

# Employment Relations Across the Taiwan Strait: Globalization and State Corporatism

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**Abstract:** After the 1980s, the governments of China and Taiwan, across the Taiwan Strait, promoted reform, a more transparent policy, and democratization, in order to compete in a globalizing world. In the 1980s, China had begun to emphasize economic reform and Taiwan had begun to emphasize political reform. Both ignored reform on the social dimension. Employment relations were subordinated to the priorities of economic and political reform. In the 1990s, Taiwan's democratic transformation created a pluralistic society and gave the trade unions room to take root. However, free collective bargaining has not been realized due to the marginalizing of both employer organizations and trade unions. In China, the state decentralized the business sector, allowing unilateral employer activities in employment relations. Statutory rules were enacted after the 1994 labor law. This article compares the changes that have taken place in the industrial relations systems in Taiwan and China, and assesses the roles of the two governments in the employment relations area as each responded to globalization.

**Keywords:** *China; globalization; state corporatism; Taiwan*

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## **Introduction**

Since the 1980s employment relations across the Taiwan Strait in China and Taiwan have significantly changed in response to globalization. A first response to globalization is often to trumpet a labor market with cheap, dedicated and well-disciplined workers in order to attract foreign investment and gain a competitive advantage in international markets. Under these conditions labor laws are not enforced and modern industrial relations (IR) systems are not encouraged. However, this strategy often gives way to the internal realization that it is important to transform labor markets. Pressure also comes from potential customers in advanced democratic countries and international agencies such as the World Trade Organization (WTO) and the International Labor Organization (ILO) to reform labor law and employment practices. China and Taiwan with a similar historical and cultural background of Confucianism have both moved from centrally planned economies and/or authoritarian ruling parties to more open market-driven economies.

The two objectives of this article are to compare the changes that have taken place in IR systems in Taiwan and China, and to assess the roles of the two governments in the employment area as each responded to globalization. The next section discusses the changes in the IR systems of Taiwan and China. The following section contrasts the role of the two governments as they responded to globalization. The concluding section assesses the current state of employment relations across the Taiwan Straits.

## **Democratization and Taiwan's Industrial Relations**

Any review of the contemporary IR system in Taiwan must take into consideration the historical context within which it was formed. The history of Taiwan's IR system stretches back to the 1920s and 1930s to mainland China, when the authority of the Republic of China (ROC) extended to the island. The constitutional government at that time passed regulations governing labor relations and recognized the organizations that today define the IR system in Taiwan.

The principles of the ROC's 1947 constitution still provide the guidance for issues that are related to employment relations in Taiwan, including the right to subsistence, employment, labor protection, relationships between the relevant interest groups, and government-sponsored social security.<sup>1</sup> During what has been called the 'Golden Decade' between 1928 and 1937, legislators drafted and passed legislation that took as their model the structure of IR systems in Europe. This included the 1929 Labor Union Law, 1930 Collective Agreement Law, 1928 Law on Settlement of Industrial Disputes, and 1929 Factory Law. Labor organizations also have a long history in the ROC. The Chinese Federation of Labor (CFL) and Chinese National Federation of Industries (CNFI) were both founded in 1948. The Chinese National Chamber of Commerce (COCROC) was created in 1946.

While the IR system created for China during the first half of the 20th century reflected worldwide democratic principles and went a long way to ensure the rights and equality of all parties in the industrial labor relationship, it went far beyond the practical needs of a largely agrarian Chinese society and was implemented largely to achieve ideological and propagandistic aims (Wagner, 1980). China during the 1930s and 1940s was occupied with fighting both an internal civil war and a war against Japan. Moreover, China's embryonic manufacturing sector with a compliant and large supply of labor did not face any significant labor-management issues. The Chinese Communist Party (CCP) organized most of the labor union movements through 1949 and what there was of the IR system was a by-product of the political struggle between the ruling Kuomintang (KMT) and CCP (Ma, 1984).

With the collapse of the KMT government on the Chinese mainland and the founding of the People's Republic of China in 1949, the KMT government reorganized on the island of Taiwan. Martial law was imposed through the mid-1980s and overrode the constitutionally mandated IR system that had been enacted earlier. The requirements of national security and political stability replaced the IR system with a program called National Mobilization for the Suppression of the Communist Rebellion. Protests by the labor force were considered a hindrance to economic development; an approach often adopted by newly industrialized countries (NICS) (Chen, 1994). Both union leaders and management deferred to the KMT government. Industrial disputes were typically settled through compulsory, government managed, arbitration.<sup>2</sup> National labor unions, in which membership was compulsory, were a transmission belt used by the government and employers to mobilize worker commitment to boost industrial production and to ensure the dedication of the military, public servants, and teachers.<sup>3</sup> The labor unions provided workers in the large public sector with a high degree of job security, but no rights to independent organization for arbitration. The government adopted fringe benefit measures during the early years of martial law to ward off pressure from the labor force for subsistence support. Taiwan's economic and industrial growth brought with it a higher industrial accident rate and necessitated increasing employment relations jurisprudence and the standardization of labor protection.

