

Ambivalent Attitudes towards State-Owned Enterprises (SOE) in China: A Case Study in the Southwest of China

Shan Huang, King's College London, United Kingdom

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Abstract

Chinese State-owned Enterprise (SOE) workers who were in power before the economic reform are now in a more disadvantaged and less privileged position, economically and socially, however, not politically. According to the fieldwork in the Southwestern of China, there has classification within the working class. SOE workers are not as a unit as they were in Mao Zedong's era or in the pre-reform era. They are frustrated by the restructuring campaign due to the working class was gloried before but nowadays, they feel abandoned by the socialist state. To present the research on the Chinese SOE workers in the late reform era (from early 1990s till now) under this topic, this paper explored the changes of SOE workers by comparing the pre-reform era and after reform era in China. This research took qualitative research method, taking the individual as the analytical unit and by taking interviews to dissect people's life stories in a case studied enterprise in China. By taking Bourdieu's capital concept as the theoretical framework, this research introduced political capital to this case study for analysis. Moreover, this paper illustrated SOE workers as a segment group of the Chinese working class.

Keywords: Economic Reform, Chinese State Sector Workers, Capital

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Introduction

This paper is based on a research project which was took from February to September 2018, in an industrial city in the Southwest of China. A very crucial social phenomenon which inspired this research is that, at the end of 1993, approximately one hundred and forty-three million workers were employed in state owned enterprises (SOEs) and urban collectives in China (China Labor Statistics Yearbook, 1994), but only within a 10-year period, more than 63 million jobs were lost (China Labor Statistics Yearbook, 2003), which is roughly 44 percent, and the number is continuing increasing. In 2001, SOE lost 15% urban employment, around 6.7 million people and 53% of the laid-off workers remained unemployed for at least 4 years. A further 10 million jobs were lost by the end of 2005 (China Labor Statistics Yearbook, 2005 & 2006). And in my case studied SOE, it lost over 50% of its employees after the 2009 enterprise restructuring¹. With the deepening reform, people who really within the system and work for SOE is reducing. While SOE have remained as the pillar industry of China's economy, the reform has changed its role and influenced people within this organization.

The whole research project studied State-owned Enterprises in China's late reform era, illustrating the influence of the reform policies and people's reactions towards the reforms. This paper focused on the state sector workers' changed attitudes by taking before and after reform as the time differences, aiming to illustrated SOE workers' contradictions and conflicts within the industry environment. In this paper, firstly it presented the research methodology. Secondly, the theoretical basis is shown in this paper and the "political" capital which this research introduced to analytical purpose is also clarified. Meanwhile, it presented workers' ambivalent attitudes from three dimensions. Lastly, this paper mentioned about the specify that this study has, addressing the applicability to use case study in this research.

Previous research focused on defining the reform eras to compare the differences with reference to the SOE workers. It has mainly focused on resistance, such as Ching Kwan Lee's studies on the old industries areas of China's Northeast region about workers' resistance, and her studies in the Southeast of China on the migrant workers' resistance against discrimination (Lee, 2007). This fieldwork study adds knowledge of the late reform era to this research area, by looking at a relatively less researched area, namely the Southwestern, with the aim of understanding workers' identity and how they define themselves as "we" and "the others". It is not about the conflict between workers and the company or government policy, but to explore how the state sector takes part in the individual's life, the impacts on individuals and people's reactions in a larger context.

Fieldwork Site

This research narrowed down the range of fieldwork site by looking at the central government managed enterprises. According to the literature, SOEs can be divided into several levels. The lowest level of SOE is the town village enterprises which managed by the basic level government, besides, there have provincial enterprises and

¹ Statistics about this case studied enterprise will be noted in the footnotes in this paper but for anonymous purpose, the source link will not be released in the resources.

city/county enterprise which are managed by regions. While, the contentions and conflicts are more intensive in central government managed SOEs. The employees enjoy more privileges and the influence of reform is clearer on them. Meanwhile, people within the central government managed enterprise due to the privileges they obtain, differing themselves from other sectors' workers.

