

Li Hanlin

(China Academy of Social Sciences)

THOUGHTS ON THE EVOLUTION OF CHINA'S WORK UNIT SYSTEM

August 2007

In pre-reform times virtually all urban Chinese were organized through "work units." The term referred for the most part to the person's place of work, but the unit was much more than that: it provided not only employment but also benefits, with benefits very broadly defined: medical care, pensions, but also housing and child-care facilities. For travel transportation tickets and board arrangements would be made through the work unit; indeed, the work unit even provided access to movie tickets. There was no need for unemployment compensation, since one had lifetime tenure in one's job. Since all resources were available only through the mediation of the unit, life outside of a work unit was virtually impossible. The work unit served also, then, as an instrument of social control. As the author of this piece puts it, the state controlled the unit and the unit controlled the individual. For farmers the commune or other collective agricultural organization served the same function as a work unit.

According to this essay, the coming of market reforms disrupted the unit system, although much of it remains. The decay of the unit enhanced individual freedom: people could make their own arrangements for consumption or amusement rather than having to rely on what the unit was able or willing to provide. Where the unit remained it became more a conventional provider of services (running a lunchroom for employees, say) rather than something that controlled the individual's entire life.

In contemporary China some firms remain under the work unit system and some lack it (especially private firms). According to the author, this reinforces a general sense of unfairness, since those within a unit and those not in a unit do not have equal access to all resources. The author implies that many of the functions of the unit should remain, particularly until China develops more wide-spread socialized institutions for providing services. The conclusion seems somewhat flat, though. The author argues for an enhanced role for the Communist Party inside the workplace (this essay may be part of an argument urging the setting up of Party branches in private firms), and also for more “ideology,” apparently to convince people of the justice and necessity of the existing system as well as the justice and necessity of transforming that system.

1. Foreword

In the current phase of the process of China’s systemic evolution, one undeniable fact is that the non-state and non-work unit sector is developing rapidly. Not only is it smashing the dominant position of the state sector and the work units but is also giving rise to a structure in which the unit system and a non-unit system exist together. Those who live in the non-unit system make use both of the market and the non-market sector in the unceasing search to improve their economic and social position. Their behavior gives an incentive to those who live within the unit system. If this kind of structural evolution continues over a long time it will serve, on the one hand, to preserve a fair amount of relative stability and promote harmonious social development; but it also will lead to friction and conflict presenting many challenge to the social integrity and social control.

Before reform and opening, the unit was a basic social organizational form. It provided for a high degree of integration and a low amount of division in Chinese

society. In those days Chinese society was composed of two polar structures. One was the high degree of concentration of political power in the state and government. The other was the highly dispersed and relatively self-enclosed set of work units. In urban areas the components of society belonged to one or another work unit: in school they belonged to the school unit; when they went to work they belonged to the work unit; when they retired they continued to belong not only to their original work unit but to their neighborhood unit as well. People in the units knew each other fairly well. They were no strangers and people understood each other. They depended on each other for their daily life, associating together morning, noon, and night; they had influence over each other and relied on each other. At the same time, in the relationship between the individual and the unit, it was the unit that held a monopoly over the distribution of resources. From cradle to grave, alive or dead, people could not depart from the unit. Unit society constituted the whole environment for social life and social behavior. Institutionally it people could not to break their connection with the unit, because without the unit they would lose their social status and position. From the individual perspective this meant not only personal loss and confusion but also the loss of one's basis for social existence. This made the work unit a premise and condition of the political, economic, and social system.

