. On the other hand, they guaranteed the rapid replenishment of resigned workers and sustained the reproduction of the violations of workers' rights.

Becoming Formal Workers, So What?

As shown in Table 30, Capital Star began to convert agency workers into formal employees on a large scale from 2008 and accelerated such conversions after the promulgation of the *Interim Provisions on Labour Dispatch* in 2014. Workers to be converted were selected through a points-based system, which considered the applicants' education background, years of service at Capital Express, levels of skills, honours and awards, and so forth. Every year, Capital Express would authorize a conversion quota, which was divided among its subsidiaries. Subsidiaries then sequenced the points of all the candidates recommended by branch outlets from the highest to the lowest. Those who fell within the subsidiary quota were entitled to become formal employees.

Table 30. Numbers of Agency Workers Converted into Formal Employees at Capital Express, 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Capital Star	160	160		389	570	825	
Of which, Capital Express			12		116	> 600	321

Source: Capital Star unpublished.[854]

Becoming a formal employee was an arduous process. Generally, a junior college diploma was the entry requirement, which was out of reach for the majority of rank-and-file agency workers at Capital Express who commonly had middle school or high school diplomas. Worse, the long working hours prevented them from attending junior college courses and obtaining a diploma. Of the thirty workers I interviewed, no one had a junior college diploma recognized by Capital Express. Only one interviewee was enrolled in junior college courses because his manager advised him to do so as preparation for being formalized and then being promoted to management.

Moreover, the quota was so limited that only one or two agency workers in each branch outlet could be converted each year. Although the published method for the selection of candidates for conversion seemed clear and just, in practice, nepotism played an overarching role. In the queue to be formalized, before the ordinary rank-and-file staff stood managers, the acquaintances of managers, and Beijing native workers. Many migrants remained agency workers after working for Capital Express for eight years or so. The demanding conversion criteria meant that agency workers tended to regard themselves as being on probation; being formalized was an achievement or a kind of reward for overall competence and seniority, rather than a

[854] Capital Star unpublished. Capital Star Yearbook 2009-15.

delayed recognition, which helped to legitimize their inferior situation as dispatch workers in their minds.

Furthermore, most rank-and-file staff at Capital Express were young migrant workers, for whom working in one unit for eight years was unimaginable. The estimated average duration of the first job for migrant workers that were born in or after 1990 in China was less than one year.[855] In addition, migrant workers in China tend to move to cities on a temporary basis to make money, rather than settling down. The following views were shared by many migrant agency workers at Capital Express,

"It takes seven or even eight years to be formalized. Workers from other provinces don't care about this. Nobody wants to work as a courier for that long."
- Gang, an agency worker from North China[856]

"On the one hand, it's hard to be formalized. On the other hand, it's useless to be formalized. Many people may work here for three to five years and quit after they have the money to start a small business. Even if you work here until sixty years old, you'll have to return to your hometown. Even if you have been formalized, the same, unless you have the money to buy an apartment and transfer your household registration record here."
-Feng, an agency worker from South China[857]

Wei's words direct us to the real question: for migrant agency workers, even if they become formal employees of Capital Express, so what? There was a time when Capital Star provided formal grassroots employees with apartments as part of their welfare entitlements. Those days had gone. What remains unchanged is Chinese people's attitude towards real estate. Owning a flat is still considered a necessary condition for settling down and starting a family for young males in China. However,

[855] Department of Sociology 2013.
[856] An interview with a worker, Beijing, No. BJ8, 8 September 2016.
[857] An interview with a worker, Beijing, No. BJ2, 31 August 2016.

for migrant workers of Capital Express, renting a decent room in Beijing was a luxury. Capital Express did provide some dormitories for staff. Usually, two people shared one room. However, dormitories were so scarce that the majority of workers at Capital Express had to rent rooms elsewhere. With limited budgets (generally less than 1,000 RMB per month), many of them lived far from where they worked, usually underground, or in the undemolished villages within the city, and with other people to share the rent. With the ongoing demolition and reconstruction of villages in the city, they had to move time to time. Jian, an agency worker from North China who had worked for Capital Express for eight years, said proudly, "The room I rent is beneath high-voltage power lines. It won't be demolished for some time." As house prices soared, the rent for low-end rooms had also been increasing. As one agency worker explained,

"We have no plans to work here for long. What's the point of living in Beijing? We cannot afford to buy a house, or rent one either. It's becoming more and more expensive every day. Initially, the monthly rent of my room was 600 RMB; it then jumped to 700, and then 800. So expensive! For a room with bath facilities, the monthly rent was 1,500 to 1,600, and is at least 1,700 now, bills excluded. You may earn at most 5,000 RMB per month, 2,000 for rent and 1,000 for eating. Could you end the month with 2,000 in hand? What if you buy some clothes?"[858]

Migrant workers are allowed to buy real estate in Beijing after they pay taxes or social insurance fees for five years consecutively. However, with meagre monthly wages ranging from 3,000 to 6,000 RMB, it is beyond the wildest expectations of migrant agency workers at Capital Express to buy an apartment in Beijing. In 2015, the

[858] An interview with a worker, Beijing, No. BJ22, 16 October 2016.

average house price in Beijing (including the centre and suburbs) was 22,300 RMB per square meter (RMB/m^2). Given the average annual disposable income per capita in Beijing in 2015, it takes a couple an estimated 20 years' wages or more to buy a decent apartment there.[859] Moreover, most couriers worked in central Beijing. House prices in the central Beijing, can be quadruple or even quintuple the house price in the suburbs. Although the housing fund, to which both the workers and employers equally contribute, can relieve the pressure for house buyers to some extent, only agency workers with urban household registration status at Capital Express could benefit from it. It did not benefit those with rural household registration status who made up the majority of rank-and-file staff at Capital Express. Jian, who rented a sixteen-square-metre room with his wife under the high-voltage power lines, had four spacious houses in his hometown, one in his village, and three in the downtown of his hometown county. Their combined value did not match the price of a small apartment in Beijing.

In this situation, none of the migrant couriers I interviewed had any plans to buy an apartment in Beijing. Nevertheless, it does not mean that they could escape the exploitation of the soaring house price. To secure a good match for marriage, or for the sake of their children's future education, young males in China had better own an apartment not in their hometown villages, but in nearby county towns or even cities where the house prices has been rising as well. In 2015, Meilan and her husband brought an apartment in urban Zhuozhou, a Hebei county near Beijing, at the price of 8,000 RMB/m^2. In late October 2016 when I interviewed her, the price almost doubled. Qiang,

[859] 21 Century Economic Report 2017.

a Henanese courier, spent nearly 300,000 RMB buying and furnishing his apartment in a county town near his village several years ago. His wife was urging him to buy another apartment in Anyang, a city in north Henan, so that their two kids could attend quality schools there. In 2016, a decent apartment in Anyang cost approximately 500,000 RMB.

Given their meagre wages, migrant couriers at Capital Express could hardly afford to bring up their children in Beijing. The cruel reality was that even if these workers could afford to do so, their children might not be able to attend schools there, regardless of whether or not these workers were agency workers or formal employees of a SOE. In fact, at the beginning of the new millennium, the Beijing local government had once regarded the education of migrant children as its own responsibility and invested some 160 million annually in migrant children's education.[860] However, it changed gears later in the face of excessive migrant inflows (see Table 31). Limiting the access of migrant workers' children to schools, both public and private, was one of its favourite weapons to evict migrants. In the past decade, many private nurseries and schools were closed. Public kindergartens and schools had significantly raised the entry threshold for migrant children and received fewer of them despite the increasing number of incoming migrants.

Table 31. Population Goals and Population Realized in Beijing since the 1990s

In millions

[860] People's Daily 2002.

	Total Population	Population with Beijing Household Registration Status	Immigrant Population
2010 goal, planned in 1993	12.5	10.0	2.5
2004 realized	14.9	11.6	3.3
2020 goal, planned in 2005	18.0	13.5	4.5
2015 realized	21.7	13.5	8.2
2020 goal, planned in 2015	23.0		

Source: Population goals come from Beijing Gov. 1993, 2005, 2015. Population realized comes from Beijing Bureau of Statistics 2005, 2016.

The municipal government of Beijing has dramatically intensified control over migrant inflows after it released the thirteenth five-year plan in 2015, which sought to cap Beijing's total population at 23 million in 2020. In addition to constraining migrant children's access to schools, the municipal government had taken measures to raise the threshold of public service access for migrants, to force them to close their small businesses, and to disrupt their daily life. In August 2016, it introduced the residence permit (*juzhuzheng*) to replace the temporary residence permit (*zanzhuzheng*). The temporary residence permit granted the holder with the legal right to stay in Beijing for a certain period. In contrast, the residence permit institutionalized the holder' access to multiple urban public services such as those related to compulsory education, social insurance, participation in exams for professional qualifications such as the qualification for engaging in the logistics industry, and so on. To qualify for the residence permit, the applicant had to prove that s/he had legal and stable employment and residence in Beijing, or was attending schools there. Migrants who were self-employed, worked in informal firms, or lived in rooms under informal rental

arrangements could hardly provide all required documents. Although they worked for a SOE, some couriers of Capital Express were worried that they might not get residence permits because they lived in ghettoes or in the underground.

Meanwhile, the municipal government had closed many small businesses run by migrants on the pretext of absence or invalidity of licenses, and had been evacuating some villages within the city on the pretext of safety concerns. In a village in suburban Beijing where one of my informants lived and migrants were concentrated, in order to force the migrant residents to leave, the government suspended supply of water and electricity frequently, destroyed the coal stoves that many families used for winter heating, and accused local restaurants, grocery stores, barbershops, and so forth, of operating illegally. Jiang was an agency worker from South China. He had worked for Capital Express for five years. He left Beijing in December 2015 after his wife's grocery store had to relocate from a residential compound to commercial complexes, which would result in a much higher rent. "Beijing has driven us away successfully," he posted on WeChat (a social network app) with a selfie taken in Beijing Western Railway Station.

Agency Workers in Foreign Enterprises

As mentioned before, because of their labour-intensive production mode and fluctuated production rhythm associated with their export orientation, foreign enterprises are also big users of agency workers. The working conditions of formal employees at these

manufacturing contractors have been well documented. Take Foxconn for example, they work for 10-12 hours per day, in hazardous environment, for meagre pay, and have limited union representation.[861] This section focuses on what is the role of agency workers in labour-intensive foreign enterprises, including domestic-foreign joint ventures, how their role has affected their working conditions, and what are their perceptions towards their situation. It is clear that they shared similar concerns to those of agency workers in SOEs.

A Multilayered Labour Market and Selective Flexibility

Since the 2000s, a multilayered labour market has gradually emerged in the labour-intensive export-oriented sector. The primary distinction exists between formal employees and agency workers. Formal employees are skeleton workers, including management, skilled workers, and a certain number of rank-and-file workers. They are enough to sustain the basic operations of these factories during the slack season. They also form the core workers that factories rely on to secure orders and to enter the peak season. Usually, these workers are directly employed by the factory, and have the basic level of social insurance and welfare benefits. When it comes to the peak season, these factories have to resort to using agency workers to make up the workforce gap. Agency workers mainly consist of two parts: student interns and peasant workers with the relatively well-disciplined former preferred. Student interns include batches of students organized by their schools or labour agencies and individual students who seek to work

[861] Pun and Chan 2012.

in factories during holidays for pocket money. The workforce gap that could not be fully filled by student interns would be filled by peasant workers recruited by labour agencies.[862]

The emergence of such a multilayered labour market has been a result of a combination of dramatic changes to "Made in China." As a former human resource manager of a Taiwanese factory in Dongguan put bluntly, "when one founded a factory in the 1990s, one would never run short of neither workers nor orders. Nowadays, however, whether or not one could secure both enough orders and enough workers to finish these orders are problematic."[863]

On the one hand, as mentioned in Chapter Eight, decades of demographic transition and economic expansion has drained China's labour surplus. Labour shortage has been haunting factories in China since the early 2000s. The pervasive labour shortage has generated two profound implications. First, labour agencies often leverage labour shortage to push the relationship with user enterprises to their advantage. For example, when labour scarcity loomed large, labour agencies would ask for higher commissions for their recruitment services from agency labour users and also maintain their employment relations with the workers they recruited to earn continuous commissions for the daily management, rather than one-shot recruitment fee. Second, workers also leveraged labour shortage and changed jobs more frequently than ever. Factories commonly hurry to finish orders would dramatically raise wages for new hires

[862] This and the following section are based on a group interview with managers of labour agencies in Dongguan, 22-23 November 2016, unless otherwise specified.
[863] A group interview with managers of labour agencies, Dongguan, 22 November 2016.

in order to close the workforce gap as soon as possible. Some workers would quit their old jobs and jump on these opportunities.

The fact that many peasant workers would temporarily retreat from the urban labour market to engage in farmwork has driven their turnover rates even higher. For example, every year in June, some peasant workers from Hebei would return to their hometown villages to harvest wheat; every year in October, those from Guangxi would return to cut sugar cane. The seasonal engagement in urban production among some peasant workers well fit into the temporary work market. But for managers of factories, in an era when recruitment is becoming increasingly costly, workers' poor loyalty has raised the question of how to lower workers' turnover rates. And their solution was to resort to the management of labour agencies.