The case enterprise is called E Group Corporation²(EGC). It lost over 50% of its employees after enterprise restructuring.³ It used to be a central government managed SOE for over fifty years and has lost its responsibility to work as an independent enterprise which directly managed by the State-owned Assets Supervision and Administration Commission (SASAC) on July 18th, 2013 (SASAC, Information Center, 2013). Replaced by China National Machinery Industry Corporation (SINOMACH) as a central managed enterprise, EGC and SINOMACH restructured and SINOMACH becomes the biggest stockholder of EGC. This changed EGC's responsible role and the different promotion power had been influenced directly within EGC. The influence can be shown on: reform policy, management style, recruitment and employment, and most significant, on retirement policy. By studying this enterprise, I could learn the outcomes of reform and the tendency of future reform as well.

EGC divides its business into three main parts. The design department, the manufacturing industries and transportation base. This research fieldwork site is in a city which the manufacturing industries located in. The city is also well-known as a heavy industry city. The main population in this city is SOEs employees and their families. Each SOE has their owned internal hospitals, schools, public places of entertainment, residence areas and a series of services that support life. SOEs in this city divide residents into different small societies.

Among them, EGC is the earliest built one and has the most prominent problem after the economic reform. It was a nationally important technical equipment base, China's largest and one of the most important new energy equipment manufacturing bases⁴. In 1958, through researches on the old industrial bases in China's Northeast and cadres training courses in Beijing, the planner finally decided to establish EGC in a small town in the Southwest of China. After the construction of EGC, the Upper Changjiang Area saw an industrial boom in the late 1960s and early 1970s. During this time, it became the focus of the CCP's "Third Front" (San Xia, 三线) policy to build up defense-related industrial capacity shielded from attack by either the United States (by sea) or the Soviet (overland) (Hurst, 2009). EGC is one of these. The enterprise covered casting, welding, testing, metalworking, military and other production departments. Meanwhile, it had its own sub-enterprises in charge of the market, propaganda and after-sale services in order to cooperate with the production units. At the same time, it provided life service for the enterprise employees and their families. It established a kindergarten, two primary schools, a junior high school, a high school, a hospital, a theater, several meal halls and several accommodation areas and markets which refer as digital numbers, for instance, "103 living community". And all these constructed close to different enterprise's gates.

² For anonymous reason, I gave the case enterprise a code name "E Group Corporation"- EGC.

³ According to EGC's internal statistics.

⁴ EGC's Website, 2013.

Before the year 2000, EGC was the main power to boost the city's GDP and most of the city's second industry output value was contributed by EGC. However, with national economy reform and the restructuring of SOE is deepening, problems and contradictions within EGC are increasingly obvious. Not only the benefit of the enterprise was influenced, but the education institutions, medical care and living supporting services that original belonged to this enterprise were gradually out of the jurisdiction, and then took over by the city government. SINOMACH has participated in the management of EGC since 2013, although several reform policies took place, the lost of profits was huge and the enterprise came out a more aggressive way to implement reform. On 2015 April 21st, EGC published a document called *Termination of Labor Contracts Implementation Measures (Draft for comments)* (《解除劳动合同实施办法》(审议稿)), this document became the direct cause of the resist of reform from the workers' side. In the early stage, workers' resistance includes: complain under the table, remain passive and slow-down in work. However, after this document published, the resistance became aggressive, which was strike and procession and demonstrations in public. On 2015 May 11th, workers were on a large-scale strike which never happened in EGC'S history and this incident became a turning point to differ the phases of SOE reform within EGC. Compared to the other two largely industrial SOEs in this city, EGC constructed earlier and has a significant contrast to its past. In the past, the State Presidents and Prime Ministers successively visited EGC. It obtained a lot of honours. The glorious past contrasts to current situation significantly due to the result of the market economy's challenges. The working class- the main composition of EGC, is the main motivation for the enterprise's profits creation during the enterprise's 60 years development; however, the working class has had class statue differentiate after SOE reform. As Lee (2007) said, nowadays, it is a time of unsettled institutional norms and coexistence of old and new ideologies and discourses, it is also a politically poignant moment for a wide range of social activism. According to this research, even the most stable group- SOE worker has become divided.

