

# 2014

*In April 2014, more than 40,000 workers at a Yue Yuen Footwear complex in Dongguan went on strike. Not only was this one of the biggest collective actions at a single company in the history of Chinese labour, but also it made headlines because this was one of the earliest and most visible instances of migrant workers mobilising collectively to protest against a company's malpractice related to pension and other social security payments. This highlighted shifts in the demography of China's migrant workforce, as well as in the broader Chinese political economy.*

# The Yue Yuen Strike

Marc BLECHER

From 14 April to 29 April 2014, 43,000 of the 60,000 workers at the Yue Yuen (YY) Footwear complex in Gaobu, Dongguan, staged the biggest strike at a single enterprise in Chinese history.<sup>1</sup> Their walkout resulted from significant changes in the political economy of global value chains, especially increased competition among oligopolistic producers (which exerted downward pressure on wages and profits) and their growing power *vis-à-vis* the brands for whom they produced (which created opportunities for workers). It brought to the fore new strata of workers—especially the first generation of middle-aged migrants to have accumulated long experience of private sector factory work under structural reforms—who focused on what, for migrants, were pressing new issues, especially, given their age, pensions (which previously had mainly concerned urban resident workers in state-owned enterprises). The strikers evinced the politics involved, bringing into sharp focus questions of collusion between the interests of capital and those of the local developmental state, while emphasising the latter's relative autonomy and its capacity to pressure individual enterprises for its own interest. Finally, though, the outburst confirmed and reproduced the ongoing hegemony of the state and capital over the Chinese working class.

## The Background

Founded in Taiwan in 1969, Yue Yuen Industrial (Holdings) Limited is the world's largest footwear producer, boasting 20 percent of global market share.<sup>2</sup> It opened its first factory in China in 1988. In 2013, its 413,000 employees turned out 313.4 million pairs of shoes, for which the company reported gross profits of US\$1.6 billion on turnover of US\$7.6 billion.<sup>3</sup> Its customers include Nike, Adidas, Reebok, Puma, Asics, Under Armour, New Balance, and Timberland.<sup>4</sup>

But, under pressure from increasing competition both in China and globally and rising labour costs in Dongguan, the Gaobu complex had been declining economically from its glory days of the 2000s: employment shrank from a peak of 100,000 to 60,000 by 2014, and the company went

from something of a model of 'corporate social responsibility' and welfare provision to paying an average wage of barely half that in Dongguan.<sup>5</sup> As a result, YY Gaobu had experienced 'countless' small strikes since 2011.<sup>6</sup>

While YY had extended state pension contributions to all its workers in 2008, it simultaneously reduced its payments through several illegal practices, such as basing pensions on the prevailing local minimum wage instead of its workers' actual wages, listing permanent workers as temporary, failing to make its own contributions in addition to those deducted from the workers' wages, and failing to contribute to the local government housing fund for workers. Its total arrears came to between 100 and 200 million yuan (roughly US\$16 to US\$32 million). These deprivations were perpetrated with the connivance of the local government.<sup>7</sup>

### The Strike

In early 2014, line supervisors and white-collar workers began to learn about all this, and started to discuss a collective response, including mass resignation. They found their smoking gun when one managerial employee with more than two decades of seniority applied for retirement only to discover that her pension fund contained only 600 yuan.<sup>8</sup> On 5 April, workers at the #1 Sole Plant, whose workers were historically among the most timid in the YY complex, downed tools in a wildcat strike and blocked the bridge to the plant. When the police beat one worker, the strike grew to several thousand. YY managed to calm the situation by promising a resolution by 14 April. When 15 April dawned with no response, 43,000 workers from across the many plants in the complex walked out. YY then came to the negotiating table, but when, on 17 April, it offered to rectify future pension contributions while claiming that the local government would not allow the company to address the arrears, the strike went ballistic. The local government, aided by the official trade union, responded with arrests, which, within a few days, brought out poignant protests by the wives and children of the detainees. Despite the customary news blackout, social networks and word-of-mouth carried the information quickly to a YY plant in Jiangxi Province, causing a strike there. International supporters staged protests at Adidas shops on five continents. On 21 April, YY made a further announcement—this time to the Hong Kong Stock Exchange, to calm jittery investors (eventually, the strike would cost YY US\$27 million). The company agreed to start