The democratic changes that swept through Taiwan during the 1980s anticipated a turning point for the country's IR system. The democratic movement encouraged the growth of a grassroots labor union movement and undermined the continuation of the key role of a government. Taiwan's economic achievements by the 1980s had made it one of the four 'Asian Tigers' by the time the labor law came into gradual force in 1984. Growing worker awareness regarding their legal rights resulted in an increase in industrial disputes. However, both the labor unions and the IR system were ill equipped to address the number and scope of labor issues that emerged in the 1980s. The IR system could not bring labor and management together and a number of 'unconstitutional' or independent unions emerged. Unconstitutional in the sense, that these unions were independent of the KMT.

The organization and goals of the independent unions included collective advocacy for individual workers rights and collective action for the right to assemble.<sup>4</sup> There were four features to IR in Taiwan during the period of 'unconstitutional' unionism: labor activism was carried out in the name of enforcing the entitlements and protective provisions granted under the labor standards law;<sup>5</sup> workers who fell outside of the labor standards law demanded equal rights and protection;<sup>6</sup> private sector collective agreements were tried, but failed;<sup>7</sup> and finally, the legal IR system still influenced public policy at the national level.<sup>8</sup> This was particularly true during the upcoming election campaigns.

The KMT abolished martial law on 15 July 1987 and the Council of Labor Affairs (CLA) was established on 1 August 1987. The CLA is a tripartite mechanism at the ministerial level. In effect, the KMT transferred control of employment relations to a new government ministry, the CLA. The opposition Democratic Progressive Party (DPP) supported the independent unions and agitated outside of the legal system. Attitudes towards employment relations solidified along party lines. The bonds solidified between labor unions affiliated with both political parties and IR remained highly politicized.

Consolidation of industrial dispute arbitration began with the government's establishment of a Division of Labor Affairs for Taiwan's High and District Courts in 1988. This improved the capability and coverage of the government in disputes and arbitration cases have increased sevenfold since then.<sup>9</sup> The 1993 Labor Inspection Law increased the executive branch's supervisory oversight of labor organizations. The widespread use of Labor Standards Law conventions through administrative orders and amendments since 1988 has made its effects felt in all employment contracts written in Taiwan.<sup>10</sup>

Globalization clearly impacted the IR system in the 1990s when the labor laws were extended to cover foreign workers. The 1992 Employment Service Law also set policy related to human resource allocation and labor market internationalization. Management was given increased flexibility to meet international competition and limitations on working hours were relaxed through three legislative amendments passed in 1996, 1998 and 2002. Globalization increased Taiwan's dependency on international markets requiring economic restructuring and business closures. The unemployment rate rose from 1.79 percent in 1995 to 5.17 percent in 2002. To meet this problem the social security safety net has been gradually strengthened. Included in such legislation have been unemployment assistance measures targeted at making citizens re-employable, passed in 1995, an increase in unemployment benefits, approved in 1999, and the Employment Insurance Law, passed in 2002. The Gender Equality at Work Law enacted in 2002 targeted improvement in the status of women in the workplace and made Taiwan's labor rules compliant with international human rights requirements.

## Reform in China's Industrial Relations

The long-term ideological struggle between the KMT and the CCP climaxed with the founding on the mainland of the People's Republic of China in 1949. The CCP used all aspects of the IR system, particularly the labor unions, to educate, organize and mobilize the working class in that struggle (Lee, 1986).

The China Labor Unions Secretariat, precursor of the All-China Federation of Trade Unions (ACFTU), was founded in Shanghai in 1921. The Secretariat organized the First National Labor Conference, at which a series of declarations and papers were issued to improve working conditions and the status of the workforce. The Conference brought significant pressure to bear on the incumbent Beiyang Government. The most important document to come out of the First National Labor Conference was entitled the 'Labor Law Program'. This paper included 19 articles which claimed the rights to free assembly and association, to bargain and strike collectively, and to receive appropriate legal safeguards from the government. The Labor Law Program had a great deal of influence and was adopted by the CCP as one of the core elements of their class struggle within China's labor movement (Xia, 1999).

