

Labor Process and the Social Structure of Accumulation in China

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Abstract

Inspired by the interplay between the social structure of accumulation theory and the labor process theory, this paper is to specify the particular mechanism that labor institutions take in accomplishing China's rapid capital accumulation in the reform era. The paper starts by proposing a framework to understand the relation among overtime work, labor process, and the wage gap and presents the puzzling contradiction between the low wages and the need to sustain the reproduction of labor power for Chinese workers. The paper then details the bi-directional determination between the subordination of labor in the workplace and the wage gap, and further analyzes the critical conditions for the stability of the current labor institutions and the sustaining capital accumulation.

JEL Codes: B51, J31, J53

Keywords: labor process, social structure of accumulation, wage gap, living wage, Chinese economy

1. Introduction

The social structural of accumulation (SSA) theory has been developed since the late 1970s to analyze the development and contradictions of capitalist economies. It emphasizes the complex of institutions supporting capital accumulation, among which the labor process is crucial in extracting surplus value (Kotz et al, 1994). A similar concern has been more specifically addressed in another Marxian approach, the labor process theory. The latter focuses on the managerial efforts to coordinate, motivate, and control workers at the site of production as employers seek for labor's real subordination to capital (Marx, 1867; Braverman, 1974; Edwards, 1980).

While the SSA theory tends to explain capitalist dynamics from a middle-range perspective, the labor process theory aims at exploring the contested terrain in the workplace from a micro perspective. The labor process theory contributes to our understanding of the fundamental class

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contestation embedded in the SSA framework, while the latter provides a structural and institutional setting for the changes in the labor process. Inspired by the relationship between the SSA theory and the labor process theory, this paper intends to apply the theoretical framework to the Chinese economy and explores how the labor process serves as one of the central elements in China's SSA. We attempt to understand the implications of the labor process to the sustainability of the current SSA.

Since the general SSA approach does not specify the precise form that institutions take in particular countries, a specific analytical and historical undertaking is required in order to theorize the particular institutions comprising the SSA of a specific country and period (Kotz et al, 1994) This paper aims at contributing to our understanding of China's SSA by exploring the distinct institutions there.

Given the fact that China's growth has been increasingly dependent on investment and export (Zhu and Kotz, 2010), a full vision of the SSA in China should, at least, be composed of the investment institutions, the foreign trade institutions, and the labor institutions. The investment institutions sustain the high rate of accumulation through the massive investment led by the state-owned enterprises and supported by the state-dominated financial system. The foreign trade institutions sustain the export-led growth by stabilizing exchange rates of the Chinese currency vis-à-vis the key currencies of the world and ensuring the foreign supply of crucial raw materials. Although the investment institutions and the foreign trade institutions are both important, this paper will focus on the labor institutions of the SSA.

As shown in Figure 1, the labor institutions are featured by the relationship between the wage gap and the labor process. The wage gap refers to the gap between wages that are received by workers within a normal length of working day and the living wages that are necessary for the reproduction of labor power. Focusing on these labor institutions, this paper illustrates the following viewpoints: first of all, due to the wage gap, workers have to depend on overtime work and the rural economy in order to accomplish the reproduction of labor power, thus the wage gap produces the combination of high labor productivity and low wages; second, the wage gap results from the power relations in the labor process featured by skill polarization; third, the wage gap further weakens workers' bargaining position in the labor process.

The rest of the paper is organized as follows. Section 2 presents the distinct contradiction with the wage gap and its temporary solutions. Section 3 and 4 go parallel to address the bi-directional determination between the subordination of labor in the workplace and the wage gap. Section 5 discusses the stability of the labor regime within the current SSA. Section 6 concludes.

2. The Contradiction of the Wage Gap and Its Temporary Solutions

Along with China's market reform since 1978 and the march into the global competition, the wage level in China has been significantly low by international comparison. Even as China ascends as a

major economic player in the global economy, China's manufacturing wage level had been far below that of Japan, Korea and Taiwan in their respective fast growth periods (Hung, 2009). The hourly labor compensation even lagged noticeably behind those of other developing countries like Mexico and Brazil (Baister & Cook, 2011).

