

**Chinese Employees with Enterprise and Work Reform:
Their Views on Working Conditions
and Labor Management**

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1. Introduction

When we see China's economic reform from enterprise level, we can recognize the central government has struggled for the advancement of two set of systematic reforms during the past 15 years. One is the enterprise system reform, aiming at establishing an actor under a market economy, and the other is the work system reform, which is related to new framework of labor relations. Until now, both reforms have had much effect on working conditions and daily life of the people. The purpose of this paper is to investigate how enterprise employees in China view recent change of labor management policy, based on results of the empirical survey.

2. Problems concerning China's state-owned enterprise

One of the biggest problems in China's economy, emerging in 1990s, is a growing gap in development between the state sector and the non-state sector. This is, in other words, a decline in state-controlled economy. For example, according to the industrial census of China, between 1985 and 1995, the state sector achieved only half as much growth rate of gross industrial output as the non-state sector did. In the same period, the state sector created only one-third as much new employment as the non-state sector did. In 1995, the state sector accounted for only one-third of the total net industrial added value, though it accounted for three quarters of total industrial investment. This tells capital inefficiency of the state economy. Namely, labor productivity in the state sector in terms of added value per worker was lower than that in the non-state sector by over 50 percent. In 1995, 44 percent of state-owned enterprise, producing 21 percent of total industrial shipments and employing 41 percent of all employees of the state sector, recorded red ink¹⁾.

As a result, in the 1985 to 1995 period, the ratio of net industrial output by

state-owned enterprises dropped sharply from 64.9 percent to 34.0 percent, the ratio of total assets fell down from 74.6 percent to 53.7 percent and the ratio of employment decreased from 41.1 percent to 31.6 percent. By contrast, what they call rural enterprises and foreign capital affiliated companies recorded a rapid growth and accounted for a considerably large part of economy. Between 1985 and 1995, the ratio of net industrial output by rural enterprises jumped from 17.7 percent to 42.5 percent, the ratio of total assets increased from 12.0 percent to 20.3 percent, and the ratio of employment rose from 32.9 percent to 49.7 percent, respectively. Similarly, in the same period the ratio of net industrial output jumped from 0.3 percent to 13.1 percent and the ration of total assets rose from 0.2 percent to 16.2 percent, respectively²⁾.

A slump in the state industry indicates the state sector lags way behind the non-state sector with the reform. This is clearly seen in contrastive economic environments to begin with. Since economic reform started in the manufacturing industry, non-state-owned enterprises, particularly, rural enterprises and foreign capital financed enterprises have operated under keen competition in a market economy. Enterprises which had lapsed into a serious business slump were usually driven into a shutdown, and at worst they were closed down. In short, inefficient enterprises which had not been able to gain enough profits disappeared from the society in the long run³⁾. So that, only excellent companies have survived in a market competition, and increased its production capacity with expansion of the China's economy. That's the reason why non-state economy could have made such a rapid growth for a short period.

By contrast, state-owned enterprises had not been operated completely on self-paying basis. Since China as a socialist state has for many years given precedence to social stability and security of employees' life over economic efficiency, state-owned enterprise which had not been able to profit from the market economy or had made only a loss, were not closed down but were subsidized by the state through the credits and soft money allocations. Mean-

while, with the policy of decentralization since mid-1980s, state-owned enterprises also gained management autonomy to a great extent. So, at one time, a great many enterprises increased the production capacity without a deliberate consideration into market demand but, having a large stocks of goods, they soon plunged into the red-ink operation. However, unlike the situations in the non-state sector, deficit-ridden enterprises in the state sector did not go bankrupt ultimately but could continue production, thanks to financial aids from the state. Surprisingly enough, it is reported many of them paid a bonus to their employees for one time.

In 1992 and 1993, however, the central government had decided to effectuate the autonomization of state-owned enterprises and started to harden 'soft' economic environment for the less successful work units. This means the government realized it was a high time to take radical action against a delay in reforming state-owned enterprises. For one reason, successive expenditure on deficit-covering finance for state-owned enterprises already worsened the state budget and accordingly became a possible impediment to further development of national economy. As a guideline, a 'decree restructuring management system of state-owned enterprises' was issued by the State Council in July of 1992 and reforming state-owned enterprises system was accelerated.