On the other hand, the economic slowdown worldwide in the post-2008 era and China's diminishing cost advantage in global manufacturing has intensified the fluctuation and scarcity of orders, which calls for a hyper-flexible workforce to match. For the most time after 2008, China's total exports growth rate have been on a downward trend, if not dropped to below zero.[864] Worse, with the soar of wages and the appreciation of RMB against USD, China's status in the global commodity chain as a conventionally low-cost manufacturing base has been under pressure.[865] Dongguan was once home to over 160 manufacturers using over 10,000 workers. In 2016, less than 100 manufacturers there maintained an individual workforce of over 10,000. Many factories had moved to southeast Asia or simply closed down. For

[864] Global Economic Database 2018.
[865] Boston Consulting Group 2014.

factories survived and remained in Dongguan, in the slack season, usually in the first half of the year, only less than half of production capacity was used. However, in the second half of the year, these factories would run at full capacity. And to avoid hefty fines, they had better deliver the order in time.

Thus, these factories needed a workforce that could be rapidly summoned at peak seasons with low turnovers and be conveniently got rid of when slack seasons fell. After the enactment of the LCL, they have to make sure that such dramatic expansion and downsizing of the workforce would not invoke significant legal or financial risks. The solution again was agency labour. In other words, as a leader of a labour inspection team in Suzhou put bluntly, the trouble of factories posed opportunities for labour agencies.[866]

Under such circumstances, a certain type of cooperation between labour agencies and user enterprises emerged. When it developed into a common practice in the Pearl River Delta, it brought out the multilayered labour market mentioned above. In summary, labour agencies recruited workers, signed three-to-six-month contracts with them (which is illegal according to the LCL that stipulates that such contracts should last at least two years), and dispatched them to factories. The staff of labour agencies would live with these workers in factories and tried their best to lower the turnover rates of dispatched workers. Factories would sign a contract with labour agencies detailing each party's obligations and benefits. To avoid legal risks pertaining to returning agency workers, some factories would sign a three-year labour contract with agency workers,

[866] Interviews with local labour agency managers and local labour officials, Suzhou, 26 October 2016.

too. Namely, these workers have two labour contracts: one with labour agencies, and the other with user employers. A three-year labour contract granted employers the right to designate a six-month probationary term. Once dismissed within the probationary term, workers could not make claims for severance fees. Factories would pay a package to labour agencies. The allocation between wages, insurance, and commissions within the package was at the discretion of labour agencies.

Particularly in the Pearl River Delta, although agency workers worked full time for at least months, they were likely to be paid on an hourly basis (which tended to be associated with part-time work under China's legal framework) and were therefore called hourly workers (*xiaoshigong*) (see Figure 36). Usually, commissions accounted for at least ten per cent of the hourly rate user factories paid to agencies. For example, for an hourly rate of 15 RMB, agency workers at most took home 13.5 RMB.



Figure 36. Advert of A Labour Agency, Dongguan, 2016

Credit: Author

This system efficiently combines the flexibility factories needed to get and get rid of workers when necessary and to adjust the wage rates according to the tightness of the labour market with the rigidity that factories needed to fix workers in their positions throughout the peak season, and also with the

preference of peasant workers to some extent. Payment on an hourly basis best serves the above purposes. Unlike structured payment made of base salary, overtime pay, bonuses, and so on, hourly rate payment simplified the wage structure and linked it directly to the relative demand and supply of the labour power. When the labour market was tight, the hourly rate could be 16 RMB per hour; otherwise, it could be the local minimum wage, for example, approximately 11 RMB per hour in Dongguan in 2016, if not lower. In fact, agency workers that entered the same factory at different times earned different wage rates.

For user enterprises, piece rate payment allowed them to tailor the wage rate exactly according to labour market conditions and also to exactly "pay as they go." Moreover, many factories adopted unified hourly rates and evaded the extra pay for overtime. Hourly rate payment was also welcomed by workers since it gave them a concrete sense of how much they could expect to earn.

Labour agencies play an important role in fixing workers for a certain period of time using both carrots and sticks. Normally, user factories and labour agencies would agree on a level of the acceptable turnover rate during the dispatch time. For example, during the dispatch period, the demission rate of student interns and normal agency workers shall not exceed 15 and 20 per cent respectively (while in present-day Chinese factories that the monthly turnover rate can be over ten per cent). Otherwise, unless it is the factory to blame for high turnovers (for example, dramatic decrease in overtime), the labour agency would be fined 200-500 RMB for each extra demission. To avoid any delays in order delivery because of manpower, some factories also required labour

agencies to put down a certain amount of deposit. Such agreements prevented labour agencies from moving workers to factories that offered higher wages.

In the light of this, labour agencies would make efforts to cut turnover rates. First, they would dispatch their own staff to factories to provide services for dispatched workers. The wages of these staff were paid by both the labour agency and the user factory and were linked to the turnover rates of agency workers under his or her supervision and to complaints against him or her. They would lend small-sum money to agency workers in financial difficulties (see Figure 36), care about their physical and mental health, mediate the relationship between the management of the factory and agency workers, and so on. Some who were responsible for student interns would even keep an eye on whom female student interns were dating for the sake of their safety. In the case of student interns, they would collaborate with teachers of the occupational schools for the above work. Second, to encourage workers to stay until the contract concludes, some agencies would link workers' compensation with the length of their working time by lowering the wage rates of or docking the wages of early leavers, or by promising workers who remained to the end a gratuity (*fanfei*).

Working Conditions of Agency Workers in the Present-day World Factory

Agency workers were widely used in labour-intensive manufacturing factories. In Xiqing Economic-Technological Development Area of Tianjin, many workers in foreign enterprises or joint ventures reported that over half of the workforce in their factories were agency workers. In extreme cases, the majority of rank-and-file workers

were agency workers while formal employees were confined to the management and skilled positions.[867] At Foxconn, Shenzhen, when I worked at one factory in 2012 and conducted interviews at another factory in 2014, I hardly heard any news of the presence of agency workers on the shop floor. However, interviews with Foxconn workers there in 2016 revealed that half of the workers on many shop floors were agency workers.[868]

Student interns were a favourite source of agency workers for factories. The productivity of student interns was approximately 80-90 per cent of that of formal employees while that of peasant agency workers was half. In Dongguan, student interns emerged in the late 1990s. Many of them entered the factory when they were 13-15 years old and worked for 13-14 hours per day. In 2016, led by the Ministry of Education, five ministries co-issued the *Regulation on the Management of Internship of Occupational School Students* that ruled out labour agencies in channelling student interns.[869] Nonetheless, most student interns still entered factories through labour agencies. It is in the pecuniary interest of occupational schools to dispatch students to factories. However, they did not have the status of being a legal person and could not provide invoices for the money they received from user factories.[870] Without the invoice, user factories could not deduct related labour costs before tax. Moreover, to cut risks pertaining to managing students, factories would like to avoid recruiting students directly from occupational schools. It was under such circumstances that

[867] Interviews with workers, Tianjin, No. TJ33-No. TJ47, December 2016.
[868] Interviews with Foxconn workers, Shenzhen, No. SZ72-No.SZ80, December 2016.
[869] Educational News Net 2016.
[870] Interviews with labour officials, Kunshan, Suzhou, 26 October 2016.

labour agencies chip in.

In fact, given the competency of labour agencies who had abundant supply of student interns in securing business from factories, there had been a trend for labour agencies to establish their own occupational schools. Smart Human Resources (pseudonym), a labour agency in Dongguan, ran three occupational schools in Sichuan. Each enrolled approximately 3,000 students per year, making it a favourite agency for factories in Dongguan. User factories would transfer a package of service fees to labour agencies who would then pay occupational schools.

Usually, the working hour of agency workers did not differ much from that of formal employees. What distinguished agency workers from formal employees were compensation and social insurance coverage. Formal employees commonly got structured wage while agency workers were paid solely hourly rate. For example, at Foxconn Shenzhen, in 2016, the monthly wage of a newly-joined formal assembly line worker included a base pay of 2,450 RMB (after three months of joining the factory), overtime wage linked to the level of base pay, and bonuses. In contrast, agency workers got 15 or 16 RMB (if they did not have any leaves) for each hour they worked; different batches of agency workers had different overtime wage rates: some had the same rate as workdays while others had higher rates, albeit not as high as those of formal employees. Moreover, agency workers were excluded from multiple allowances and bonuses that were reserved for formal employees at Foxconn. Some agency workers even did not have working uniforms. They also had no access to dormitories run by Foxconn. Instead, they lived in dormitories provided by labour agencies. Formal

Foxconn workers were entitled to all the five kinds of social insurance and also housing fund while agency workers at best had cheap commercial insurance for work-related injuries (for example 18 RMB per month per person).

As a result, the monthly take-home pay of agency workers was approximately 400-500 RMB lower than that of formal employees in comparable positions. Some agency workers at Foxconn had waged strikes and threatened to jump off high-rise buildings to protest against the compensation disparity, only to be dismissed.[871]

In Dongguan, before the enforcement of the LCL, factories only brought the five kinds of social insurance and the housing fund for a small number of formal employees, mainly to cope with the random inspection of local social insurance bureaus. After 2008, the common practice was that, formal employees would have the five kinds of social insurance and the housing fund, all paid based on the local minimum wage, rather than on the actual wage as required by the 2010 Social Insurance Law, while agency workers mostly had commercial insurance for work-related injuries. In the electronics companies in Tianjin, in 2016, formal employees commonly had all the five kinds of social insurance and the housing fund while agency workers only had the three kinds of social insurance for work-related injury, healthcare, and retirement respectively; they were also excluded from most bonuses to which formal employees were entitled.[872]

In addition, while the labour contracts of formal employees were mostly one-year or longer and were often renewable, the labour contracts of agency workers were likely to be six-month or shorter and the renewability hinged on the need of the user factory.

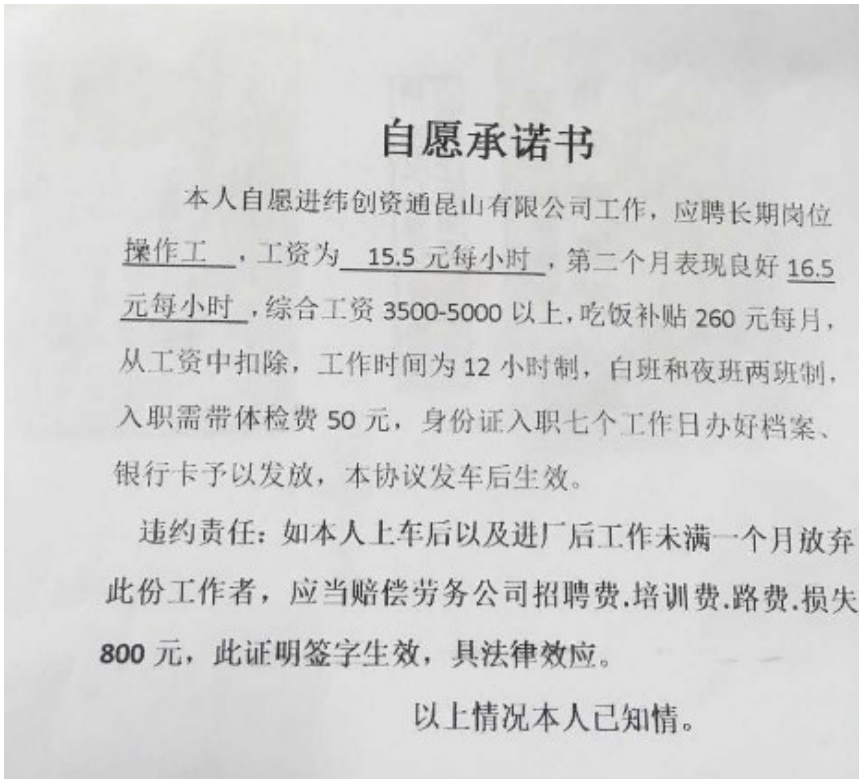
[871] Interviews with Foxconn workers, Shenzhen, No. SZ72-No.SZ80, December 2016.
[872] Interviews with workers, Tianjin, No. TJ33-No. TJ47, December 2016.

In reality, factories that had stable orders might use agency workers throughout the year and had their employment statuses unchanged; factories might also regularize some capable agency workers as an effort to retain them. However, factories would not hesitate to return agency workers not in need to labour agencies who might re-dispatch these workers or find ways to get rid of them with few costs. In addition, in enterprises that had trade unions, agency workers were commonly excluded from joining them. Last but not the least, many of my informants reported experiences of being discriminated against by formal employees. Some formal employees constantly reminded them of their precarious employment status using their arrogance.[873] At Foxconn, formal employees often shirked tasks they disliked and asked agency workers to do for them.[874]

The predatory nature of labour agencies had worsened the conditions of agency workers. With the popularization of the Internet, many young Chinese searched for jobs online. Job websites, while charging issuers, mainly labour agencies, for posting openings, did not authenticate the information they release. As a result, these websites had been inundated with fake descriptions of vacancies and many jobseekers were cheated when they took on the job. Given the nationwide reach of these websites and the absence of regulation from the national Internet surveillance bureau and the Ministry of Public Security, local labour bureaus could hardly effectively counter the rampant online recruitment fraud.[875] In fact, partly owing to the dereliction of local

[873] An interview with a worker, Tianjin, No. TJ39, December 2016.
[874] An interview with a Foxconn worker, Shenzhen, No. SZ79, December 2016.
[875] A group interview with local labour officials, Suzhou, 26 October 2016.

market regulation bureaus, the labour market in major manufacturing cities had been flooded with unregistered labour dispatch agencies (*hei zhongjie*) who made profits by cheating workers. In Dongguan in 2016, a staff from the local business association of labour dispatch agencies estimated that approximately half of local labour dispatch agencies were unregistered. Registered labour dispatch agencies had fraudulent conducts, too.