While the wage level is low by international comparison, a more important fact is that the wage level is lower than a living wage level. Here the wage level refers to the wages that workers are paid by working within a normal working time. According to China's Labor Law, the weekly working time shall not be over 44 hours, which can be considered as a normal working time. A living wage level is defined as the wage that is sufficient for the reproduction of labor power; hence a living wage should be sufficient for the basic needs of workers and their families, including food, clothing, housing, education, medical care and necessary social services.

Although one can hardly observe the wage level for a normal working time given the prevalence of overtime work, the minimum wage level can be taken as a proxy for it, because the most widely used wage system in the private sector divides total wages into basic wages and overtime wages and pegs the basic wage rate on the minimum wage level. Thus in practice, if workers do not work overtime, they often would only receive basic wages at the minimum wage rate. With this proxy, we have the following evidence for the existence of the wage gap.

First, according to a 2013 report by Workers' Center, a non-government organization in Shenzhen, Guangdong Province, based on the interviews with 52 workers, a three-person family with two working parents and one child needs 5783.2 yuan per month for living, while the minimum wage in 2012 was merely 1600 yuan per month (Workers' Center, 2013). This finding implies that, if each parent works without doing any overtime work, then only 55 percent of the necessary expenditure of the family could be met.

Second, a recent study found that Chinese workers were largely paid below the living wage standard measured by the disposable income of the low-income urban households. As shown in Figure 2, in 2009, workers in the western, central, and eastern regions only received 60 percent, 57 percent, and 54 percent of their living wage rates, respectively (Li et al, 2012).

Third, even the state recognized that the minimum wage levels should be raised above 40 percent of the average wage level (State Council, 2013). The All-China Federation of Trade Unions suggested that minimum wages should be 40-60 percent of the average wage level (ACFTU, 2010). However, in 2012, the ratio of the minimum wage level to the average wage level ranged from only 18 percent in Beijing to 36 percent in Shandong Province.¹ Since the state does not have the incentive to raise minimum wages beyond a living wage level, the gap between the objective and actual minimum wages also implies the gap between the actual minimum wages and the living wage (Chan, 2003).

The existence of the wage gap reveals a puzzling contradiction: if workers are paid lower than a living wage, how can they complete the reproduction of labor power? The fact that workers have to complete the reproduction of labor power through other channels in addition to their normal

¹ Data sources: the minimum wages are from Xinhua News Agency (2012), and the average wages are from NBS (2013).

wages implies that capitalists, through failing to pay a living wage, have transferred a significant amount of cost burden to the working class.

So far, one way for workers to maintain a basic living standard is to perform excessive amount of overtime work. According to China's Labor Law, workers shall be paid 50 percent more for overtime work. It is ironic that workers are forced by the wage gap to voluntarily perform overtime work. A 2009 survey by National Bureau of Statistics found the weekly working time for migrant workers reached 58.2 hours in manufacturing, 59.4 hours in construction, 58.5 hours in social services, 61.3 hours in hotel and catering services, and 59.6 hours in wholesale and retailing, far beyond the overtime ceiling stipulated in China's Labor Law (NBS, 2010). One recent job dissatisfaction survey in Guangdong Province found that among 634 received questionnaires, nearly 80 percent of them complained "too much overtime" (Jiang et al, 2009).

The other way to supplement their normal wage income is to rely on the rural economy, given that migrant workers from the countryside take a large share of the urban working population.² Migrant workers leave their dependents in the countryside since the costs of living are much lower in the rural areas compared to the urban areas and since their living can be subsidized by the agricultural income. In this regard, these workers' proletarianization is stuck in a state of incompleteness (Pun & Lu, 2010).

These two temporary solutions support workers' reproduction of labor power by forcing them to endure long work-day hours and by sacrificing their happiness with families. However, the contradiction with the wage gap persists despite the solutions. In the following sections, we will focus on the overtime solution to see how it is rooted in and further affects the power relations in the labor process and how it relies on critical conditions within the whole SSA.

