

Chapter 12

From Societization of Workers' Rights Defending to the Construction of Corporate Social Responsibility: The Experience of Yiwu City's General Trade Union

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Abstract How to effectively deal with labor–capital relations under the conditions of the rapid economic development is a hot issue in China. Since 2002, the Yiwu General Trade Union of Zhejiang Province began exploring the societization of defending the rights of migrant workers, and since 2008 it has also begun to develop standards of corporate social responsibility. They are not only innovatively seeking methods to resolve labor–capital conflicts but also at the institutional level innovatively handling the relationships among reform, development, and stability on the ground. The further development of this reform will bring more changes in government and enterprise behavior and also improve China's human rights environment.

Keywords Social integration • Societization of rights defending • Corporate social responsibility • Sustainable development

In the transformation of the Chinese society, there are a lot of social contradictions and conflicts every day. One of the major conflicts is between capital and labor. A balance has to be struck between the defending of workers' rights, economic development, business interests, and social stability. The economically more

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developed eastern coastal regions are the first to feel these contradictions and conflicts deeply. The local government there is facing enormous challenges. But crises and opportunities coexist, and the local government is forced to innovate. Exploring a new path for social construction and achieving social integration¹ is an urgent task for the local government. Some kind of democratization is necessary in building a harmonious society and achieving sustainable economic and social development.

This chapter is divided into four parts: The first part describes how government-run trade unions came to play an important role in the societization of defending the rights of migrant workers.² Part two introduces the main contents and the implementation of that societization. Part three explains how the Yiwu Trade Union adapts to changing conditions in the market economy and helps build systems of corporate social responsibility. The chapter concludes with a discussion of sustainability and prospects for the institutional innovations in Yiwu.

When Social Confusion Pervades the Rule of the Jungle, Government-Run Trade Unions Become a More Effective Solution

Since reform and opening began more than 30 years ago, the structural differentiation of China's society can roughly be described as composed of three systems (Yu Keping 2011): the state system represented by government officials and based on governmental organizations; the market system represented by entrepreneurs and based on business organizations; and the civil society system represented by citizens and based on social organizations or nongovernment organizations. Reform at first needs to separate the government from the enterprise and corporate organization from the political state. And then it needs to separate the state from various civil organizations and the private non-enterprise organizations, that is, the separation of state and society so that a relatively independent civil society can be produced. We have come to realize that a healthy civil society is an important part of a harmonious society.

In a civil society, protection of the public interests needs the existence of civic organizations; otherwise, it is difficult for separate individuals to protect their own interests. In Yiwu, as in everywhere else, migrant workers are vulnerable; the protection of their interests used to be an institutional blank spot. Troubled labor–capital relations inevitably created criminal syndicates in the names of “associations of

¹In Western societies, social integration usually means that people interact, connect, and validate each other within a community, especially the inclusion of immigrants/minorities into the mainstream of society. In this chapter, social integration refers to a means or a process to help achieve social stability and harmony in the Chinese society.

²Societization in this chapter refers to a combination of efforts by various social, economic, political, and legal entities.

fellow townsmen” or secret societies on which migrant workers tended to rely when their rights were violated and they had no help from government. Just like the current relationship between a doctor and patient, if there is no equitable remedy, the patient will resort to “violence.” Where there is no institutional means of help available, the rule of the jungle will dominate society and threaten social stability. This clearly conflicts with the goals of the ruling party and government and the fundamental interests of the general public. Migrant workers using confrontational thinking to defend their rights will no doubt make things even worse. If all firms want to hire “hatchet men” to deal with migrant workers defending their rights, it can only become an even bloodier scene, just like evictions will only provoke more resistance. Persuasion, rather than force, must be used lest the flood of violence that bursts the banks be even more terrifying.

In fact, in the vast majority of conflicts within labor–capital relations, although businesses and bosses also have grievances, migrant workers are almost always the more grieved group. When faced with labor–capital disputes, in each of these forms of relief below, migrant workers are in a disadvantaged position. Approach one: One can go to the government’s labor arbitration department for administrative mediation, but the government is not impartial. The local government is always closer to the bosses, so if they go there for mediation, migrant workers often feel that the government is not on their side. Approach two: One can go to the judiciary, but the costs are higher and it takes far longer, so migrant workers “cannot afford the pain” of spending of so much time and energy. Approach three: One can go to third-party mediation. This is a good direction, but the results are mixed. These mediation agencies have problems of funding and staffing, and as new organizations, they lack credibility. Since the above approaches are not really working, migrant workers tend to choose private settlements. Vocational “associations of fellow townsmen” and “secret societies” are efficient and effective in this regard; thus they are no doubt considerable temptations for migrant workers.