In fact, for a relatively long period of time the relationship between the state and the unit and the unit and the individual operated in this fashion: The state owned and controlled all social resources. It held a dominant position and had absolute leadership and disposal over the unit. The unit owned and controlled all the opportunities for its members' development and the necessary resources for their social, political, economic, and cultural activities: the unit had absolute leadership and disposal over its members. At

that time, the so-called enterprise unit ran society. The plural functions of the unit had the direct and evident social consequence of strengthening the dependence of the members on the unit. Because of this, it was unnecessary for the state and government to control the behavior and values of members of society; and indeed they could not have such direct control over members of society. All that was necessary was to control the subordinate units in order to achieve state or governmental goals. In other words, state and government control was largely exercised through the units, and the ability of the unit to control the actions of its members toward state ends was the result of the members' dependence on the unit. And the ability of the unit to manage society was a consequence of the multiplicity of the unit's functions. In any situation of social dependency, people can obtain resources only through obedience and bargaining. It is in this way they obtain their status, freedom, and rights.

To speak in general, the unit can be regarded as a system because as a result of the prevailing ideological and value basis it had a certain organizational and institutional structure....In the Chinese system of units, politics was a way of organizing the unit and was part of the unit structure. In the Chinese unit ideological had a special significance. In order to become a "social person" one had to pass through the unit, to live and work within the structure of the unit. This was unavoidable. Whether consciously or not, one was socialized as a "unit person" playing a special role within the unit. One's place in society was the unit's place in society. The unit set the institutional structure determining one's personal scope and behavior.

The unit is was a relatively stable social and organizational structure. It was the product of a melding of traditional culture and modern ideology. Certain traditional

things became ideologized, while certain ideological things were institutionalized. But those basic things that were institutionalized could not be swept away all at once or changed overnight. People's habitual behavior had been absorbed into the structure of the unit, coming into the scope of individual behavior, becoming part of people's mutual expectations. Life in this kind of structure led to a basic "socialization" of behavior. The institutional structure of the unit inhibited social change. The slowness of change had a thick systemic basis. In China today, despite the rapid growth of non-unit organizations and systems, there has arisen a structural deadlock between units and non-units. The unit and the unit system remain an objective fact that cannot be ignored, something that cannot be changed simply by someone's act of will.

Comparison: Units and Non-Units

After 30 years of reform and opening, we have a relatively deep feel for certain basic changes in China's unit system:

There has been a basic transformation of the system of multiple functions. A great many social functions have been gradually separated from the unit and have taken the form of market activities and have been taken up by society as a whole. But there are still some units that still have to operate social functions. These no longer have their original significance. The unit no longer exercises multiple functions but provides certain kinds of services to employees. These become a special kind of social service performed by a particular kind of unit.

The unified centralized management by the state means that the system for the distribution of resources has been smashed, loosened, or is in the process of collapsing. The reliance of the unit on the state or on higher-level units has been growing weaker. At

the same time, following the development of social services the methods of meeting people's needs have become increasingly varied. This serves to weaken the degree to which the individual member of the unit has to depend on the unit. The ability of the state to mobilize unit members or to control and coordinate the activities of the units and their members has become increasingly weak.

The various means of distribution of resources have become weaker in the process of the development of reform. The tendency toward dispersion and marketization has had a profound influence on the organizational behavior of the unit and on the behavior of unit members. The means by which various units and their members obtain resources and social benefits, along with their social status has become increasingly varied, as has the disparity in resources, benefits, and status. This also shows that the resources, benefits, and status are no longer distributed by the state and government but also express the results of market exchange. They are the result of market exchange on the principle of supply and demand.

In the aftermath of reform, members of work units no longer regard the unit as a collectivity that structures their lives from morning to evening. Rather, they regard it as a job and a work place. People no longer depend on this kind of organization as the basis for all their behavior; participation, rather, is for the sake of the benefits it brings, and this is the basis on which they structure their organizational life.

Prior to reform it was necessary that all contradictions and conflicts of interest be expressed in the context of the unit's organization—indeed, there was no other way in which they could be expressed. The state's harmonization and management of conflicts and contradictions also took place within the framework of the unit organization. But

after reform, given the basic change in the degree of dependency on the unit, to a large degree the framework of the unit has been weakened. People's interests are no longer expressed solely in the context of the unit's organization or subject to resolution by the unit's leaders. At the same time, though, these conflicts may be subject to informal arbitration and adjustment through the unit's leadership.