自愿承诺书

本人自愿进纬创资通昆山有限公司工作，应聘长期岗位操作工，工资为 15.5 元每小时，第二个月表现良好 16.5 元每小时，综合工资 3500-5000 以上，吃饭补贴 260 元每月，从工资中扣除，工作时间为 12 小时制，白班和夜班两班制，入职需带体检费 50 元，身份证入职七个工作日办好档案、银行卡予以发放，本协议发车后生效。

违约责任：如本人上车后以及进厂后工作未满一个月放弃此份工作者，应当赔偿劳务公司招聘费.培训费.路费.损失 800 元，此证明签字生效，具法律效应。

以上情况本人已知情。

Figure 37. An Agreement between an Agency Worker and a Labour Agency in Suzhou, 2016

Source: anonymous

Note: Translation of the second paragraph: If I give up the job within one month of starting date, I shall compensate the labour agency with 800 RMB for their losses regarding recruitment, training, and transport.

The most abominable crime was that labour dispatch agencies absconded after receiving payment from user factories. This usually happened to small, unregistered labour agencies who did not have fixed office locations. They lived on repeating such a suicide strategy to different batches of workers. Affected workers' possibility for getting their wages back hinged on whether or not they could stage high-profile collective action. What was more common was that labour agencies concocted various pretexts to dock wages of agency workers. The percentage of docked wages was usually confined to 20-30 per cent for which loss affected agency workers would like to accept after trading off between the efforts of safeguarding their wage and the possibility of success. A common excuse of wage docking was that agency workers failed to work for the required length of time designated between the "voluntary" agreement between agency workers and affiliated agencies (see Figure 37). For example, in 2016, agency workers at Foxconn dispatched by China Light (a labour agency, pseudonym) would be docked 400 RMB if they failed to work for over one month.[876] Labour agencies might also build traps in which agency workers simply could not fulfil the hours designated in their contracts (very often because of the arrangement of user factories) and had to accept the loss of a certain amount of wages. In addition, labour agencies might also dock social insurance fees handed over by user factories and to be paid to social insurance bureaus.[877]

Labour agencies were not the only beneficiary of wage docking. Very often it was

[876] An interview with a Foxconn worker, Shenzhen, No. SZ80, December 2016.
[877] Interviews with local labour agency managers and local labour officials, Suzhou, 26 October 2016.

the user factory that docked wages via labour agencies in order to lower labour costs. To transfer recruitment costs to labour agencies, these factories would squeeze commissions for them and lure them to accept the deal with the prospect of long-term collaborations. Subsequently, they often successfully coaxed labour agencies into the conspiracy of wage docking for the sake of both of them.[878] The pervasive wage docking against agency workers sometimes could invoke fierce resistance. In Shenzhen in the first half of 2016, two agency workers from Yunnan stabbed to death two managers of the labour agency who docked their wages. Before that, in 2012, a jobseeker stabbed a staff of the labour agency who swindled him out of 300 RMB.[879]

For dispatched student interns, they suffered from wage docking not only from labour agencies, but also more from their own schools. Managers of labour agencies in Dongguan alleged that they would take some ten per cent of the hourly rate paid by the factories, and occupational schools would take 20-30 per cent, and the remainder was given to student interns. For example, the user factory might pay 16 RMB to the collaborative labour agency for each hour each student intern worked. The agency would retain 1.5 RMB and gave the remainder to the collaborative occupational school, which would retain 3.5-4.5 RMB. In the end, student interns got 10-11 RMB for each hour they worked. In other words, 30-40 per cent of what factories paid for student interns' work was taken by labour agencies and occupational schools. The municipal government of Suzhou required that the hourly rate of student interns should be higher than the locally designated minimum hourly rate of part-time work (15.5 RMB per hour

[878] Interviews with local labour agency managers and local labour officials, Suzhou, 26 October 2016.
[879] Sohu net 2012.

in 2016). However, in a case investigated by a local labour inspection team, the students involved only got 11 RMB per hour; in another case, the wage slip provided by the factory indicated that it paid one student 4,351 RMB that month while s/he got 2,000 RMB.[880]

Perceiving Agency Work[881]

Generally, agency workers in foreign enterprises loathed wage disparity, but had ambivalent attitudes towards social insurance gap. Most of them also regarded their current jobs and residence in the city they worked as transitory, which *de facto* coincided with the insecurity of their agency work and with the attitude of agency workers in SOEs. In the light of this, they also had divided opinions on regularization.

Most agency workers we interviewed did not think that they were paid the equal wage for the equal work they did to that of formal employees. Nonetheless, many of them seemed quite comfortable with the social insurance gap. Labour officials in Suzhou noted that the pervasive social insurance evasion pertaining to agency workers was made possible by the following factors. Given that social insurance contribution would account for a substantial proportion of gross wages (30-40 per cent) and that the profit margins of processing trade manufacturers were normally thin, these enterprises were reluctant to and sometimes simply unable to pay for social insurance.

Individual agency workers were also discouraged from pushing enterprises to buy

[880] Interviews with local labour agency managers and local labour officials, Suzhou, 26 October 2016.
[881] This section is based on interviews with agency workers from multiple foreign enterprises in multiple places.

social insurance for them: many workers had poor awareness of the benefits associated with social insurance; most benefits of social insurance could only materialize in the future (except for healthcare insurance) and the majority of them had no intentions to stay in cities for long (for seasonal workers, they might stay in one city only for months); particularly for retirement insurance, workers had to pay for 15 years to be entitled to pensions after retirement; workers' due contribution to the social insurance fund was not negligible, which would whittle down their immediate income. Even for those with good awareness of the benefits of social insurance, given the segmented and decentralized organization of China's social insurance system, their mobility made the transferability of social insurance benefits among different cities and different provinces a great concern of them, which also reined in them from urging their employers to buy social insurance for them.[882] Usually, workers, particularly those with chronicle diseases, cared more about healthcare insurance and work-related injury insurance. Out of concern of large-sum expenditures pertaining to work-related injuries, labour agencies commonly used agency workers' wages to buy commercial insurance to hedge.

Few agency workers we interviewed longed for sticking to their current jobs or settling down in the cities they worked, particularly those who were younger than 25 years old and unmarried. In the Pearl River Delta and the Yangtze River Delta, most agency workers were peasant workers and they looked forward to reuniting with their families and starting a family in their hometown or surrounding small cities in the future.

[882] Interviews with local labour agency managers and local labour officials, Suzhou, 26 October 2016.

Moreover, few agency workers planned to do the repetitive, low-paid job with little improvement for lifelong. Many of them regarded working on assembly lines as a means of accumulating start-up fund for small businesses. Moreover, they shared the same barriers of settling down in cities as workers at Capital Express. Agency workers in Shenzhen, Tianjin, and Guangzhou complained that the house price was so high that they simply could not afford it. Their annual saving could hardly afford one square metre! So were the criteria for transferring their household registration records to their cities. In the light of this, the limitations of formalization in the case of workers at Capital Express remain valid for migrant agency workers in foreign enterprises.

The perception of agency workers towards their jobs was best reflected in their attitude towards regularization. The narratives below demonstrate the typical reasons why and why not agency workers wanted to be regularized. Normally, agency workers who worked in enterprises where the compensation gap between formal employees and them was large, who had better awareness of the legal benefits of being formal employees, and who had long-term plans of working in current enterprises (very few of them) were keen to be regularized. In contrast, those who valued freedom more and worked in enterprises with narrow wage gap tended to remain as agency workers. The opportunities of being regularized often hinged on the performance and seniority of individual agency workers, and sometimes also on the willingness of labour agencies. Agency workers in enterprises where the compensation gap was large and the majority of the rank-and-file workforce was agency workers had bleaker chance of being regularized than those in enterprises otherwise. Agency workers commonly worked for

years and remained to be agency workers even if they wanted to be regularized.

I really want to be regularized, because I'll get higher wages and overtime pay after that.

-An agency worker from a foreign electronics company, Tianjin, 2016[883]

I do want to be regularized, because formal employees have more benefits and the five kinds of social insurance and the housing fund.

-An agency worker from a foreign plastics company, Tianjin, 2016[884]

I want to be regularized, because only formal workers get severance fee when dismissed. I had a friend who worked at Samsung for eight years. Samsung offered 80,000 RMB for dismissing him.

-An agency worker from a foreign electronics company, Tianjin, 2016[885]

I want to be regularized. I'll feel more secure when regularized. I'll be a genuine member of the company by then.

-An agency worker from a foreign auto parts company, Tianjin, 2016[886]

For the moment I don't want to be regularized. Formal employees who resign have to wait for one month before being permitted to leave. For agency workers, I only need to wait for one week to get my wages and leave. If there're promotion opportunities, I may consider being regularized … I find it's easy to find a job. Many agency workers enjoy the freedom in being agency workers. They don't like the constraints associated with being formal employees.

-An agency worker from a Taiwanese electronics company, Dongguan, 2016[887]

Conclusion

This chapter examines how the decade-long changes to employment relations in post-1949 China have been felt by both formal and agency employees in SOEs and agency workers in foreign enterprises. It has implications for empirical studies, policy-making, and related theories.

In the case of Capital Express, the dichotomy of fixed workers versus short-term

[883] An interview with a worker, Tianjin, No. TJ44, December 2016.
[884] An interview with a worker, Tianjin, No. TJ41, December 2016.
[885] An interview with a worker, Tianjin, No. TJ36, December 2016.
[886] An interview with a worker, Tianjin, No. TJ42, December 2016.
[887] An interview with a worker, Dongguan, No. DG82, November 2016.

workers and outsourced workers in the planned-economy era has evolved into a new dichotomy of contract workers versus agency workers and outsourced workers in the reform era. Agency workers at Capital Express were paid less than that of formal employees in similar jobs. Their employment status also exposed them to the docking of wages and insurance fees, and arbitrary dismissals. The rural-urban dualism remained salient in shaping employment relations at Capital Express. Migrant agency workers were underrepresented in management positions but overrepresented in laborious rank-and-file positions. Nonetheless, the income security of both agency workers and formal employees suffered from falling wages and benefits because of the shrinking market share of the enterprise, pervasive penalties, and arbitrary wage docking. Worse, the workers had not developed the collective bargaining power to fight back.

In the case of labour-intensive foreign enterprises, unlike the earlier labour market inundated with precarious labour on quasi-homogeneous employment arrangements, a multilayered one made up of formal contract workers, dispatched student interns, and peasant agency workers had emerged with the latter two chipping in as an army of the hyper-flexible workforce. This had been a result of the ongoing demographic transition, lowered need of made-in-China products after the 2008 global financial crisis, China's losing cost advantage in global manufacturing, the enactment of the LCL, and so on. In this labour market, labour agencies, foreign manufacturers, and peasant workers together forged a system that effectively combined the needs and preferences of different parties.

When compared with formal employees at the same enterprise, agency workers in foreign manufacturers were discriminated against in multiple ways. While formal employees enjoyed structured wages, most agency workers, particularly in the Pearl River Delta, were paid on an hourly basis and were excluded from bonus entitlements. While SOEs would buy their agency workers all the five kinds of basic social insurance and give their formal employees extra insurance coverage, foreign manufacturers would buy the five kinds of basic social insurance for their formal employees but only buy cheap commercial insurance for work-related injuries for agency workers. Agency workers at foreign enterprises also had shorter contracts, were excluded from enterprise-level trade union membership, and were discriminated against by formal employees. Moreover, as had happened to agency workers in SOEs, they suffered from wage docking by labour agencies. For dispatched student interns, the occupational schools they were affiliated with docked their wages, too. Also similar to SOE agency workers, the majority of them had no intention to stay in the cities they worked for long. Owing to the soaring house price and the entrenched household registration system, they were simply unable to settle down in big cities and to transfer their household registration records there.

This chapter argues that, formalization, while remaining desirable, does little to reduce precariousness for migrant agency workers in China, regardless of the ownership type of the enterprise they work for. Migrant agency workers in China are precarious not only because of their employment status, but also because of their incomplete citizenship and the commodification of social reproduction resources. In

SOEs, with the continuous deterioration of formal employment and the gradual improvement of nonstandard employment in recent years, the gap between formal employees and nonstandard employees had been narrowing. In labour-intensive foreign enterprises, formal employees themselves were in indecent working conditions and the main disparity between formal employees and agency workers had been concentrated more on social insurance that agency workers were not very much keen on and less on wages. Thus, formalization had little effect on increasing the income of agency workers or alleviating the financial pressure upon them in the sphere of social reproduction. Moreover, formalization cannot lift migrants up to full citizenship and reduce related precariousness, either.

Finally, in contrast to the contention that precarization is a process of de-proletarianization, the narrowing gap between agency workers and formal employees in China strongly support an alternative contention to regard precarization as a process of proletarian unification. This declining gap also indicates the declining relevance of the employment dualism discourse prevalent in the field of Chinese labour studies.

Part IV Conclusion

Chapter Ten
Looking Back, Looking Forward:
Precarious Labour in China in a Historical Perspective

The ostensible parallels shown in Chapter One between precarious workers' life in China, one in the 1940s, before the CCP's takeover of China, and the other in the 2010s, nearly seventy years into the CCP's reign, asks for a careful reflection on both fundamental continuities and radical changes in employment relations pertaining to precarious labour in post-1949 China. Based on a combination of archives, interviews, participant observation, and documentary materials, this thesis explores the changing precarization regimes in post-1949 China.

This concluding chapter gradually unfolds the contribution of this thesis by first summarizing the main findings. Next, it compares the precarization regimes in Mao's and post-Mao China and unveils the continuities and discontinuities in multiple dimensions of employment relations in these two eras. It then contrasts the empirical findings of this thesis with insights from different theoretical traditions to accentuate the theoretical significance of this thesis, which paves the way for further discussions of its implications for employment policies and labour movements. This chapter ends with a projection of the future scenario of precarious employment in China.

