Macroeconomic restructuring and Chinese workers bargaining power

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Political Economy of production and labour

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The trajectory of labour unrest in China in the 2010s

GFC → mid-2010s: Conflictual Phase

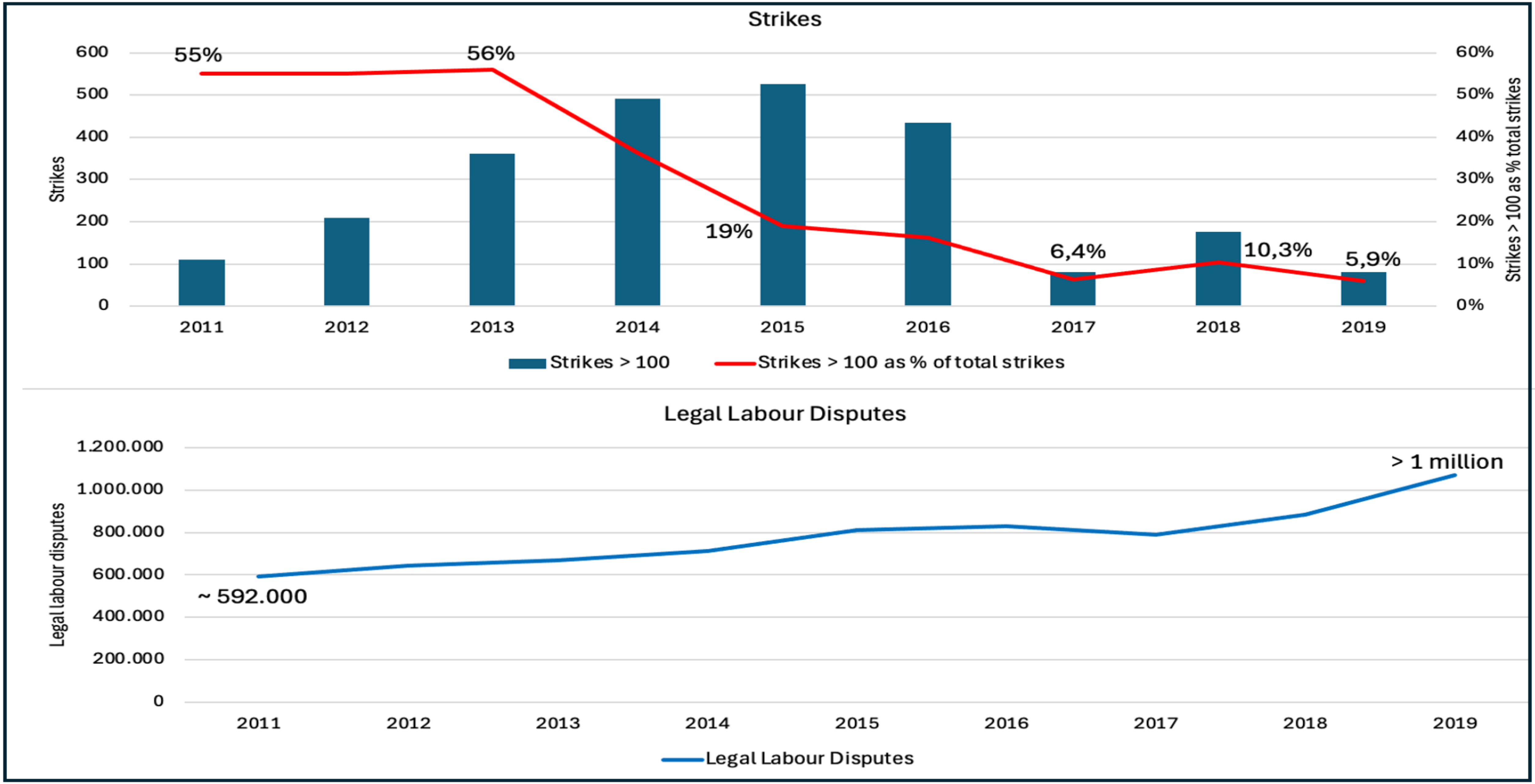
- Party's 'Unitarist Claim' → absent institutionalization of the industrial conflict
- **The peak of the investment- and export-led growth model → strenghtened workers' structural bargaining power**
- Pro-labour laws → improving labour standards + effective labour dispute resolution system
- Opening of political opportunity window → tolerant approach to labour unrest by Hu's leadership
- Contingent fuse: GFC layoffs shock

↓

Mid-2010s → 2019: Institutional Phase

- 'Incomplete Institutionalization' of industrial conflict
  - ACFTU pro-labour redirection
  - labour disp. res. system
- **Macroeconomic rebalancing: selective disengagement foreign capital, tertiarization → weakened workers' structural bargaining power**
- Closure of political opportunity window → encapsulating approach, growing repression by Xi's leadership

Chart 1: Diverging trajectories of labour contention in China (2011–2019)[2]



Sources: Legal labour disputes: China Labour Statistical Yearbook (2021); Strikes: China Labour Bulletin (CLB).

Puzzle and hypothesis

How did China’s growth model contribute to shaping the dynamics of labour conflict in the 2010s?

The **peak** (2006-2014) of the investment- & export-led growth model:

-strengthened workers’ structural bargaining power

-strike wave (2009-2014)

The **macroeconomic rebalancing:**

-decline in workers’ structural bargaining power

-more fragmented and institutionalized labour conflict (mid-2010s on)

Political economy & workers' structural bargaining power

Growth model → Structural bargaining power → labour unrest

E.O. Wright: Workers' power derives from their strategic **position in the production system / labour market.**

B.Silver: «**Where capital goes, conflict follows**»

J. Kelly: Strike waves emerge in **late phases of economic expansion.**

Investment- & export-led growth model: peak

<u>Core features</u>:

- export-oriented manufacturing
- exceptionally high investment rates
- recycling of trade surpluses into fixed capital formation

<u>Institutional driver</u>

- Party-state financial control to keep investments as high as possible →

-Savings > consumption

-Investment > wages

-Profits > wages

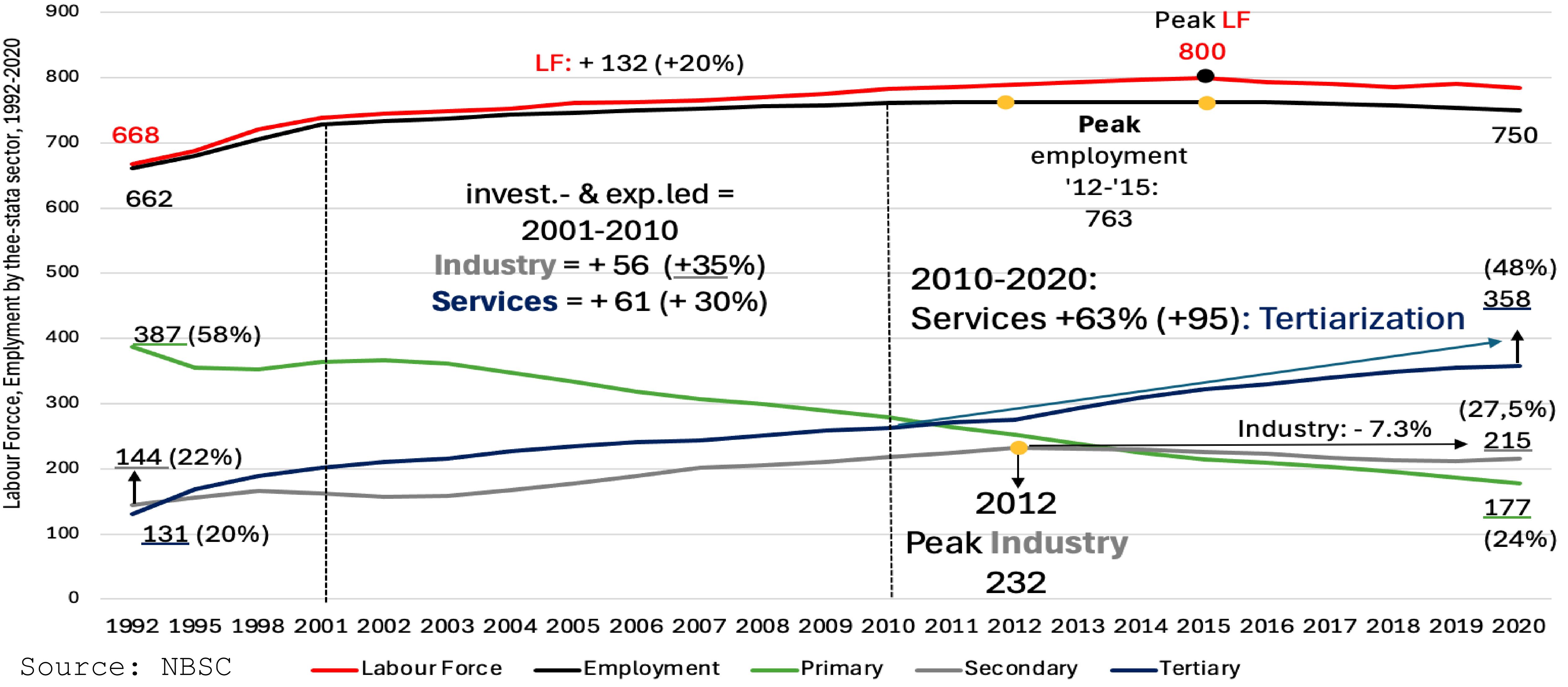
<u>Structural outcome</u>

- self-reinforcing **export-investment cycle** = Trade surplus → capital formation → manufacturing expansion → **Peak 2006-2014.**

<u>Strategic objective</u>

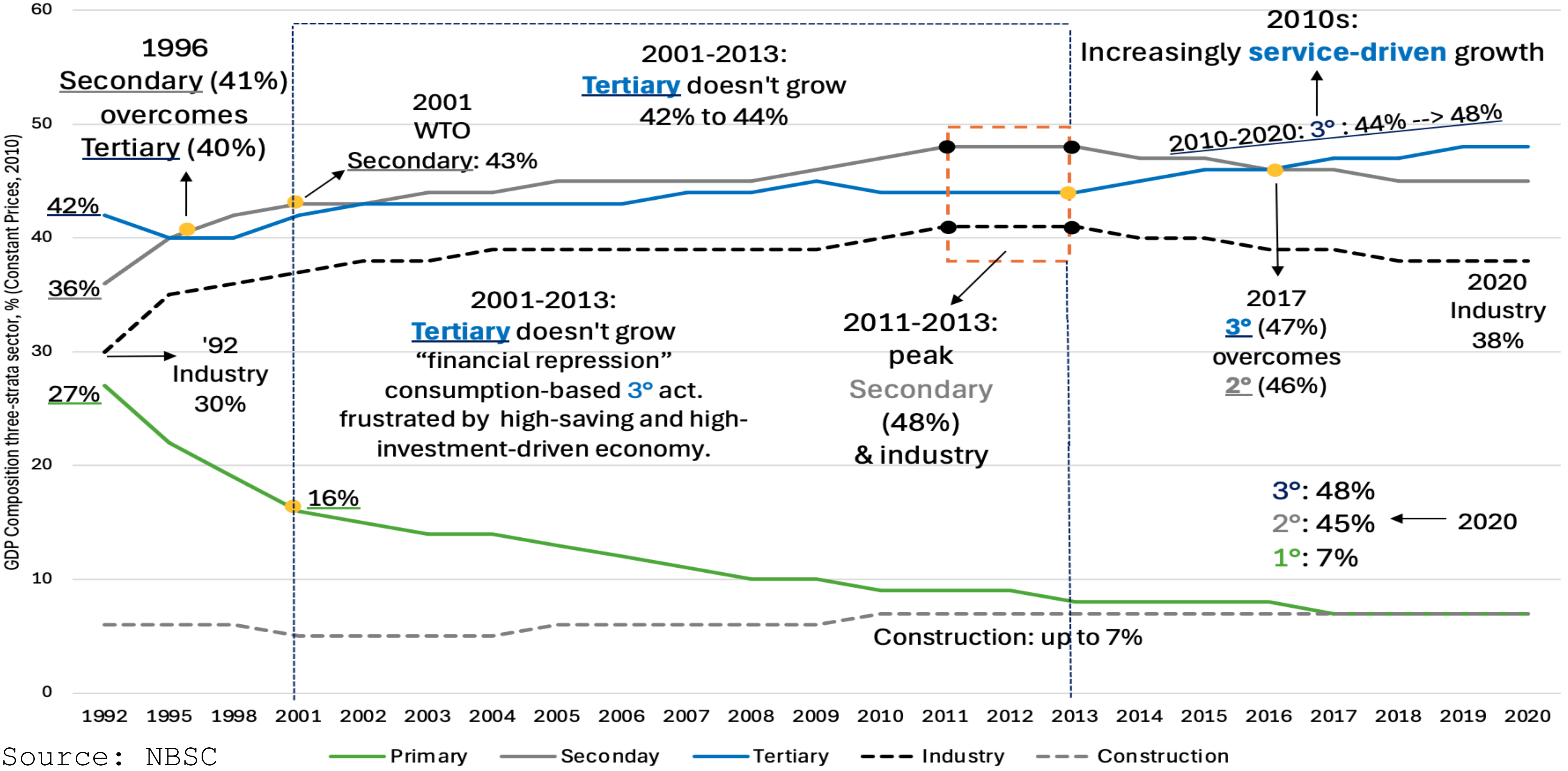
Employment structure by 3-strata sectors '92-'20

1) 2001-2010: Invest.- & Exp.-led growth expanded secondary employment faster than services
2) Since 2012 employment shifts toward services → tertiarization