making pension and housing fund payments (without specifying the salary bases, though), to add a living allowance, and to pay the pension arrears but only if the workers did so as well in a lump sum. The last point enraged the strikers still further, since none of them had anything close to the resources to match the payment. The workers instead demanded ‘a new contract, improved working conditions, better funded government housing, an enshrined right to hold a union election within the plant, concrete assurances against employer retribution, and a transparent and accountable government to execute and administer the above.’<sup>9</sup> The strikers’ demands had transcended the economic to include significant political ones—the government’s worst nightmare.

A week later, though, the strike had wound down. On the surface, there were several reasons, none particularly novel or surprising. YY had offered enough concessions to produce grudging acquiescence among a sufficient phalanx of workers who, after all, were not being paid. And the ‘concession’ on arrears was crafted cleverly to make it unaffordable for the workers. Repression had wrought its intended effect, too. But beneath the veneer of ‘mere events’ lay a range of structural factors that speak to the strike’s eventual collapse but also to its extraordinary character as one of the biggest labour mobilisations in Chinese history and to its wider implications and significance.

### The Political Economy

As noted above, by 2014, the YY plant had been in economic decline for quite a few years, squeezed between rising wage levels in Dongguan and increasing pressure from lower-wage producers elsewhere in China and abroad, including other YY plants. In the late 2000s, the company had provided a range of social services, including daycare, healthcare, education, and entertainment facilities, and had banned exploitative practices such as forced, uncompensated overtime. All this had aided labour recruitment.<sup>10</sup> But, by the dawn of the 2010s, a growing wage and bonus gap in comparison with other Dongguan employers began to overshadow prior gains. The YY strike is widely understood as having had pension and housing fund contributions at its core. What is overlooked is the very significant role that low wages played as well. Witness this exchange between a young activist and an older worker:

Young activist: When I heard that you guys went on strike for social security, I was a little surprised because I don't care about that and nor do my friends. So I thought there must be something else going on.

Veteran: Hah, you're smart! That's right. Social security is just the main excuse for the strike. Breaking the law when it comes to social security is so prevalent that nobody will do anything about it.<sup>11</sup>

Moreover, the focus on pensions—which is understandable since it catalysed the walkout—may ultimately have undermined the workers' solidarity and their strike:

Young activist: Of course, I am also a worker. A pay raise of 30 percent is a demand that probably unites all the workers. It is a pity that few people mentioned that and just focussed on making up the social security in arrears or dissolving the labour relationship with a one-off [severance] payment.

Veteran: Yeah. Initially workers just wanted to vent their anger because we've been suppressed by the boss for too long, but then our grievances gradually evolved into some specific demands, bit by bit. Workers just wanted to take the employer down but they were very tough to deal with. Those Taiwanese bosses even said 'You mainland Chinese are just cheap,' so we all wanted to ruin the factory and get compensation payments before we left. The original goal was just to get a raise for the workers.<sup>12</sup>

Deeper structural forces were also at work. As the new century dawned, a major shift in the relationship between producers and the global brands that are their customers was under way. Whereas previously the brands exerted significant oligopsonistic power over the myriad small producers, now oligopolistic large industrial firms began to emerge as formidable competitors for the brands with which they contracted.

This created a web of contradictory forces. On the one hand, YY had the scale and resources to establish itself as something of a 'model employer', providing a range of social services, while dominating the local labour market to keep wages low. Moreover, the 2008 Labour Contract Law,

which introduced mandatory pension schemes, increased pressure on workers to stay with the same employer (since pensions are not portable), which of course increased employers' power *vis-à-vis* workers. All this ratcheted up YY's leverage at the level of the political economy.