Main Findings

In both Mao and post-Mao eras, the triad of (purported) socialism, nationalism, and political legitimacy define the CCP's ends of governing China. Nonetheless, in different eras, the CCP deployed different means to approach these ends, whereby different precarization regimes in these two eras originate.

Although socialism in both eras entails economic growth and inequality reduction, inequality reduction was more valued in Mao's China than it has been in post-Mao China, which led to the elimination of private exploitation in Mao's China, in spheres of both production and social reproduction. Moreover, in Mao's China, socialist forms of organization were regarded as much a precondition for modern economic development as its product, which led to the establishment of a whole set of socialist apparatuses, including a sophisticated system of social exclusion. In reform China, socialist forms of organization were regarded as counterproductive. Instead, marketization has been regarded as a precondition for continuous economic growth, which has led to the restoration of private exploitation, in spheres of both production and social reproduction.

Although nationalism in both eras entails economic catching-up, it was associated more with self-reliance and self-determination in the Mao era while more with opening-up to foreign trade and investment in post-Mao China. China's integration into the global economy, while contributing to the dissolution of the social exclusion system by enlarging labour demand, has also exposed Chinese workers to ruthless exploitation of foreign capital, both directly and indirectly via global commodity chains.

Political legitimacy remains among top concerns of the CCP in both eras. In Mao's

time, it was primarily anchored in socialist egalitarianism, manifested in the constant impulse to counter bureaucratism. This impulse allowed room for the outpouring of mass grievances and eventually resulted in temporary alleviation of precariousness. However, in the reform era, political legitimacy has long been anchored in economic development. While such a changed orientation has dramatically improved the living standards of the vast majority, it has simultaneously increased the disparity among them. As a result, pervasive grassroots grievances have grown out. To maintain social stability, the CCP tends to draw on repression, which has undermined workers' agency in improving their conditions. But it is worth noting that there has been growing state-led redistributive efforts to unroot mass dissatisfaction in recent years.

Different precarization regimes, albeit both state-led, emerge out of the above distinct ends and means of CCP's governance of China. This thesis develops a theoretical framework to conceptualize the precarization regimes. It identifies two precarization mechanisms: exclusion and exploitation. Both operate in spheres of production and social reproduction. Both can be carried out by the state or by capital. Being excluded often aggravates the magnitude of exploitation the excluded group suffers from. This thesis identifies two precarization regimes: exclusion-centred precarization in Mao' era and exploitation-centred precarization in the post-Mao era. Figure 38 illustrates the key elements of the two regimes with the following sections explaining how they operate in reality.

Exclusion-Centred Precarization Regime in Mao's China

Under the exclusion-centred precarization regime in Mao' era, to reconcile the contradiction between primitive socialist accumulation and political legitimacy, the state built up a system of social exclusion. One's location in this system determined the magnitude of state exploitation from which one suffered and thereby one's condition of precariousness. The social exclusion system was based on the ownership type of enterprises, the employment status, and the rural-urban divide. The rigidity of the social exclusion system was defined by the unfailing drive of accumulation by enhancing extraction and constraining consumption, which always involved reducing labour costs. It was in this sense that the employment of precarious workers in the Mao era was *de facto* built into the Chinese planned-economy system. The rigidity of the social exclusion system was primarily mediated by the alternation between centralization and decentralization of industrialization, as well as by employment policies and labour movements.

Between 1949 and 1957, the system of social exclusion gradually took shape. Formal employees in SOEs, employees in collective enterprises, temporary employees, and peasants were entitled to progressively decreasing economic and political rights and thereby progressively increasing levels of precariousness. Inter-group mobility was quite limited.

Although this system of social exclusion was always rigid when compared with what it is in reform China, in fact, the extent of rigidity varied greatly within the Mao era. The fundamental contradiction that defined such rigidity, that is, the one between accumulation and consumption, surfaced in 1954 when overstaffing loomed large.

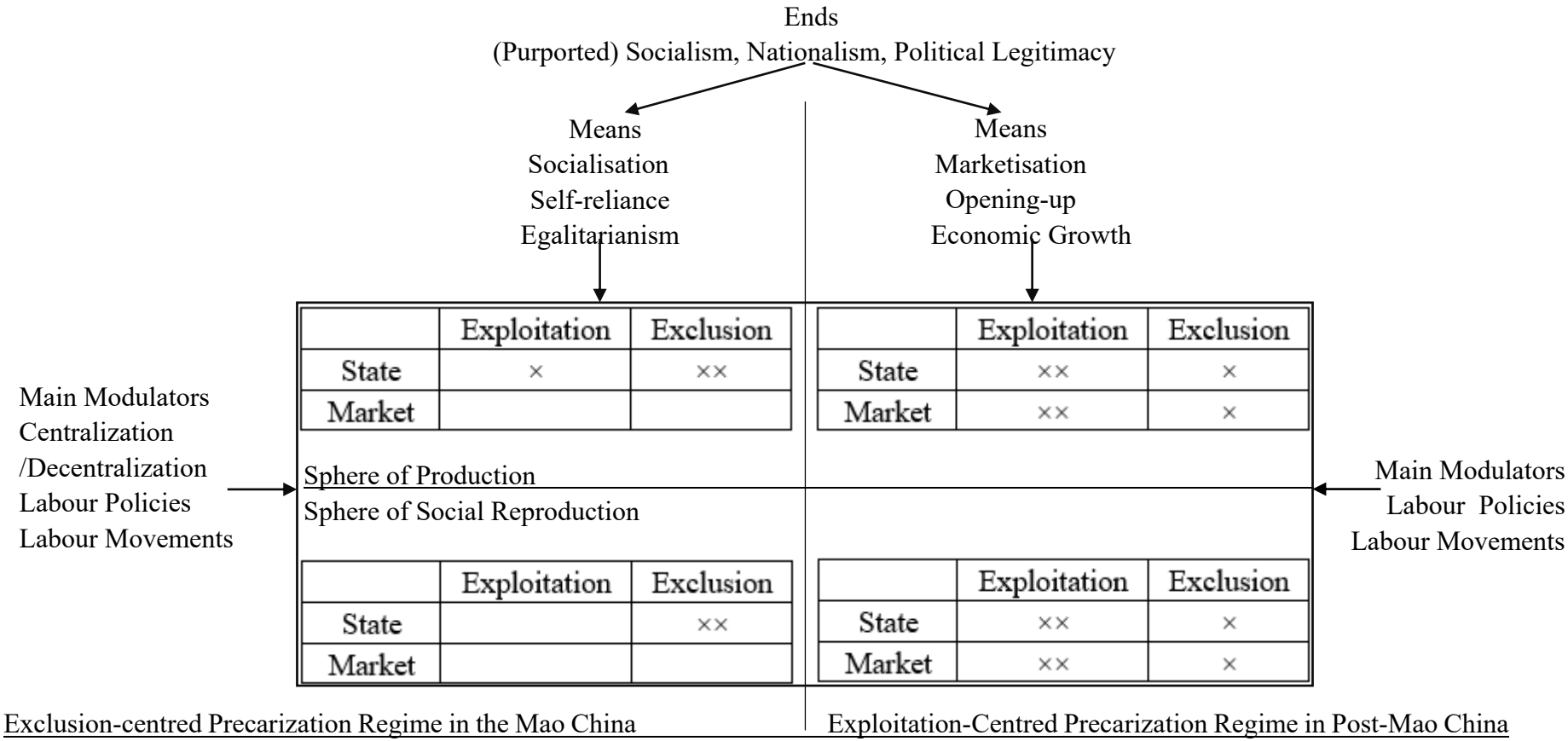


Figure 38. Precarization Regimes in Post-1949 China in a Comparative Perspective

Note: With the number of ticks increasing, the magnitude of exploitation or exclusion increases, too. This figure only shows the comparative magnitude of exploitation and exclusion. The magnitude marked by two ticks is not necessarily two times that of one tick.

Before 1954, formal SOE employees expanded rapidly; temporary workers were massively deployed and had abundant opportunities to become regularized. In 1955, however, the government tightened mobility into privileged groups by constraining the new recruitment of formal SOE workers, regularization, and the employment of temporary workers.

Three alternations between centralization and decentralization with regard to the approach of industrialization in this era continued to fine-tune the rigidity of social exclusion. In the early 1950s, learning from the Soviet Union, China built a highly centralized planned-economy superstructure. Under this superstructure, the central government had an overwhelmingly bigger say in running the national economy than local governments; governments officials had a significantly bigger say in running individual enterprises than their own management. In 1956, increasingly aware of the downside of excessive centralization, China began the first attempt of decentralization that devolved the management right, notably the right of recruitment, to lower-level officials and enterprise management. It softened the social exclusion system with peasants becoming temporary workers, temporary workers becoming formal SOE employees, and formal SOE employees expanding rapidly. In 1957, as such decentralization met the limit of national finance, the state embarked on recentralization and re-rigidified social exclusion: the number of formal SOE employees was frozen, temporary workers were dismissed in large numbers, and control over peasants into cities dramatically intensified, which later gave rise to the household registration system.

The second wave of decentralization unfolded amidst the Great Leap Forward between 1958 and 1960. It again loosened social exclusion, manifested in the massive conversion of peasants into temporary workers, the growth of temporary workers and routinization of regularization opportunities for them, the expansion of collective workers and the transformation of collective workers into SOE workers. The failure of the Great Leap Forward invoked another round of re-centralization and re-rigidification of social exclusion in the early 1960s. The third wave of decentralization unfolded in late 1960s and early 1970s and was followed by re-centralization since 1973, bringing out a similar pattern of loosening and re-tightening of social exclusion.

In addition, pro-precarious labour policies came into play in 1957. Throughout the 1960s, the central government promoted the employment of temporary contract workers and indulged in the abuse of outsourced workers, which contributed to the precarization of the urban workforce. Before the Cultural Revolution, although precarious workers waged occasional protests, these protests were mostly small in scale, transient in duration, and failed to deliver significant results. However, between 1966 and early 1967, taking advantage of the political freedom unleashed by the Cultural Revolution, all walks of precarious workers founded their rebel organizations and fought against the discrimination against them in previous years. Concerned about their distraction for the accumulation plan and the political goal of the Cultural Revolution, the central government cracked down on them. But their uprising did bring about the largest scale of regularization in the Mao era, which entitled 6.5 million temporary workers to the whole set of social security that was reserved for formal SOE employees.

Exploitation-Centred Precarization Regime in Post-Mao China

Under the exploitation-centred precarization regime in reform China, the extent of exploitation, in spheres of both production and social reproduction, defines one's condition of precariousness. During this period, the demolition of the social exclusion system established in the Mao era came hand in hand with the revitalization of private exploitation and profit-seeking state exploitation. Social exclusion based on household registration statuses and types of enterprise ownership was significantly loosened, but did not vanish. Social exclusion based on employment status persists and has been recalibrated. The remaining social exclusion continues to aggravate the exploitation that the excluded groups suffer from, both from the state and private capital. More important, having grown from negligibility to dominance, in spheres of production and in spheres of healthcare, education, and housing, the booming private sector and the profit-oriented state-owned sector has subjected the majority of Chinese labouring people to ruthless exploitation. China's comprehensive integration into the international division of labour as the world's workshop at the same time has rendered the working conditions of tens of millions of Chinese at the mercy of global brands.

At the national level, primarily pushed by restless labour movements, the central government readjusted the orientation of labour regulation from liberalization towards labour protection, which has generated mixed effects on the magnitude of exploitation, including creating new precariousness. Moreover, labour regulation does little to reduce precariousness arising from the persistent rural-urban dualism and the commodification

of the sphere of social reproduction.

Previous social exclusion based on the ownership of employer enterprises has diminished, but has not disappeared. SOEs were reoriented towards profit-seeking market entities, thus exposing SOE employees to the extent of exploitation comparable to their counterparts in the private sector. The iron rice bowl was utterly smashed with the labour contract system spreading from including all new hires in certain regions, to including all new hires in the whole country, and then to including all veteran fixed employees. Finally, the majority of SOEs were privatized or greatly downsized. Tens of millions of SOE formal employees were laid off and became informal workers. Along with the increasing job insecurity has been the waning competitiveness of compensation, curtailed welfare benefits, and hollowed out political entitlements. On the other side of the coin, private enterprises have blossomed on the ruins of SOEs and in niches made profitable by market-oriented reforms. Nevertheless, until today, generally speaking, SOE workers still tend to enjoy better coverage of labour contracts, labour insurance, and better employer labour regulation compliance than those in foreign enterprises, and much better than those in domestic private enterprises.

Previous social exclusion based on rural versus urban residence has loosened, but to a lesser extent than what has happened to exclusion based on the ownership of employer enterprises. On the one hand, hundreds of millions of peasants have been included in the urban labour market. On the other hand, when compared with their urban counterparts, peasant workers tend to have lower wages, narrower labour insurance coverage, and remain excluded from essential public services in the cities.

There has been a tendency of loosening the household registration control in small and middle cities, which, however, has been accompanied by tightened the household registration control in big cities.

Previous social exclusion based on employment status persists and has been recalibrated in appearance. In reform China, the employment dualism manifested in permanent workers versus all walks of temporary workers has evolved into a new dualism manifested in contract workers versus all walks of nonstandard workers. Mainly taking advantage of the urban unemployment pressure, SOE reforms, peasant migration, foreign investment, the expansion of labour-intensive enterprises, the enactment of the LCL, and labour shortage, labour dispatch flourished and gradually rose to prominence among various nonstandard employment arrangements. Agency workers were paid lower wages than those of formal employees and often excluded from labour insurance. Agency workers were predominantly peasant workers.