The main purpose of the decree was to build up enterprise management system which satisfies requirements of a market economy and enables the enterprise to take its own responsibility for eventually registered deficits under legal control. For this purpose, the decree attached to an enterprise comprehensive autonomy, consisting of 14 items of self-management authority, and clarified management rights and responsibilities of each enterprise. Concerning deficit-ridden enterprises, the decree expected they would find a solution by way of appropriate methods such as switching business, joining in another enterprise, separating an enterprise into different units, shutting down operation, or starting liquidation procedure. As for fairly good enterprises, the decree expected

them to secure and enlarge profits. To sum up, the government planned to develop groups of core state-owned enterprises, and to promote their aggressive entry into a market economy, making them compete with rural enterprises and foreign capital financed companies on the same track.

Another feature of the decree was it fully permitted state-owned enterprise to reduce welfare function which had secured a whole life of employees and to streamline its organization by trimming workforce and outsourcing welfare facilities. In China, the enterprises were 'work units', whose employees were bound to them for life. Work units normally created their own all-inclusive facilities for the employees, including housing, child care, schools, clinics, shops, post offices, etc. In addition to those, enterprises have shouldered expenses for pensions, health care, retirement allowances. Particularly, the growing number of retired person has increased the payment for old-age pensions at a high speed for recent years⁹⁾. These burdens inevitably turn to a handicap for state-owned enterprises when they enter into a market economy and compete with non-state enterprises. So that, in order to make state-owned enterprises autonomous economic units, and bring them in line with the market economy, it would be indispensable to relieve enterprises of the heavy social overheads they are burdened with. As for social security system, China opts for a social insurance system to which employees as well as enterprises and local government should contribute.

The problem is there will have to be sizable reduction of vested rights employees have enjoyed when the government carries out a restructuring of management system in state-owned enterprise. Since economic reform usually involves reorganization as well as readjustment of existing web of special interests, the restructuring will deprive state enterprise employees of vested rights they enjoyed under the old regime, while it will give them new interests or new challenges in return. But the employees generally will want to have their existing benefits as well as new interests one hand, and the enterprise executives

tend to accommodate themselves to unreasonable requests of their employees, on the other hand. Then the reform will have to be collapsed in the long run.

In fact, since economic reform started in the end of 1970's, the China's government has been leading a campaign for breaking 'big rice bowl' (*da guo fan*) and 'three irons' (*san tie*). 'Big rice bowl' is a word which, comparing property of the state or state-owned enterprise to a big bowl of rice, means every enterprise, every institution and every person can take a meal regardless of management efficiency or real work performance. In other words, it is an optimistic attitude of state-owned enterprise, thinking the state will give a support if the company gets into financial difficulties, or it means the egalitarian salary distribution, in which every staff of state-owned enterprise is guaranteed to receive a regular income, regardless of actual contribution and the financial state of the enterprise. 'Three irons' are composed of (1) 'iron rice bowl' (*tie wan fan*) which refers to a lifetime secure employment, (2) 'iron chair' (*tie jiao yi*) which means the promotion system in which an executive position is so much fixed regardless of his job ability and performance that one can keep an administrative position until he reaches retirement age once he is promoted to it, and (3) 'iron wage' (*tie gong zi*) which has almost the same meaning as 'big rice bowl'. All the words symbolically refer to inflexibility and inefficiency of the personnel administration in the state sector.

Unfortunately, until now big rice bowl 'and' three irons' are far from cleared away, that is why the government still conducts a campaign against them. This shows how it is difficult to break vested rights state enterprise employees have enjoyed for many years. Unlike the former Soviet Union or Eastern Europe, where Communist Party lost political power and new government planned to conduct a complete transformation of the planned economy into the market one with a shock therapy method, China cannot take too drastic action depriving enterprise employees of their benefits all at once, which would cause social unrest. For the time being, step by step action will be the only way

to carry out the reform successfully.

Anyway, the reform would not succeed without gaining certain support from enterprise employees. For this purpose, it is necessary to convince them to accept measures the government proposes. Then the question is, for the moment, how the enterprise employees view and evaluate the current process of enterprise and work system reform. In order to look into this problem, it becomes necessary to collect sociological data on how enterprise employees really think of their working lives. However, so far only few researchers have tried to do such studies⁵⁾. That is one of the reason why we decided to make an original questionnaire survey at the company level.