Efforts to establish the ACFTU began in earnest in 1923 and culminated in the formal adoption of the ACFTU constitution in 1925 during the second National Labor Conference in Guangzhou. Within the CCP, the ACFTU replaced the China Labor Unions Secretariat. Four more National Labor Conferences were held prior to 1949 and were used by the ACFTU as a rival platform to the labor conventions backed by the KMT. The KMT labeled the Conferences as a gathering of red labor unions. The most important KMT labor union, the China Labor Association, was dissolved and merged into the ACFTU after the People's Republic was declared in 1949.

The CCP established its revolutionary rule in Jiangxi and five other provinces during the civil war. In these provinces the CCP created IR institutions modeled after the structures in the Soviet Union and instituted legal codes such as the 'Labor Law of the Chinese Soviet Republic', which was enacted in 1931.<sup>11</sup> This structure was inappropriate to the agrarian nature of these provinces. It was also impractical under military mobilization. However, these IR proclamations and laws were incorporated into the CCP's revolutionary propaganda. IR was handled independently with provisional wartime regulations governing labor rights in two Chinese districts, in those areas where a truce between KMT and CCP forces was in effect IR tended to be practical and focused on war production as its first priority (Mao, 1966).

The founding of the People's Republic of China in 1949 signaled the theoretical end of a separation of workers and managers as the working class became the owners of the means of production and of the state. In practice, however, trade unions were transformed into a 'transmission belt' linking the CCP and the citizenry by which working people were organized and productivity policies were reinforced. The unions helped advance the CCP's

dual goals of political integration and economic development (Pravda and Ruble, 1986).

The Chinese trade unions reflected this situation and became extensions of the government bureaucracy when all enterprises came under state control. The obligations of the labor force in the PRC became grounded in Article 42 and 53 of the Constitutional Law rather than in private employment contracts. The first Trade Unions Law and Guidelines on Establishing Management Committees in Publicly-Owned Factories, enacted in 1950, formally established the purposes of trade unions as the facilitators of political control and the promotion of production. Labor disputes were arbitrated by local CCP officials or referred to higher political levels.<sup>12</sup> Working conditions were determined by managers at the work-unit (*Danwei*) level. The *Danwei* implemented CCP directives such as the 'three irons' of labor protection: the iron rice bowl, iron salary, and iron position. The role of the three committees was also involved in promoting production: the party committee, workers' management committee, and trade union (Warner and Zhu, 2000).

The Cultural Revolution that plunged China into chaos for the decade between 1966 and 1976 derailed the country's IR system. The National Red Worker Rebellion Group took over the ACFTU and shut down the Ministry of Labor. During this period, both trade unions and government agencies ceased to function (Hong and Warner, 1998).

The effects of globalization on IR began in 1978 when China promised policies of reform and openness to its trading partners. The Four Modernizations defined the thrust of the decade that followed. IR reforms focused on restructuring incentives for China's workers by breaking the old three irons and establishing three new systems (Lee, 1992). Key initiatives included the reinstatement of programs for worker bonuses through the 'Notice on Implementation of the Bonus and Piece Wage System' (May 1978); the relaxation of the 'iron rice bowl' through the 'Regulations Governing Compensation for Workers in Enterprises' (April 1982); and staged implementation of rules allowing labor contracts.<sup>13</sup>

The ACFTU remained China's only official union and it moved to implement initiatives to increase worker participation and expand its representational functions. These initiatives failed to achieve their objectives. The ACFTU at the National Steering Conference of Provincial, Autonomous Region, and Metropolitan District Unions held in August 1980 for the first time announced that, 'the upholding of workers' democratic rights and material interests is a cornerstone of trade union work' (ACFTU, 1995). At the sixth meeting of its tenth plenary conference in October, 1988, the ACFTU, in its 'Considerations on Trade Union Reform', placed the protection of workers' entitled and democratic rights at the center of the trade union platform and proposed changing local level union representatives from appointed to elected offices.<sup>14</sup>

China's IR history reflects the constant changes in governmental policy from restrictive to open and then back to restrictive as the CCP sought to balance

its control over the country against the impact of globalization on its labor force and newly industrialized sector. A good example of this back and forth are the reforms of 1988 which were followed a year later by restrictions after the June 1989 crackdown at Tiananmen Square. The Workers' Autonomous Federation was repressed and its leader, Han Dong-fang, exiled. The Chinese government turned its back on the idea of a free trade union movement. However, in the early 1990s, the ACFTU began to change to meet the needs of an increasingly liberalized market economy. The private sector was growing and there were new foreign investment enterprises (FIEs) and autonomous state owned enterprises (SOEs) that separated the functions of ownership from management.