Exploitation not only re-emerges in the sphere of production, but also in the sphere of social reproduction. As a result of serial reforms, social reproduction facilities and services that were provided by units in the planned-economy era were disconnected from production facilities and then often privatized. In the healthcare sector, the state gradually retreated in the 1980s and 1990s but staged a comeback in the 2000s. In the education sector, individuals are now responsible for a substantial percentage of the national gross education expenditure and the private education industry is booming. In the housing sector, the predatory state and private capital have together turned this sector into a ground for financial speculation, rather for satisfying the essential needs

of human being.

In the face of growing labour unrest, the state's strategy to maintain social stability has gradually shifted from oppression to increasing emphasis on labour protection. Ironically, although the enactment of labour protection regulation has brought improvements in certain aspects of working conditions, it has also been a trigger of new precariousness. The LCL, while empowering more workers with labour contracts and stabilizing employment, has also invoked the abuse of agency workers. The subsequent agency labour regulation, while contributing to the narrowing compensation gap between formal employees and agency workers, has also triggered the abuse of more precarious "outsourced" workers.

Historical Continuities and Discontinuities in Labour Precariousness

We cannot truly understand the present without understanding the past. This is particularly true in transitional economies like China. Now we are in a good position to look back at the continuities and discontinuities of labour precariousness both between pre-1949 China and post-1949 China and between Mao's China and reform China. This is another empirical contribution of this thesis.

Significant continuities in precarization apparatuses run through pre- and post-1949 China. As early as before 1949, on the shop floor of China, managers and skilled workers were employed under distinct arrangements from those of unskilled manual labourers; production was organized through the inside contract system and the putting-

out system other than being directly under the supervision of factory owners and onsite; short-term labourers received discriminatory compensation when compared with long-term labourers. Both in Mao's China and reform China, these immediate precariousness-generating apparatuses more or less remain valid.

In Mao's China, while management and skilled workers were almost always in permanent employment, a large number of unskilled workers worked on fixed-term contracts; while an inside contract system was eliminated in the Mao era, the putting-out system was largely indulged in or even tacitly promoted by the government; the distinction between permanent and temporary employees in economic and political entitlements was salient; even within temporary workers, generally only long-term temps were entitled to regularization of employment.

In reform China, while management and skilled workers tend to have long-term or even open-ended contracts with *de facto* employers, unskilled labourers tend to have no contracts, have short-term contracts, or have contracts with *de jure* employers, usually labour agencies; the inside contract system has resurged on the shop floor, albeit often as a guise of labour dispatch; the putting-out system has greatly deepened and extended along with global commodity chains; while long-term workers can be directly employed or employed under a dispatch arrangement, and short-term workers usually have no contracts or are agency workers. While these apparatuses affected a small percentage of labouring people in the Mao era, they affect hundreds of millions of labouring people in reform China, thus making the parallel at the outset of Chapter One not just a coincidence.

But of course, the discontinuities between pre- and post-1949 China are equally striking, particularly when we compare the working conditions in pre-1949 China and Mao's China. It is true that the CCP, even in Mao's China, failed to eliminate precariousness that afflicted labouring people before it took office. It is also true, however, that the CCP went a long way to counter precariousness in Mao's China and it did at least provide security for the majority of the urban workforce, albeit at a low material level, before the early 1990s. Precarious labour again becomes pervasive in reform China. Nonetheless, it is important to keep in mind that, blessed by decades of China's economic boom, precarious workers in present-day China live a much securer life than those in pre-1949 China. The serial enactment of labour protection laws, though not flawlessly implemented, also emboldens their right-safeguarding action.

The discontinuities between the Mao era and reform era are clear-cut. It is no exaggeration to say that the CCP under Mao's leadership made great achievements in reducing precariousness while the CCP in post-Mao China has led the resurgence of precariousness. The CCP in Mao's China not only invented an "iron-rice-bowl" safety net, but also made earnest efforts in promoting female participation in production. While females were overrepresented in then precarious work, being involved in production improved their political, economic, and societal conditions. This is particularly true when compared with the resurging gender disparity coupled with the falling participation rate of women in production in reform China.

The divergence of these two eras with regard to both the means and the ends of development and the associated precarization regimes have been detailed above. In

comparison, while the state plays a leading role in forging precariousness to serve the ends of development in both eras, it plays it in quite different ways. In Mao's China, the state was the implementer of social exclusion and exploitation; it was also the allocator of labour power and major employer; its eagerness to employ all and to employ them cheaply fitted well and resulted in the indulgence in and even promotion of precarious labour. In reform China, state exploitation has been largely replaced by private exploitation that greatly intensifies in magnitude, a process that has been tremendously facilitated by the state. With the re-orientation of SOEs and even public institutions towards seeking profits and the government's growing reliance on land finance, the state in fact becomes a predator, preying on pockets of the working class. In the reform era, the state also assumes new roles as de-regulator and re-regulator of the labour market. It is also worth noting that while mass labour movements contributed to the largest scale of regularization during the Cultural Revolution, in post-Mao China, labour movements only carried on cellularly and nationwide mobilization has been largely ruled out. But certainly, stability-threatening cellular unrest has accelerated the enactment of labour protection regulation.

This thesis also uncovers the continuities in precarization mechanisms between Mao's and the reform era that have been underplayed in the extant literature. In addition to the continuities that these two eras shared and inherited from pre-1949 China as mentioned above, even after forty years of reform, socialist legacies initiated in the Mao era can still be clearly felt. In both eras, peasants, together with women, are overrepresented in precarious labour. Although the rural-urban duality is not a creation

of the Mao era, it was certainly rigidified during that time. The household registration system, which was formalized in 1958, still perpetuates discrimination against peasant workers nowadays. In essence, the employment arrangements for peasant workers forged in Mao's China, which excludes supplies regarding social reproduction in cities, remains unchanged, reflected by the pervasive deprivation of the five kinds of social insurance and the housing fund coverage for peasant workers in present-day China. The leading users of agency workers, namely SOEs, are a legacy from the Mao era. And their affinity with agency labour is in fact a result of the encounter between wage restrictions on SOEs invented in the 1950s and the profit-seeking transformation of SOEs since the 1980s. The heavy presence of state-owned labour agencies in China's labour dispatch industry is an aftermath of the role of the state as the allocator of labour power in Mao's China. The consequences of countering the abuse of temporary workers in the Mao era and the consequences of countering agency labour in the reform era bear striking resemblance. So are the legislative efforts to distinguish between normal temporary workers and outsourced workers in the Mao era and those to distinguish between agency workers and outsourced workers in the reform era.

Implications for Theories, Policies, and Labour Movements

The findings of this thesis convey certain theoretical implications. The U-turn on precarious labour in 20th-century China clearly indicates that modernization does not necessarily lead to more labour security. The fact that core workers or previous

permanent workers were fiercely hit during the creation of the labour market contradicts the notion that precarization is a process of deproletarianization and supports the alternative notion that precarization is a process of proletarian unification.

China's experience of precarization in the reform era validates many Marxist arguments about the origins of labour precariousness, such as the role of profit-seeking private capital, semi-proletarianization, globalization, financialization, employment dualism, labour resistance, and so forth. However, Marxist theory largely failed to capture the leading and comprehensive role the state can play in precarization. The Chinese state is not only a regulator, de-regulator, or ally of private capital, but capital and a predator itself given its role as the employer and its engagement in profit (or rent)-seeking businesses, direct or indirect. Anchoring the origins of precariousness in the valorization instinct of private capital, Marxist theorists also assumes that socialism, which eliminates private capital, should be a solution to precariousness. The actually existing Chinese version of socialism, refutes such extrapolation even more than the Soviet version of socialism. Chinese government's systematic promotion of precarious labour throughout the 1960s is simply mind-blowing. While socialist revolution in fact emerged out of the then most backward economies, which contradicts Marx's prediction that the revolution would first break out in the most advanced capitalist economies, the gravity of underdevelopment and associated labour precariousness is unlikely to be lifted with the one-off revolution.

The primitive socialist accumulation theory fills in the gap of Marxist theory and also finds resonance with China's experience. As we have shown clearly in Chapter

Four, Five, and Six, labour precariousness was built into China's pursuit of accumulation. Nonetheless, the primitive socialist accumulation theory fails to elucidate how the constant desire for accumulation in practice brought about fluctuating precariousness. That is where this thesis stands out. It shows, between the desire and fruition, Chinese's exploration for a distinct industrialization path from that of the Soviet Union, swinging employment policies, and mass labour movements all came into play and ceaselessly fine-tuned the social exclusion system and thereby the extent and composition of labour precariousness.

The arguments made by mainstream economists, both the liberal and the institutional wing, pertaining to the effects of labour regulation and market exclusion on working conditions certainly find some support in the Chinese case. However, the sheer extent of exploitation which is at the centre of the new precarization regime, the changing exclusion system, and many other related factors and processes in the reform era are out of the scope of mainstream economics. Moreover, the thesis of the liberal wing that capital's resort to precarious labour is a distorting effect of labour protection regulation, while capturing the phenomenon, fails to explain the essence. In the light of this, this thesis deepens and complements related analyses of mainstream economics by chronicling the complicated and ever-changing relations between the state, capital, labour since the 1980s.

The ruthless expansion of the market, the associated growth of precariousness, and the subsequent labour movements and labour protection regulation demonstrates the insightfulness of Polanyianism. However, while countermovement seems like an

automatic response to market expansion according to Polanyianism, this thesis explains the mechanism behind the rise of countermovement and goes further by unveiling the limitations of labour regulation as countermovement.

The theoretical framework of this thesis follows the Marxist tradition and is inspired by the strengths and weaknesses of the other three traditions. Identifying exploitation and exclusion as two precarization mechanisms and production and social reproduction as two spheres in which two mechanisms operate, this thesis develops a comprehensive theoretical framework for researching the origins of labour precariousness and demonstrates its effectiveness by applying it to the study of China's case. The theoretical extension and the empirical findings of this thesis have implications for employment policies. The rampant abuse of precarious labour puts how to counter it on the policy agenda worldwide. This thesis, while agreeing on the desirability of formalization, exposes its limitations. The deterioration of formal jobs suggests that few can survive the overwhelming trend of informalization and we cannot restore job security simply by shifting back from informal to formal employment. The soaring costs in the sphere of social reproduction and the reinforced social exclusion of migrants in China's big cities reiterate the importance of looking beyond employment when seeking the origins and remedies of precariousness. Therefore, we have to go beyond formalization to counter precariousness. An immediate thought is the necessity of countering commodification of education, healthcare, housing, and other social reproduction means to alleviate precariousness. Moreover, given that precariousness of some kinds is embedded within social institutions such as gender, the reduction of

precariousness is thus embedded in grand causes such as gender equality.

This growth of labour precariousness worldwide marks the rollback of the achievements of labour movements decades ago. The erosion of the security of formal workers and thereby the unification of the bifurcated working class in many parts of the world imply that the ground is enlarging both for (1) working class solidarity given the ever-converging conditions between previous formal workers and precariousness-stricken workers and (2) working class segmentation and atomization given the intensified competition for quality jobs within the working class. When taking into consideration the lack of general labour movements that are transnational in the near future, what is more likely to happen is the increasing hostility within the world working class as the salient rise of nationalism in recent years implies. The deepening of commodification in the sphere of social reproduction has put decommodification of social reproduction into the appeal list of not only mass movements, for example, those against the privatization of utilities, but also labour movements. The Yue Yuen worker's protests for pension in China in 2014 clearly foreshadows this growing trend.[888]

Epilogue: Looking into the Near Future

What do the near future scenarios look like when it comes to labour precariousness? Synthesizing the ongoing trends that have relevance for the working conditions of Chinese workers, this section speculates on this question.

[888] Chen 2015.

The crucial role the Chinese state has played in precarization in the post-1949 China seems to be going on. The Chinese government's tight control over the society has been blamed for the underdevelopment of workers' organizations that can counter precarization. The recent moves of Xi Jinping's administration, however, herald a more coercive and repressive form of authoritarianism than that of the previous administration under his immediate predecessor Hu Jintao. Numerous civil society organizations have been cracked down on. Labour non-governmental organizations (NGOs) and activists have been questioned or detained unprecedentedly. Academic freedom has been dramatically constrained as well.[889] Moreover, in March 2018, the National People's Congress passed a constitutional amendment that withdrew the two-term limit on the presidency and allowed Xi to remain in power for life.[890] Whether or not such refined coercion is a matter of Xi's personal administration style or is the CCP's inherent and consistent response to the increasing domestic and overseas turbulence, in years to come, it is unlikely to see a reversal on the oppression of labour movements. Moreover, as shown in Chapter Eight, the state's refined indulgence in labour abuse in the face of economic slowdown, which marks one step backward in labour protection, has been built into its general plan of cutting the operating cost of the real economy.

The effects of the ongoing industrial upgrading on China's working conditions depend on the extent to which Chinese workers manage to share the productivity gains brought by such upgrading. In 2015, China launched the *Made in China 2025* initiative

[889] Fuchs, Tse and Feng 2018.
[890] British Broadcasting Company 2018.

that aims to comprehensively upgrade the Chinese industry to occupy the high ends of global commodity chains.[891] One of its core elements is automated machine tools and robotics, which has raised the concern of labour displacement. An article based on fieldwork in Dongguan, Guangdong, where the municipal government pioneered in promoting the replacement of humans by robots, reports that four factories studied in this project cut 67-85 per cent of the workforce after technological upgrading.[892] Nonetheless, if this initiative comes to fruition, it will also generate tremendous productivity gains. The real question is the division of such gains between labour and capital.