As we mentioned before, the state sectors lagged way behind the non-state sectors with the implementation of reforms. Then how about employees? Generally speaking, it is all right to suppose that state employees and non-state employees have different opinions on the reforms. At the traditional state-owned enterprise, there may be not a few people who have attachment to the old system and have negative attitudes toward the new policies. On the contrary, at the non-state enterprise established recently, it can be possible that most employees have acquired a new way of thinking and have positive opinions on the new systems. Of course they are no more than supposition and need to be verified carefully with empirical evidences. Thus, in the following analysis, regarding “types of enterprise” as a key variable, we will examine the obtained data and describe how the respondents of three different types of workplace (a state-owned enterprise, a joint venture enterprise, and a private enterprise) show different opinions on the questions we prepared⁶⁾.

3. Outlines of the Surveyed Enterprises

The survey was conducted at the companies of Inner Mongolian Autonomous Region from August to September in 1996. The Institute of Economic

Research attached to the Academy of Social Sciences of Inner Mongolian Autonomous Region cooperated with us in preparing the research program. On its recommendation, we selected three enterprises which differ one another in ownership and management forms. The first one is a state-owned enterprise, the next one is a foreign capital affiliated enterprise, and the last one is a private enterprise. We obtained altogether 462 respondents from three enterprise. Of all respondents, 30 percent is man and 70 percent is woman.

Concerning the survey objects, it would be desirable to note two points in advance. One is that all the surveyed enterprises are classified into textile industry and their main products are clothes and textile fabrics made of wool and cashmere. Here one should think of the geographic environments. Namely, Inner Mongolia has a vast expanse of grassland, which is fitting for breeding sheep and Cashmere goats, and as a result it produces a large quantity of wool and cashmere. So that manufacturing these materials into textile goods is a big business in this region. However, since the great majority of personnel in these textile industry are women, in our survey as well, women outnumbered men to a great degree in the total respondents. Another point is that all the surveyed enterprises are operating well and showing a profit constantly. It means we are going to examine responses of employees working for the considerably competitive company in China.

Prior to making an analysis of the data, we have to see characteristics of the surveyed enterprises and respondents. In the following statement, for convenience's sake, we call three enterprises *Company A*, *Company B*, and *Company C*, respectively.

(1) *Company A*

It is a state-owned enterprise in Hohhot, the Capital of Inner Mongolian Autonomous Region. It was established in 1967. *Company A* has five main factories, four subsidiary companies which supply textile materials, two domes-

tic branch offices and a foreign office in the United States. In Hohhot, although there are several state-owned enterprises engaged in the manufacture of wool and cashmere products, only *Company A* has been showing a profit among them. In 1996, it has altogether 2618 employees. Of all personnel, 72 percent is classified into “the fixed staff” who is guaranteed lifetime employment, 12 percent belongs to the contract staff, and 15 percent is the staff of the temporary employment. Although, since 1990’s, the government have been directing state-owned enterprises to apply the employment contract to all personnel, so far *Company A* have applied the employment contract to only small part of personnel. It indicates a delay in reforms.

(2) *Company B*

It is a joint venture in Hohhot. The company was founded in 1988 by the joint investment of Chinese, Japanese and Hong-Kong’s companies. Among foreign investors, the main partners are three Japanese apparel companies. It was a first foreign capital affiliated company in Inner Mongolia. Although the investors form a joint capital company, it seems that basically the Chinese partner has control of daily management. In particular, the Japanese partners have been leaving the personnel affairs to the Chinese partner. As for the Japanese staff, there are only a vice president and 7 technical experts who are supposed to give the Chinese workers technical advises regarding production and goods such as maintaining new machines, designing clothes. The company has altogether 157 employees. All of them were interviewed as respondents of our survey.

(3) *Company C*

It is a private company in Baotou, the largest industrial city in the Autonomous Region, located in western part of Inner Mongolia. It was founded in 1985. When it started business, it was a small-scale company jointly owned by

18 persons. Since then, it has made a great progress in business and expanded its scale at surprising speed, merging 6 state-owned enterprises and making a joint venture with foreign capitals. For only 11 years, it has developed into a large-scale corporation with 8 subsidiary companies. Now it is rated as typical of the excellent company of Inner Mongolia. Of altogether 6400 employees, according to the company's information, 3000 persons are contract staff and 80 percent of personnel are women.