Trade unions began to evolve from their former role as a 'transmission belt', responsible for doling out fringe benefits, to that of an advocate for member rights through collective bargaining and work councils (Bain and Chang, 2004). The Trade Union Law, enacted in 1992 and revised in 2001, confirmed the ACFTU as the exclusive representative of workers and as responsible for ensuring that the work force received their entitled and democratic rights.

The most recent developments in China at the national and local levels include a trend toward tripartism and limited recognition of a new role for unions alongside the traditionally dominant interests of government. In August 2001, the ACFTU, the China Enterprise Confederation (CEC) representing employers, and the Ministry of Labor and Social Security (MOLSS), convened the first State Tripartite Conference for the Coordination of Labor Relations in Beijing (ACFTU, 2002). The provinces and municipalities then began to establish tripartite commissions along the same lines. The inclusion of unions established the precedent for allowing union participation in labor and social security policymaking at the central and local government levels. The State Tripartite Conference has convened at the national level six times and tripartite groups have been set up in 30 provinces and municipalities. The ACFTU published revisions to three sets of rules in June 2001 which extended employment security to workers in privately run firms. It also set up a Department of Labor to promote trade unionism and to promote labor inspections for safety and health in companies.<sup>15</sup> By the end of 2002, 635,000 collective agreements covering 80 million employees had been established. However, wage negotiations between the unions and management is still at an early stage, occurring in only 6 percent of private firms.<sup>16</sup>

## **State Corporatism and Industrial Relations**

The transition from a centrally planned economy to a market economy requires the government to recognize a shrinking state sector and an acceptance of a tripartite arrangement between government, employees, and employers. For Taiwan and China this recognition came slowly as contrasted with other industrialized market economies of Asia such as Hong Kong, Singapore and Japan.

## Taiwan

In March 2000, the executive branch of the government changed from the KMT to the DPP and the KMT lost its political control over the labor unions. The DPP recognized the legal status of the independent unions. The single CFL then split into four national organizations: the CFL, Taiwan Confederation of Trade Unions (TCTU), Chinese General Labor League (CGL) and National Trade Union Confederation (NTUC). This move to decentralization caused confusion and problems associated with multi-affiliation. However, each national center still maintained close ties to the political parties.<sup>17</sup> The CLA at the second half of 2000 made an effort to end the influence of the opposition parties the KMT and People's First Party (PFP), over labor unions through tripartite consultation during the initial stage of the 'work time case'.<sup>18</sup> Its efforts did not succeed.

In August 2001, Taiwan's President Chen Shui-bian convened an Economic Development Advisory Conference as a kind of multi-party consultative conference to address the problems of the nation's slumping economy. Labor and management representatives at the Conference were all chosen based on recommendations from the political parties.

In Taiwan, the role of the central government in IR appears to be unchanged in the years since the DPP took executive power. There are some differences, the unconstitutional unions have attained the same status and now have the same or better resources as the constitutional unions.<sup>19</sup> However, communications between the national unions and the national employers' organizations only occurs through irregular political consultative conferences supported by the political parties. What was an inner party matter between national unions and employers has become a matter between political parties. The corporate voice of employers has continued to gain strength over the voice of unions because of the slowdown in global economic growth, and increased unemployment in Taiwan. Despite this, there is no expectation that Taiwan will transition to a form of management corporatism similar to Japan.<sup>20</sup>

The development of state corporatism in IR in Taiwan displays several key features. First, no real worker participation or collective bargaining mechanism exists in the relationship between labor unions and employer organizations. The government sets the IR agenda. The so-called 'social partnership' or 'tripartism' is simply a formality. Second, labor legislation in Taiwan reflects only the intervention into labor affairs of public opinion. There is essentially no direct labor representation in the process of formulating and approving labor legislation. The political parties will mobilize their rank-and-file for demonstrations. These demonstrations have drawn several hundred thousand unemployed workers, farmers and teachers since 2002. Third, labor market policies and plans are considered in terms of their fit with national economic development objectives rather than because of their ability to address core labor issues. Fourth, the incorporation of unconstitutional unions into the mainstream political agenda has increased the democratic ideal of opposition parties.