The effects of crossed capital flows on working conditions remain unclear, too. Despite chilly news about capital flight because of soaring labour costs, in 2017, foreign direct investment in mainland China grew to a record high, which was accompanied by a decline in outbound direct investment.[893] Such a decline was due to the regulatory crackdown on outbound capital flows from the Chinese government and the growing regulatory hurdles in recipient economies.[894] Nonetheless, the launch of the Belt and Road Initiative in 2013 is likely to dramatically boost China's foreign investment in years to come. The explosive growth of merger and acquisition by Chinese companies pertinent to the Belt and Road initiative against the overall decrease in China's overseas merger and acquisition certainly foreshadows this emerging trend.[895] Then, how long

[891] Kennedy 2015.
[892] Huang and Sharif 2017.
[893] Xinhuanet 2018.
[894] China Banking News 2018.
[895] Tang 2017.

will China remain the magnet of foreign capital? Pulled by the efforts of manufacturing onshore by the government of developed economies and made economically feasible by automation and other technological developments, an emergent trend of reshoring is looming, although it does not necessarily mean that there has been more reshoring than offshoring in the manufacturing industry in developed economies.[896]

The legacies from planned-economy China are evolving in different directions. The remaining privilege of formal SOE employees continues to be eclipsed. As mentioned in Chapter Eight, although the *Interim Provisions on Labour Dispatch* requires SOEs to comply with the ten per cent gap, which means to convert large numbers of agency workers into formal employees, the State-owned Assets Supervision and Administration Commission insisted that the wage quota of individual SOEs could only be adjusted according to their financial performance, rather than according to the number of employees. Thus, to comply with the ten per cent cap on the condition of unadjusted gross wage quota, some companies lowered the wage of newly joined formal employees.[897] In other words, the ten per cent cap has a levelling effect that narrows the compensation gap between formal and agency workers in SOEs. Moreover, the Chinese government's efforts to cut overcapacity in industries such as iron and steel, glass, cement, aluminium, and so forth, where SOEs are concentrated has triggered a new round of layoffs, which further retrenched formal SOE employees. Take steel and coal for example, between 2015-end and 2017-end, combined employment in these two

[896] Anson 2016.
[897] A group interview with human resource managers of several SOEs in Shandong, 20 October 2016.

industries fell by 1.6 million.[898] However, when it comes to the household registration system, no signs indicate that the current pattern of loosening in small-and-middle cities and tightening in big cities will significantly change in the near future.

In a nutshell, the ongoing trends pose both opportunities and challenges for Chinese workers. They are going through an era in which solidarity is more needed than ever while anti-solidarity forces are much stronger than ever. Descending from a working class whose intra-solidarity and close alliance with peasants opened up a new epoch marked by radical inequality levelling in Chinese history, workers in present-day China have demonstrated that they are inherently courageous, tenacious, and indomitable. The winding path they walk against precariousness is without end. But the striking beginning their predecessors had forged is certainly a good omen for their future struggles.

[898] Wildau and Feng 2017.

Appendix A: China's Urban Workforce in Different Types of Employment, 1949-2015

In ten thousand

	Population in Employment	State-Owned Units	Collective Units	Shareholding Units	Foreign Units	Private Units	Self-employment	Other employment	Unemployment
1949	1524	496	9			296	724		474
1950	1024	667	26			332			438
1951	1282	851	46			385			401
1952	2486	1105	131			367	883		377
1953	2754	1331	158			367	898		333
1954	2744	1414	299			289	742		321
1955	2802	1530	413			219	640		315
1956	2993	2232	742			3	16		213
1957	3205	2268	831			3	104		200
1958	5300	4532	662				106		
1959	5389	4561	714				114		
1960	6119	5044	925				150		
1961	5336	4171	1000				165		
1962	4537	3309	1012				216		
1963	4603	3293	1079				231		
1964	4828	3465	1136				227		
1965	5136	3738	1227				171		
1966	5354	3934	1264				156		

	Population in Employment	State-Owned Units	Collective Units	Shareholding Units	Foreign Units	Private Units	Self-employment	Other employment	Unemployment
1967	5446	4006	1299				141		
1968	5630	4170	1334				126		
1969	5825	4335	1379				111		
1970	6312	4792	1424				96		
1971	6868	5318	1469				81		
1972	7200	5610	1524				66		
1973	7388	5758	1579				51		
1974	7687	6007	1644				36		
1975	8222	6426	1772				24		
1976	8692	6860	1813				19		
1977	9127	7196	1916				15		
1978	9514	7451	2048				15		530
1979	9999	7693	2274				32		568
1980	10525	8019	2425				81		542
1981	11053	8372	2568				113		440
1982	11428	8630	2651				147		379
1983	11746	8771	2744				231		271
1984	12229	8637	3216	32	4	1	339		236
1985	12808	8990	3324	38	6	0.3	450		239
1986	13291	9333	3421	42	12	0.4	483		264
1987	13783	9654	3488	50	21	1	569		277
1988	14267	9984	3527	63	31	3	659		296
1989	14390	10108	3502	82	47	3	648		378
1990	17041	10346	3549	96	66	57	614	2313	383
1991	17465	10664	3628	49	165	68	692	2199	352

	Sum of Population in Employment	State-Owned Units	Collective Units	Shareholding Units	Foreign Units	Private Units	Self-employment	Others	Unemployment
1992	17861	10889	3621	56	221	98	740	2236	364
1993	18262	10920	3393	230	288	186	930	2315	420
1994	18653	11214	3285	344	406	332	1225	1847	476
1995	19040	11261	3147	370	513	485	1560	1704	520
1996	19922	11244	3016	412	540	620	1709	2381	553
1997	20781	11044	2883	511	581	750	1919	3093	577
1998	21616	9058	1963	1078	587	973	2259	5698	571
1999	22412	8572	1712	1213	612	1053	2414	6837	575
2000	23151	8102	1499	1342	642	1268	2136	8162	595
2001	24123	7640	1291	1522	671	1527	2131	9342	681
2002	25159	7163	1122	1827	758	1999	2269	10022	770
2003	26230	6876	1000	2070	863	2545	2377	10499	800
2004	27293	6710	897	2297	1033	2994	2521	10841	827
2005	28389	6488	810	2682	1245	3458	2778	10928	839
2006	29630	6430	764	2884	1407	3954	3012	11178	847
2007	30953	6424	718	3076	1583	4581	3310	11261	830
2008	32103	6447	662	3241	1622	5124	3609	11398	886
2009	33322	6420	618	3587	1699	5544	4245	11209	921
2010	34687	6516	597	3830	1823	6071	4467	11382	908
2011	35914	6704	603	4638	2149	6912	5227	9681	922
2012	37102	6839	589	5218	2215	7557	5643	9041	917
2013	38240	6365	566	7923	2963	8242	6142	6039	926
2014	39310	6312	537	8191	2955	9857	7009	4449	952
2015	40410	6208	481	8299	2790	11180	7800	3652	966

Source: National Bureau of Statistics 1987a, 12, 13, 83; National Bureau of Statistics 1999a, Table 4-5; National Bureau of Statistics 2016a, Table 4-2, Table 4-17; National Bureau of Statistic, and the Ministry of Labour 1989, 10, 12, 305; Editorial Board 1991b, 134; Yu (ed.) 2016, 140; National Bureau of Statistics 1999b, Table A02.

Note 1: The number of workers at each type of units includes both regular workers and temporary workers at the end of each year. The number of workers in state-owned units in the years 1949-1957 includes those in public-private joint enterprises. Foreign units include all type of units that have at least 25 per cent of their investment from Hong Kong, Taiwan, and the other regions of the world. Shareholding units include all types of units co-established by multiple shareholders. The shareholder can be a person, a company, or an institution. The classification of units follows the criteria designated by China's State Bureau of Statistics and different unit categories are mutually exclusive. Details are available at National Bureau of Statistics 2006.

Note 2: The number of unemployed referred to registered unemployed urban residents. It is an underestimation of the *de facto* unemployed. Others refers to the difference between the sum of urban employment and the total number of workers in each type of employment as specified above. Part-time workers in the planned-economy era and domestic workers were beyond the scope of statistics.

Note 3: There had been also state-owned, collective, and private units in rural China. This table does not include the number of their workers.

Appendix B: Fieldwork and Archives

This thesis is based on archives, interviews, and participant observation. This appendix details how the data used in this thesis were collected.

Multi-sited Fieldwork

Entry: A Labour Agency

I began my fieldwork at a labour agency in Beijing on 16 July 2016 with a tentative question of why labour dispatch was so prevalent in present-day China (I extended my research question in late 2016). Much owing to serendipity, I gained initial fieldwork access to this agency. After introducing myself and my PhD project to a cluster of labour scholars on WeChat, an incredibly nice labour scholar and activist with whom I only had several encounters in cyberspace offered to introduce me to a human resource director of the Great China subsidiary of a multinational. With interests in researching the changing employer-employee relationship in China, the director was an enthusiastic supporter of labour studies. He introduced me to his friend, the boss of a labour agency called Talent Pool, as a student who wanted to complete a doctoral thesis on labour dispatch in China.

The predecessor of Talent Pool was a subsidiary of a municipal SOE in Beijing that was established to help laid-off workers to get re-employed. In 2001, Talent Pool became an independent, private firm and had been engaged in labour dispatch since then. In 2015, Talent Pool had approximately 50 000 agency workers, making it one of the largest private labour

dispatch suppliers in Beijing.

After one hour of negotiation, the boss allowed me to work as an intern at the research department of the agency for no pay and to conduct interviews during work time. The head of the research department, however, seemed uncomfortable to treat me like paid interns. Although I stayed at the agency from 9 am to 5 pm every workday, it only took me one or two hours every day to finish her assignments, mainly designing questionnaires, collecting related information, and so forth, leaving me enough time for interviews.

The interviews, however, were rigorously controlled by the agency. The agency itself had a workforce of approximately 200, organized into several business bureaus. The boss of the labour agency required me to obtain permission from the head of the research department for each interview I planned to conduct. And the head required me to obtain permission from the manager of each business bureau that my target informant belonged to. With no grounds to say no, I promised to comply with such requirements and report whom I would like to interview and what I would like to ask to these two levels of gatekeeper for each interview. After becoming friends with my colleagues at the research department, I gradually developed a list of interviewees. In total, I conducted semi-structured interviews with 13 staff of Talent Pool. Putting them together, I understood how labour dispatch operated from recruiting, signing labour contracts, dispatching to third parties, and paying wages and social insurance, to daily collaborations between the labour agency and the accepting unit. I also saw the templates (albeit incomplete) of the labour contract Talent Pool signed with agency workers and the business contract it signed with clients. In addition, I attended one conference and one training

session, both on flexible employment in China, held by Talent Pool. Although I requested to join Talent Pool's staff in their negotiation with clients, they only allowed me to audit one client consultation.

I quit the internship on 30 August 2016, one month earlier than my planned leave, because of restrictions on activities within the agency and concerns of biased data collected there. Most news on labour dispatch in China was negative: unequal pay for equal work between agency workers and formal employees of the accepting unit, unreasonable fees charged by the labour agency from workers, and so forth. My informants of Talent Pool, however, were unlikely to unveil the dark side of labour dispatch.[899] Instead, they complained that labour dispatch was highly stigmatized in China and blamed such stigma on irresponsible news reporting. As an intern, I was not in a good position to challenge them. Worse, Talent Pool was my first fieldwork site and I had no first-hand data about agency workers prior to working there, which constrained the extent to which I could navigate interviews with its staff and exploit what it could provide.

It was at this point that I realized the limitation of a "top-down" strategy in fieldwork access, that is, investigating labour agencies before investigating agency workers in my case. Nonetheless, my experience at Talent Pool provided me with the general picture of labour dispatch in China and the standard business process involved, which was essential for subsequent data collection. Moreover, this experience almost certainly shaped my fieldwork trajectory, the data I collected in the end, and thereby the whole thesis by linking me to an

[899] I only included objective data (those not concerning attitude, judgement, etc.) obtained from interviews at Talent Pool in the thesis.

official scientific institution with shared interests. Between September and December 2016, I worked with the official institution while conducting interviews with agency workers of a SOE in Beijing.

Joint Investigations with an Official Scientific Institution

Scholars based in universities dominated the field of Chinese labour studies. Their fieldwork sites were mainly workplaces, accessed via personal or professional connections. Given the centrality of the workplace in production and class struggles, such practice was absolutely reasonable. Nonetheless, the scope of data reached by workplace-based fieldwork via unofficial relationships can be quite limited, thus necessitating fieldwork via official relationships. In practice, for most early-stage scholars, such a kind of fieldwork is desirable but difficult to realize. Fortunately, I got a chance to partner with an official scientific institution to do such fieldwork.

One of the tasks assigned to me by the head of the research department at Talent Pool was to design questionnaires on flexible employment so that the department could conduct online surveys to collect data for one of its clients—a scientific institution affiliated with the MOHRSS. During this process, I got in touch with a researcher of the institution who appreciated my expertise in labour studies and invited me to join in a project on labour dispatch sponsored by the institution. In March 2014, the MOHRSS issued the *Interim Provisions on Labour Dispatch* which required all enterprises to lower their proportion of agency workers in the workforce to a maximum of ten per cent before 1 March 2016. In addition, the LCL and its 2012 amendment

also had provisions that aim to counter the abuse of labour dispatch. The institution launched the project to examine the effects of the regulation for reference of the legal department of the MOHRSS. The researcher in charge of this project, however, was inexperienced. He had worked in the institution for fifteen years, but mainly as an administrative clerk. He was assigned to supervise the project because of the shortage of researchers in the institution.