Source: NBSC

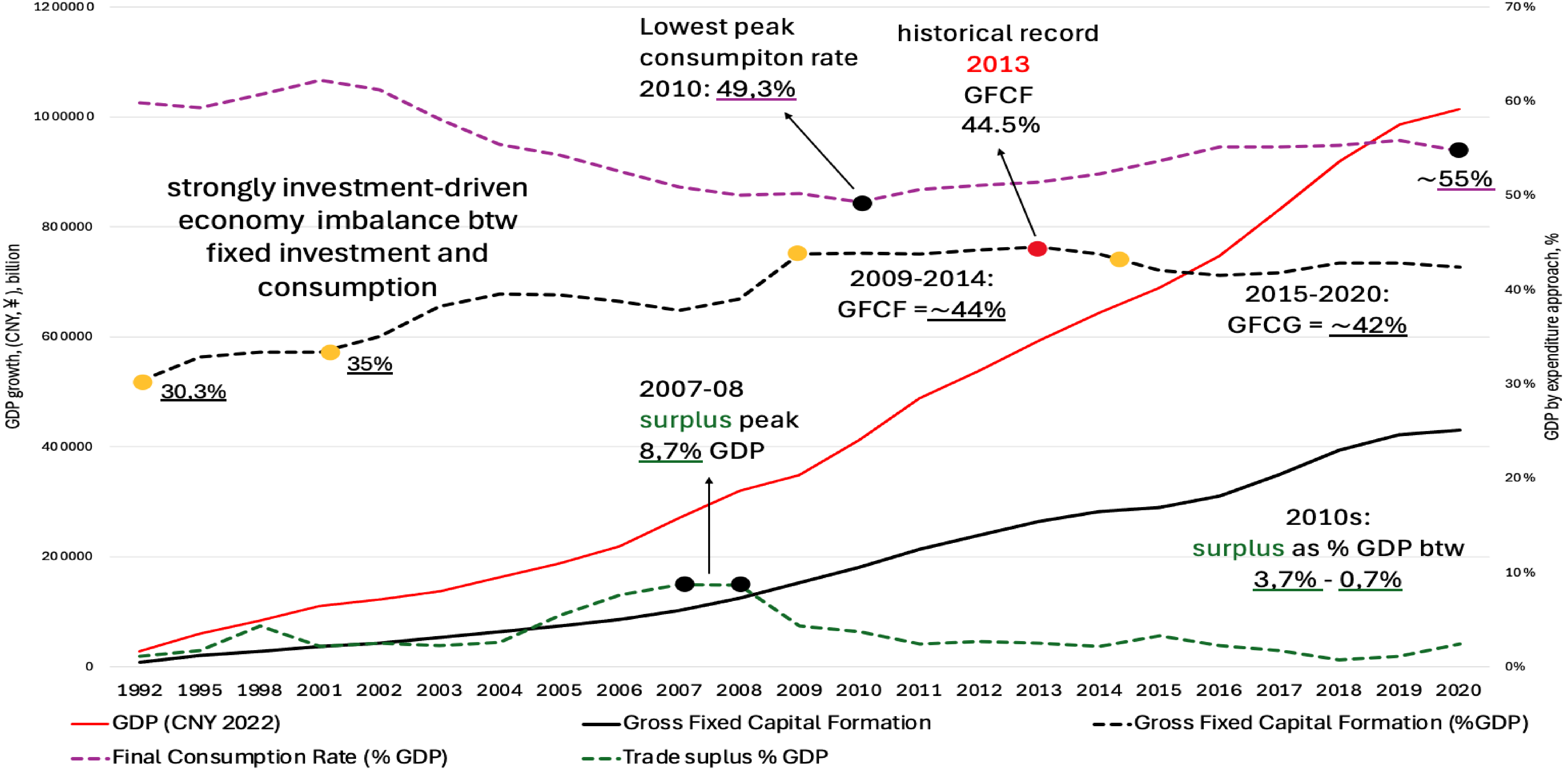
GDP composition by three-strata sector, 1992-2020 (2010 const- prices).



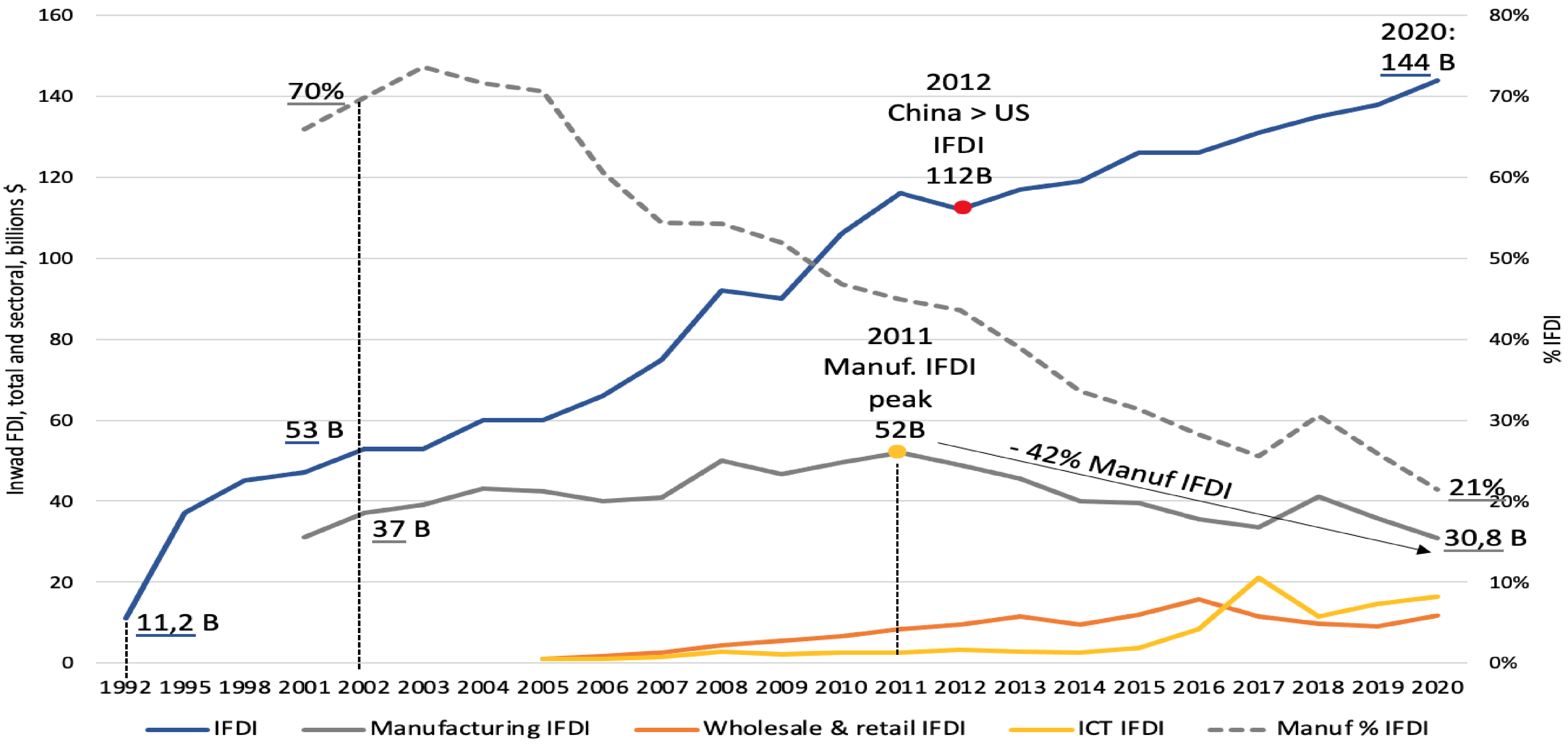
Source: NBSC

GDP by expenditure approach, 1992-2020.

Source: NBSC

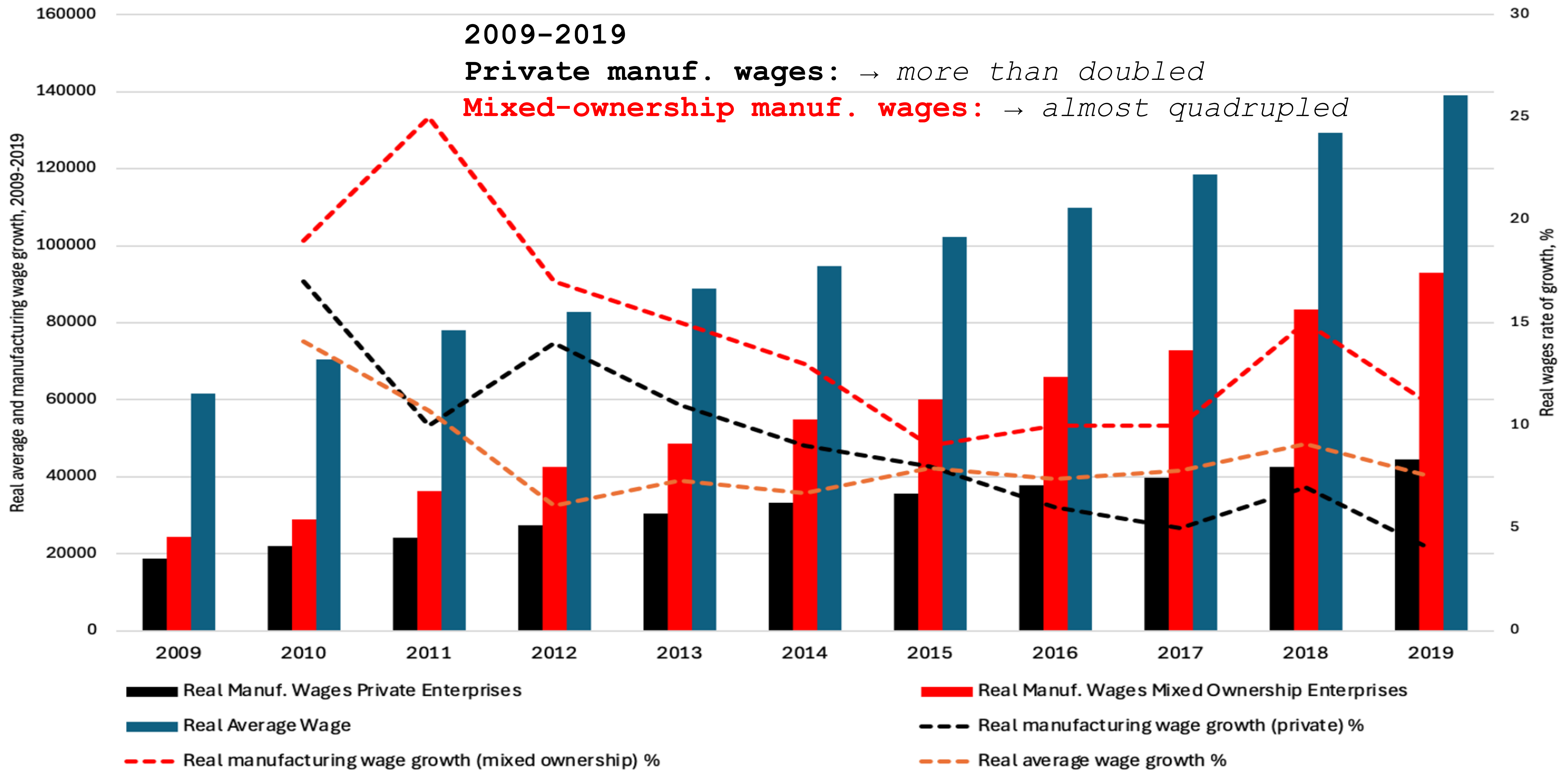


Inward FDI 1992-2020, sub-sectoral composition detailed



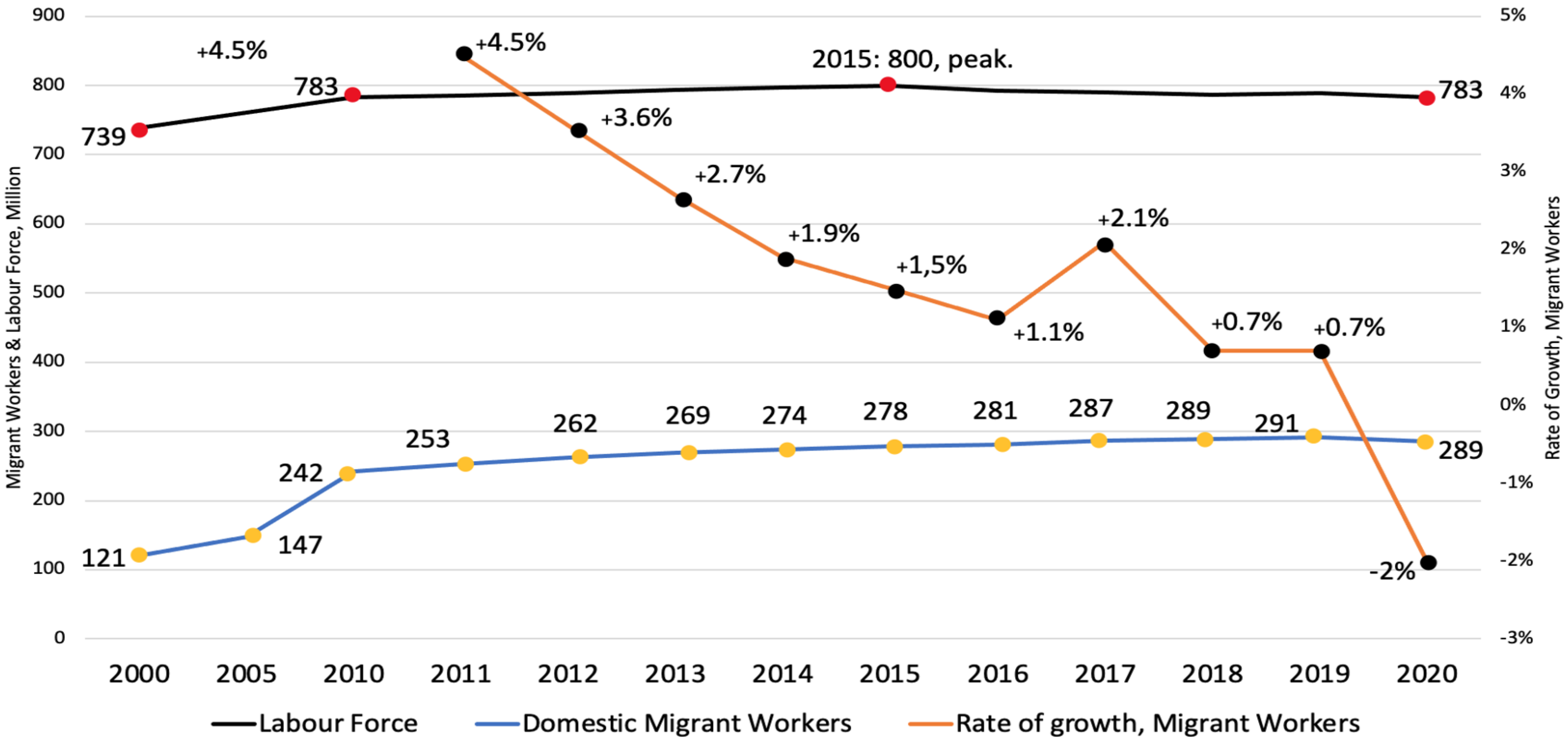
Source: CSY, trade and external economy, several years

Chart 7.35: Real wage growth, manufacturing and national average, 2009-2019.