There is a need of a legitimate department or organization which can both represent and be trusted by the government and also help defend migrant workers’ rights in order to avoid the disastrous results that we often see in labor–capital disputes. Under the current system in China, there is a lack of space for independent unions; it is difficult for groups defending labor rights to survive outside the system. Even if such organizations exist, it is difficult for them to cooperate or reach understandings with local governments. But within the original institutional system, there are official trade unions which function as a transmission belt both for government and labor. This is the premise upon which trade unions with China’s special characteristics can carry out institutional innovation.

In general there are two mechanisms for handling stability (Feng Tongqing 2008): political integration and social integration. Although both depend on the structural balance of power, the mechanisms are different. In Yiwu, trade unions work within the established institutions, and they have not built new political mechanisms; for example, they clearly represent the interests of certain groups and promote the extension of their rights, through mobilization, negotiation, checks, and balances and displaying their influence in the public domain, and using worthwhile

slogans to legitimate their goals and attract people to identify with them and so on. Social integration is completed mainly through promoting the rule of law and active roles for social groups. If the intermediary function of social groups can effectively help people get closer to official institutions, the conflict with each other will decline and their mutual reliance, belonging, identity, and cohesion will be enhanced. More importantly, such a strengthening can achieve order through rational, evidentiary, and procedural means, not through violence, thus increasing social stability. Such mechanisms can explain why industrial disputes in Yiwu are common, but mass incidents occur relatively infrequently. Consequently, the role of Yiwu's trade unions is social but not political integration, although it has important political consequences: a large number of intermediary social organizations fill the structural weak points, lead labor disputes towards channels where they can be resolved according to law, and reduce the probability of individual incidents being transformed into group incidents and social conflict into political conflict.

Yiwu is a world-renowned production, circulation, and distribution center for small commodities in an economically developed area with a very high proportion of exports. It has also a high incidence of labor conflicts; therefore, it is not surprising that institutional innovation for realizing social integration through trade unions first started in this area. For China this innovation is not merely a type of transitional institutional arrangement. As long as China has not truly constructed a universal suffrage system that could be an alternative role for the trade unions, such institutions will be viable. Because they serve as a bridge linking the government and people, this can create a win-win system for government, business, trade unions, and workers.

Societized Protection of Migrant Workers' Rights Through Trade Unions

As with the process of urbanization in the United States more than 100 years ago, for nearly three dozen years, China has had rapid urbanization; more than 242 million migrant workers have entered the cities and farmers' income from wages was more than 50 % of their total income. But they are a vulnerable group in the urban areas; they often are unable to protect their rights in a large number of labor disputes and conflicts.

Yiwu City (a county-level city) is located in the inland area of Zhejiang Province. It has an area of 1,096 km², under the jurisdiction of six townships, seven neighborhoods, and an industrial park. In 2010 the local government revenue was 80 billion RMB. Yiwu is a famous small commodity production and sales center in China, and at present there are more than 20,000 private enterprises of various kinds in Yiwu, including more than 20 large-scale industries such as knitting hosiery, jewelry, crafts, wool, and cosmetics. Among these, eight industries, such as pen making, cosmetics, seamless knitted clothing, and craft gifts, have been granted the honorary title of national industrial base industries. In 2008, 60 % of all businesses were export oriented.

In 2010 Yiwu had a local registered population of 730,000, but it has a migrant population of 1.60 million; thus outsiders are more than double the local population. Since 1997, there have been more than 100,000 labor disputes annually in Yiwu, characterized by frequency, diversity, and complexity. There have been staff jumping off buildings, bosses killed, and underground migrant workers organizations formed such as the gangs of Kaihua of Zhejiang, Dingyuan of Anhui, Jiangxi, etc., all of which have seriously affected local social stability and economic and social development. For example, in 2000 in Ye Tang Township of Yiwu there was a murder case resulting from unpaid wages. A migrant worker from Guizhou province sneaked into his employer's home and killed three people including a child, because his employer refused to pay his wages for a long period. In May 2005, Wang Binyu, an 18-year-old migrant worker, killed four people and seriously injured one person in his boss's family, because his boss owed him 5,000 RMB in wages, but only paid 50 RMB and he was abused by his boss.³