3. Why the Wage Gap Exists: An Labor Process Explanation

In this section, we try to demonstrate the mechanism by which China's labor process has weakened workers' bargaining position against capitalists in demanding a living wage, thus workers have to work overtime excessively. Here the issues of pay, work discipline, job control, and the choice of technology always rise to be contentious and conflictual.

It is a recognized fact that cheap labor is one of the driving forces behind China's spectacular economic growth, especially the export sector, over the last few decades. While the conventional argument for China's low labor cost usually focuses exclusively on the excessive labor supply over demand, we find the pure market argument is fatally inadequate. It attributes relative bargaining power only to the market force and stops short of examining the contested terrain where exploitation and the fight over control originate. In contrast, we argue that the organization of the labor process, or a "factory regime", has also powerfully shaped the interest and the capacity of the

² Migrant workers took 44 percent of urban employment in 2011. Data sources: NBS (2012, 2013).

Chinese working class, especially their bargaining position in defending a decent living standard. It is the key features of the labor process that safeguard China's capital accumulation in the global production chain at the expense of workers' interests and rights.

The first feature of the Chinese labor process is simplicity and repetitiveness. China is still in the low end of the global value chain (Koopman et al, 2008; Dedrick et al, 2010; Xing and Detert, 2010). The supply of cheap labor has facilitated the rapid growth of labor-intensive manufacturing exports. Millions of workers end up in factories located in coastal regions, now gradually proliferating to the inner land, to hand fast-paced and repetitive assembly work. Capitalists in the export sector, facing intense competitive pressure from the supply chain, usually manage the labor process in such a way that most workers only need to perform simple tasks in short cycle times (Kilian et al, 2012). This effectively concentrates the power of control to the hands of management. The tight management control can be ensured by intensive supervision in order to maintain an orderly production and appropriate the surplus from high labor productivity.³

The only "skill" component of the labor process is dexterity which can be gained shortly by repeating particular tasks under simplified instructions, without comprehension of the underlying technical reasoning. The constrained "learning by doing" effect renders workers vulnerable to claim their importance to the factory. As long as they show not as obedient to orders as they are supposed to, they can easily be replaced. For example, recent reports about labor protests in China showed that in most strikes, strikers were often fired or implicitly forced to quit and in some extreme cases, capitalists just fired workers of the entire production line to newly recruit a docile workforce (Qin, 2012).

The simple and repetitive job feature has undoubtedly granted capitalists an upper hand to "cherry-pick" workers and to manipulate employment relations. In 2010, more than nine million students from vocational schools and colleges were forced to work in factories as interns to fulfill the requirement of their education (China Labour Bulletin, 2010). Foxconn, the largest global electronics manufacturer, was disclosed that one third of workers on some production lines were student workers with minimum skill and working experience, which yields some evidence of the low-tech component of jobs (China Labour Bulletin, 2010). Another piece of evidence is the remarkably high turnover rate. Recent studies have found 30-40 percent was a fairly midrange figure for China's labor turnover, and for companies with foreign investment, the turnover rate was estimated to be between 30 and 90 percent (Hurtgen et al, 2009; Pun & Smith, 2007; Kilian et al, 2012). While the high turnover rate could be due to the low job satisfaction, it at the same time implies that a large amount of workers are easily interchangeable.

The second feature of the Chinese labor process is the rare job specific training and the difficulty to accumulate skill in the workplace. In the manufacturing sector, labor contracts are often limited to half a year, as very little on-the-job training is required. For instance, a recent job dissatisfaction survey in Guangdong found 65 percent of workers complained "I did not learn any useful skills for my future" (Jiang et al, 2009).

³ A typical example is the military management in Foxconn. Details see SACOM (2010).

The overt form of low skill required can be illustrated by the general reduction of training and mentoring period along with the introduction of more sophisticated equipment and the takeover of the training by the vocational schools. The widely adopted Computer Numerical Control (CNC) equipment is a representative of certain key features, processes and trends relating to industrial skills occurring within China's manufacturing sector.