## China

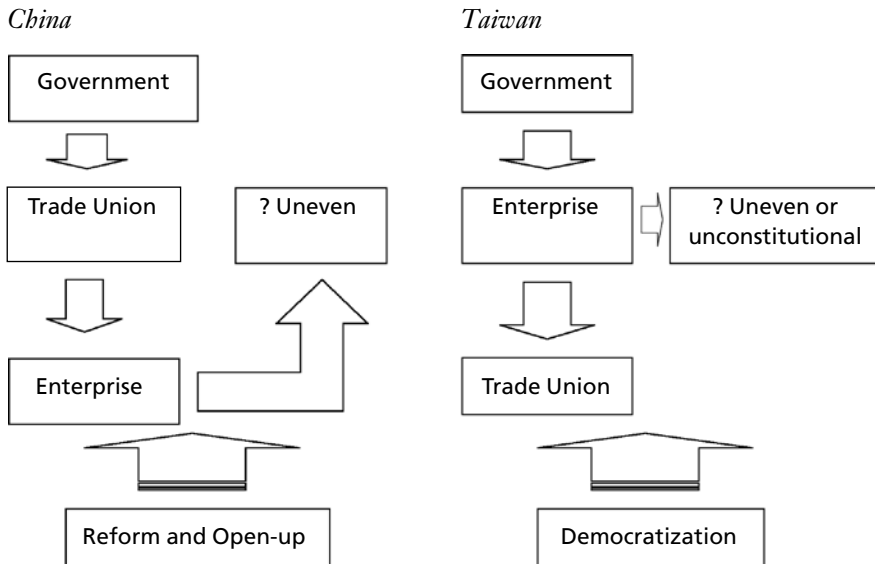
Decentralization of state power and the restructuring of the relationship between the state and its citizens that began in the 1980s represent the critical drivers in the ongoing revision and restructuring of IR in China. The government and the trade unions went through a period of trial and error during the initial stages of liberalization during which the relationships between workers and employers were gradually redefined. Equally important to IR reform was the changing relationship between the state and trade unions. The FIEs and SOEs raised questions regarding the status of trade unions which required answers by the government.<sup>21</sup> The government's reaction was a mixture of loosening and tightening. It established a Workers' Congress system but also removed the right of workers to take collective action. This reflected the government's opposition to a growing decentralization of IR domestic and foreign-owned firms. The Workers' Congress system was geared to strengthen industrial production at the expense of worker welfare (Warner and Zhu, 2000).

State control of trade unions strengthened in the wake of the June 1989 government crackdown at Tiananmen Square. The CCP published a 'Notice on Increased Guidance of Trade Unions' and 'Notice on Improving and Increasing the Party's Guidance of the ACFTU, Communist Youth League, and All-China Women Federation' to underscore Party supremacy. The party banned all autonomous union movements (Zhang, 2003). The key features of state corporatism with regard to employment relations in China during the 1980s can be summarized as increased industrialization introduced complex labor issues and greater tension at the work site for which the traditional 'class struggle' political model failed to provide adequate solutions. Globalization extended the supremacy of the employer and the firm without any revision in the relationship between workers' health and safety. The unions were again relegated to a supplementary role focused on increasing productivity while some labor protection measures were adopted to address rising worker health and safety concerns.

The difficulty in trying to resolve the practical concerns of labor and the workplace through administrative fiat led to the revival of unconstitutional unions. This difficulty was recognized by the government and a Labor Law was issued in 1994. This has caused a shift in the power relationship towards a tripartite relationship between the ACFTU, government, and employers that is enforced in government policy. Each of the three has been given significant weight and substance in the Labor Law. A rapidly growing number of industrial disputes are handled now largely under the directives of the Labor Law (Cheng, 2004).<sup>22</sup> The power relationship between the state and society is being transformed from a monopoly to a highly integrated regulation of society. The IR system in China has shifted from a model of 'class struggle' to that of state-corporatism.

The changes in the power structures in Taiwan and China during the 1980s can be represented as Figure 1.

**Figure 1** *Dynamics for Industrial Relations in the 1980s*



The government has clearly dictated employment relations in both countries. In Taiwan some power was acceded to employers while unions remained the weakest of the three actors. However, in China the unions combined to assist the government in industrialization while employers remained the weakest of the three parties. The loop among the three remained unclosed with a question about where the relationships are headed.

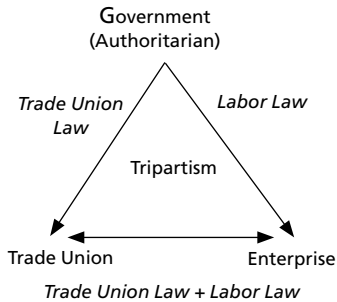
Some researchers observing developments on both sides of the Strait during the 1980s anticipated the rise of societal corporatism within the two IR systems.<sup>23</sup> The thought was that as China passed policies of reform and openness in a pluralist society, they expected that trade unions would become autonomous groups representing workers' interests, while the CCP would increasingly act as the primary consulting agency for enterprises. In 1983, China indicated that change was occurring when it appointed tripartite representatives to the ILC for the first time (White, 1995; White, Howell and Xiaoyuan, 1996). These same researchers also noticed the open elections between political parties following the end of martial law in Taiwan as the doorway through which employers and unions would enter politics and begin exerting political influence. They agreed that government intervention in employment relations would decrease and, as employers and unions became increasingly grounded in the support of their continuances they would move further away from the strong government guidance (Hsiao, 1992).