Methodology Summary

This fieldwork took 8 months and finally collected 23 deep- interviews. It started on 2018 Feb 19th and use the first three months to collect related documents and got access to the enterprise to get internal annual statistics. By doing so, this research learnt and confirmed the big reform events and important years of this SOE as well. Meanwhile, the researcher built connections with the potential interviewees. The researcher did open observation and participated in some of their activities, for example, meetings. For the following 5 months, by taking "snow-balling" method, the researcher did deep-interviews and the average length of each interview is over 75 mins. To obtain as much information as possible, this research took semi-structured interviews. For some individuals, the second or third interviews were followed to explore more data. Based on the fieldwork, interviewees could be classed into three main types: the on-position workers, early-retirees (due to the reform policy) and official retirees.

EGC has the specific meaning to research when study Chinese SOE reform and understand SOE workers- the large population in China. EGC experienced the whole process of economic reform and it is still under reforming and restructuring. The influence of the early stage reform can be evaluated in a clear way by looking into

employees' experiences. The case study on EGC presents the characteristics of SOE reform in Sichuan province as well as the particular strategies in this central government managed enterprise applied by the state. Meanwhile, by looking into individuals' working and life experiences, the privileges that SOE workers still hold or lost after the reform and their current situation in Chinese society could be clarified.

Theory

Bourdieu's "capital" concept was utilized to outline the analytical framework. According to the demand of presenting SOE workers from different aspects, Bourdieu's capital concept could cover all the research perspectives. From Bourdieu's thoughts, capital is collection of goods and skills, of knowledge and acknowledgements, belonging to an individual or a group that the one can mobilize to develop influence, gain power, or bargain other elements of this collection (Neveu, 2018:347). There are four basic kinds of capitals- economic, social, culture and symbolic capital and the first three basic capitals are each capable of being transfigured into the last one (Bourdieu, 1986). Political capital is introduced to this research to refer a symbolic capital which is shared by SOE workers. Political capital in this research the political resources that workers have. More concretely, it means the person's political status and identity. This fieldwork study shows that SOE workers lost their economic and social capital, while due to the state sector system, they still are granted political capital.

According to the theory, the state policies have led state sector workers to see themselves as a separate group with distinct identities and interests within the working class. Based on previous studies, rank-and-file state sector workers are economically dependent on the state and hold a privileged position relative to other unskilled workers. They share some common characteristics: first, they have little interest in pursuing systemic political change- especially in the late reform period. SOE workers have continued to believe that they are morally entitled to these special government provisions. As a result, when former SOE employees have risen up to protest their diminished livelihood and status, rather than opposing the central party-state, they have clung to it, begging existing leaders to better fulfill the socialist promises that the party has made to SOE workers. Secondly, as long as they still enjoy the social welfare protections and benefits, the activism directed toward the central regime will be low which reflects the potential role of the working class to press for liberal democratic reform. In the early reform era, all unskilled workers in state sector continued to enjoy guaranteed employment, most remained sheltered from the market forces that appeared in the emergent private sector. Even unemployed SOE workers have enjoyed a privileged status within the general unemployed population. This is why they support existing Chinese Communist Party-led political system and to oppose the political empowerment of those who do not enjoy similar state-provided benefits. And formal SOE workers can enjoy all the benefits which welfare state provides. This can reflect on their importance in the national economy (Walder, 1988). Thirdly, they are the only group that has been clearly harmed by China's market-oriented economic reforms (Wright, 2010). All these characteristics contribute to the dramatic change in state- sector workers' socioeconomic class after reform, especially in the late reform era and make them as a different segment within the working class in China (Wright, 2010).

The Ambivalent Attitudes

From the fieldwork research when EGC's workers talk about SOE, there has a blurry gap between the State-owned enterprise and the state. This viewpoint can be illustrated from several aspects. Firstly, from the management side, the original idea of construction a central government managed SOE is not for obtain profits but for helping and supporting the fundamental establishments in China. An interviewee gave me an example about how difficult it is for a SOE's sub-company to become profitable. He mentioned the sub-company's target is to have 180 million RMB profits, however, he said,

“We have a 300 million RMB order quantity plan for the next year; however, a very good annual profit could only be expected at 15- 20%. Then, you need to minus the costs of raw materials, equipment, machines, the rent, the cost of human resources, financial costs, occupation of funds, loans, official costs, depreciation, utilities, and many other kinds of costs. In fact, we should complete the order quantity to 400 million RMB to ensure all these costs are covered and workers can get their salaries on time every month. 300 million RMB is the minimum that we must have for next year's order quantity.” (Interview 010)⁵

The difficulty for a SOE sub-company to become profitable agreed by another Interviewee who is in a different sub-company. His sub-company conducted merge and restricting with an aviation industry in 2016. He thinks the product of machines and equipment for space module segments is not for profits but for the design and production autonomy.