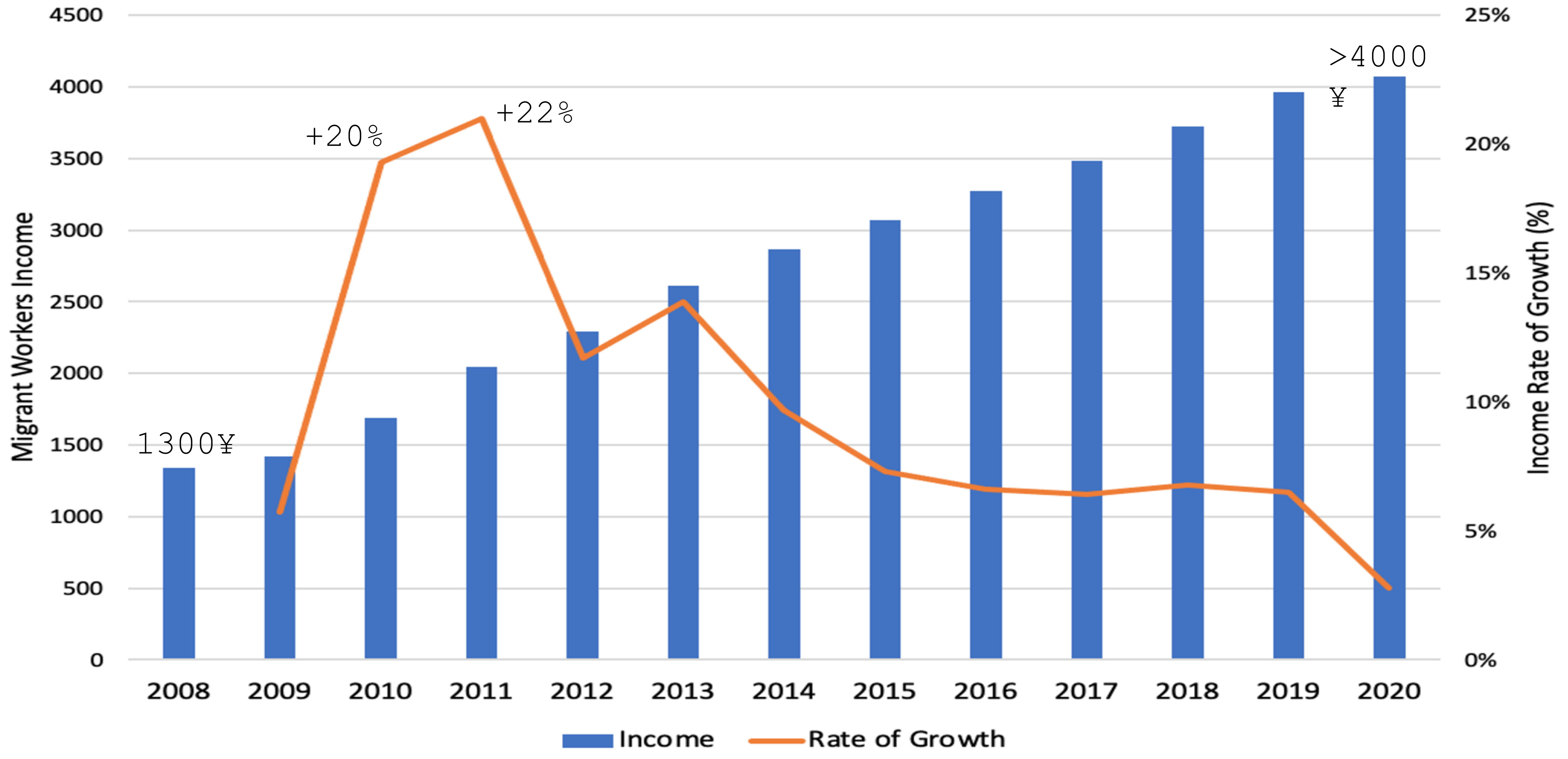
Source: CSY, several years[115].

Migrant workers' flows: marketplace barg. power



Source: migrant workers annual monitoring 2012-2021, MOHRSS[97].

Chart 7.32: migrant workers' monthly earnings, 2008-2020



Source: migrant workers annual monitoring, 2012-2020.

Investment- & export-led growth model: rebalancing

structural shifts:
-industrial upgrade,
-infrastructure,
-**selective disengagement of foreign manuf. K,**
-**services-driven growth** (tertiarization).

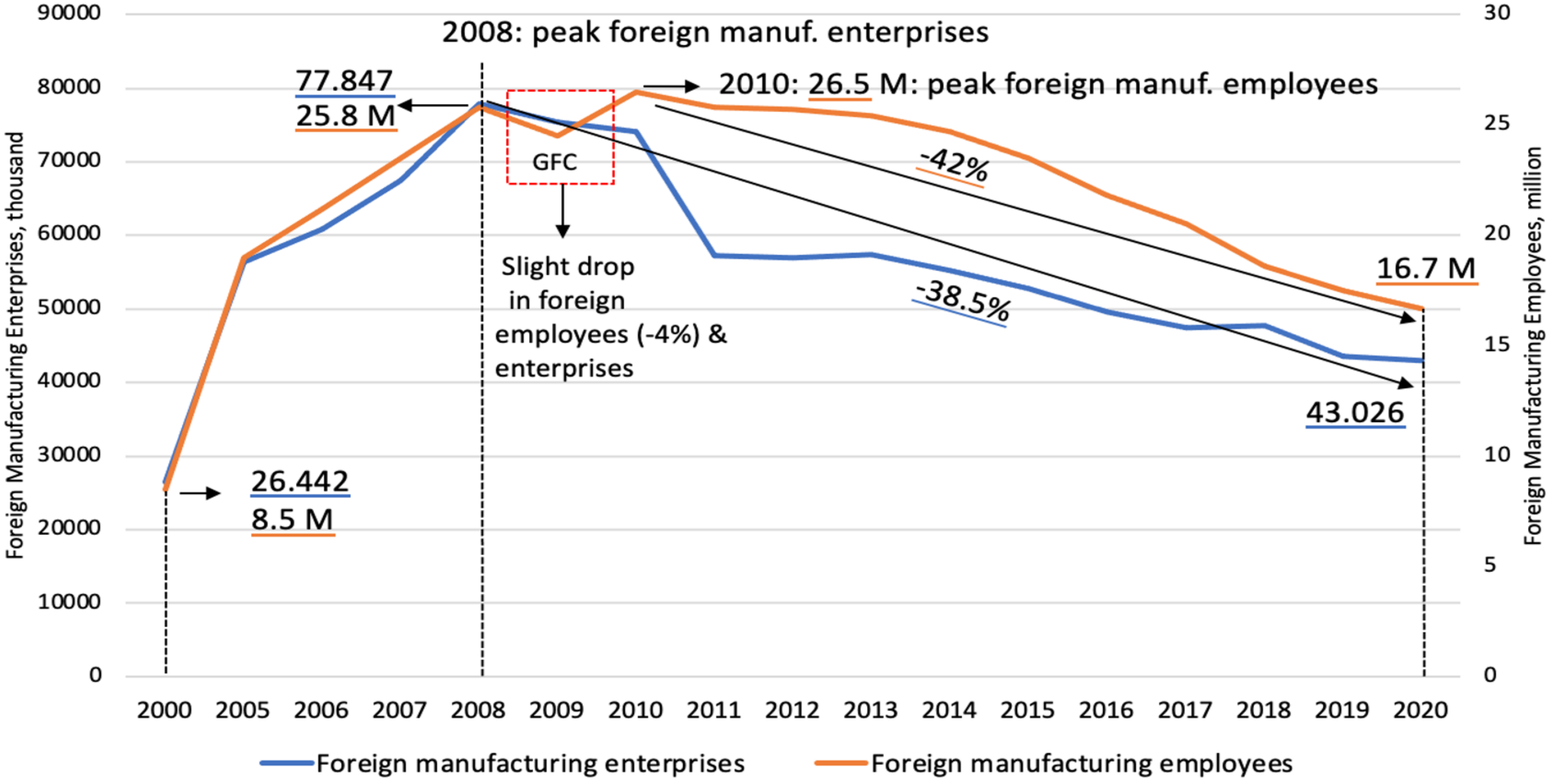
Decline of foreign-funded manufacturing

- FDI, enterprises, employees

Employment tertiarization

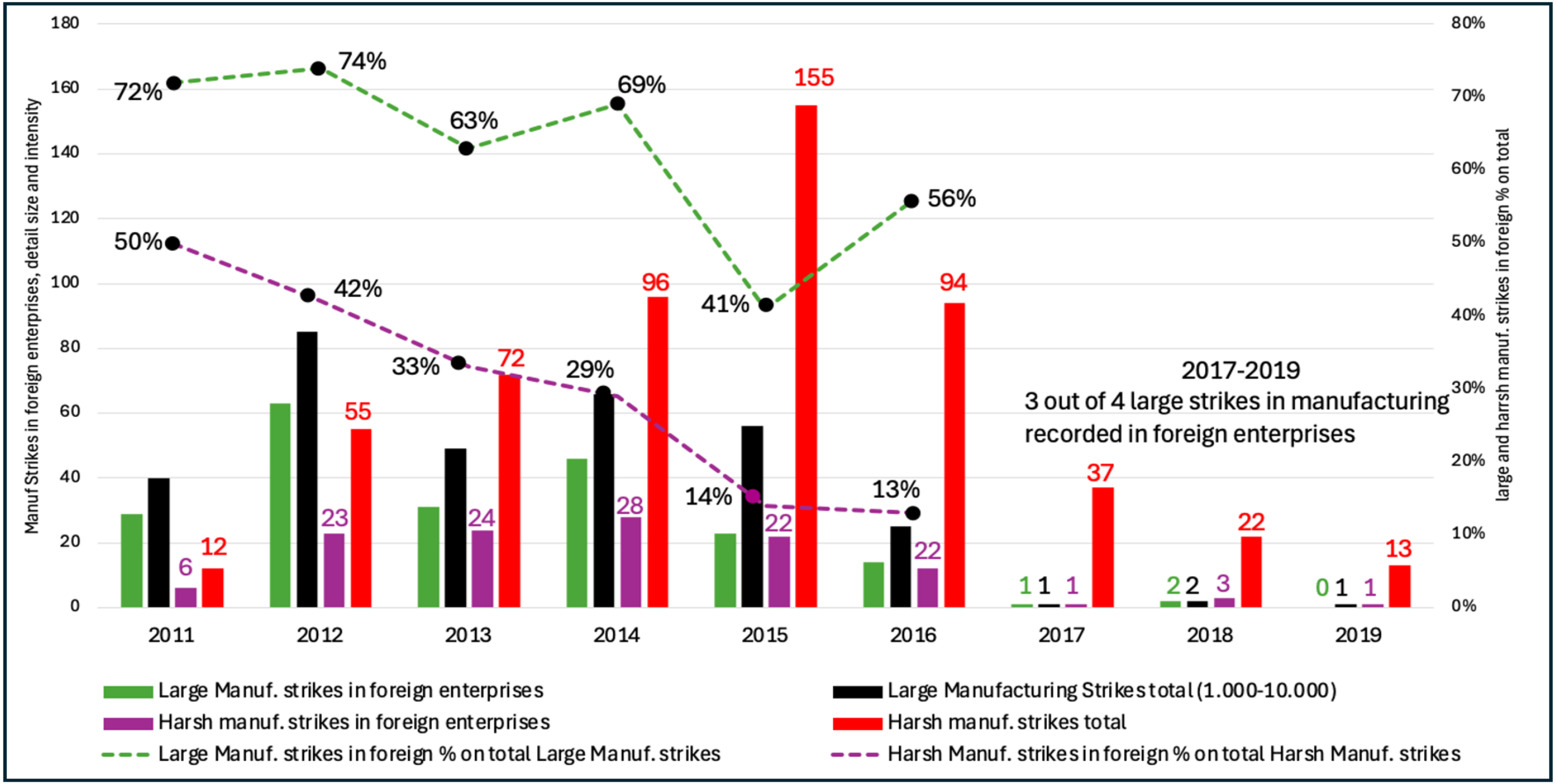
- services absorbing migrant labour
- declining concentration of labour in manufacturing
- Growing role of domestic K

Chart 7.34: Foreign manufacturing enterprises and employees, 2000-2020.



Source: CSY, several years.

Chart 8.7: Manufacturing strikes, foreign enterprises' detail, size and intensity.



Source: Databases.