It is alleged that *Company C* owes its great success to the excellent business leadership of the president who has been running the company since its foundation. He was a member of the first joint investors and now can be considered the biggest owner as a matter of fact. During this period, because of merging several state-owned enterprises, ownership structure of the company changed considerably. As a result, now it is counted as a collective-owned enterprise by China's enterprise definition. But it is universally acknowledged that the power structure of *Company C* is practically just as it had been before and accordingly the president and his staff still effectively control the company's decision-making. Therefore, in our judgment, no matter what its administrative classification is, we can safely regard it as a private company.

4. Profiles of respondents

Now let's take a look at characteristics of the interviewed employees in the survey. The data are presented in Table 1 to 6. As regards proportion of man to woman of respondents at each company, the ratio is much the same, namely man was 30 percent and woman was 70 percent. But when it comes to age structure, respondents at *Company A* showed considerably aged structure for the most part. Namely, over-30-years-old age groups formed a majority of respondents at *Company A*, whereas under-30-years-old age groups had a great majority of respondents at *Company B* and *Company C*.

Table 1. Sex

	Male	Female	Total
A	30.8	69.2	100.0
B	29.4	70.8	100.0
C	30.0	70.0	100.0

(percent)

Table 2. Age

	~20	20-30	30-39	40-49	50~	Total
A	5.4	29.3	30.4	31.6	3.3	100.0
B	0.0	92.4	7.6	0.0	0.0	100.0
C	0.0	69.6	22.6	5.3	2.3	100.0

(percent)

Concerning employment positions, it is necessary to note here that Chinese employees can roughly be classified into two kinds of staff. One is called a "fixed staff". This is an employee guaranteed a lifetime employment at the company. Another is called a contract staff". This means an employee who got employed in a company with employment contract. In former times all of regular staff in the state-owned enterprise were fixed staff". But with a view to reforming work system, in 1986 the government introduced employment contract system and began to apply it to newly hired staff. Recently they have been promoting the state-owned enterprises to expand the application of employment contract to all of their staff. So, the proportion of the contract staff in total staff is rated as one of the scales that indicate how the reforms have developed at that enterprise. As regards the surveyed enterprises, three thirds of respondents at *Company A* were "fixed staff", and over 80 percent of those at *Company B* and *Company C* were "contract staff".

Table 3. Employment Status

	Fixed Staff	Contract Staff	Others	Total
A	74.2	11.3	19.6	100.0
B	8.0	81.9	10.1	100.0
C	8.0	81.9	10.1	100.0

(percent)

When we look at educational level, we find respondents at *Company A* had a relatively large share of junior-high-school graduates, whereas those at *Company B* showed a proportion of high-school graduates. As a whole, respondents at *Company B* and those at *Company C* had higher educational background than those at *Company A*. As for respondents' job position in the company, the proportion of "supervisors" which here included various experts showed a large percentage at *Company C*.

Table 4. Educational Level

	Junior High School	High School	Vocational School	College	University	Others	Total
A	36.9	29.3	21.5	6.2	4.6	1.5	100.0
B	13.0	39.9	21.6	14.4	9.8	1.3	100.0
C	21.9	14.9	20.2	14.0	10.5	18.4	100.0

(percent)

We can probably find the most striking disparity at salary level of three companies' respondents⁷⁾. That is, *Company A* paid much lower salaries to employees than *Company B* and *Company C*. The biggest reason is that the average salary level of the state owned enterprise is considerably low in general, as compared with that of non-state-owned enterprises, particularly with that of foreign capital affiliated company. According to the Table 5, among respondents at *Company A*, there were no groups who receive a monthly salary that exceeds 500 yuan⁸⁾. Almost all respondents (95.6 percent) had monthly a salary of under 400 yuan. We should again remember that *Company A* was one of the profit-showing state-owned companies which were rare cases in Inner Mongolian Region at that time.