Aware of the direness of the situation, in March 1999, Mr. Chen Youde, the Chairman of the General Trade Union in Yiwu, initiated the Yiwu Model for the Societization of Defending the Rights of Migrant Workers, in order to resolve labor disputes (Han et al. 2008, 2009). Their previous investigation showed that social complaints were relatively concentrated in three categories: first, migrant workers legitimate rights and interests and their frequent infringement; second, labor conflicts were increasing; third, the current situation of lawyers did not allow them to meet the needs of migrant workers in such situations. So in October 12, 2000, the Yiwu General Trade Union carried out a bold experiment. As a first in the country, they set up a dedicated organization for protecting these rights: the Yiwu Center for Defending Migrant Workers' Legal Rights. The Center was approved by the Civil Administration Bureau as a nonprofit organization, and is independently responsible for its civil liabilities. The Center is under the administration of the Yiwu General Trade Union and connected to the public security bureau, the procuratorate, the courts, and the judiciary bureau. The Center has three departments: a reception office, an investigation and processing office, and a legal services office.

Operationally, the Yiwu General Trade Union protects migrant workers' rights by "building one center, using three mechanisms, and developing multifaceted alliances." One Center is the Yiwu Center for Defending Migrant Workers Legal Rights established on October 12, 2000. Its three mechanisms are mediation; participatory arbitration, and being an agent for litigation. Multifaceted alliances are being built to establish a societized system for defending rights. This means to work with the news media, law firms, and interdepartmental alliances, and establish a societized system for defending rights. This way trade unions do not have to defend migrant workers' rights single-handedly. Societized defense of rights also means the recruitment of advisers or consultants from municipal party committee and government agencies, including the principal leaders of public security, procuratorate, court, judicial council, labor bureau, and other functional departments. Legal professionals, some of whom are volunteers, are also hired.

³Ge Haiyou (editor in chief), *One Hundred Questions about Beginning a Workers' Movement*, July 2009.

Funding for defending rights is also societized. It comes from trade union contribution, government allocation (half million RMB), and fundraising in society.

Furthermore, the societization of rights defending means the establishment of national as well as local networks. They have established a cross regional network "The Inter-City Trade Union Network for Defending Rights" that include the cities of Kaihua in Zhejiang, Fushun in Liaoning, Chengdu in Sichuan province, Yiyang in Jiangxi province, and ten other cities in various provinces. The Yiwu Center for Defending Migrant Workers' Rights has also established a vertical network system of labor disputes mediation committees in townships, neighborhoods, and enterprises. These networks have hotlines connected to relevant government departments, and linkages with local radio and TV stations. There is also interdepartmental communication. More than 300,000 RMB has been invested to build a Web call center to ensure that the various types of inquiry and complaint cases will receive responses at the first possible time allowing them to be quickly and effectively resolved.

In all these societization efforts, the trade unions are taking the lead in forming alliances with public security bureaus, the procuratorate, the courts, judicial councils, and other functional departments as well as law firms, the media, and universities.

In 2000 and 2010, the Yiwu Center for Defending Migrant Workers' Rights received 4,708 complaints and successfully mediated 4,430, a success rate of 93.6 %. The Center provided free court arbitration for migrant workers 225 times and court litigation 317 times resulting in a recovery of wages and of economic losses for the parties concerned of 23.39 million RMB. Since the Yiwu General Trade Union implemented this model for the societization of defending rights system in 2000, labor disputes have declined substantially. In 2008, the Yiwu General Trade Union's societization of defending rights project won fourth prize for Chinese local Government Innovation. In the 10 years under the leadership of Chairman Chen Youde, the Yiwu General Trade Union has made good progress not only on the societization of defending migrant workers' rights but also on promoting corporate social responsibility standards, the topic of our next section.

Construction of Corporate Social Responsibility

If a systemic innovation is to be viable, it must adapt to social changes and meet social challenges head on. Since 2008, Yiwu's enterprises and businesses gradually came to face a labor shortage. Labor markets began to shift from a seller's market to a buyer's market. The institutional innovation of the societization of defending rights has adapted to the changing situation by changing from *ex post facto* mediation of migrant rights towards a preventive approach dealing with the sources of the problems within enterprise management by constructing corporate

social responsibility. The Yiwu General Trade Union referred to the annual “enterprises audits” of some European and American investors and, since 2008, began to explore the social responsibilities that enterprise should assume. In May 2008, Yiwu set up “The Yiwu Evaluation of Corporate Social Responsibility Certification Assessment Committee” headed by the municipal general trade union and composed of 22 government ministries and related departments, including the office of the municipal party committee; the office of the municipal government; the office for popularizing legal knowledge; the bureaus of personnel, labor, and social security; and economic department for unified corporate social responsibility assessment work.