Migrant Workers’ employment by sectors, 2008-2020

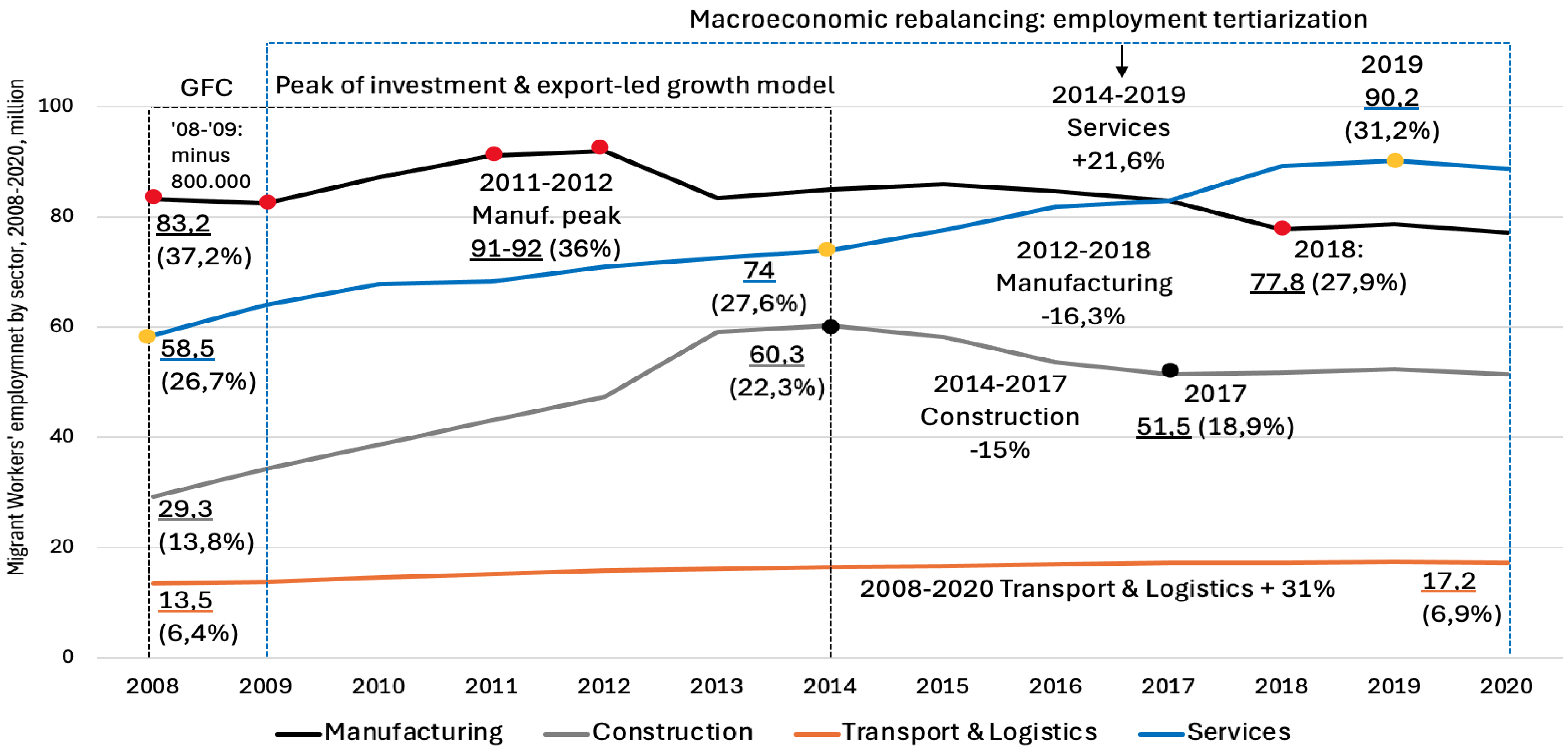
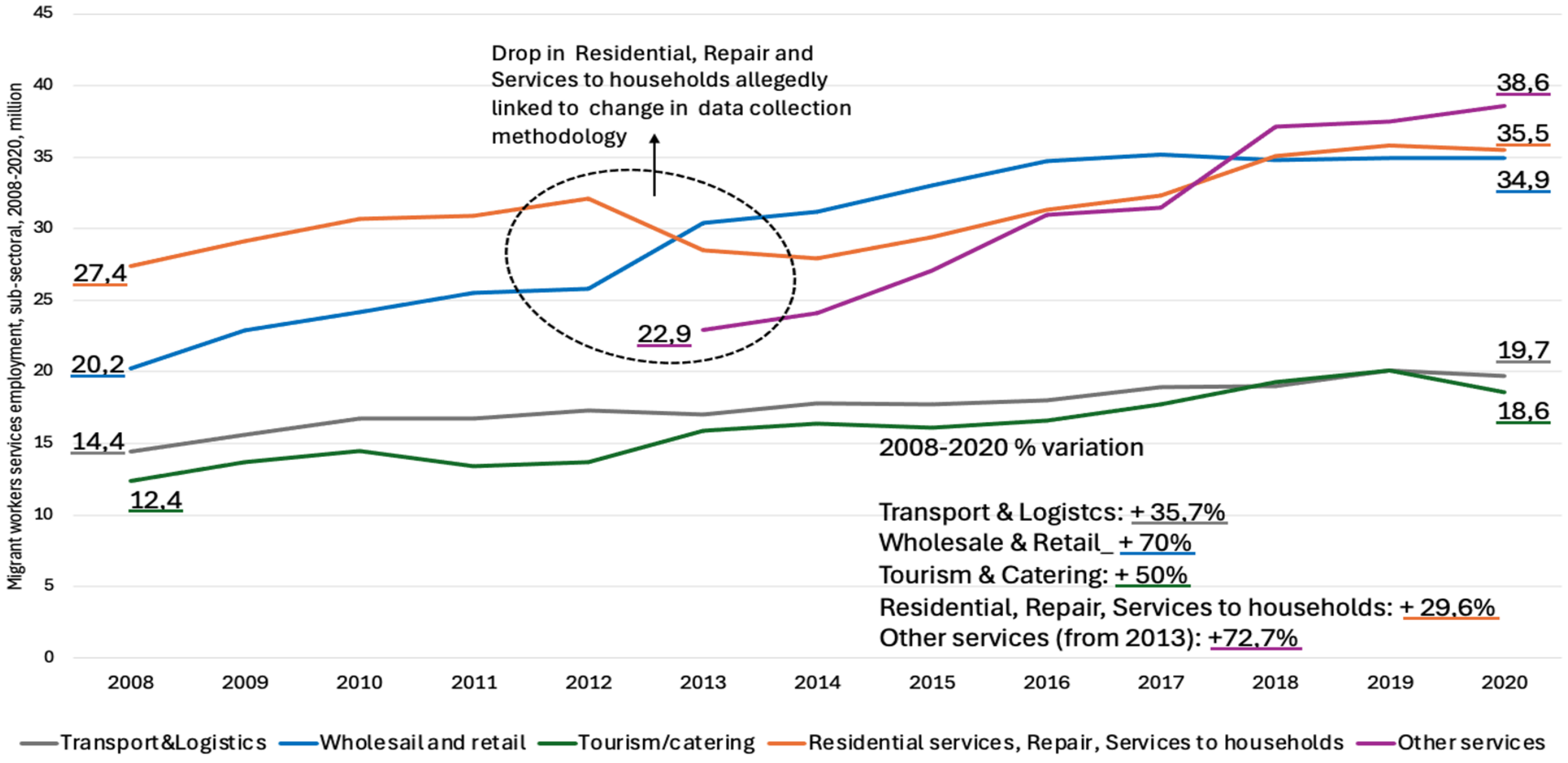
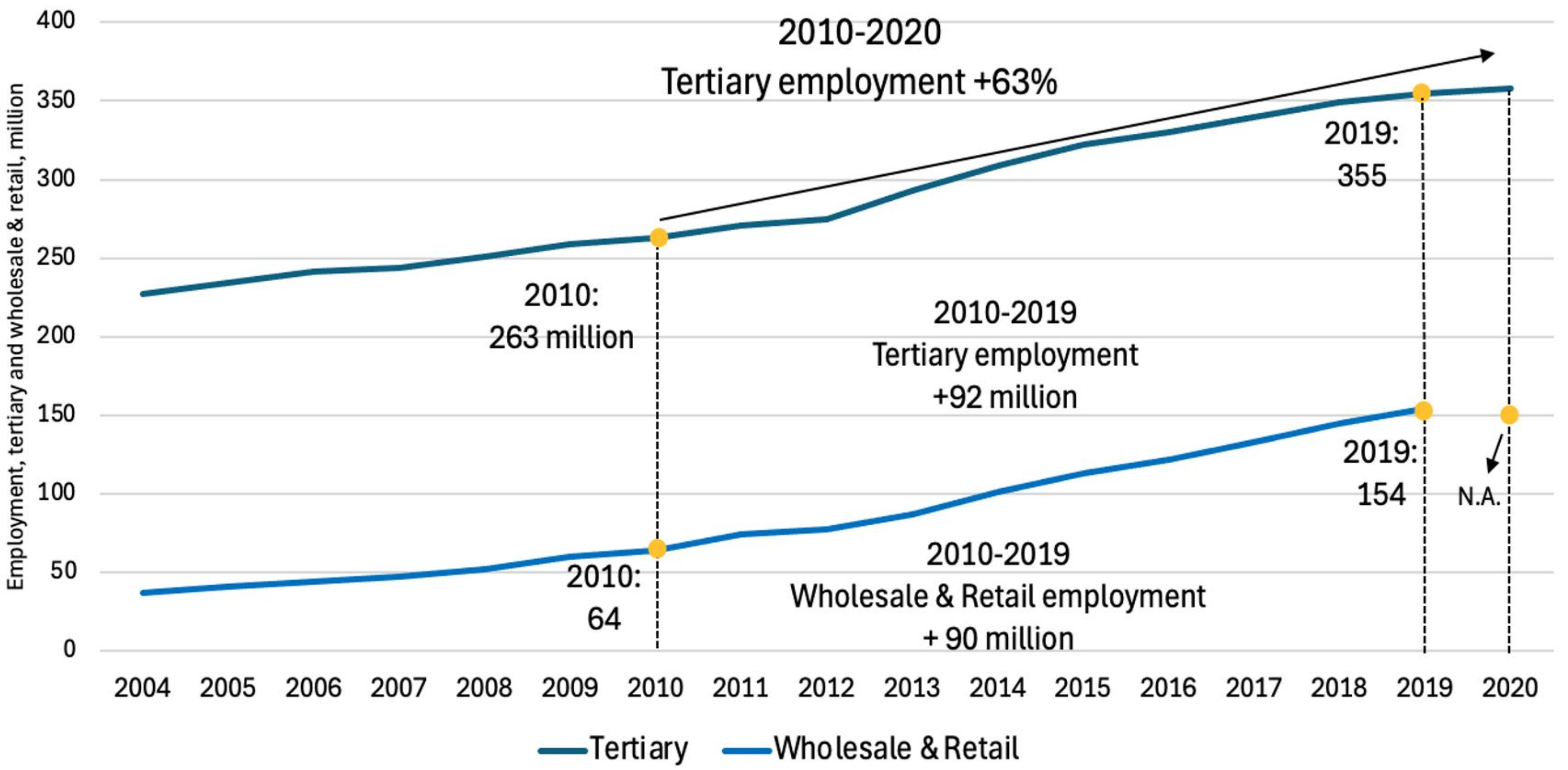


Chart 7.40: Migrant workers services employment, sub-sectoral, 2008-2020.



Source: migrant workers annual monitoring 2012-2021, MOHRSS.

Chart 7.41: Tertiary employment, wholesale and retail (private and self-employed) detail, 2004-2020



Source: NBSC.

Conclusions

Core argument

Export- and investment-led growth peaked, generating strong industrial concentration

- workers’ structural bargaining power increased
- strike wave in the early 2010s

Macroeconomic rebalancing reshaped the labour market

- Selective disengagement of foreign manufacturing capital + tertiarization
- dipslacement of the factories in which a relevant share of the strikes occurred

-fragmentation of the workforce in small-scale services / digitalization

-Declining worker’ bargaining power

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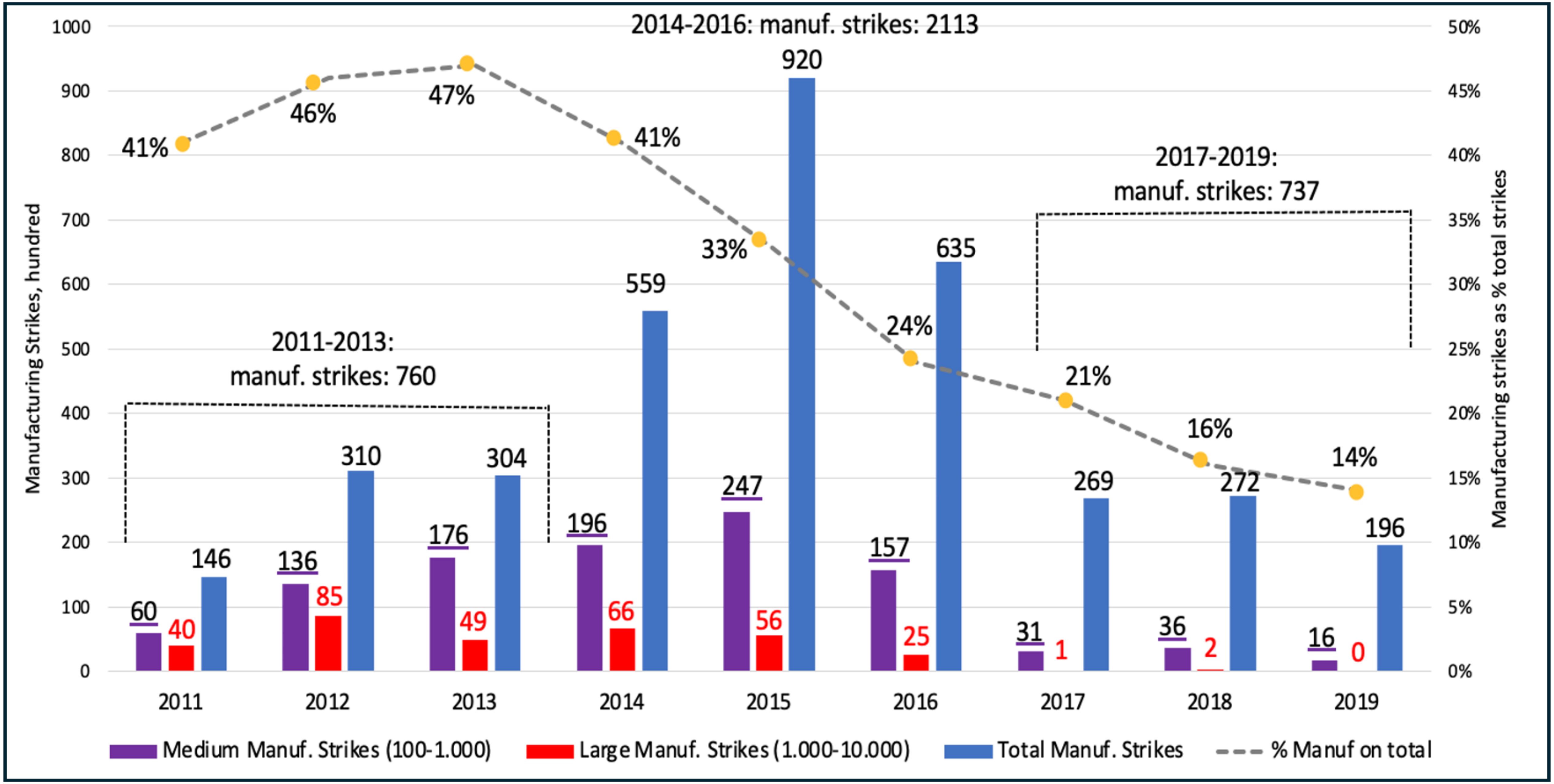
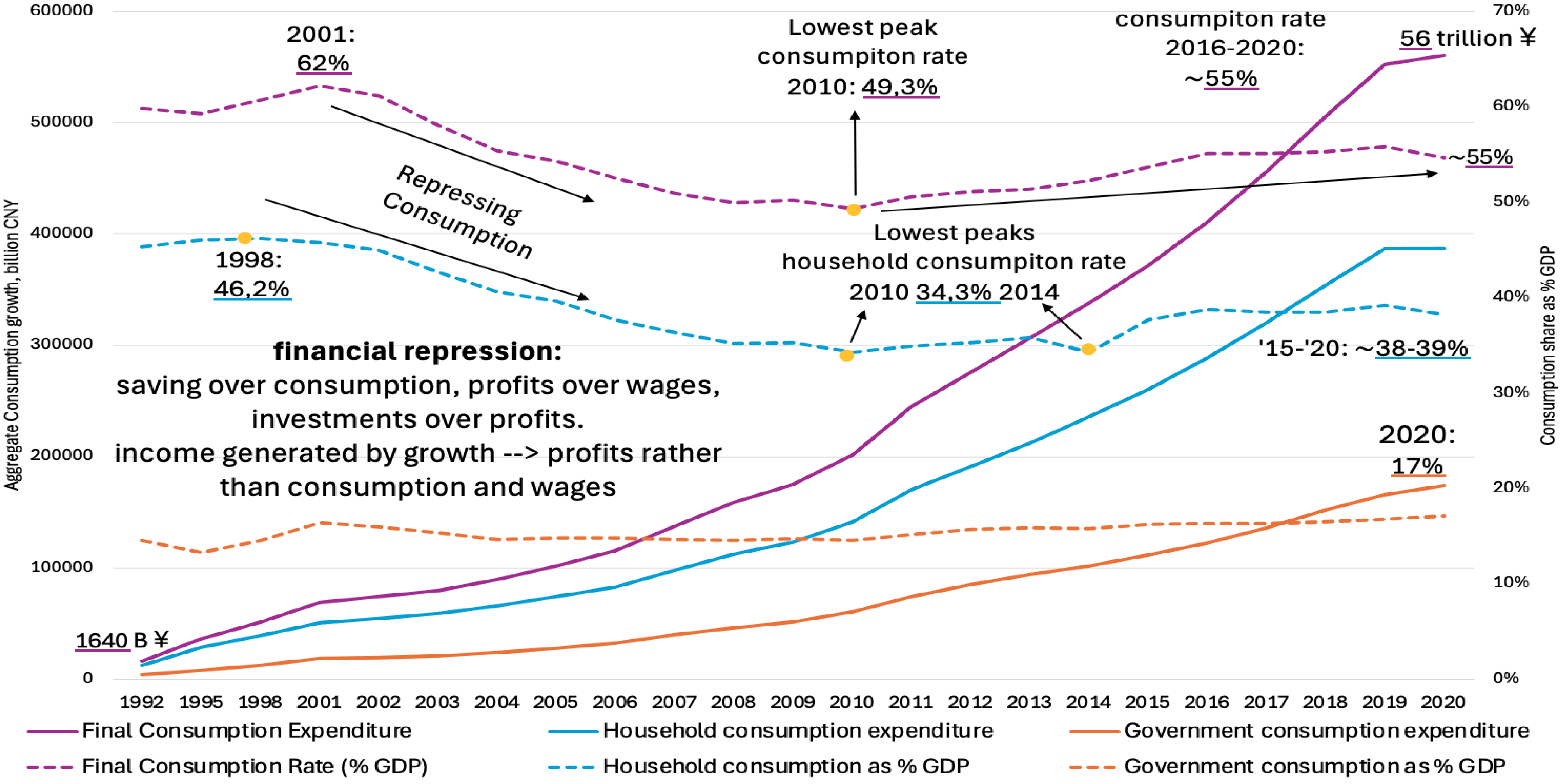
Chart 8.3: Manufacturing strikes, aggregate, percentage and size (participants).