Developments in recent years have proved that their expectations were overly optimistic. Societal corporatism appears not to have developed on either side of the Taiwan Straits. Even the outward signs of the development of Japanese

form of management corporatism are lacking.<sup>24</sup> In Taiwan, the activities pursued as unconstitutional unions were legalized after the DPP won control of the executive in 2000. Today, both employer organizations and trade unions enjoy more political clout, which they use to bring pressure to bear on government policy. In China, the violent suppression of protesters at Tiananmen Square confirmed that power remained concentrated in the government who indicated that relations between employers and workers would continue to take place under government supervision. The government in China is actively involved in determining the distribution of power in employment relations. However, the concept of state corporatism appears to be an increasing characteristic of both China and Taiwan. The changes in Taiwan and China in the early 2000s can be represented as Figure 2.

**Figure 2** *Strategic Choice: State corporatism in 1990s*

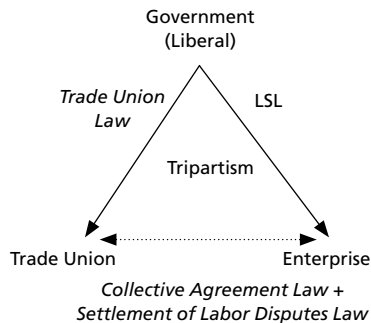
*China: Employer as an Actor*



**China:**  
**\*Regulations**  
 1994 Labor Law  
 1992 & 2001 Trade Union Law

**\*Tripartism**  
*(Reality)*  
 CCP  
*(Formality)*  
 National Centre  
 Regional Centre

*Taiwan: Unionism as an Actor*



**Taiwan:**  
**\*Regulations**  
 1984 Labor Standards Law  
 1929 Trade Union Law  
 1930 Collective Agreement Law  
 1928 Settlement of Labor Disputes Law

**\*Tripartism**  
*(Temporary & Reality)*  
 Political Parties Consultation  
*(informal)* Legislature  
*(Formality)* CLA (Ministry)

## Conclusions

Employment relations in Taiwan and China stem from the same political background, which had a strong single party central government either the KMT or the CCP. The cultural background is also similar in language and Confucianism. Both countries are members of the WTO and both face the challenges of globalization.

Taiwan's democratic transformation created a pluralistic society and gave

the labor unions room to take root and grow. The blossoming of autonomous and unconstitutional unionism represented the main force pressing for change in Taiwan's IR system. The role that independent unions would take within the employment relationship in the new democratic Taiwan and the attitudes likely to be adopted by the government and employers represented key questions that faced the Taiwanese IR system at the close of the 1980s.

Taiwan's democratization ended the old practices of union suppression. However, free collective bargaining has not been realized. Taiwan's conservative electorate is inclined to elect populist representatives from the KMT and DPP, with little support for social democratic or labor-leaning parties. Taiwan also differs from Korea, a country where political parties lack the capacity to mobilize social organizations. The government and a majority of public opinion does not believe that free collective bargaining is an effective method by which to resolve industrial conflicts and spur economic growth. Trade unions are often used as scapegoats and accused of being unduly influenced by neo-liberalism. The old constitutional unions have also seen their political influence decline after the onset of democratization. They cannot weigh-in on the policymaking process to lobby for collective bargaining. The cornerstones of labor legislation dealing with trade unions, collective bargaining and disputes resolution have been stuck in one draft stage for two decades. Workers are able to take their complaints directly to administrative agencies that intervene directly in the employment relationship. This marginalizes both employer organizations and trade unions.<sup>25</sup>

The government's role in employment relations in China has zigzagged since the formalization of a socialist market economy in 1992 and promulgation of the labor law in 1994. The government has a stable policy structure with regard to labor standards and labor contracts, similar to that of Taiwan.

In China, the state has decentralized executive power in the arena of business, allowing unilateral employer rules to substitute for previous administrative rules when recruiting and hiring employees. Statutory rules have been enacted after the labor law in 1994. In recent years, tripartite rules have maintained the flexibility of statutory regulations through experimental collective bargaining and tripartite coordination. However, the CCP continues to play the key role in mediating conflicting interests between different groups and classes.

In China, the initial success of the country's reform and liberalization policies has attracted FIEs and DPEs. The SOEs were also given increasing independence in terms of ownership and management. Companies began to fill the role of employers in the company's evolving the IR system. Key issues in the 1980s were how enterprises would behave as employers and how government agencies and trade unions would deal with companies in their new roles.