Table 5. Monthly Salary

	~200 Yuan	200 ~300	300 ~400	400 ~500	500 ~600	600 ~700	700 ~800	800 ~900	900~	Total
A	12.8	44.7	38.3	4.3	0.0	0.0	0.0	0.0	0.0	100.1
B	0.0	0.0	1.7	2.6	35.3	37.1	17.2	5.2	0.9	100.0
C	0.0	3.0	20.1	9.7	20.9	20.9	2.2	9.7	13.4	99.9

Note: One Yuan was in average 13.22 Yen (0.12 Dollar) in September 1996. (percent)

Judging from the figures of the Table 5, *Company B* probably paid the best salary among three companies. At *Company B* there were only few respondents whose monthly salary counted less than 500 yuan and the majority of them received monthly a salary of over 600 yuan. As we told before, the age structure of *Company B* was the lowest among three companies, and almost all respondents were under 30 years old. If we take this into consideration, it may safely assumed that within three companies *Company B* paid quite a good salary to employees regardless of their age.

Company C paid the second best salary. As compared with *Company B*, there are relatively a large number of group (23.1 percent of respondents) who receive over-800-yuan monthly salary. But, perhaps this can be explained by the fact that most respondents at *Company C* have managerial positions in the company.

As mentioned above, responses of each company's respondents showed a remarkable disproportion at pay level. But if we look at their family income, we will find a much greater difference. Namely, according to the Table 6, while the majority of monthly family income of respondents at *Company A* is classified into "400 to 600 yuan" and "600 to 800 yuan" categories, the great majority (83.3 percent) of respondents at *Company B* and the majority (64.8 percent) of respondents at *Company C* are grouped in "800 to 1000 yuan" and "over 1000 yuan" categories.

Table 6. Monthly Income of Family

	~400 Yuan	400-600	600-800	800-1000	1000~	Total
A	12.0	37.3	32.5	7.2	10.8	99.8
B	0.0	2.7	13.9	44.4	38.9	99.9
C	6.5	16.7	12.0	17.6	47.2	100.0

(percent)

Now that we have completed preliminary considerations, the next step is to examine the results of the questionnaire survey. In the following sections, we would like to point out characteristics of employees' responses, dividing the questions into two parts. One is how they view recent change in working conditions. Another is how they are satisfied with their current working conditions.

5. Views on the Present Labor Management Policies

First of all, we would like to see how enterprise employees in China view their workplace situation at present. Here we asked each person, "Concerning the following questions, please show us your own views". We prepared eight questions. The obtained results are presented in each Table. The features of responses to each questions are as follows.

(1) The extent of progress in the reforms

The first two questions are set up with aim to grasping how employees generally think of advancement of the reforms at their own companies. The responses at the state-owned enterprise and those at the private enterprise make quite a contrast.

At first, to the question "To what extent the reforms have been carried out at your companies?", of respondents at *Company A* (state-owned enter-

prise) , the great majority (61.9 percent) consider the reforms were carried out “a little”, and only small portion (6.1 percent) thought they were advanced considerably. On the contrary, over two thirds of respondents at *Company C* (private enterprise) recognized a remarkable progress in the reforms and only few of them (3.2 percent) denied their advancement. As for *Company B* (joint venture) , 44.6 percent of respondents reported “considerably”, 38.9 percent answered “to some extent”, and 15.3 percent said “a little”, thus it is all right to think that most of respondents felt progress in the reforms. To sum up, the overwhelming majority of employees who work at non-state-owned enterprises more or less felt progress in the reforms, whereas a large parts of employees who work for the state-owned enterprise clearly admitted a delay of the reforms.

Table 7. “To what extent has your company carried out the reforms until now?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	61.9	29.9	6.1	2.0	100.0
B	15.3	38.9	44.6	1.3	100.0
C	3.2	20.9	68.4	7.6	100.0

Chi-square values=117.7915 P=0<0.01 (percent)

Second, as China’s economy increasingly turned into a mixed economy which was officially called a ‘socialist market economy’ in the latter half of the 1980s and the beginning of the 1990s, various pressures mounted on enterprises to clear their ranks of redundant workers. Particularly, state-owned enterprises have been asked administratively to make individual assessment of laborers’ productivity and to establish optimum labor organization. However, according to employees’ opinions in our survey, problem of redundant workers was still serious at the state-owned enterprise. To the question “To what extent does your company have so-called excess personnel”, a relatively large number of

respondents at the state-owned enterprise answered they existed “considerably”, while most of respondents at the two non-state-owned enterprises reported they were “a little”.