CNC program has become an integral part in response to flexible specialization in the post-Fordist era. The program produces a computer file that is interpreted to extract the commands needed to operate a particular machine via a post processor and then loaded into the CNC machines for production. The managerial choice of CNC program has produced a polarizing effect on the skills involved in the production. For example, a few early studies found while programming workers and mechanists are regarded as skilled, the large amount of operators are deskilled to only "moving the component from machine to machine" because of the highly automated procedures (Nicholas et al, 1983; Kelly, 1986; Zicklin, 1987). As many front-line operators become a homogeneous grouping of "interchangeable parts", this tendency serves as a contemporary echo of Harry Braverman's sharp observation of polarization of skills as a general trend inherent in the development of capitalism.

Meanwhile, even the skilled programming workers and mechanists have increasingly become replaceable, as the traditional job specific training had rapidly declined, which is one of the attractive features of the CNC system for capitalists. The programming and mechanical component of the job has been easily generalized and largely taught in the growing vocational education system. In the period 2007-2011, the annual number of graduates from vocational schools increased from 5.3 million to 6.6 million, and 90 percent of vocational school students were subsidized by the state.⁴ Almost all of China's vocational schools have the training program for CNC technology. In other words, the traditional workplace training has been largely outsourced to the schooling system and the job specific skills have been successfully mass-produced.

In general, the simple, repetitive and declining-job-specific-training labor process in China radically oriented workers towards a weak bargaining position to demand a living wage. The construction of the labor process is largely subject to the managerial imperatives of capitalism and the economic mandates of capital accumulation. The prevalent adoption of new technology in the production, as David Noble argues, tends to reinforce rather than subvert the exploitative social relations (Noble, 1985). This adoption does not only trap many workers in the conceived Dickensian condition by the systematic degradation of their human labor and the decline of job-specific work skills, but also inevitably forces them to resort to overtime work to supplement their basic wages. The fear of being replaced has undoubtedly contributed to the disciplinary scheme and reproduced a docile working class.

4. The Impact of the Wage Gap on the Power Relation in the Labor Process

⁴ Data sources: http://edu.gmw.cn/2013-02/28/content_6845317.htm

The wage gap has been rooted in the power relation in the labor process; however, the wage gap in turn deepens workers' subordination to capital on the shop floor, because employers have the power to determine whether workers can overcome the wage gap and complete the reproduction of labor power.

Overtime work is crucial for overcoming the wage gap for individual workers. Figure 3 shows the share of overtime payment in total wages in March 2009 for 29 workers in a mechanical factory in Guangdong Province. Among the 29 workers, two workers were mold designers, six were machine programmers, seven were machine operators, ten were other skilled workers or apprentices, and the remaining were office workers. Each worker worked for 246 hours in that month on average, and 22 percent of the working hours were counted as overtime, while the overtime payment of all the workers took 45 percent of their total wages since overtime work was paid 50 percent more than normal working hours. From Figure 3 one can see that for nearly two thirds of workers the share of overtime payment in total wages was over 30 percent.

As employers take the control of allocating overtime work, they can use it as a carrot and stick strategy to reward and punish workers. Only disciplined workers are allocated sufficient overtime work to fill the wage gap, while workers who are unwilling to be disciplined may have to leave their current jobs due to insufficient overtime work being allocated as a punishment. Under this circumstance, the power of workers is constrained by the wage gap. The obedience of workers results from the joint effect of the reserve army, the features of the labor process, and the wage gap.

Wage gap as a disciplinary tool has historically evolved during the reform period. With the beginning of the market reform, "politics in command" as a distinct management system under the Maoist period was replaced by a system that emphasized material incentives, such as bonuses and piece-rate wages. While "politics in command" encouraged workers' participation in management, material incentives strengthened the power of cadres in management since cadres could decide how to distribute bonuses among workers. From the position of workers, material incentive benefited workers in the short run at the expense of their long-term interests. As workers' income increasingly relied on bonuses, workers had to be more obedient to cadres in the labor process. During the early years of the reform period, the share of bonuses and piece-rate wages in total wages boomed from 2 percent in 1978 to 19 percent in 1990.⁵ This structure of dividing total wages into basic wages and bonuses was the prototype of the current wage system that divides total wages into basic wages and overtime payment.