Events in Taiwan and China reflected the internal pressures of the countries and the pulls of globalization. The KMT/DPP and the CCP sought to control their country's problems while responding to the liberalizing effects of global competition. Globalization brings with it the desire of workers for

more freedom and they eventually ask for a voice at the workplace. In China, employment in a multinational brings higher salaries and more opportunities to go abroad and learn modern skills. The advantages offered by state-run firms, job security and shorter hours, are disappearing as they come under competitive pressures. The number of labor disputes is rising in China. Last year, Chinese authorities heard 226,900 cases involving more than 800,000 employees, up 23 percent and 31 percent, respectively, from 2002.

There are two distinctions between China and Taiwan that appear to ensure a continued difference in their IR Systems. Taiwan is a democracy, where government attitudes toward trade unions fall somewhere between tolerance and discouragement. Political parties influence trade unions through the distribution of resources and attempt to influence the results of union elections. In China, the government is expected to continue to adopt tougher methods to influence the trade unions and to encourage constitutional unions and repress unconstitutional unions. China, because of the overriding priority of maintaining stability and harmony in employment relations will continue to use collective bargaining and tripartite coordination, including employee organizations, more liberally than Taiwan where greater dissent is allowed.

Both countries have undergone significant change yet both are still a long way from embracing anything that would resemble Western-style employment relations with strong independent unions and free collective bargaining.

## Appendix

### Chronology of Industrial Relations in China and Taiwan

- 1895 China (Manchu Dynasty) ceded Taiwan to Japan
- 1911 Collapse of Manchu Dynasty and founding of the ROC
- 1925 ACFTU (ACFTU) founded
- 1928 Settlement of Labor Disputes Law enacted in China and still enforced in Taiwan
- 1929 Labor Union Law and Factory Law enacted in China, and still enforced in Taiwan
- 1930 Collective Agreement Law enacted in China and still enforced in Taiwan
- 1931 Labor Law of the Chinese Soviet Republic enacted
- 1935 China Labor Association (merged into ACFTU in 1949) founded
- 1945 Japan returned Taiwan to China (ROC)
- 1946 COCROC founded in China and still operated in Taiwan
- 1948 CFL and CNFI both founded in China, and still operated in Taiwan
- 1949 Civil war separated Taiwan once again from China, the ROC retreated to Taiwan and the People's Republic of China founded on Mainland
- 1950 China first Trade Unions Law enacted
- 1966 Cultural Revolution (1966–1976)
- 1971 China entry into UN & ILO and Taiwan withdrawal from UN & ILO
- 1978 China adopted Reform and Open-up Policy
- 1979 CEMA established (renamed to China Enterprise Confederation in 1999) in China and Formosa Incident occurred in Taiwan
- 1983 China restored ILO Activity
- 1984 China adopted Economic System Reform and Taiwan enacted Labor Standards Law
- 1986 Founding of DPP in Taiwan

- 1987 Taiwan dismantled Martial Law, restored unofficial relations across Taiwan Straits, and established CLA
- 1988 China established Ministry of Labor and Taiwan established Division of Labor Affairs in District and High Courts
- 1989 Tiananmen Square Incident
- 1991 Taiwan abolished the Temporary Provisions Effective during the Period of Communist Rebellion based upon the Additional Articles of the Constitution
- 1992 Deng's Keynote for the Marketization during his tour of southern China and the Socialist Market Economy and second Trade Union Law enacted
- 1993 Taiwan enacted Labor Inspection Law
- 1994 China enacted Labor Law
- 1996 Direct election of the President in Taiwan and convened National Development Conference
- 1998 China established Ministry of Labor and Social Security
- 2000 Taiwan changed political parties in power and the unitary CFL split into four national centres: CFL, TCTU, CGL and NTUC
- 2001 Taiwan convened Economic Development Advisory Conference, and China enacted third Trade Union Law, established National Tripartite Committee on Labour Relations and entry into WTO
- 2002 Taiwan entry into WTO