In early September 2016, we met and discussed the details of collaboration. We reached an agreement that I could use all data collected in this project in my thesis. As an exchange, I would help him throughout the fieldwork and report-writing of this project and provide suggestions on manuscripts based on this project that he prepared for publication if there were any. The fieldwork mainly consisted of trips to several cities. I had no say in deciding where to go and whom to interview, which depended on the negotiation between the institution and local labour bureaus. Nonetheless, designing interview questions and carrying out interviews was largely at my discretion.

Fieldwork sites are shown in Figure 39. Beijing-Tianjin, Shanghai-Suzhou, and Guangzhou-Shenzhen-Dongguan represent the top three production hubs and thereby also the hubs of agency labour in China: the Pan-Bohai Region, the Yangtze River Delta, and the Pearl River Delta. Beijing, Tianjin, Shanghai, and Guangzhou are traditional industrial cities with large numbers of all three types of enterprises: state-owned, foreign, and private. Suzhou, Shenzhen, and Dongguan are newly industrialized cities attracting much foreign capital. Jinan and Changsha are two second-tier cities.

Most of the data was collected via semi-structured individual interviews with agency

workers in state, foreign, and private enterprises to learn about their working conditions after the promulgation of the LCL, its first amendment, and the *Interim Provisions on Labour Dispatch*, and via semi-structured group interviews with: (1) local labour officials to gain a general understanding of how they had implemented the regulation in their individual jurisdictions, their concerns in this process, and the enterprises' reactions to the regulation; (2) human resource managers of state, foreign, and private enterprises to know about why they used agency labour, the working conditions of agency workers at their enterprise (including pay, position, and social insurance), their reactions to the labour dispatch regulation, and how they were impacted; and (3) managers of labour dispatch agencies to learn about their reactions and those of their clients to the regulation.

Individual interviews with agency workers in this project included those conducted by that researcher and me in Guangzhou, Dongguan, and Shanghai, and those conducted by labour NGO workers in Tianjin, Changsha, Guangzhou, and Shenzhen. For the former, workers we interviewed were chosen by local enterprises, including 15 workers. For the latter, they were reached in a stop-and-interview manner or through snowball sampling, including 40 agency workers. Of these 55 agency workers, 15 worked for SOEs, 34 for foreign enterprises or joint ventures, and six for private enterprises. All group interviews were conducted by that researcher and me between September and December 2016, in Guangzhou, Dongguan, Shanghai, Suzhou, and Jinan respectively. We spent three to four days in each place. Our interviewees included provincial labour officials in Guangdong and Shandong, their municipal counterparts in Guangzhou, Jinan, Weihai (a city in Shandong), Suzhou, and Shanghai, human resource

managers of eleven SOEs (ten of them were central enterprises), seven foreign enterprises, and two private enterprises, and managers of nineteen labour dispatch agencies. The SOE was emphasised in the research design because it had the highest percentage of agency labour in the workforce.

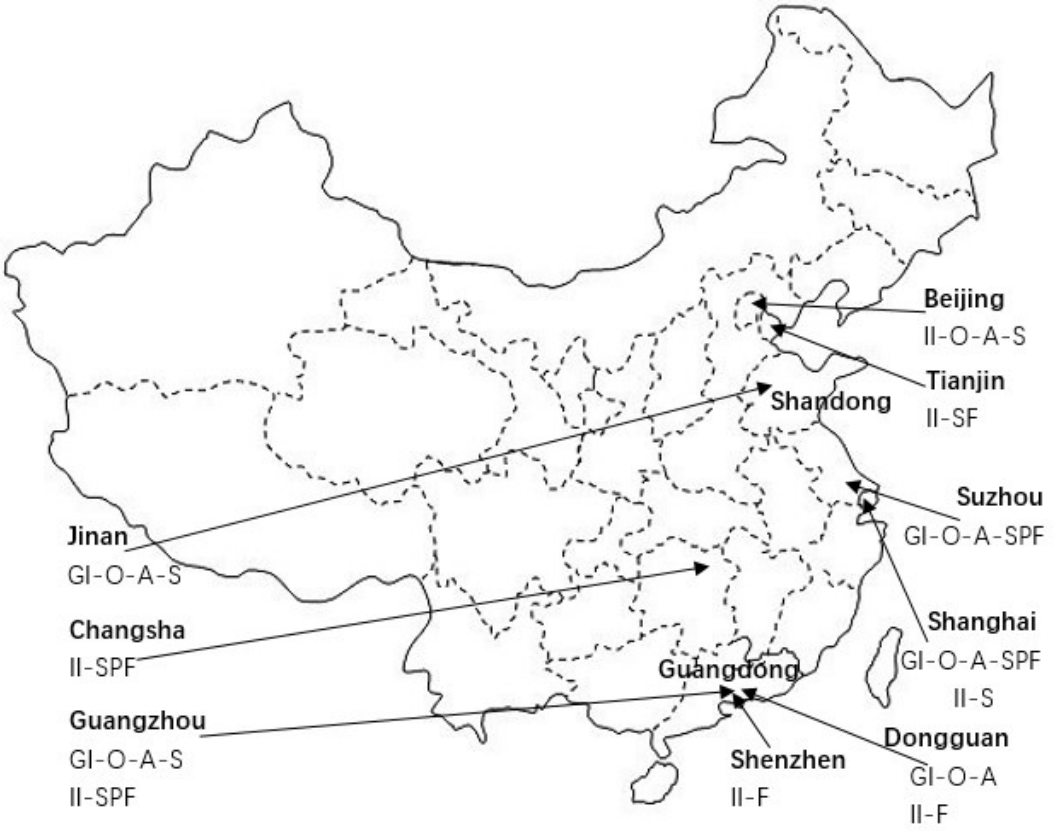


Figure 39. Multi-sited Fieldwork, 2016

Note: GI: group interviews; II: individual interviews; O: labour officials; A: managers of labour agencies; S: workers or managers of SOEs; P: workers or managers of private enterprises; F: workers or managers of foreign enterprises.

It was my first time to collaborate with an official scientific institution. I had no idea of the quality of the data we would be able to collect before the fieldwork trip. On the one hand, as a research team sent by the MOHRSS, local labour bureaus, which were branches of the MOHRSS, would take our requests seriously. On the other hand, although our fieldwork trips were in the name of scientific research, for local labour officials, it also meant an examination of their performance in enforcing the regulation. Thus they might emphasise the strengths of their implementation and underplay the weaknesses. They might also select enterprises and labour agencies that positively responded to the regulation for us.

The fieldwork, however, did not unfold as I had expected. Our first fieldwork trip was to Guangzhou in late September 2016. Before departure, I submitted a detailed list of questions and materials we should request from each type of interviewees to the researcher. Then I learned the first lesson of official investigation: as researchers with lower or no official rank (the researcher's title was assistant researcher), we should not expect to get information in great depth and breadth. For the researcher, maintaining a relatively friendly relationship with local labour officials would be of vital importance for his future investigations and thereby his career in the institution. To request materials beyond his official rank was *de facto* to embarrass local labour officials, which he was reluctant to do. In the light of this situation, I deleted all material requests and softened the wording of some questions in the interview list.

We were warmly welcomed by labour officials at both provincial and municipal levels in Guangdong. During group interviews, they did explain in detail what they had done in implementing the law. To my surprise, however, they also pointed out that the law had been

not well implemented in Guangdong. For example, a substantial percentage of agency workers were not transformed into formal employees of the accepting unit as expected by the regulation, but were transformed into so-called "outsourced workers" under the practice of "actual labour dispatch, disguised as labour outsourcing." Of course, the labour officials did not attribute the compliance failure to fault on their part, but linked it to the unreasonable provisions of the regulation. In their eyes, the ten per cent cap was a result of the arbitrary decision of officials in the central government, rather than a rationale-driven provision. "Equal work, equal pay" was also not satisfactorily implemented because it was hard to authenticate "equal work" and "equal pay" in practice. Such complaints were repeated by managers of enterprises and labour agencies, and labour officials in other regions. During group interviews with managers of enterprise users of labour dispatch that local labour officials also attended, I was repeatedly shocked when some managers confessed that they did violate the LCL in front of labour officials who were supposed to counter these violations. Similarly, they blamed their violations on the law, and local labour officials tended to agree with them.

My concern that data obtained from these official fieldwork trips might be biased was also largely alleviated. For both officials and managers at the local level, it was safe to honestly unveil the real situation and blame the central government as a scapegoat in front of a low-ranking official and a student. A high-ranking labour official in Guangdong even said that the central government should allow workers to use collective action to bargain with employers, rather than repress them. The subtle change of the central government's attitude towards labour dispatch—from stringent restriction to tacit indulgence—amidst the cooling down of the

China's economy, also emboldened local labour officials and managers to speak out the truth. Moreover, in the hope that future amendments to the regulation could hear their voices and respond favourably, some local labour officials and managers chose to pass on their real feelings about the regulation through us to the central government as well. Under such circumstances, the enterprises that labour bureau officials selected to join group interviews tended to be big users of labour dispatch, rather than role models in complying with the regulation. In Guangdong, one manager of a SOE that transformed all its agency workers into "outsourced workers" joined the group interview.

As mentioned above, the majority of interviews with agency workers in this project were done by labour NGO workers in several cities. To guarantee the quality of data collected, I trained all NGO interviewers by phone and imposed close quality control over their interviews. I asked them to make audio records for interviews whenever possible and I compared the record and their transcript randomly. I also phoned them frequently to know about the problems they encountered during interviews and discussed with them to work out a solution. Notably, although such data were useful for our understanding of the general conditions of agency workers in multiple cities in China, they were mostly descriptive and superficial since they were collected from multiple enterprises and the number of interviewees from individual enterprises was less than five, which necessitated an in-depth study of agency workers in one enterprise.

Researching Agency Workers at a SOE

Between September and December 2016, in order to understand the daily experiences of agency workers, amidst the official fieldwork trips, I conducted semi-structured interviews with agency workers in an enterprise called Capital Star (pseudonym) in Beijing independently.

According to the ACFTU, SOEs were leading users of agency labour; agency labour was particularly prevalent in the service sector; over half of agency workers in China were migrant workers. Accordingly, Capital Star was a typical agency labour user in China. Capital Star was a municipal subsidiary of Oriental Star (pseudonym), a giant SOE and one of the leading users of agency labour in China. The primary business of Capital Star was express mail delivery. A pilot investigation with several workers at Capital Star in early September 2016 found that approximately two-thirds of workers there were agency workers, and most of its workers, couriers in particular, came from rural China. Moreover, with the development of e-commerce in China, couriers were highly approachable. They could be found at commercial complexes, residential compounds, schools, and so forth. In the light of these factors, I decided to investigate dispatched couriers.

Fieldwork entry to Capital Star, however, was not as easy as expected. Capital Star had hundreds of branches, each responsible for the collection and delivery of fast mail in an area of one or two postcodes. Branches were the assembly points of couriers during non-delivery time, usually at 7:30am-9am, 12am-1pm, and 6:30pm-9pm. During the delivery time, most couriers would keep moving from one place to another to deliver mail, making in-depth interviews hard to conduct. In the beginning, I tried to interview workers, including couriers and the other staff, at branches. Unfortunately, I was shortly noted by a branch manager who

asked me to apply for access from the external relations department of Capital Express. As an early-stage independent scholar from a foreign institution investigating agency labour, which had become a sensitive topic because of media coverage of the discrimination against agency workers, it was almost impossible to gain official consent for the fieldwork. It was clear that I had to be prepared to reach informants out of branches.

The first breakthrough happened when I waited for couriers at a goodies shop outside one branch. I bought some stuff and introduced myself and my project to the elderly couple who ran the shop. They were familiar with the staff of the branch because these workers often went to eat and play cards at this shop. With the help of the elderly couple, before long, the couriers of that branch knew my research plan. They recommended one of them whose nickname was "big eyes" as a "receptionist" because he had a high education level and he could communicate with a PhD student well. Mr Big Eyes graduated from a prestigious university in Beijing in the early 1990s. After experiencing two bankruptcies and a divorce, he chose to work as a courier and to live a simple life. He invited me to join him during delivery since the tricycle that he used could accommodate two people. I shortly found that joining him in delivery benefitted both him and me. With a uniform he borrowed for me, I could help him with delivery and at the same time experience the life as a courier and interview him.

With this breakthrough, the following interviews went on smoothly. Since most workers at Capital Express did not have a college degree and had no idea of what a PhD thesis meant, I then introduced myself as a PhD student who wanted to write a book on labour dispatch in China. Before long, I found that place-of-origin ties were particularly useful in researching

labour in China for China-born scholars. I came from Henan, a densely-populated province that was home to millions of migrant workers. There were many Henanese workers at Capital Express, too. After a short conversation that authenticated that we were from the same province, they became very supportive of my project. They not only accepted my interviews themselves, but also introduced me to their colleagues. I quickly became acquainted with plentiful couriers. Some of them allowed me to work with them in the name of an internship. They also told me the time when they would linger in a place for hours so that I could conduct in-depth interviews or when managers were off duty so that I could conduct interviews at branches.

In total, I interviewed thirty workers from twelve branches of Capital Express. This in-depth case study on the one hand allowed me to understand the agency labour politics at the enterprise level, and on the other hand corroborated with the data collected from the joint investigation with the institution affiliated with MOHRSS to present a multi-dimensional landscape of agency labour in China.

Miscellaneous Interviews with the other people

In addition to the above interviews, in the second half of 2016 and the first half of 2017, I also independently conducted miscellaneous interviews with officials, lawyers, scholars, and so forth, to learn about certain aspects of precarious labour in China.