“Nowadays, we have the production value 100 million (RMB) every month but it is impossible to achieve 10 million gross profit. Only by selling drugs you can make profits to 10- 15%The best gross profit we can make monthly is a few millions and then you should minus the energy costs, depreciation, raw material, equipment, salary. The retained profit is very little. However, as a SOE, if it could have small retained profit, it is a good thing. Many SOEs don't have it at all and have to turn to the bank for loans.” (Interview 015)

Due to the special target of establishing a SOE, it has a role rather than an enterprise but more like a state sector. It provides thousands of job positions to the local citizens, produces very important products to the domestic economy and like a government department, ensures people within it have a stable and well-developed welfare life. In other words, the construction of EGC is to build the fundamental establishment in China and to train thousands of people as technicians for industries development and for the state to manage the key technical skills rather than depending on importation. The main idea is not about making money but developing the domestic industries.

Nowadays, working at a government department as civil servants means well welfare, high salary and “golden rice bowl” from a public value. While back to 40 years ago,

⁵ All the cited interviews in this paper are from the author's fieldwork research in 2018. The data is protected by King's Data Protection Register (KDPR). The KDPR Registration Reference: DPRF-18/19-9332.

these attractive advantages belong to SOEs. From the fieldwork research, all the older generation employees at EGC had mentioned the great welfares that EGC provided to its workers before the economic reform and SOE reform, and the welfare does not have a big difference between the rank and file workers and the cadres. For example, interviewees said EGC was the first and only unit that provided gas usage to its family area before 1990s (Interview 009 & 015). An interviewee mentioned a nursery rhyme popular in D city in the pre-economic reform era: “Grow up quickly my daughter, then you can marry a EGC boy.”⁶ (女儿女儿快快长，长大嫁进 EGC 厂) Following this point, the respondents also compared the advantages that employees could get from EGC or as civil servants at the government department. They differ the two pathways of jobs as “In industry” (Chang Li, 厂里) and “In city” (Shi Li, 市里, means work out of the SOE system). Before the economic reform, working in EGC industry are more attractive to the young. According to my fieldwork studies, only people who have good grades at school can be assigned to a SOE after graduation. Jobs that much better than be a blue-collar worker in nowadays view, for instance, nurse, teacher, doctor, are much easy to access to by entering in a training school after secondary school.

Secondly, the ambiguous definitions of State-owned Enterprise and state are told from the employees’ side when they apply job positions or wait for the assignment to EGC, they regard SOE and the government or state in a very blurry way. Due to the specify that SOE is managed by the government, the workers have a feeling that they are working for the state not for an enterprise. An interviewee said,

“When I went to the secondary school classmates party, I told my classmates what kind of products that our factory made and I am proud of that. At least, I make contributions to the development of the country.” (Interview 018)

State-owned industries are tools for the government to control the essential industries in China and SOEs follow government policy to determine what kind of products they will make as well as the assignment of human resource. In many cases a SOE’s actions are mixed with the government policies. For example, the “Economy Reform and Opening-up” policy was companied with the enterprise’s strategy “opening to the market”; the contraction of the steel industry was along with the enterprise’s policy on reducing the staffs. It is quite hard to tell whether it is the SOE’s independent action and reform policy, or SOE changes according to the demand of the government. Due to the difficulty to separate the state’s action and a SOE’s action, SOE employees think they are in a “system” just like civil servants, which is guaranteed as the “iron rice bowl”, while the difference between the two “bowls” is much clearer after the economic reform and SOE reform. Although, SOE workers and civil servants can be classified to a similarly general state system, the corresponding economic income and social reputation are different. However, SOE’s tradition still exists, it is not easy for the employees to differ the two concepts. In fact, not only the SOE workers but also the common people have an unclear difference between the state and the SOE.

⁶ The rest of the children’s folk is: Eat royal grain, live in an apartment, EGC also gives out figured cloth, money is given at New Year and Festivals, enjoy dancing and playing card, the money is inexhaustible (吃皇粮，住楼房，EGC 还发花衣裳，缝年过节都发钱，跳舞打牌用不完).