Source: Databases

GDP by expenditure approach, consumption detailed, 1992-2020, source: NBSC



household income, saving, propensity to consume Gini index.

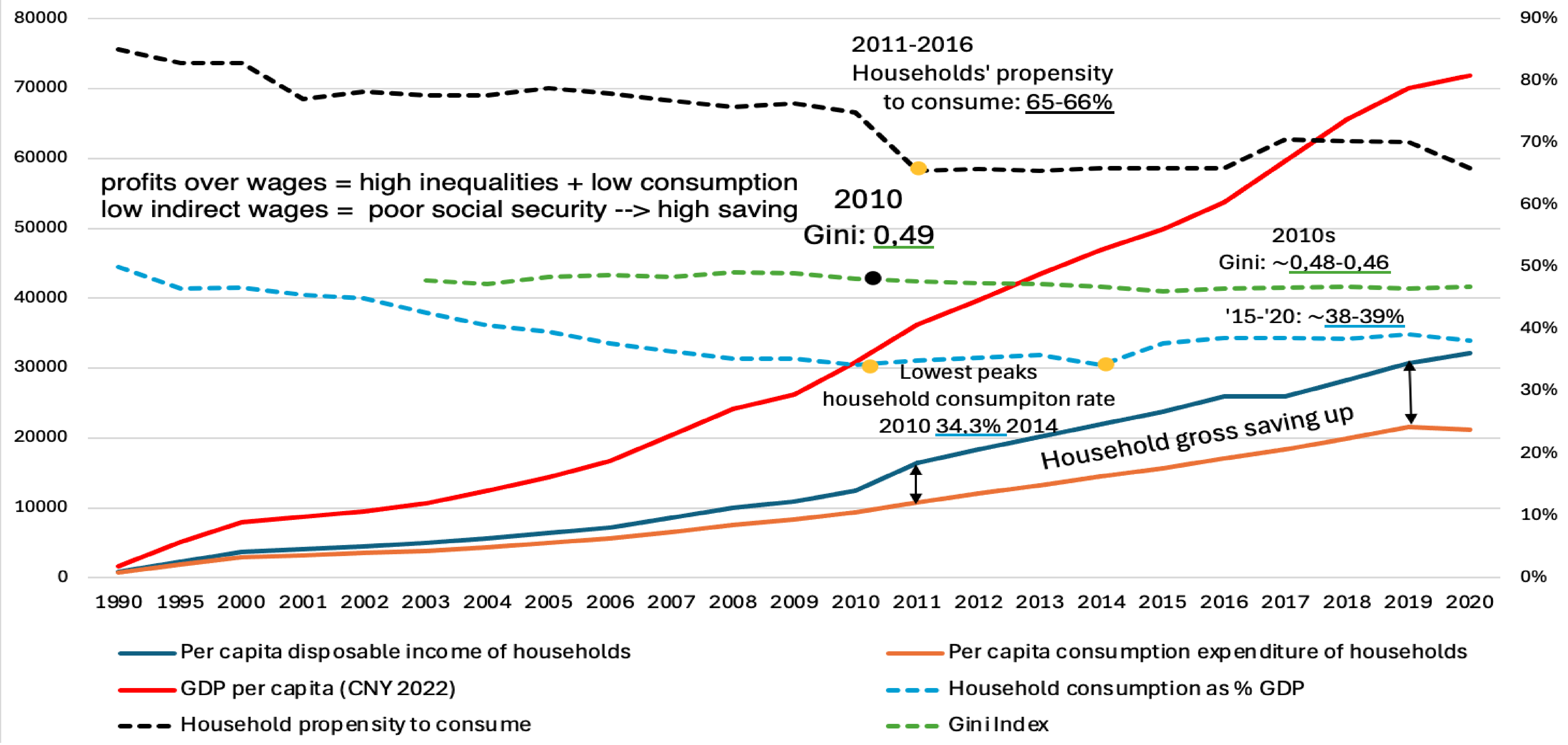
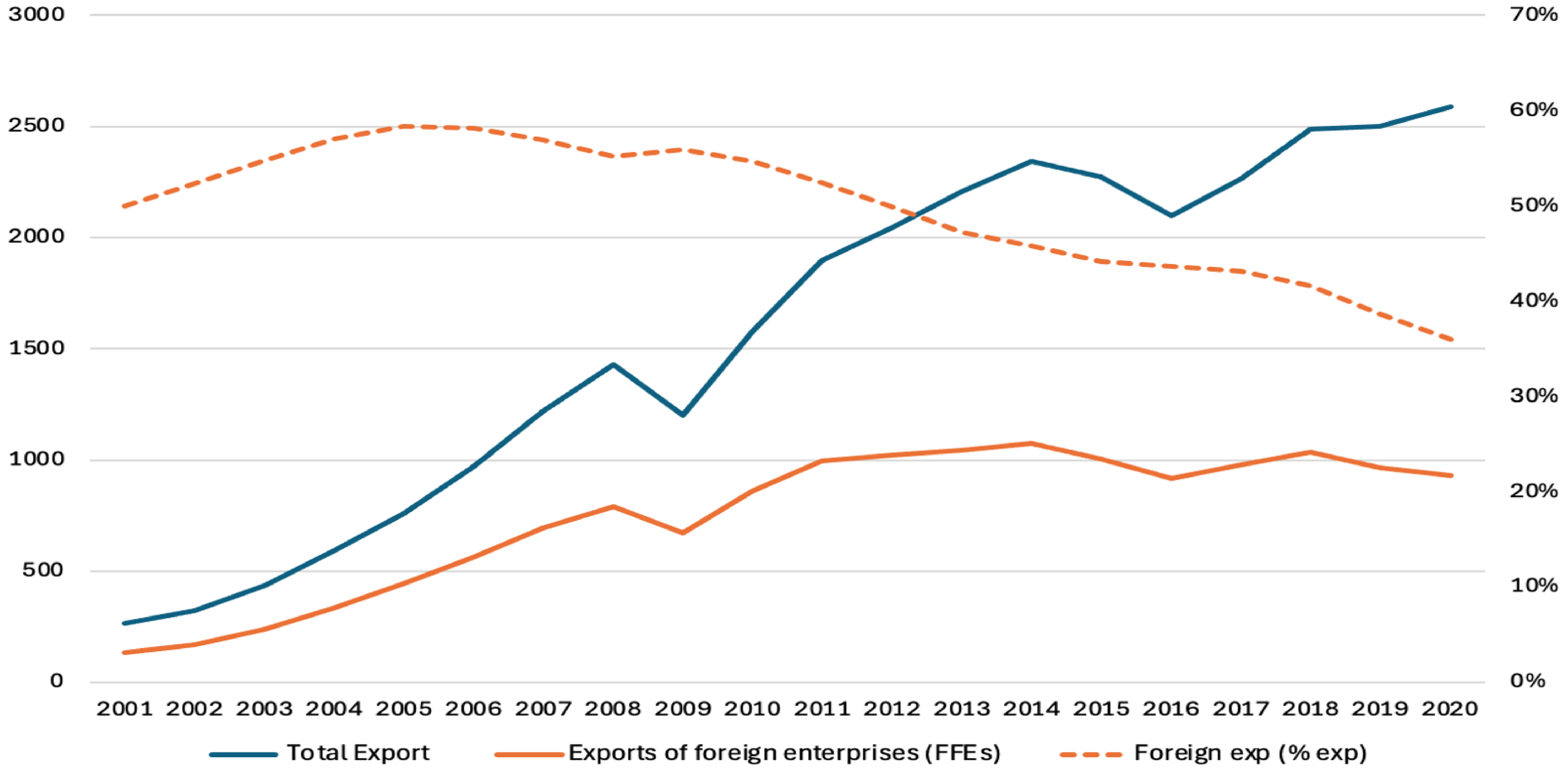


Chart 7.39: China's exports 2001-2020, foreign enterprises detailed.



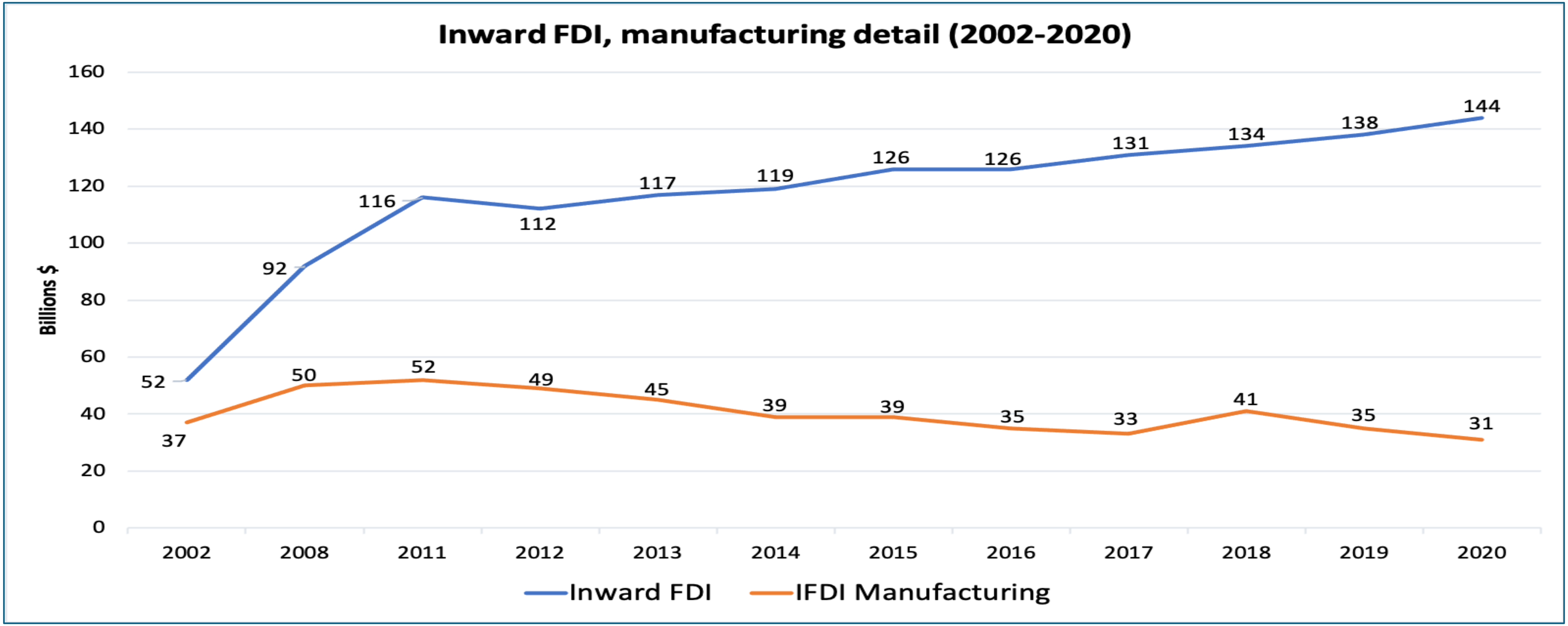
Source: CSY trade and external economy, several years.

The gap is widening.

2002: Manufacturing 71% of incoming FDI.