Table 8. “To what extent does your company have so-called redundant personnel?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	25.2	28.6	42.9	3.4	100.0
B	56.1	26.8	11.5	5.7	100.0
C	49.4	22.2	21.5	7.0	100.0

Chi-square values=32.8934 P=0<0.01 (percent)

(2) On work discipline

Concerning problem of work discipline, we asked employees of their own view very frankly. Their answers were generally moderate as we expected. Namely, respondents admitting there were a considerable number of lazy workers at their own companies were not many at each company. Nevertheless, if we add the percentage saying “to some extent” to that of “considerably”, we can recognize that most of respondents at the state-owned enterprise, namely 59.9 percent of respondents at *Company A* admitted the existence of lazy workers. To the contrary, at *Company B* and *Company C*, namely at the non-state enterprises, over 70 percent said there existed lazy workers “a little” in their own companies.

Table 9. “To what extent does your company have lazy workers and absentees?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	38.3	34.7	25.2	1.4	100.0
B	73.2	14.6	6.4	5.7	100.0
C	70.3	15.2	7.6	7.0	100.0

Chi-square values =39.5515 P = 0<0.01 (percent)

On the question of how disciplinary measures against the loafers are taken in the workplace, basically we found the same tendency as we did on the previous question. Namely, when we asked “In your company, to what extent the supervisor gives an adequate warning or punishment against the workers who often loaf on the job”, at the state-owned enterprise the majority of respondents said “a little”, while at the private enterprise the majority of those expressed “to some extent” or “considerably”. But the observed difference is not so big. That is, even at the private company (*Company C*) there were one-third of respondents who said “a little”. As far as the responses to this question are concerned, at all the companies there were not so many who felt disciplinary measure against the loafers was taken tightly in order to keep order among employees.

Table 10. “To what extent your company gives an adequate warning or punishment against lazy workers and absentees?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	57.1	28.6	12.9	1.4	100.0
B	33.8	2.5	19.7	43.9	100.0
C	34.2	32.9	24.7	8.2	100.0

Chi-square values = 8.9971 P = 0.0111 < 0.05 (percent)

(3) On labor management policies

Here, we asked several questions in order to inspect how employees perceived recent changes in policies of labor management at the company.

On the question of so-to-speak “socialist” egalitarian principle of distribution, there is a notable difference between the responses at the state-owned enterprise and those at the private enterprise. Most of respondents at the state-owned enterprises thought such principle remained more or less, while a majority of respondents at the both non-state enterprises felt such principle was

generally removed. Namely, altogether 69.4 percent of respondents at *Company A*, as compared to less than 20 percent of respondents at *Company B* and *Company C*, told that the concept of “iron rice cup” and “big rice bowl” remained to some or a considerable extent.

Table 11. “In your enterprise, to what extent old concepts of ‘iron ricecup’ or ‘big rice bowl’ remain?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	27.9	35.4	34.0	2.7	100.0
B	51.0	12.1	4.5	32.5	100.0
C	72.2	13.9	5.7	8.2	100.0

Chi-square values = 61.6661 P = 0 < 0.01 (percent)

Then how much degree employees perceived competitive principle was introduced into labor management? When we asked “To what extent wages and posts are basically determined by educational career?”, an overwhelming majority of respondents at the private enterprise said “considerably”. But of respondents at the state-owned enterprise and the joint venture, around a half answered “a little”. It might seem to be strange that more than half respondents at the joint venture, namely at *Company B* reported “a little”. This may be explained by the fact that the proportion of wages determined by the educational career was very small at this company⁹).