In addition to taking advantage of workers' need to overcome the wage gap, the current wage system also disciplines workers through the ideology of "distribution according to work" which was also advocated under material incentives of the early reform period. Because, in reality, the direct determination of overtime payment by the length of overtime work appears to be a fair reward to workers, they usually only demand for a higher overtime wage rate, rather than challenging the whole legitimacy of the wage system. However, since it is the state that sets the overtime wage rate as a fixed multiple of the basic wage rate which was often pegged on the minimum wage standard, capitalists can easily transfer the higher-wage demand to the state. As a result, it appears to be

⁵ Data sources: China Statistical Yearbook, various issues.

workers' own responsibility to earn sufficient wages via performing overtime work, rather than the employers' responsibility to raise wages as high as the living wage level.

The wage gap makes workers not only obedient to employers' orders but also the rhyme of capital accumulation. If production stagnates due to the cyclical fluctuations of capital accumulation, opportunities for overtime work would be automatically reduced, which would reduce the total wage bill and eventually contributes to the recovery of profitability. Workers with fewer opportunities for overtime work may ironically strike for more overtime work, while employers do not have any responsibility to provide sufficient opportunities for overtime work.⁶ Under this circumstance, workers would have to leave their current jobs without employers' layoffs, which would further relieve the wage pressure for employers. Thus, the wage gap forces workers to bear the burden of economic downturns by producing a flexible supply of labor power. This flexibility further undermines the power of workers in the labor process.

5. The Stability Conditions of the Labor Institutions

The wage gap produces a combination of relatively high labor productivity and relatively low wages. Due to the excessive overtime work and thus the long working hours per worker, China has been able to achieve higher labor productivity per worker, compared to an economy using the same technology. Meanwhile, workers have to heavily rely on the excessive overtime work and the subsidies from the rural economy to barely reach the living wage level. The actual hourly wage rates, total wages divided by total working hours, are far below the hourly wage level that is sufficient for the living of workers who only perform a normal working time. Thus, compared to the living wage level, employers have paid much lower wages.

The labor institutions facilitate the rapid accumulation of capital via the combination of relatively high labor productivity and relatively low wages, but at the same time challenge its own stability which depends on a couple of conditions.

The first condition is the reproduction of labor power condition. Overtime payment and subsidies from the rural economy must be sufficient to help workers overcome the wage gap; otherwise mounting workers' struggle for a living wage must follow, as the recent booming labor protests have shown. However, sufficient overtime payment requires a sustaining growth of capital accumulation, while the cyclical fluctuation of capital accumulation would threaten capitalists' demand for overtime work. Meanwhile, in contrast to the migrant workers who came to work in the urban areas in the 1990s, the second generation of migrant workers are increasingly separated from the rural economy and live in the urban areas, thus the role of the rural economy in subsidizing workers tends to be marginal in the long run. Both the cyclical fluctuation of capital

⁶ See a series of reports on workers' demand for overtime work in 2011.
<http://finance.ifeng.com/news/special/zhusanjiao/>

accumulation and the marginalization of the rural economy would threaten the reproduction of labor power condition.

The second condition is the labor process condition. Excessive overtime work occupies a lion's share of workers' life and challenges the limits of labor capacity. It is not only necessary to maintain the wage gap to ensure the performance of overtime work, but also necessary to impose rigorous management to push workers' labor capacity to an extreme. Thus, no matter how voluntary workers may appear to work overtime, they are still fundamentally in conflict with management, as they might not perform overtime work as much as and as well as their employers want. This tension may destroy management's effort to maintain industrial peace and lead to workers' struggle against long working hours and harsh management.

The third condition is the pro-capital state condition. In regard to the labor institutions, the state is pro-capital in two senses. On the one hand, the state does not intervene in the overtime work "consensus" in the labor process. Although China's Labor Law sets an upper limit for overtime hours, excessive overtime work still prevails and persists. In reality, the state only ensures the minimum wages to be implemented; however, since both workers and employers accept overtime work, the legal overtime ceiling is left to be futile. This selective way to implement the Labor Law illustrates how the state serves as a pillar of support to capital accumulation. On the other hand, while withdrawing from the labor process, the state intervenes actively in the labor market by promoting the supply of skilled labor, as the example of vocational education shows in Section 3.