According to social science theory, if the behavior of a social system no longer depends solely on one specific environmental system but instead on a multiplicity of systems, to a certain degree that social system can become autonomous in determining its own behavior, freeing itself from previous dependencies. It gains a certain amount of autonomy and a certain degree of freedom. If we apply this to urban Chinese society, we get the feeling that it is not a matter of reduced dependency. Rather, the environment on which people depend has changed from being monolithic to pluralistic, so there are plural sources of resources, benefits, and status. In this process of pluralistic dependency, people gain autonomy over their own behavior and a certain degree of freedom.

After our analysis of certain changes in the unit system, we must point out that there are certain basic things that have not changed in nature.

From the perspective of production, that kind of social structure remains in name the property of the state or the collective. All leaders in such organizations are merely managers of state or collective property, not owners. Even though economic organizations are now becoming joint stock companies or selling bonds to the public and paying back loans to the public, the state or the collective remains the majority shareholder. On this matter there are two problems that have never been completely resolved. One is confusion concerning who has authority over property. Governments at

any level may represent the state, but they are not legal persons in the eyes of the state. The property of any collective may belong to “everybody” included in the collective; but concretely, as far as any specific person is concerned, it is not clear who is able to make any authoritative pronouncements concerning its disposal. State and collective property remains in an ambiguous position. The basic issue of “whoever owns it is responsible for it” has not been completely resolved. Another problem is the confusion of rights, responsibility, and duty. On the one hand we demand that the leaders and members of an organization show a spirit of responsibility. They should “regard the factory as their family” and be “masters of the house.” In actual behavior, however, especially when it comes to major decisions regarding the organization, there is no clear voice; people feel bound by administrative restrictions, and there is no real feeling of either having a house or being the master of it. Or when people do act as masters, they do not do so on their own behalf but in the name of that vague state or collective entity. Since they are always acting as the agents of someone else, it is difficult for them to take on themselves the full responsibility of masters. This is the reason that “public things are quickly ruined,” or, indeed, are neglected entirely. A disinclination to show enthusiasm for the state becomes an irresistible trend. . .

Since within this kind of social structure property is still owned by the state or collective, organizations will naturally fall within the scope of regular administration, each one occupying one or another administrative rank. There have been various changes in the structure of administrative ranks during the course of reform—say in the level of ownership or in the taxation authority—but the organization has not in the end separated itself from the regular administrative structure of management under the state or the

collective. Since different administrative ranks will have different consequences for interests or access to resources, the leadership of the organizations will be responsive mainly to administrative concerns. [Organizations will desire to attach themselves to administrative units holding a high rank, and within these a premium will be placed on obedience.] In certain matters, since reform and opening some material resources and interests have been gradually loosened and the impact of the state has grown smaller. However, where there is a scarcity of non-material resources, benefits, and opportunities—for example, Party membership, promotion, opportunities for travel abroad, political or social honors—a portion of these, even most of them, remaining the hands of “upper-level units.” As long as such conditions exist, it will be hard for organizations to achieve a complete autonomy.

With reform and opening, there was a great change of perspective resulting from the multiplication of organizational capacities. The basic fact, taking a general analysis of the entire country, is that the lower the level of ownership, the higher the degree of dispersion of capacities. On the contrary, the higher the level of ownership, especially in some units under the Central State, there has not been much change in the distribution of capacities. The relatively greater changes have been in the non-specialized social service functions of low-level units, which have to a greater or lesser degree been transferred elsewhere. Examples include health and retirement insurance, along with the ability to provide amenities such as dining halls, bath houses, hair cuts, nursery school, kindergarten, or other kinds of schools. Other relatively important social functions, such as political functions—for example, the management of personal dossiers and social control—remain with the original social units. In a certain sense, one of the goals of the

dispersal of social capacities was to create conditions that would allow the members to make their own choices in their use of resources, opportunities, and pleasures rather than relying solely on what might be provided by the organization for which they worked. The degree of autonomy and choice available to individuals depends a great deal on the number of possible ways of satisfying their needs and desires. It is precisely in terms of this that there is now far from enough dispersion of organizational capacities. Members of a group have still not become sufficiently independent of the group's leadership. Many people today continue to need to rely on the leadership of the group for the allocation of resources to them. The supply of resources owned by the unit does not meet the demand of the individual members: this remains a typical situation with Chinese units today and is a reason why the unit remains one of the economic bases of politics.