Archives

Data on precarious workers in Mao's China used in this thesis were based on archives. In China,

non-confidential documents were normally released to the public after 30 years since they came into existence. Thus, theoretically, archives on Chinese workers from 1949 to the early 1980s were available. In reality, however, the Central Archives, home to national-level archives on Chinese workers, only opened to a very few high-profile scholars. Fortunately, in the past decades, the Central Archives had collaborated with the CASS in publishing archive collections, including those on employment, wage, and social insurance. Unlike the Central Archives, the municipal archives of Beijing and Shanghai were open to ordinary scholars. These municipal archives stored documents from municipal-level institutions, including those of state organs, public institutions, enterprises, and so forth. In February and March 2017, I went to Beijing Archives regularly. By searching the keyword "temporary workers (*linshi gong)*" in the digital system, I got 136 hits of volumes and read all of them. In August 2017, I went to Shanghai Archives. By searching the same keyword, I got 5 596 hits of entries and read them all. I also read archives with keywords of "economism" (*jingji zhuyi*), "contract workers" (*hetong gong*), "outsourced workers" (*waibao gong*), "rotation workers" (*lunhuan gong*), "both-worker-and-peasant" (*yigong yinong*), and "service team" (*fuwu dui*).[900] Given the sensitivity of collection action and the scarcity of related materials in mainland China, in May 2017, I went to the Universities Service Centre for Chinese Studies at the Chinese University of Hong Kong to try my luck. The most valuable finding at this centre was a memoir of a leader of the biggest

[900] In Beijing Archives, retrieval in the digital system directly reached volumes compiled by multiple documents on similar topics, ranging from tens to hundreds of pages. Keywords with similar meanings such as "*linshi gong*," "*hetong gong*," "*waibao gong*," and so on often came together, thus making the search of other individual keywords unnecessary. In Shanghai Archives, however, retrieval reached individual documents. That was why searching the same keywords in Shanghai Archives received so many hits and why individual keyword search there was necessary.

temporary workers' organization at the dawn of the Cultural Revolution. I also found some publications on temporary workers in planned-economy China there. In addition to original archives and published collections of archives, I also read through the official journals of the MOHRSS and its multiple predecessors since 1949, and various publications on related issues.

Appendix C: List of Interviewed Workers

No.	Employment Status in the Current Company	Job	Gender	Place of Origin	Ownership of Employer *de facto*	Location of Employer *de facto*	Industry of Employer *de facto*	Time of Interview	Interviewer
BJ1	Agency worker	Courier	M	Anhui	State	Beijing	Logistics	12/08/2016	Author
BJ2	Agency worker	Courier	M	Anhui	State	Beijing	Logistics	31/08/2016	Author
BJ3	Fake outsourced worker	Courier	M	Hebei	State	Beijing	Logistics	05/09/2016	Author
BJ4	First as agency worker, then as formal worker	Manager	M	Jiangsu	State	Suzhou	Logistics	05/09/2016	Author
BJ5	First as agency worker, then as formal worker	Customer service	F	Beijing	State	Beijing	Logistics	05/09/2016	Author
BJ6	First as agency worker, then as formal worker	Driver	M	Beijing	State	Beijing	Logistics	06/09/2016	Author
BJ7	Agency worker	Manager	M	Guizhou	State	Beijing	Logistics	06/09/2016	Author
BJ8	Agency worker	Courier	M	Hebei	State	Beijing	Logistics	08/09/2016	Author
BJ9	Agency worker	Warehouse	M	Beijing	State	Beijing	Logistics	09/09/2016	Author
BJ10	Agency worker	Inward mail recording	F	Hebei	State	Beijing	Logistics	09/09/2016	Author
BJ11	Agency worker	Courier	M	Hebei	State	Beijing	Logistics	13/09/2016 10/10/2016	Author
BJ12	Agency worker	Manager	M	Henan	State	Beijing	Logistics	27/09/2016	Author
BJ13	Agency worker	Courier	M	Henan	State	Beijing	Logistics	28/09/2016	Author
BJ14	Fake outsourced worker	Courier	M	Shaanxi	State	Beijing	Logistics	29/09/2016	Author

No.	Employment Status in the Current Company	Job	Gender	Place of Origin	Ownership of Employer *de facto*	Location of Employer *de facto*	Industry of Employer *de facto*	Time of Interview	Interviewer
BJ15	First as agency worker, then as formal worker	Driver	M	Beijing	State	Beijing	Logistics	30/09/2016	Author
BJ16	Agency worker	Courier	M	Beijing	State	Beijing	Logistics	09/10/2016	Author
BJ17	Agency worker	Courier	M	Henan	State	Beijing	Logistics	09/10/2016	Author
BJ18	Agency worker	Courier	M	Shaanxi	State	Beijing	Logistics	16/10/2016	Author
BJ19	Fake outsourced worker	Courier	M	Hebei	State	Beijing	Logistics	17/10/2016	Author
BJ20	Agency worker	Courier	M	Heilongjiang	State	Beijing	Logistics	18/10/2016	Author
BJ21	Agency worker	Courier	M	Henan	State	Beijing	Logistics	19/10/2016	Author
BJ22	Agency worker	Courier	M	Shaanxi	State	Beijing	Logistics	2310/2016	Author
BJ23	Agency worker	Courier	M	Henan	State	Beijing	Logistics	30/10/2016	Author
BJ24	Agency worker	Inward mail recording	F	Hebei	State	Beijing	Logistics	30/10/2016	Author
BJ25	Agency worker	Courier	M	Hebei	State	Beijing	Logistics	30/10/2016	Author
BJ26	Formal worker	Courier	M	Beijing	State	Beijing	Logistics	31/10/2016	Author
BJ27	First as agency worker, then as formal worker	Manager	M	Jilin	State	Beijing	Logistics	03/11/2016	Author
BJ28	Agency worker	Courier	M	-	State	Beijing	Logistics	05/11/2016	Author
BJ29	Agency worker	Manager	M	Shandong	State	Beijing	Logistics	05/11/2016	Author
BJ30	First as agency worker, then as formal worker	Manager	M	Beijing	State	Beijing	Logistics	05/11/2016	Author
SH31	Agency worker	Designing	M	Shanghai	State	Shanghai	Logistics	13/10/2016	MOHRSS researcher M1

No.	Employment Status in the Current Company	Job	Gender	Place of Origin	Ownership of Employer *de facto*	Location of Employer *de facto*	Industry of Employer *de facto*	Time of Interview	Interviewer
SH32	Agency worker	Sorting	M	Hubei	State	Shanghai	Logistics	13/10/2016	Author
TJ33	Agency worker	Assembling	F	Jilin	Private	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ34	Agency worker	Warehouse	F	Hebei	JV	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ35	Agency worker	Assembling	M	Hebei	JV	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ36	Agency worker	Assembling	M	Hebei	JV	Tianjin	Electronics	12/2016	Labour NGO worker
TJ37	Agency worker	Warehouse	F	Hebei	Foreign	Tianjin	Electronics	12/2016	Labour NGO worker
TJ38	Agency worker	Assembling	F	Shanxi	Foreign	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ39	Agency worker	Packaging	F	Hebei	Foreign	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ40	Agency worker	Quality Control	F	Liaoning	JV	Tianjin	Electronics	12/2016	Labour NGO worker
TJ41	Agency worker	Assembling	M	Shanxi	JV	Tianjin	Electronics	12/2016	Labour NGO worker
TJ42	Agency worker	Logistics	M	Jilin	Foreign	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ43	Agency worker	Logistics	M	Hebei	Foreign	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ44	Agency worker	Logistics	F	Shanxi	Foreign	Tianjin	Electronics	12/2016	Labour NGO worker
TJ45	Agency worker	Quality Control	F	Shanxi	Foreign	Tianjin	Electronics	12/2016	Labour NGO worker
TJ46	Agency worker	Assembling	F	Shanxi	JV	Tianjin	Auto Parts	12/2016	Labour NGO worker
TJ47	Agency worker	Assembling	M	Hubei	Foreign	Tianjin	Auto Parts	12/2016	Labour NGO worker
CS48	Agency worker	Quality Control	F	Hunan	State	Changsha	Electricity	12/2016	Labour NGO worker
CS49	First as formal worker, then as agency worker	Warehouse	F	Hunan	State	Changsha	Electricity	12/2016	Labour NGO worker
CS50	Agency worker	Security Guard	M	Hunan	Private	Changsha	Property Services	12/2016	Labour NGO worker
CS51	First as agency worker, then as formal worker	Group leader	F	Hunan	JV	Changsha	Auto Parts	12/2016	Labour NGO worker

No.	Employment Status in the Current Company	Job	Gender	Place of Origin	Ownership of Employer *de facto*	Location of Employer *de facto*	Industry of Employer *de facto*	Time of Interview	Interviewer
CS52	First as formal worker, then as agency worker, now as formal worker	Engineer Assistant	M	Hunan	JV	Changsha	Auto Parts	12/2016	Labour NGO worker
CS53	First as agency worker, then as formal worker	Quality Control	F	Hunan	Foreign	Changsha	Auto Parts	12/2016	Labour NGO worker
CS54	First as formal worker, then as agency worker, now as formal worker	Warehouse	F	Hunan	State	Changsha	Electricity	12/2016	Labour NGO worker
GZ55	Agency worker	Warehouse	M	Sichuan	Private	Guangzhou	Logistics	12/2016	Labour NGO worker
GZ56	Agency worker	Assembling	M	Guizhou	Foreign	Guangzhou	Electronics	12/2016	Labour NGO worker
GZ57	Agency worker	Security Guard	M	Hunan	Private	Guangzhou	Property Services	12/2016	Labour NGO worker
GZ58	Outsourced worker	Security Guard	M	Hunan	State organ	Guangzhou	Security	12/2016	Labour NGO worker
GZ59	Outsourced worker	Security Guard	M	Guangxi	State organ	Guangzhou	Security	12/2016	Labour NGO worker
GZ60	Agency worker	Warehouse	M	Guangxi	Foreign	Guangzhou	Cosmetics	12/2016	Labour NGO worker
GZ61	Outsourced worker	Logistics	M	Yunnan	Foreign	Guangzhou	Adhesives	12/2016	Labour NGO worker
GZ62	Agency worker	Assembling	M	Shaanxi	Foreign	Guangzhou	Auto Parts	12/2016	Labour NGO worker
GZ63	Agency worker	Assembling	M	Gansu	JV	Guangzhou	Auto Parts	12/2016	Labour NGO worker
GZ64	Agency worker	Manager	M	Liaoning	State	Guangzhou	Logistics	23/09/2016	Author
GZ65	Agency worker	Manager	M	Guangdong	State	Guangzhou	Logistics	23/09/2017	Author
GZ66	Agency worker	Teller	M	Guangdong	State	Guangzhou	Banking	23/09/2018	Author
GZ67	Agency worker	Support	F	Guangdong	State	Guangzhou	Logistics	23/09/2019	University student
GZ68	Agency worker	Operator	F	Guangdong	State	Guangzhou	Logistics	23/09/2020	University student

No.	Employment Status in the Current Company	Job	Gender	Place of Origin	Ownership of Employer *de facto*	Location of Employer *de facto*	Industry of Employer *de facto*	Time of Interview	Interviewer
GZ69	Agency worker	Manager	M		State	Guangzhou	Logistics	23/09/2021	MOHRSS researcher M1
GZ70	Agency worker	Teller	F		State	Guangzhou	Banking	23/09/2022	MOHRSS researcher M1
GZ71	Agency worker	Manager	M	Guangdong	State	Guangzhou	Banking	23/09/2023	MOHRSS researcher M1
SZ72	Agency worker	Assembling	M	Henan	Foreign	Shenzhen	Electronics	12/2016	University student
SZ73	Agency worker	Quality Control	F	Guizhou	Foreign	Shenzhen	Electronics	12/2016	University student
SZ74	Agency worker	Assembling		Shanxi	Foreign	Shenzhen	Electronics	12/2016	University student
SZ75	Agency worker	Assembling			Foreign	Shenzhen	Electronics	12/2016	University student
SZ76	Agency worker	Quality Control	F	Henan	Foreign	Shenzhen	Electronics	12/2016	University student
SZ77	Agency worker	Assembling	M	Yunnan	Foreign	Shenzhen	Electronics	12/2016	University student
SZ78	Agency worker		M	Guangxi	Foreign	Shenzhen	Electronics	12/2016	University student
SZ79	Agency worker	Assembling	M	Hubei	Foreign	Shenzhen	Electronics	12/2016	University student
SZ80	Agency worker	Assembling	M	Hunan	Foreign	Shenzhen	Electronics	12/2016	University student
DG81	Agency worker and Student Intern	Assembling	M	Guangxi	Private	Dongguan	Electronics	22/11/2016	Author
DG82	Agency worker and Student Intern	Selecting	M	Guangxi	Private	Dongguan	Electronics	22/11/2017	MOHRSS researcher M1
DG83	Agency worker	Assembling	M	Shanxi	Foreign	Dongguan	Electronics	11/2016	Author
DG84	Agency worker	Assembling	M	Hunan	Foreign	Dongguan	Electronics	11/2017	Author
DG85	Agency worker	Assembling	F	Guangxi	Foreign	Dongguan	Electronics	11/2018	MOHRSS researcher M1

Note 1: Whoever conducted the interview, all the interview questions were designed by the author. The author trained labour NGO workers

via phone before they conducted the interviews. The author had gained the consent of all other interviewers to use their interviews in this thesis. For details, please refer to Appendix B.

Note 2: JV=Joint Venture.

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