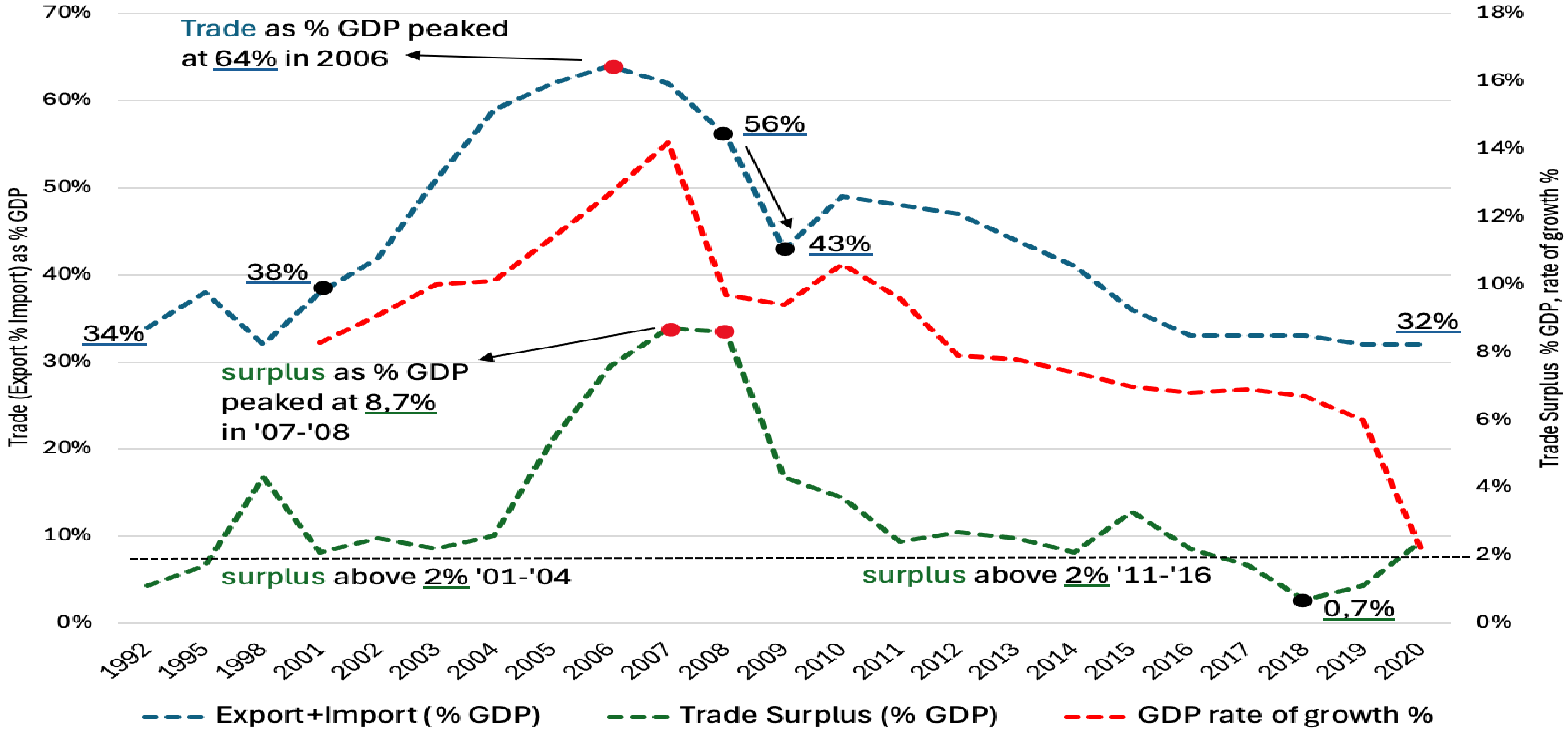
2008: 54%

2020: 21%



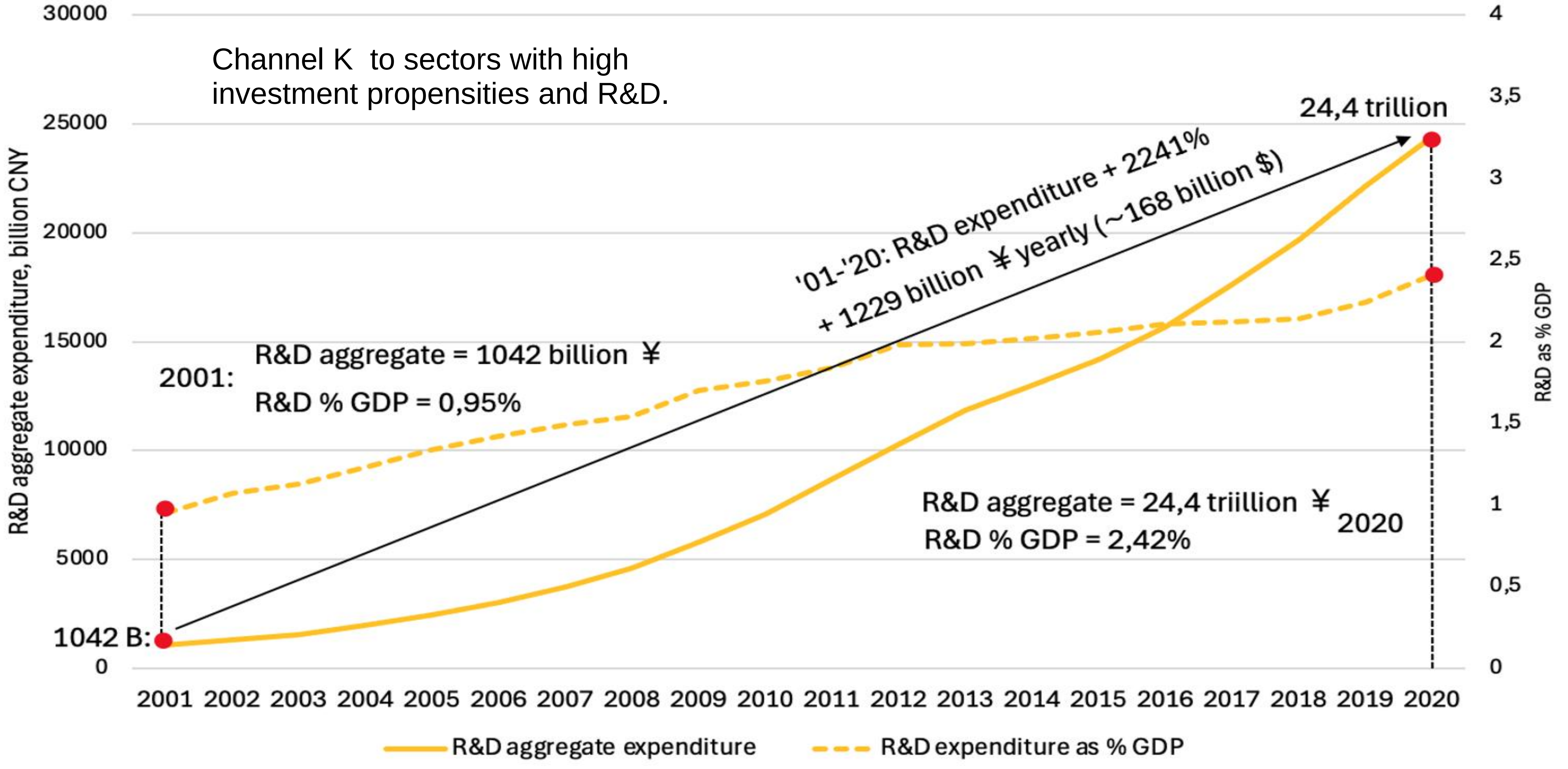
Source: China Statistical Yearbook

China's trade and export as % GDP.



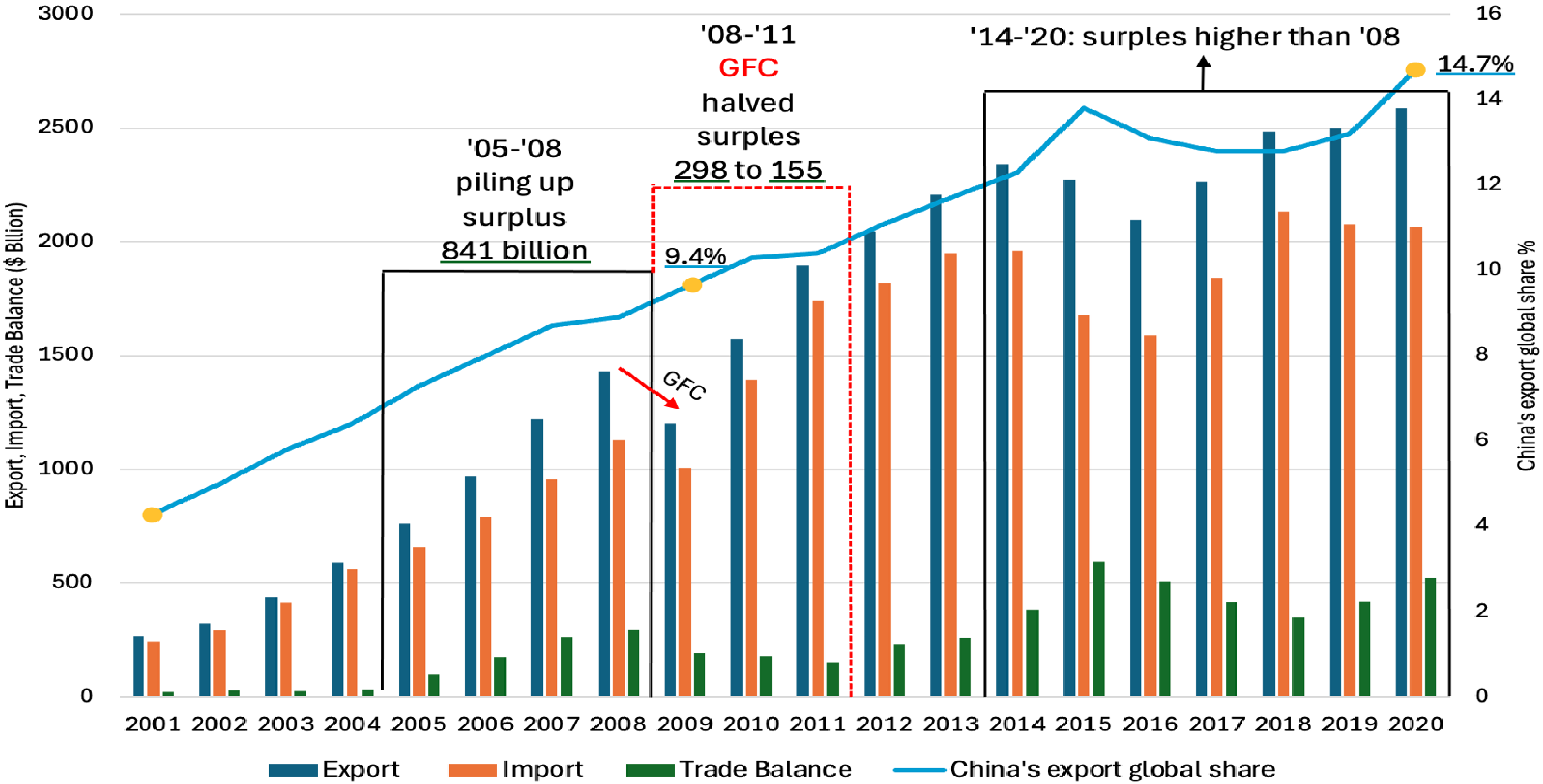
Source: CSY, trade and external economy, several years

Chart 7.23: R&D expenditure, aggregate and as % GDP.



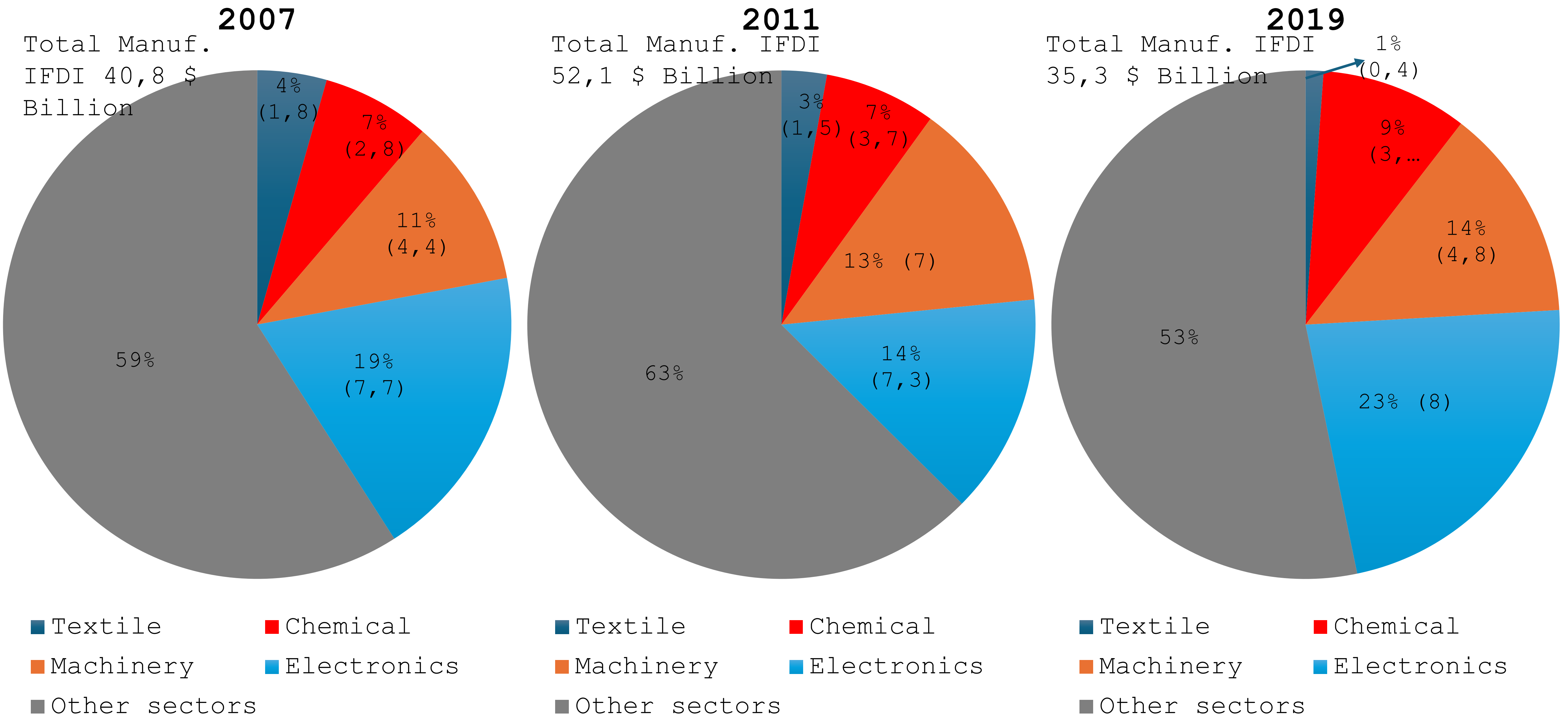
Source: CSY, several years.

Chart 7.22: China's trade balance and export global share, 2001-2020.



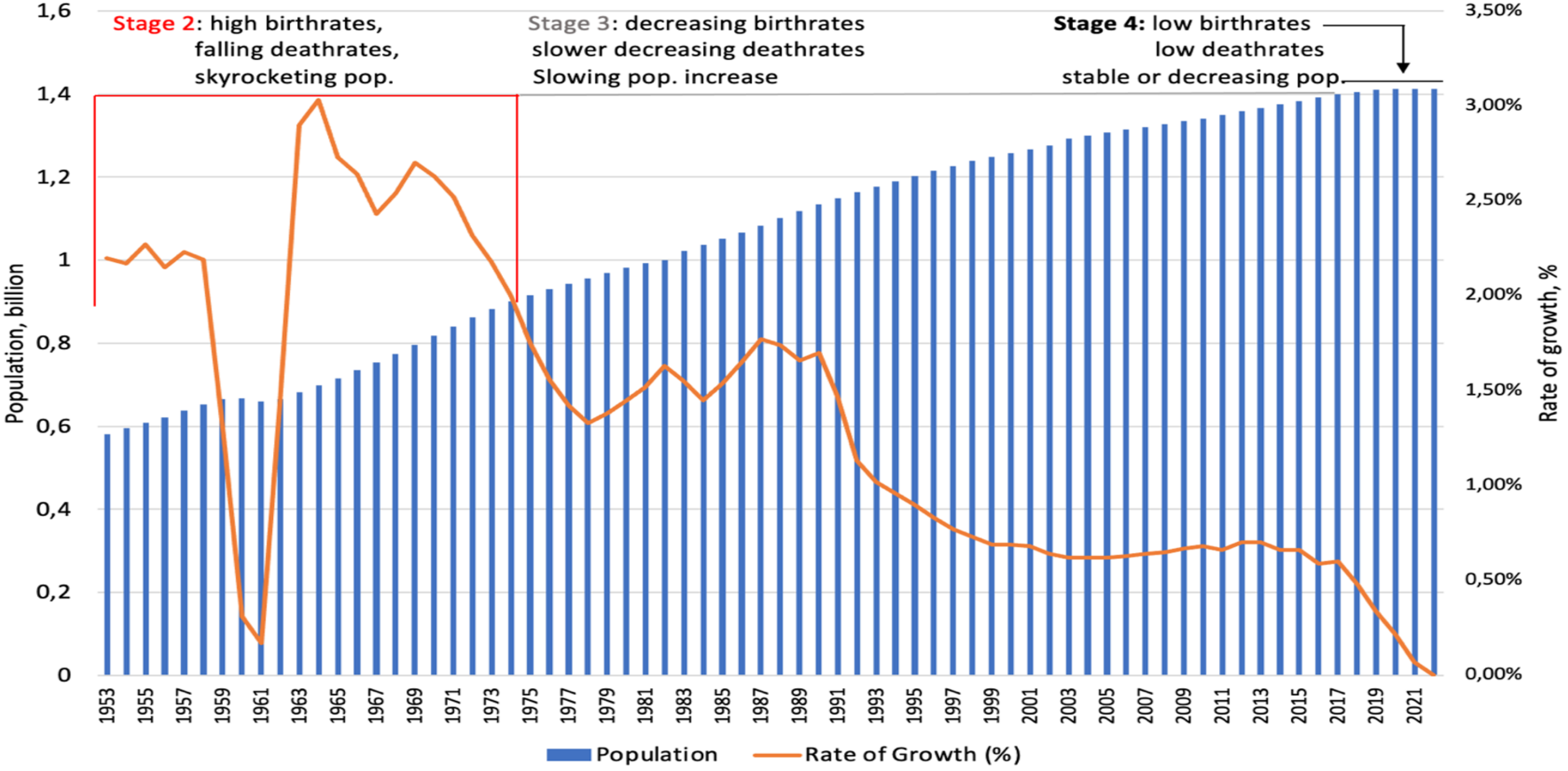
Source: CSY trade and external economy, several years.