## Notes

- 1 See: Art. 15 and Sec. 4, Chapter 13, *Constitution of ROC*.
- 2 A form of dispute resolution procedure was more immediate and enforceable than a court's civil decision so that industry production may be maintained, See 'Measures for Handling (Ping-Duan) of Labor Disputes during the Period of National Mobilization for the Suppression of Communist Rebellion' 1947.
- 3 Partition strategy reflected in the revision of art.6 and art.7 of Labor Unions Law in 1949.
- 4 Some of the papers discussing this topic in Chinese and English include Pun (1990); Chen (2003) and Kleningartner and Peng (1991).
- 5 Some 99 percent of industrial disputes are categorized as judicial disputes. Only a total of 7 cases were solved by interest arbitration from 1988 to the present. Professor Hwang Yueh-chin calls this phenomenon a 'due movement', see CLA (2004).
- 6 Such as organizations of bankers, teachers and others who are employed in private service sector.
- 7 Fewer than 300 collective agreements in Taiwan copy the Labor Standards Law or add additional enterprise fringe benefits.
- 8 Some of them organized political parties such as the Workers' Party and Labor Party, initialed legal plans such as 'three laws and one amendment' action league, or formulated opposing legal organizations such as the anti-privatization league.
- 9 Industrial dispute cases are up seven times from the 5653 cases recognized in 2002 by the Division on Labor Affairs, Judicial Yuan.
- 10 With the exception of certain industries and occupations for which the LSL is not applicable, see art. 3, LSL.
- 11 It is an apparent copy of the 1922 Soviet Unions Labor Code.
- 12 'Procedures governing the settlement of labor disputes', enacted in 1950s but never actually put into force.
- 13 'Labor management regulations in Sino-foreign joint venture enterprises' enacted

- in 1980 and 'Four temporary regulations on labor system reform' enacted in 1986 to establish a nascent labor contract system.
- 14 Trade union reform at the end of the 1980s included 'emphasize the essential nature of trade unions as protector of workers' entitled rights, raise the status of trade unions to cooperate as equals with the government, actively participate in decisions involving worker interests and important economic policy matters, promote trade union autonomy from the party and government, promote bottom-up democracy in internal trade union affairs', see Chen (1988).
  - 15 For an excellent discussion of current activities of the ACFTU and observations from a US labor educators' trip to China in 2002 see *New Labor Forum*, No. 11, Fall/Winter 2002, Queens College Labor Resource Center, CUNY.
  - 16 ACFTU published 'opinions regarding the proper role for trade unions in collective bargaining and collective agreements', 'counterparts should maintain a cooperative and good will and should not adopt autocratic or radical methods to force other counterparts to come to an agreement during collective bargaining. When at an impasse, both actors have an obligation to ensure that production and operations continue as usual'. China Trade Union Movement College (2000).
  - 17 For example, Mr Hui-Kuan Lin, Director-General of CFL, concurrently serves as a national legislator representing the PFP. Mr Ching-Hsien Huang, Director-General of TCTU, serves as a National Policy Adviser. Mrs Tsai-Feng Hou, Director-General of CGL, is a national legislator representing the KMT.
  - 18 The Legislature revised the Labor Standards Law on June 16, 2000 that amended the normal weekly working hours from 48 per week to 84 per every two weeks, which rejected the DPP Proposal on 44 per week with tripartite consultation in the ministry level.
  - 19 The rivalry between unconstitutional and constitutional unionism has the nature of a demarcation dispute. Statistics illustrate that the number of confederation of unions is increasing, from 25 in 1999 to 39 in 2002. However, the organization rate is on the decrease from 39.98 in 1999 to 38.44 in 2002, see CLA (2004).
  - 20 No any employers' organization in Taiwan has such strength in governmental decision-making like Nippon Keidanren in Japan.
  - 21 The internal and international situation also included Polish Solidarity activism during the summer of 1980 and serious unemployment and industry accidents in China's industrial regions, see Wilson (1990) and Chen-Chang (1990).
  - 22 Refer to Chapter 10, Labor Law of China.
  - 23 In the comparative study of the relationship between labor and capital, Professor J. Dunlop uses the perspective of corporatism to explain the trilateral relationship between labor, capital and the government. His work, *Industrial Relations System*, while not adequately explaining the actual allocation of power between the three parties, has spurred academic interest in this field of study and led to differentiation between, for example, models in which states hold predominant power and those where there is a balance between labor and capital. In his thesis, 'Still the Century of Corporatism?' German-American political scientist Phillippe Schmitter expounded upon this theory, see Schmitter and Lehbruch (1979).
  - 24 The theories on corporatism are grounded principally in the experiences of western nations. As for the more mature economies of Asia, such as Japan, relationship models are often used in analysis to account for the tripartite power relationship between industry, government, and academia, and arriving at either a corporatist or anti-labor corporatist model, see Pempel and Tsunekawa (1979).
  - 25 For a discussion of comparison of governments, attitudes toward unions and collective bargaining see R. Adams, 'State regulation of unions and collective bargaining; an international assessment of determinants and consequences', in Niland et al. (1994).

## Acknowledgements

An earlier version of this article was presented to the IRRA 5th Asian Regional Congress, held in Seoul on 23–26 June 2004.

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