3. Change: Coordination and Control

After we have analyzed the condition of the work unit after 30 years of reform, the ways in which it has changed and the ways in which it has not changed, or changed very little, we are able to analyze the system of coordination and control.

We know that the dependence of the unit on the state and the individual on the unit has been weakened and the freedom of action for the individual has been enhanced. This has had a profound influence for issues of coordination and control especially for urban society. At a minimum, the basis for coordination and control has shifted and the complete dependence of work units on the state and higher units and the dependence of the individual on the work unit has been shaken. The state and government can no longer rely solely on the work unit to control and coordinate the actions of individuals (at least

in certain localized cases of rapid development). The two-level structure of state and work unit has become looser and will gradually disappear.

Generally speaking, control and coordination over a society are exercised through law, ethics, politics, and access to resources.

Control by law primarily means that the behavior of individuals is controlled through systematized coercive rules established through a social process to uphold a particular social order. The law, including various policies and regulations, is a pattern for systematized behavior. On the one hand it imposes strong limitations on behaviors and tells people what to do in this or that situation. At the same time it sets up an order within which behavior can take place, establishing a certain regularity and tendency in behavior, so people will know what is “against the rules.” The process of social modernization, from that particular aspect is the continuous improvement of that systematization of rules. Individuals continue to “internalize” the rules and self-consciously conform their behavior to them.

Control by ethics means that tradition, customs, habits, and such-like unsystematized social rules exert a social pressure, noncoercively compelling people to conform to a particular social order. In its essence control by ethics is control through the social atmosphere, making use of the force of habit, public opinion, and custom to compel people spontaneously to adhere to rules and regulations.

Political control refers to the use by the Party, state, and government of authority, administrative methods, and propaganda to influence the wills and the ideology of members of society, forcing them to accept the social order in their political behavior. The regulation of economic and social activities are the main function of political control.

In the relationship between the controllers and the individuals and groups that are controlled there is a relationship of subordination and dependency. This is a necessary premise for political control.

Control through resources indicates the disparities in possession and allocation among groups and individuals of political, economic, cultural, and social resources, benefits, and opportunities. This creates a social environment of dependency. This compels people to act according to the prevailing means of exchange and puts constraints on their social behavior, such as to achieve the overall objectives of the society. In such a society, the greater the scarcity of resources, benefits, or opportunities, the greater the threat posed by control over resources, and the more effective that control.

We need, then, to explain how these means of control function in those parts of Chinese urban society governed by work units and those not governed by work unit.

In the work unit organizational form, property rights are unclear, a result of the administrative hierarchy, the organization's lack of autonomy, its political functions, and because its specialized functions remain incompletely realized. There has yet to be a complete reform in this relationship of double dependency between the unit and superior units and between the unit and its members. This leads to the result that the government of state and society can still use traditional means to achieve its will, however much this ability has been weakened. This means that in the work unit control through law, through morality, through politics, and through resources still have a relatively great ability to threaten. The state and government can still make use of their subordinate units to achieve their goals, with the work unit playing both a direct and indirect role.

Where there are no work units the arrangements are different, and there is no internal logic to the exercise of the traditional kinds of control. These organizations, particularly firms owned by people from Taiwan, Hong Kong, Macao, or foreign countries do not depend on the government of state or society to provide them with resources, benefits, and opportunities. As far as they are concerned, they are not at all constrained by control over resources. As far as moral control is concerned, these organizations and their members live in Chinese society and in the atmosphere of Chinese culture, and so consciously or unconsciously conform to certain social traditions, customs, or habits. In order to achieve their own goals, they need to conform to social expectations concerning their behavior. But the real constrain on their activities comes through legal controls. Such organizations and their members have thrown off the constraints of resources and politics, but cannot escape legal supervision.