Inward FDI by manuf. sectors (2007-2019)



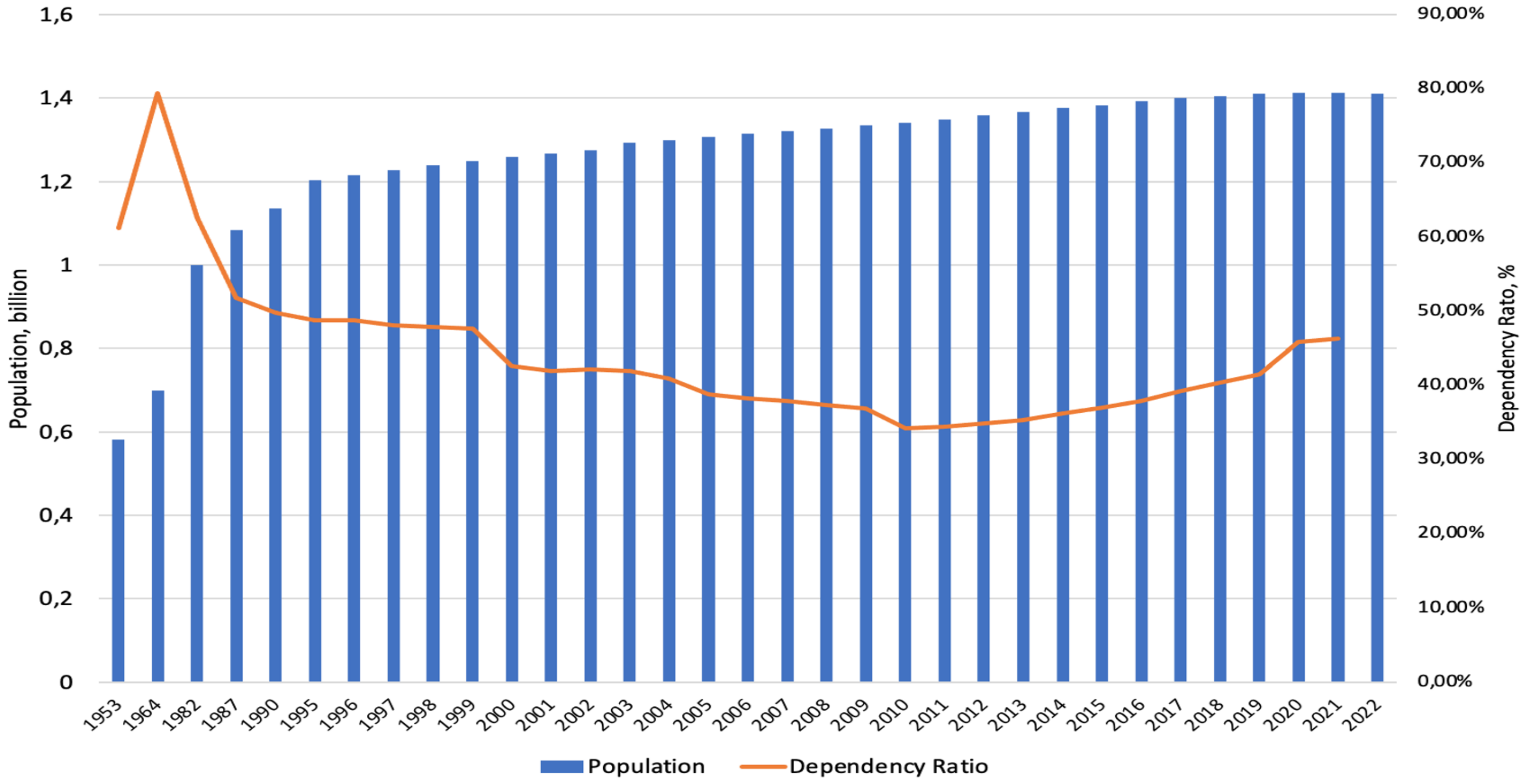
Source: China’s Trade and External Economy Yearbooks,

Chart 7.25: China's "Demographic Transition", 1953-2022.



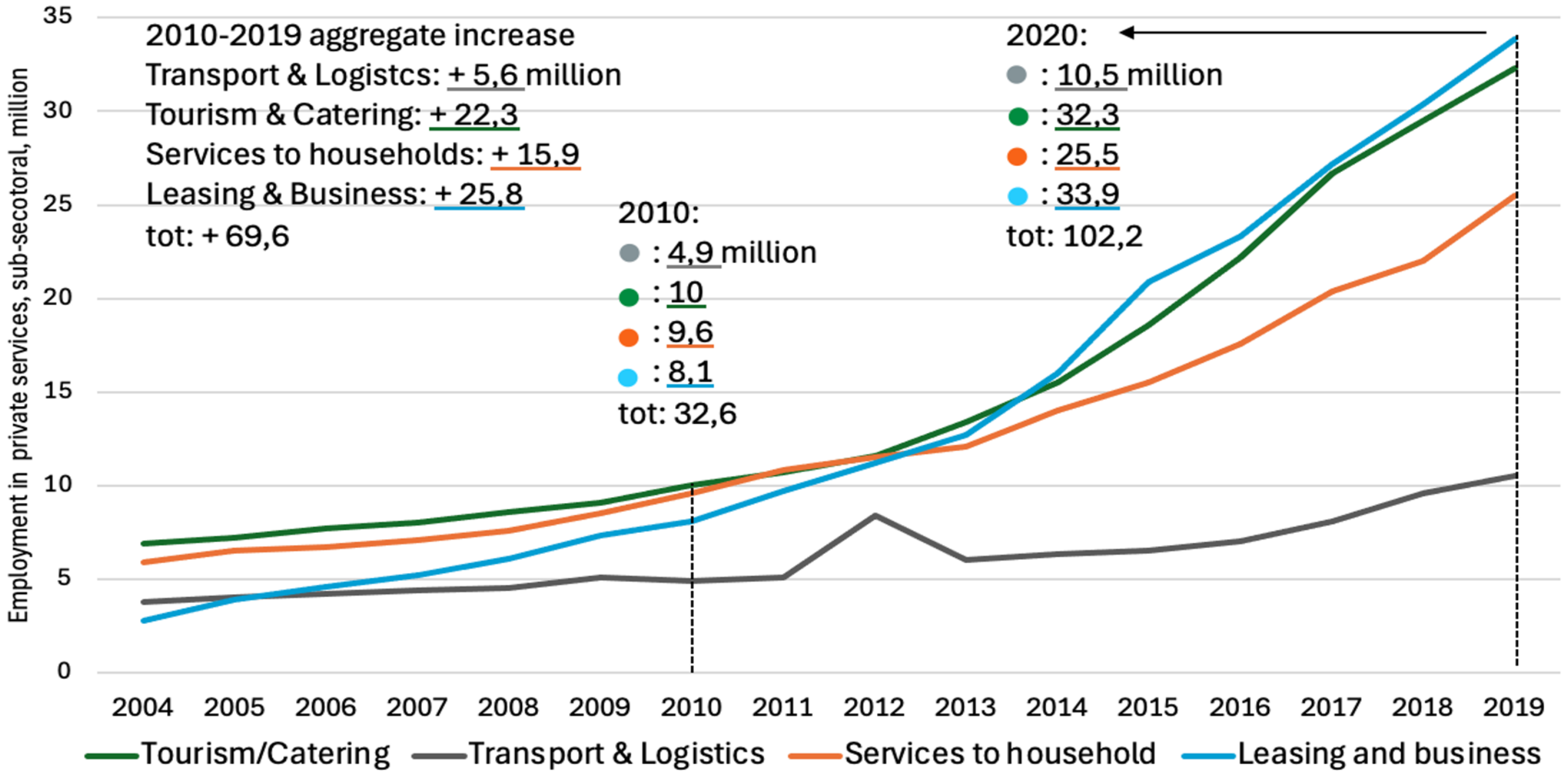
Source: Chinese population data from 1953 to 2002 are drawn from the Maddison Project Database of the University of Groningen[81]. Chinese population data from 2003 are from NBSC. The author calculated the population growth rate.

Chart 7.26: Dependency Ratio, 1953-2022.



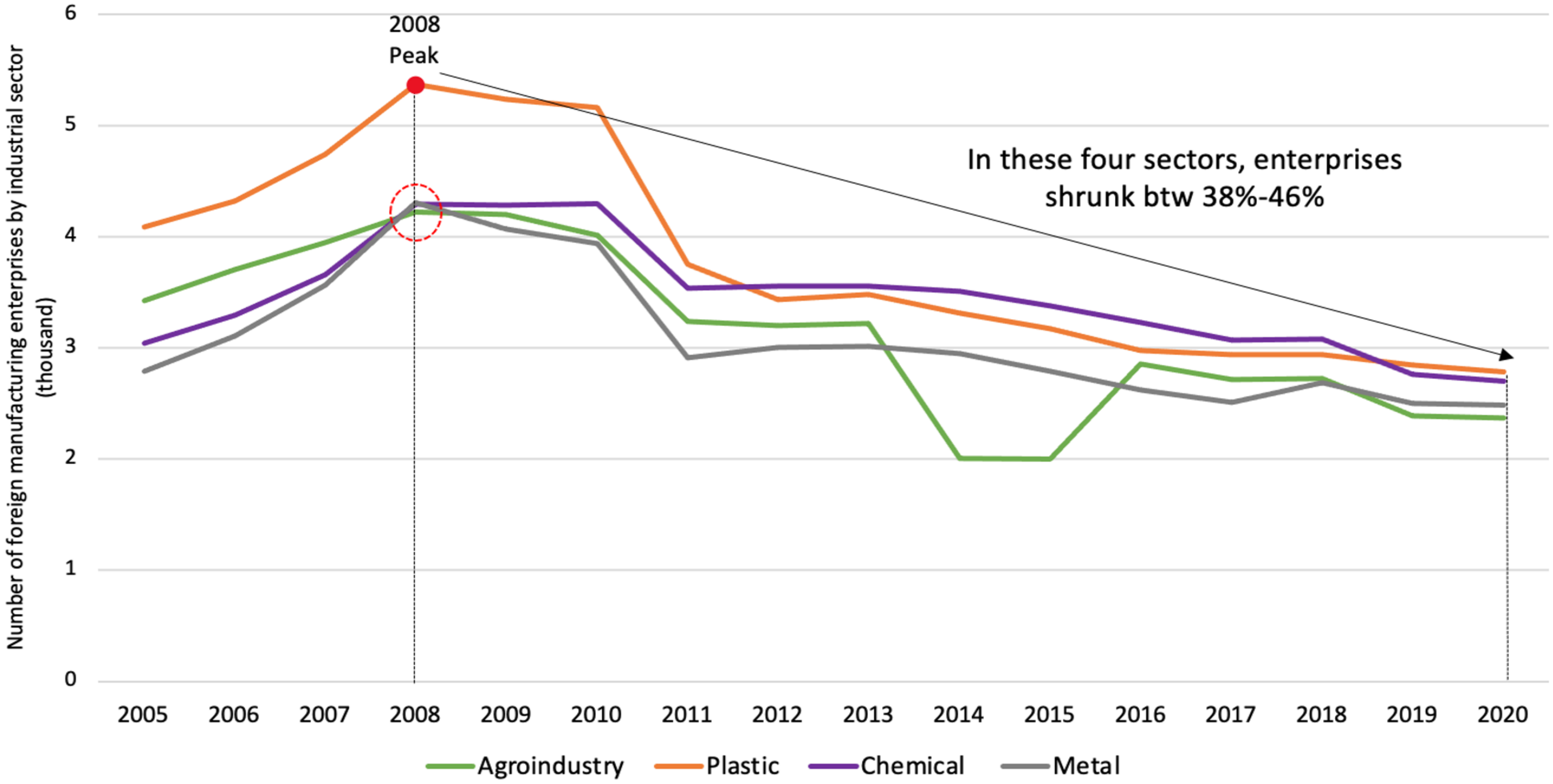
Source: Maddison Project Database, NBSC, Statista.[89]

Chart 7.42: Services employment in private enterprises and self-employed.