6. Conclusion

This paper has examined the specific form that labor institutions have taken in comprising China's social structure of accumulation. We have identified the distinct function of the wage gap in the Chinese economy and traced the weak position of the Chinese working class to the contested terrain of the shop floor where the exploitation and antagonistic relation between capital and labor originate. The paper has also underscored the importance of the wage gap as a crucial mechanism by which Chinese workers have to perform excessive overtime work and further subordinate to the management.

We argue that the high labor productivity resulting from long working day and the low wage compared to the living wage level have together facilitated the high profitability of Chinese capitalism and safeguarded the rapid capital accumulation. The remarkable economic growth during the recent decades is at the expense of workers' living standards and their bargaining power. While workers, in order to reproduce their labor power, have relied on working overtime and the subsidies from rural economy, capitalists have gained strong bargaining power both in the working place and in the labor market. At the end of the paper, we have analyzed the stability conditions for the working of this specific set of labor institutions. The current combination of high labor productivity and cheap labor cost is conditional on a sufficient rural support and a sustaining capital accumulation, the relative tolerance of the long exploitation and pro-capital interventions

from the state. Any of the weakening condition tends to pose serious challenge to the stability of capital accumulation and the sustainability of economic growth in China.

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Figure 1 Labor Institutions of the SSA

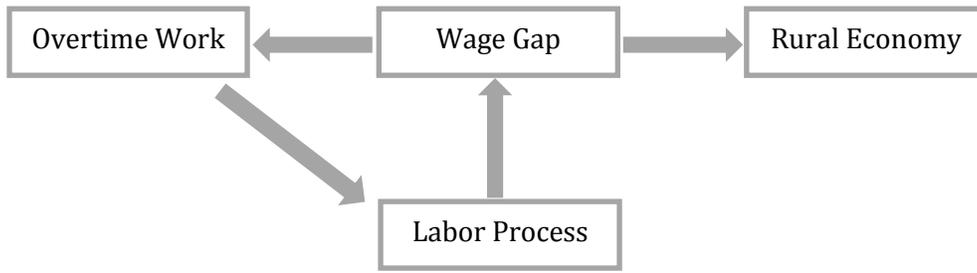


Figure 2 Living wages, actual wages, and minimum wages in the eastern, central, and western regions (yuan/hour)

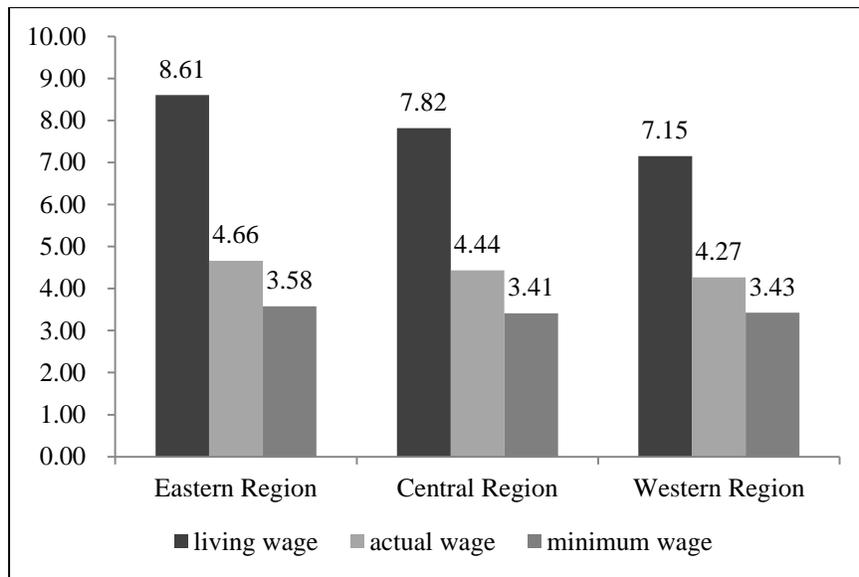


Figure 3 Share of Overtime Payment in Total Wages for 29 Workers in March, 2009