But, on the other hand, that same power made it more vulnerable to demands not just from workers but also from its corporate customers, both of whom saw its deep pockets. As Ashok Kumar has argued: 'Striking workers had an intuitive sense of YY's power in the global supply chain and the efficacy of a large and escalating strike.'<sup>13</sup> Indeed, in reflecting on the outcome of the strike, one worker said as much: 'Yue Yuen won't last much longer in Dongguan. It has been discredited by the strike, and its customers will definitely reduce orders.'<sup>14</sup> Having achieved its impressive market share by virtue of its logistical and technological sophistication, the company could ill afford to create interruptions in its supply chain or anger retail customers for its international clients, especially now the latter were facing growing codes of labour conduct. YY's size also made it dependent on investors, as we have seen. Finally, YY's dominance of footwear production made it something of a trendsetter in the industry, as its competitors were forced to copy its promised benefits to recruit workers.<sup>15</sup>

### The Political Sociology

The strike evinced significant roles for one group of actors who have not commonly been involved in labour activism, and another whose participation has been commonly overlooked.

The former were middle-aged and older rural-born migrant workers who arrived in China's cities in the 1990s and stayed. Previously, of course, they had not been very numerous, as most of the original first wave of migrants were young people. However, by 2014, as one of them put it:

All Yue Yuen factories have a lot of senior workers. About 70 percent of the workers have been here for more than five years, and 10–15 percent of them have been here ten years ... Many of them came to Yue Yuen at eighteen or nineteen-years-old, and now even their children work here.<sup>16</sup>

This cohort was assumed to be less radical than younger workers, whether because of suppositions about their gender (70–75 percent of all YY workers were women), age, and/or their having become inured over many years to the realities of factory work and life. But not so:

Many women workers in their thirties and forties I know were very vigorous and determined in the strike, and I have great admiration for them. I know two women from the Old No. 3 Plant, both in their thirties ... but they were both actively involved in the strike. Although they were not well educated, they stick to a simple belief that the company cannot bully workers, and that we are just claiming what is rightfully ours.<sup>17</sup>

One reason for their determination may have been that women have to retire at age fifty, ten years earlier than men, so they felt the pressure about their pensions more urgently. Moreover, there was a definite degree of solidarity among the older workers that extended between them and younger workers:

Veteran: Senior workers know and trust each other, so of course they are united. Many of them are related because most of the workers were introduced by fellow villagers or relatives working here.

Young activist: In this strike, I heard the ‘auntie-workers’ were often rebuked by the younger ones. What is the real situation?

Veteran: Actually, the ‘rebuke’ by younger workers you mentioned is not based on objective reporting.<sup>18</sup>

The second group whose participation in strikes had been less frequently recognised were line supervisors:

Veteran: In Yue Yuen, it often happens that a Taiwan[ese] guy [higher up in management] wants to punish a section head, but the latter gets together with his fellow villager, also a section head, to mobilise workers for a strike.

Young activist: Is such mobilisation frequent?

Veteran: Yes, I’ve often heard about such stories.

Young activist: So this strike was directed by the section heads?

Veteran: They didn't publicly direct the strike; they did it secretly because this is related to their vital interests.<sup>19</sup>

This account suggests that the cleavage between Taiwanese and mainlanders also helped create some solidarity between line managers and workers. But, because of their greater influence and shopfloor power, the line supervisors also had the capacity to bring the strike under control:

Veteran: Maybe this strike would have continued until May Day if the leaders hadn't urged the workers to get back to work. You've seen people saying in the QQ chat group that the leaders got money from the employer, so they were willing to get the workers back to work. But I don't have any evidence, so I am not sure.<sup>20</sup>

The role of line managers in catalysing labour protests in China is far from unique to YY.<sup>21</sup> It also maps onto the important role of older workers and calls for further study.<sup>22</sup>

Finally, another set of actors, labour nongovernmental organisations (NGOs), did not prove particularly important to the mobilisation—contrary to what some scholars and observers originally thought. It is true that several tried to become involved, and two of their leaders, Lin Dong and Zhang Zhiru, were even detained. But, on the whole, the YY strike was propelled by the workers themselves.