After understanding the above distinctions, it is relatively easy to understand the systems of control operating in Chinese urban society. The state and society can, on the one hand, use only legal methods to control the activities of non-work unit organizations and their members. On the other hand, tradition, custom, habit, and the cultural atmosphere of Chinese society act as an invisible hand constraining their behavior. Within the sphere of is permitted by law and morality, they are free to act as they please in ways that foster their enjoyment of their due rights and powers.

4. A Few Thoughts

After the above analysis it is relatively easy to reach these kinds of conclusions: With the deepening of reform and opening, the dependence of the unit on the state and the individual on the unit has been weakened and the bipolar structure of Chinese society,

that of state and work unit, is gradually disappearing. But in this short period the structure has not been thoroughly reformed. The work unit organization and organizations without work units exist side by side as do the patterns of social behavior generated by each kind of organization. They each influence the other and this condition is likely to persist for a relatively long time. The time is not yet ripe for a thoroughgoing reorganization of Chinese urban society.

A social consequence of this is likely to be a sense of inequality and unfairness among members of society and the contradictions among the members and organizational forms are likely to intensify, leading to a loss of social control. The social environment for the transformation of the work unit system and the creation of a new kind of system has become worse. According to sociological theory, inequality and unfairness do not have a direct influence on social cohesion and control and do not directly lead to conflict and instability. It is only when feelings of relative deprivation, loss of status, or dissatisfaction increase, there is confusion about the basic values and direction of society, and the government is unable either to take gradual steps to rectify these or to strengthen itself that there is the potential for social instability. This has an effect on the transformation and renovation of China's unit system as well as on general social cohesion and control.

In order to avoid as far as possible that kind of situation and allow for the smooth transformation of the work unit system, it is important to make full use of the current resources of the system. The major resources of the system are the three below.

First, the "[Party] branch is built on the [military] company." This has been a special trait of our system, developed through decades of revolutionary construction. This kind of

system upholds the leadership of the Party and is an effective means of social control and coordination. It has an extremely important role in a country as large as ours. The potential for crisis will be greatly lessened if, in the process of the transformation and renewal of the work unit system, we develop the function of the precious resource of the Party members and the basic level Party organization. This will greatly reduce the amount of social capital needed for the transformation and will be helpful in moderating the contradictions in interest among different groups. It will be helpful in assuring effective control and coordination for our entire society.

Next, mass organizations such as trade unions, the youth corps, and the women's federation, in accord with the method of "the branch is built upon the company," penetrate to the basic level in all places in Chinese society. If we can figure out how to make use of such organizations in bringing about the transformation and renewal of the unit system, this will enable us correctly to handle the relations between government and society and bring about social control and coordination.

Third, we must fully develop the function of ideology. People always need something to believe in. Ideology can help people understand and believe in the rationality and fairness in the transformed and renewed unit system, showing how the new system will bring greater benefits to themselves and to others and enable them to internalize the behavior shaped by the new system into their own customary behavior. They will then be willing to struggle for it, and their motivation and enthusiasm will have an enormous consequence for the efficacy of the new system. It is exactly along these lines that ideology in itself constitutes a powerful productive force, one enhancing people's motivation and allowing for the conservation of capital in systemic renewal. From

another perspective, it is through ideology that a new system gains legitimation, and in the process of systemic transformation ideology itself becomes a component of the organization. To a greater or lesser degree, it is through ideology that systems, organizations, and even societies as a whole are able to express themselves. With the help of ideological propaganda that people are able to internalize and socialize new systemic arrangements. Ideology plays a role not only in organizational transformation, but is also a condition for maintaining stability and harmony in the new organizations.

In sum, how to transform China's work unit system and create a new system of social control is a topic of major importance. We need to continue to explore and research the new situations and questions that arise in the process of China's social development.

Xin Hua Wenzhai, October 10, 2007