Table 12. “In your company, to what extent wage and post are basically determined by educational career?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	49.0	31.3	19.7	0.0	100.0
B	54.3	27.2	18.5	0.0	100.0
C	15.8	33.5	42.4	8.2	100.0

Chi-square values = 37.8233 P = 0 < 0.01 (percent)

But we found a remarkable difference between the responses at the state-owned enterprise and the non-state-owned enterprises when we asked a question about the degree of introducing work-oriented formula. Namely, to the question “To what extent promotion in your company is based on job ability and performance?”, most of respondents at the non-state-owned enterprises thought meritocracy was introduced to some or a considerable extent, whereas most of those at the state-owned enterprise considered meritocracy was applied to a small extent. Particularly responses at the state-owned enterprise and those at the private enterprise makes a contrast. That is, 16.3 percent at *Company A*, as compared 46.8 percent at *Company C* thought meritocracy was introduced into promotion selection to a considerable extent, while 55.1 percent at *Company A*, as compared to 14.6 percent at *Company C* considered meritocracy was applied to it.

Table 13. “To what extent promotion in your company is based on job ability and performance?”

	A Little	To Some Extent	Considerably	N. A.	Total
A	55.1	27.9	16.3	0.7	100.0
B	28.0	36.9	29.3	5.7	100.0
C	14.6	29.7	46.8	8.9	100.0

Chi-square values=40.9345 P=0<0.01 (percent)

The most interesting thing is probably the responses to the question “In your company to what extent connections and private considerations have an influence on promotion of employee?”. Namely, at each company, a considerably large number of respondents admitted such factors have more or less an influence on promotion of the employee. It is well-known that various types of connections such as family, clan, neighborhood, and friendship, play an important role in Chinese society. Taking their function into consideration, the

obtained result does not surprise us at all. Nevertheless, if we compare the responses at the state-owned enterprise and those at private enterprise, we can point out a contrastive difference. That is, 56.5 percent at *Company A*, as compared to 17.7 percent at *Company C*, said connections and private considerations had a considerable influence on promotion of the employee, while 17.7 percent at *Company A*, as compared to 49.4 percent at *Company C*, said they had a little influence on promotion.

Table 14. "In your company, to what extent connections and private considerations have an influence on promotion of employee?"

	A Little	To Some Extent	Considerably	N. A.	Total
A	17.0	25.2	56.5	1.4	100.0
B	42.0	29.9	18.5	9.6	100.0
C	49.4	23.4	17.7	9.5	100.0

Chi-square values=44.8129 P=0<0.01 (percent)

6. Views on Work Reform

In this section, we would like to check value orientation of surveyed employee. Concerning problem of recent work reform in China, we prepared following 15 statements and asked each respondent whether he or she supported it or not.

(1) Wage differentials among different companies

In the time of a planned economy, the central government strictly controlled wage level of employees at all the state-owned enterprises by enforcing a common wage table. So that, if the grade at wage table was same, employees were paid basically same wage no matter where they worked. Therefore there used to be no possibilities of wage differentials among different

enterprises early on. But since the latter part of 1980s the government started deregulation on wage level and permitted each state-owned enterprise to pay extra wage according to the amount of profits of the enterprise. This enabled a profitable enterprise to pay more than an average level. On the other hand, management executives in non-state sector were already allowed to determine wage level independent of state regulations. Now wage level of employee differs from company to company according to its profitability. Generally speaking, pay levels are considerably better in non-state sector as compared to those in state sector. In fact, if we compare pay level of respondents at three surveyed enterprise, the highest one was that of *Company B* (joint venture) showed and the lowest one was that of *Company A* (state-owned enterprise) ¹⁰.

Then how did employee at three surveyed enterprises evaluate these situations? When we asked respondents whether they support the statement “Under a market economy it is no wonder that wage of employee differs from company to company, even though he is engaged the same job”, most of respondents at two non-state enterprises supported it, while most of respondents at the state-owned enterprise were not positively with it . Namely, 54.8 percent at *Company B* and 52.5 percent at *Company C*, as compared to 29.3 percent at *Company A*, supported it, while altogether 69.4 at *Company A* did not answer in the affirmative. This means there were quite a great number of respondents at the state-owned enterprise who could not accept unconditionally the present wage differentials among companies.