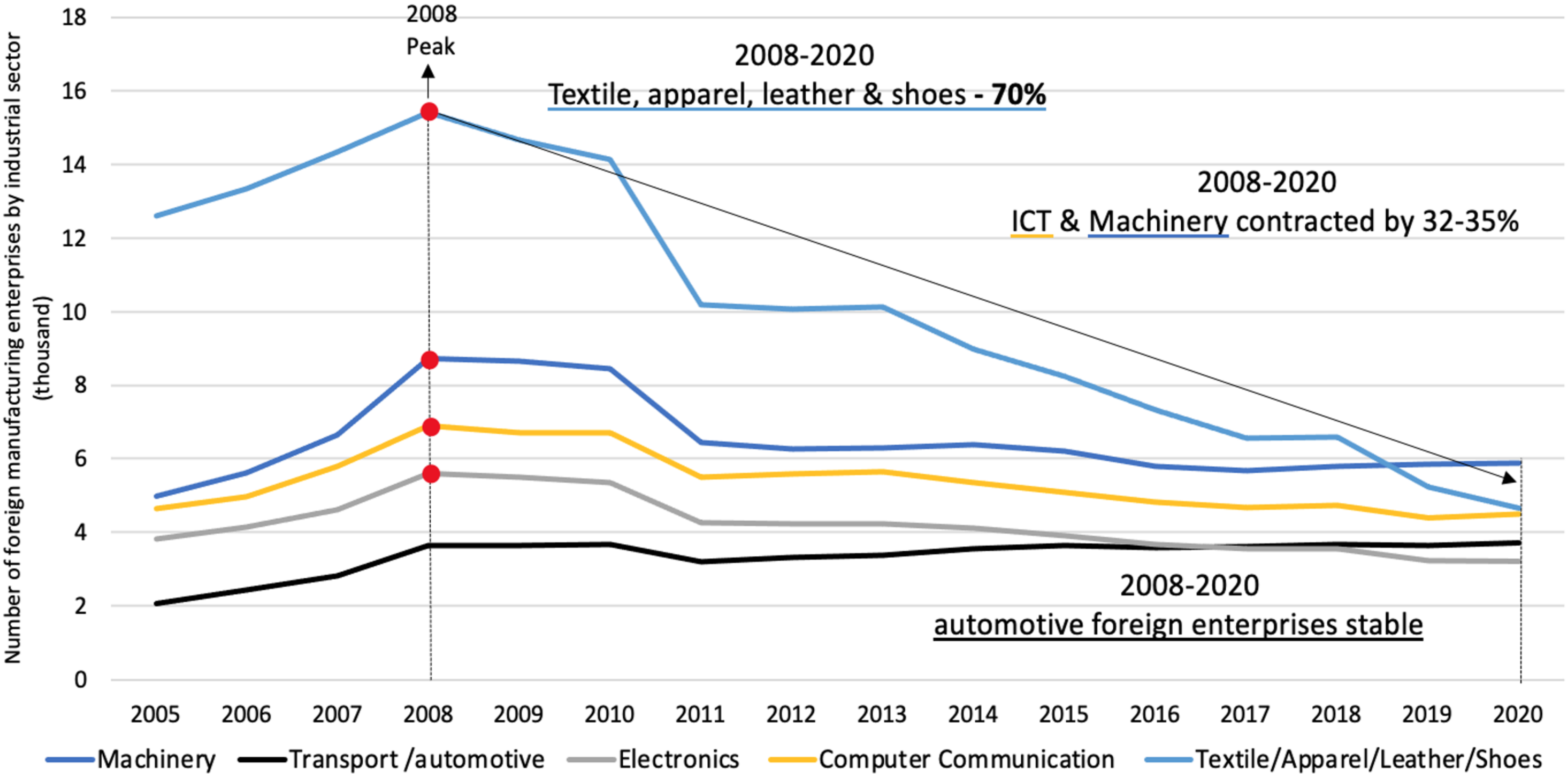
Source: NBSC.

Chart 7.36A: Foreign enterprises by manufacturing sector, 2005-2020. Source: CSY, several years.



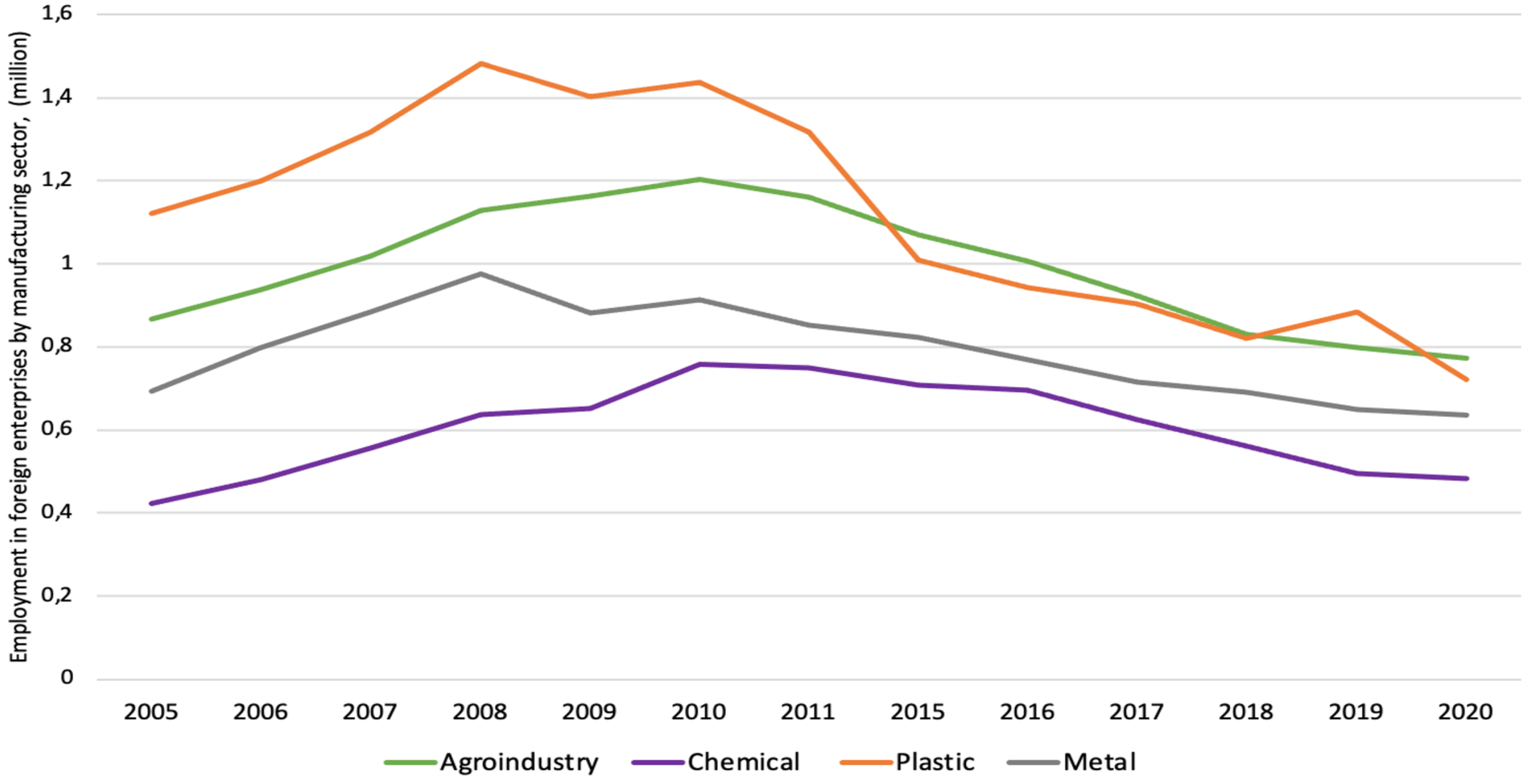
Source: CSY, several years.

Chart 7.36B: Foreign enterprises by manufacturing sector, 2005-2020.



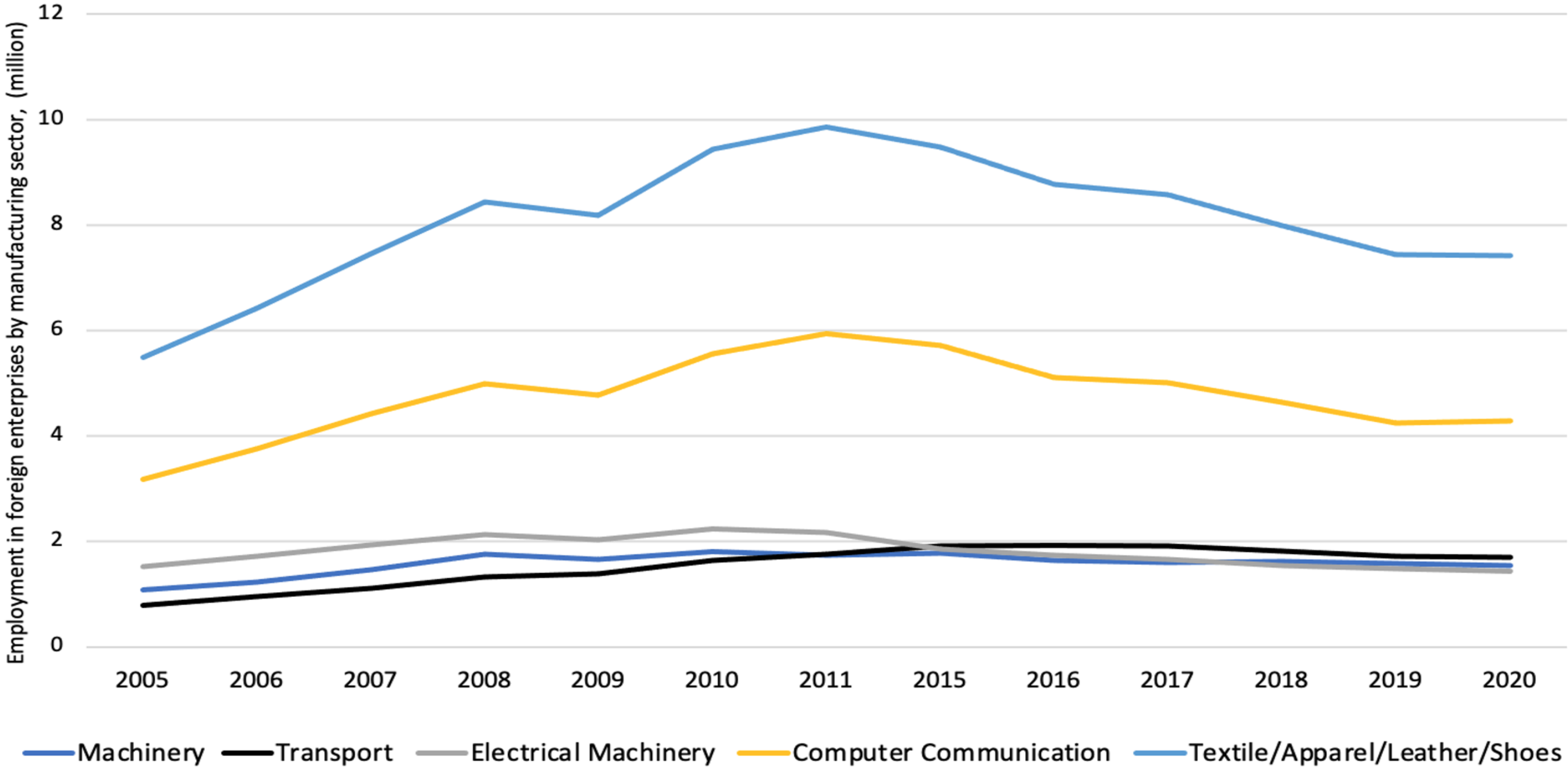
Source: CSY, several years.

Chart 7.37A: Employment in Foreign enterprises by manufacturing sector, 2005-2020.



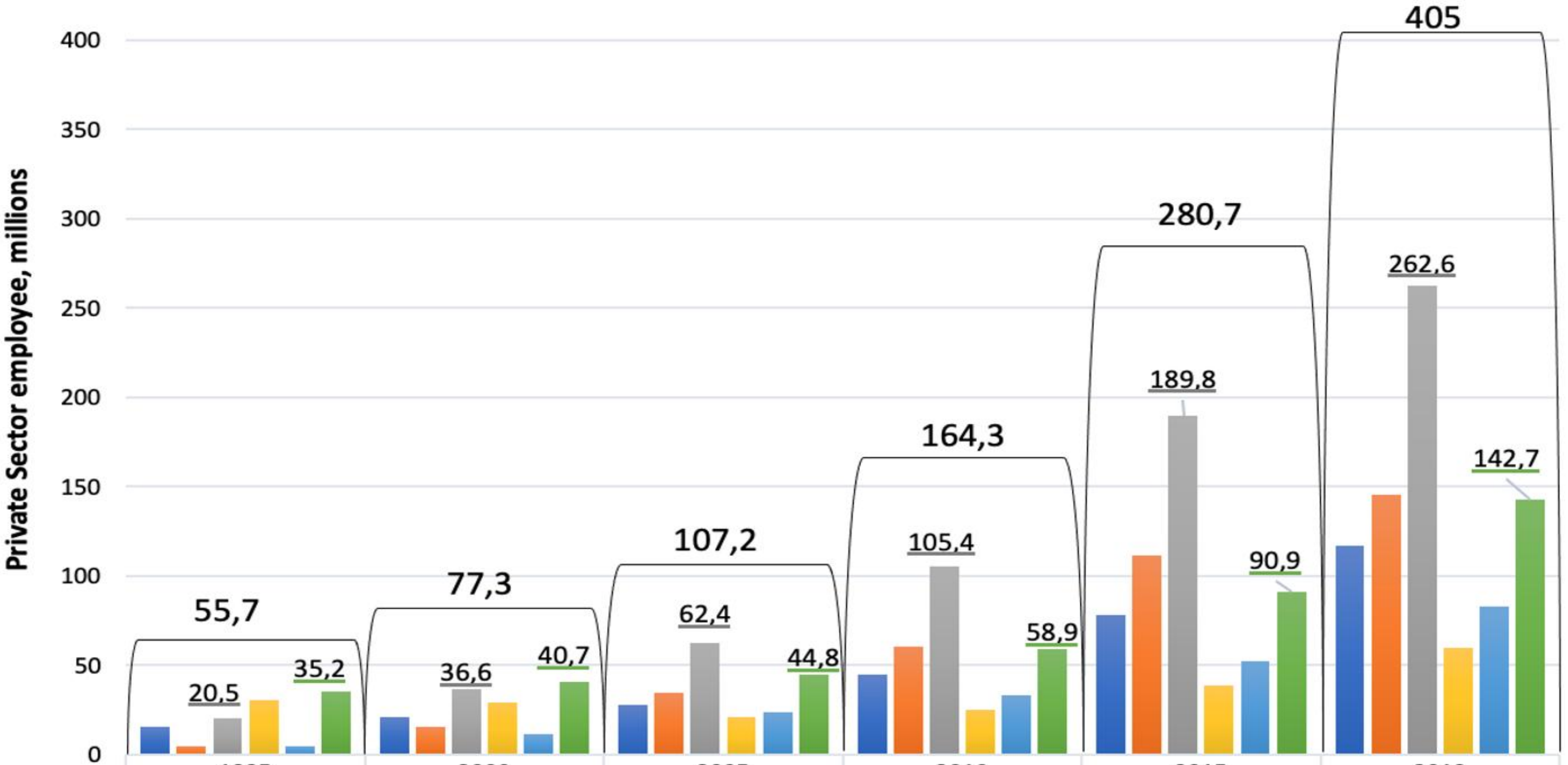
Source: CSY, several years.

Chart 7.37B: Employment in Foreign enterprises by manufacturing sector, 2005-2020.



Source: CSY, several years.

Chart 7.43: Employment in private enterprises and self-employed, 1995-2019.



	1995	2000	2005	2010	2015	2019
Urban Self-employed	15,6	21,3	27,8	44,7	78	116,9
Urban employed in Private Enterprises	4,9	15,3	34,6	60,7	111,8	145,7
Urban Total Private Sector	20,5	36,6	62,4	105,4	189,8	262,6
Rural Self-employed	30,5	29,3	21,2	25,4	38,8	60
Rural Employed in Private Enterprises	4,7	11,4	23,6	33,5	52,1	82,7
Rural total private sector	35,2	40,7	44,8	58,9	90,9	142,7