## The Politics

In terms of workers' own politics, three points are particularly notable. First, whether or not they knew it, the YY workers were taking advantage of, and benefited from, the political opportunity created by the government's anticorruption drive that was gaining momentum at the time.<sup>23</sup> The strikers' chants often accused the government of corruption and complicity, and YY workers complained that 'the factory has been tricking us for ten years ... the district government, labour bureau, social security bureau and the company were all tricking us together'.<sup>24</sup>

Second, the workers achieved previously unheard-of levels of organisation:

Young activist: From the Internet I know there was a strike in 2011 as well. It seems there were many small-scale strikes in the past?

Veteran: That was at the Yucheng Shoe Factory, part of Yue Yuen (Pou Chen Group). Small-scale strikes, countless! Those strikes were usually caused by some policies in a single plant, but there had never been a strike in which all the plants united as one. This is a milestone, escalating the strike from one plant to the whole factory. Moreover, those earlier strikes were all spontaneous, but this time workers carried banners and yelled out their demands. It was a big step forward.<sup>25</sup>

Third, the strike inspired similar stoppages in China and Vietnam over the next two years in other YY plants, those of its competitors, and even other sectors.<sup>26</sup> It also helped those fellow strikers win some gains, as all those walkouts were settled quickly.

The state's politics reflected many of its customary features. First, the local government helped cause the problem in the first place by colluding with YY to enhance accumulation—a key state goal—by rigging the social insurance and housing fund systems.<sup>27</sup> Second, the government demonstrated its tried and true carrot-and-stick approach and deployed a wide range of mechanisms to end the strike. The official 'union' federation offered to mediate the dispute at first, which workers welcomed until the union and the police turned against them, the latter with beatings and by locking some workers inside or out of their plants. Of course, the state also created a news blackout. But local governments generally prefer peaceful resolutions—what Lee and Zhang term 'bargained authoritarianism'.<sup>28</sup> So, ultimately, they forced YY to make concessions, and also increased enforcement of the laws on social insurance.<sup>29</sup>

Finally, though, the YY strike evinces all the features of state and market hegemony that continue to keep the Chinese working class subordinated and exploited. Politically, Chan and Hui put it well:

[The] bedrock of China's labour-intensive and export-led development model is the unorganised working class. For this reason, when workers start to better organise themselves and pursue their demands by means of collective action, the Chinese government seeks to find ways to address them and make concessions.<sup>30</sup>

The fact the workers tried to organise themselves through the state-run 'union' federation, which failed yet again, proves that Chinese labour relations are still trapped in a 'monistic' rather than even a 'state corporatist'

institutional arrangement.<sup>31</sup> That is, the state refuses to incorporate the working class. Ideologically, workers lack self-confidence individually, much less as a class. This can be seen in the following exchange:

Young activist: Do you think the Yue Yuen workers can form a stable organisation after this strike?

Veteran: Not really. Although they are [classified by the state and in social discourse as] ‘workers’, it’s hard to form a solid trade union because they still think like peasants. It is a shame that we are always meek until pushed into a corner. There is a saying that a baited rabbit may grow as fierce as a lion, but how many man-eating rabbits have you seen?

Veteran: Gaobu is my second home and Yue Yuen is like my family. For many workers, this is a simple and honest feeling. We were once proud to be Yue Yuen workers. We just want a decent job and a dignified life. We love the Communist Party and our homeland, and we hope our country can develop better.<sup>32</sup>

The above analysis draws on Nicos Poulantzas’s theory of the relative autonomy of the state: the idea that the state must have the capacity to mollify the working class to better establish its own hegemony on behalf of capital.<sup>33</sup> If striking YY workers won half a loaf—or, this being China, half a steamed bun—the price they paid was not just the forgone other half, but also, like the rest of China’s beleaguered proletariat, their continued subordination to the hegemony of the Chinese state and its ally in global capitalism.