At the same time, with the help from the School of Public Administration of Zhejiang University, Yiwu creatively designed the “Yiwu standards” for corporate social responsibility. The “standards” focused on labor, natural, and social relations, covering 15 major items such as labor contracts, health insurance, working conditions, education and culture, system construction, resource usage, compliance with the law, product quality, credit integrity, public welfare, as well as 57 specific implementation standards. The indicators of these standards are scored on a 1,000 point system, encouraging enterprises to change from “self-restraint” to “social constraints” in the area of social responsibility (Ma Bin 2011:4).

Enterprises need to obtain an assessment certificate every 2 years, which is following a few steps including enterprise reporting, verification by government departments, and certification. Assessment certificate grades have five categories: A, B, C, D, and E, with incentives for enterprises in accordance with the different levels. A level enterprises are designated as the “most socially responsible enterprises in Yiwu.” They not only received recognition but were also given preferential treatment in the annual inspection, taxes, bank loans, energy usage, etc. The School of Public Administration in Zhejiang University was invited to act as the third-party rating agency responsible for data analysis and assessment.

This began in September 2008, when “The Yiwu Evaluation of Corporate Social Responsibility Certification Assessment Committee” selected Beiyuan neighborhood as a test site. There were 183 enterprises in the experiment in Beiyuan. Ninety-two enterprises submitted documents. On the basis of government department audits, the third-party assessment by Zhejiang University’s School of Public Administration selected 19 level A enterprises; 37 level B; 17 level C; 13 level D, and 6 level E enterprises. Then the information about the 19 A level enterprises was publicized through newspapers, the Internet, and other forms of media. Society in general began to pay attention to whether enterprises violate workers’ legitimate rights and hurt their interests, whether they pollute the environment, whether they produce below-the-standard products, whether or not there have been mass incidents, whether or not there were safety-related accidents, whether the enterprise has credit problems, and so on. Then 830,000 of townspeople voted to select 14 of these as the “most socially responsible enterprises in Yiwu.”

The Sustainability of Institutional Innovation

The Yiwu General Trade Union has carried out institutional innovations for more than 10 years since 2000. That within this period it went from the societization of defending migrant workers' rights to the development of corporate social responsibility and the achievement of local governance innovations for sustainable development was a result of a combination of factors. Usually, in the system of local government, sectors like the trade unions have always been marginalized. They are neither purely civic nor purely official organizations. Thus only one-fifth of the Yiwu General Trade Union's staffs are full-time government employees, while the rest are part-time staff. From the author's own investigation of Yiwu in March 2011, the Yiwu General Trade Union's success may be attributable to a number of factors.

First of all, Yiwu is located in an economically developed area where the private economy dominates. Rapid economic development in Yiwu has brought Yiwu face to face with more serious challenges than those of other local governments and has created a universal awakening of the consciousness of people's rights. Migrant workers from around the country can work for many years in Yiwu with which they are unfamiliar and lead a life which is basically different from that of traditional Chinese farmers. In this environment, they quickly become aware of the importance of their rights and the inviolability of personal dignity (Wang Yeqing 2011a).

Second, the Yiwu General Trade Union has the courage to face these challenges. Yiwu has had serious labor conflicts. Such conflicts had forced migrant workers to join triad societies to defend their rights because they lacked other means. It brought down the credibility of the government and the courts, made society like a jungle, and seriously affected the order of production and daily life. The Yiwu General Trade Union was able to coordinate the government and other social forces, and to weave a network for defending migrant workers' rights.

Third, the role of Chen Youde, Chairman of the Yiwu General Trade Union, has been crucial. Chen Youde has been Chairman of Yiwu General Trade Union since March 1999, and in the ten plus years in this post, he has created two major institutional innovations: societization of defending rights for migrant workers and corporate social responsibility standards. These innovations are closely related to Chen Youde's personal qualities and sense of innovation. When I interviewed Chairman Chen and his colleagues, I deeply felt that this is a cadre who wants to do things. And he has a strong sense of dedication and professionalism. It is gratifying that the Yiwu General Trade Union already has a number of such cadres.

Fourth, the pressure from the international community is also important. Yiwu is a city with a highly export-oriented economy. In 2008 exports were 60 % of the total GDP. In Yiwu, every large export-oriented enterprise has been inspected by foreign investors from either Europe or the USA every year, and it is required to meet corporate social responsibility standards. For example, the "Mona Sock Company" has been inspected more than 30 times in the past. When the company finally passed the audit, it was approved to join the "United States Textile Enterprise Social Responsibility Agreement," after which it no longer needed inspections.