Here, I bring out the contradiction that SOE workers have: the high honour and expectation to work for the state versus the low income they receive and challenges from the market. In other words, people who enter EGC for the “iron rice bowl” and stability, find out the flexibility of the monthly salary and “early retirement” policy; people who enter EGC for a government managed enterprise and the central policy lead, find out EGC has to be an independent enterprise to compete and participate in the market activities; people who enter EGC for the reputation as a state cadre, find out the division of government and SOE after reform, and the lost reputation as a SOE manager.

The reform is a good thing to SOEs on one hand, which helps reduce the burden caused by providing 360 degree caring to its employees. However, on the other hand, people within SOE lost much more things than just welfares. Currently, EGC workers often compare SOEs to the private companies. An interviewee who early retired from EGC and found a technician job position at a private industry told me his compared working experiences. He thinks the private company has more strict management and updates its machines more quickly than SOE but has less culture activities and political education (Interview 017). Another interviewee who officially retired from EGC but found a service job position at a Tea House supposes that it is very hard to find a good job⁷ beyond the state system. Even though, nowadays, the young people think about the high salary and less job pressure much more important than entering the system (Interview 008). From different perspectives, EGC becomes much less popular in the employment market than it used to be.

Thirdly, from the state sector perspective, even for the local government it is not easy to differ a SOE and its supervisor- the central government. At the beginning of the establishment of EGC, a commissioner sent by the supervision organisation earns more wages than the Mayor of this city. An interview said when he came to this city in early 1950s, he became good friends with the Mayor at that time, his salary as an accountant is 2 RMB higher than the Mayor (Interview 005). Besides, the managers and cadres in EGC have the same administrative level as civil servants in government sector. Due to the characteristic- central government managed, it is not easy for the local government to put a hand in the management of the SOE which located in its precinct. EGC like other central government managed SOEs in local regions, firstly submit Tax to the central government, and then to the local government. During the fieldwork period (Feb-Sep, 2018), EGC sometimes had environment pollution problems. Due to the operation of many heavy manufactory industries, sometimes it polluted the air by discharging of waste gas. The pollutions become more obviously to notice in summer, as people could see the waste gas in a strange colour from a long distance. The local residents reported this issue to the related government department via social networking site several times, it was not easy to stop the production process. However, SOE reform could be an opportunity for the local government to improvement its management on SOEs, as EGC is no long as an enterprise directly managed by the State Council but managed by a supervisor- SASAC which means its role as an enterprise in market is stronger than its political role as a central government managed industry now.

⁷ A good job, from this interviewee’s point means: relaxing, no working pressure, decent salary and in a good official environment.

Conclusion

According to this research, workers' definition of SOE is mix with the government's certainly leadership and the independent enterprise's management. Within an industrial environment society, the homogeneity among people is very high. The attitude toward the enterprise is combined with peers' influence, family background and the feeling of dependency on a society which took care of its residents for years. It is not easy to differ the attitude into polarization, people's feelings and emotions are complexed.

Meanwhile, people within the same group compete with others and they are difficult to develop common interests. This competition will finally cause the status divide among a group that build a group shares the same social status (Hurst & O'Brien, 2002; Chen, F, 2006). And this partly explains why different identities workers cannot unite as one group but have strata within the working class. However, the strata do not occur only after the reform. The cleavage between permanent workers and temporary workers led to severe confrontations between those two groups exists since the workers' protests in 1957 (Chen, 2019: 63). From the ideological perspective, SOE workers are honoured and their sacrifice to the state are respected, from the economic perspective, they didn't get materially benefits.

To address my research, EGC cannot represent the whole picture of the hundreds of thousand SOEs in China. The different industries, different scale and locations can make the differences of contradictions. SOEs with good profits are still attractive and competitive and could ensure a good level welfare and salary because of their occupied role in the industry. While, the bad profits ones lost privileges and influenced by the market economy. For example, the energy industry and telecom are still very popular and difficult to get in, though China is marketed economy now, the key and main industries are controlled by the government and their SOE's traditional characteristics are not lost even after the economic reform and SOE reform. The government controls these industries as a way to ensure their power over the national economy. However, the specification of this research presents an ordinary and new sight to look into SOEs.

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