Fifth, the tolerant and supportive attitude of the Yiwu Communist Party Committee and Municipal Government towards institutional innovation is also commendable. Chairman Chen told the author that there were great difficulties at the beginning stage of institutional innovation due to conflicting departmental interests. If there were no tolerance and support from municipal leaders, there would be no innovation. Understandably, since they were able to resolve labor disputes themselves, why not let the Yiwu General Trade Union try?

Sixth, Yiwu's institutional innovation has already partially changed the political environment. It is likely to sustain itself because of the support from the high-level central leadership, from the Zhejiang Provincial Party Committee, and provincial government, with the national news media tracking its progress, and people coming from around the country to learn. This is even more so when labor relations and disputes have become a hot issue all over China. Yiwu's institutional innovation seems to have created a win-win and multi-win-win situation.

Of course, some scholars wonder whether the case of Yiwu is unique and whether it can be institutionalized and extended to the whole country. The question is asked especially because the innovation in Yiwu is highly dependent on the personal style and reputation of the current leadership (Yiwu General Trade Union Chairman Chen Youde). In this regard, I saw a similar case in Xinhe Township in Wenling city.

Wenling is one of the most developed areas in China in terms of the private economy. Xinhe Township is famous for producing sweaters and hats. The permanent population is only 2,015 people, but it has ten large hat-producing enterprises, 12 joint enterprises, and 270 small enterprises, attracting a migrant worker population that is more than double the local population. The hats produced by Nanjian Village are inexpensive quality hats of all varieties, 70 % of which are sold in more than 60 countries in Eastern Europe, the USA, the Middle East, etc. In 2009 the village hat industry output value reached nearly one billion RMB, per capita income was nearly 20,000 RMB per year, and taxes paid were more than seven million RMB.

The practice of the General Trade Union and Chang Yu Sweater Industry Association in Xinhe Township in Wenling City is a very good illustration of the sustainability and replicability of the Yiwu experience. Xinhe Township is a well-known production base for wool sweaters; now there are 113 cardigan enterprises throughout the town, with an annual production output value reaching one billion RMB, employing more than 12,000 employees, including 10,000 female employees. Nine thousand migrant workers came from Hunan, Sichuan, Anhui, Jiangxi, Guizhou, Hubei, and other places. There were serious labor disputes here before 2003. In 2003 alone there were 11 cases in which more than 120 people appealed to the higher authorities for help. This was a serious problem affecting social stability and enterprise development. Since 2003, Xinhe Township has instituted a form of "democratic consultation," through the establishment of "The Xinhe Township Chang Yu Sweater Industry Trade Union" and the local sweater entrepreneurs' organization, "The Xinhe Township Chang Yu Sweater Industry Association," to achieve an industry-wide collective wage agreement, among other things. They

introduced uniform wages (across the different enterprises) and published process standards and wage tables for five professions and 59 production processes. Doing so not only enabled employees to “clearly link their work and wages” but also stabilized employment in private enterprises and protected the interests of enterprises, creating a win–win–win situation among employees, businesses, and government. Since then, Xinhe Township has had annual “democratic consultation” on wages in the sweater industry and, under the leadership of Chen Fuqing, Executive Vice President of Xinhe Township General Trade Union, the Xinhe Trade Union has persisted with this innovation and brought it to the attention of trade unions at all levels up to the National General Trade Union. On November 26, 2007, Premier Wen Jiabao instructed that “Wenling’s practice should be summed up and popularized.”

Chen Fuqing played a similar role to that of Chen Youde, the Chairman of Yiwu General Trade Union. Moreover, the number of such cases is still increasing. Trade union Chairmen on the southeast coast of Zhejiang province and others throughout the province are all making such efforts. Many local trade unions have received the approval of the migrant workers for their work.

Conclusion

How to effectively deal with labor–capital relations under the conditions of rapid economic development is a hot issue in China. The Yiwu General Trade Union of Zhejiang Province began exploring the paths of societization of defending the rights of migrant workers 10 years ago and since 2008 it has also begun to develop standards of corporate social responsibility. They are not only innovatively seeking methods to resolve labor–capital conflicts but also at the institutional level innovatively handling the relationship between reform, development, and stability on the ground. Along with the development and the implementation of enterprise social responsibility standards, they have deepened the institutional innovation of the societized defense of migrant workers’ rights. The societization of their efforts makes this innovation more sustainable. The further development of this reform will bring great changes in government and enterprise behavior and help improve China’s human rights environment.

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