Table 15. “Under a market economy, it is no wonder that wage of the employee differs from company to company, even though he is engaged the same job.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	36.7	32.7	29.3	1.4	100.0
B	26.8	8.3	54.8	10.2	100.0
C	23.4	15.8	52.5	8.2	100.0

Chi-square values =13.6067 P=0.0011<0.01 (percent)

(2) Competitive labor management policy

As we told before, as China's economy increasingly turned into a "socialist market economy", various pressures mounted on enterprises to clear their ranks of redundant workers. A gradual hardening of the economic environment, that is an increase in pressure of market competition, forced enterprise executives to take a direct disciplinary action against idle workers and absentees one hand, and to introduce effective incentives to keep efficient and essential employees on the other hand. In short, enterprise executives are required to adopt a "competitive labor management policy". Then the question is how employees viewed such type of labor management.

Judging from the responses at the surveyed companies, we can conclude they probably supported new policies on the whole. Namely, most of respondents at each company affirmed the following statements: "It is natural that the supervisor gives an appropriate warning or punishment against lazy workers and absentees", "The conventional concepts of 'iron rice cup' or 'big rice bowl' in the state sector should be abandoned from now on", "The company should make every possible effort to pay wages according to employees' job performance", "Promotion and pay raise in the company should be based on job competence and performance", "Employees as well have to compete with one another in their job performance", "Nowadays enterprises have to compete with one another as to quality and price of their products", and "Nowadays management executives of the enterprise have to be more competent for gaining much profits from the market rather than simply excellent in ideological loyalty to the Party".

Table 16. “It is natural that the company gives an adequate warning or punishment against a lazy worker and absentees.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	18.4	11.6	63.3	6.8	100.0
B	8.9	6.4	76.4	8.3	100.0
C	7.6	6.3	80.4	5.7	100.0

Chi-square values=10.5738 P=0.0051<0.01 (percent)

Table 17. “The traditional concepts of ‘iron rice cup’ or ‘big rice bowl’ in China should be abandoned from now on.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	12.9	19.7	64.6	2.7	100.0
B	1.3	14.6	80.9	3.2	100.0
C	0.6	5.1	88.0	6.3	100.0

Chi-square values =25.6201 P=0<0.01 (percent)

Table 18. “The company should make every possible effort to pay wages according to employee’s job performances.”

	No	Difficult to Say	Yes	N. A.	Total
A	6.1	17.0	72.1	4.8	100.0
B	15.9	22.3	57.3	4.5	100.0
C	0.6	3.8	89.2	6.3	100.0

Chi-square values=34.6056 P=0<0.01 (percent)

Table 19. “Promotion and pay raise in the company should be based on job competence and performance.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	5.4	15.6	76.2	2.7	100.0
B	4.5	7.0	85.4	3.2	100.0
C	0.0	2.5	89.9	7.6	100.0

Chi-square values=16.2945 P=0.0003<0.01 (percent)

Table 20. "Employees also have to compete with one another in their job performance."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	3.4	12.2	81.0	3.4	100.0
B	1.3	15.3	72.6	10.8	100.0
C	1.3	2.5	90.5	5.7	100.0

Chi-square values=8.8838 P=0.0118<0.05 (percent)

Table 21. "Nowadays enterprises have to compete with one another as to quality and price of their products."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	11.6	16.3	68.0	4.1	100.0
B	2.5	9.6	86.0	1.9	100.0
C	1.3	6.3	86.7	5.7	100.0

Chi-square values =17.6642 P=0.0001<0.01 (percent)

Table 22. "Nowadays management executives of the enterprise have to be more competent for gaining much profits from the market rather than simply excellent in ideological loyalty to the Party."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	21.1	27.2	49.0	2.7	100.0
B	24.8	21.7	48.4	5.1	100.0
C	29.1	17.1	48.1	5.7	100.0

Chi-square values =0.3229 P=0.8509>0.05 (percent)

However, there were two statements on which the observed tendency did not show conformity with others. One is the statement "Basically wages and posts should be determined by educational level". At each company, percentage of respondents who affirmed it was relatively small, in other words a majority of them denied it or reserved their judgment. But, if we interpret the statement as educational elitism in personnel administration, the observed tendency could be considered their disapproval of it and accordingly was not contradicted with

support of most respondents for meritocracy.

Table 23. “Basically wage and post should be determined by educational level.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	42.9	23.1	32.0	2.0	100.0
B	39.5	25.5	31.8	3.2	100.0
C	36.7	18.4	37.3	7.6	100.0

Chi-square values = 0.9458 P = 0.6232 > 0.05 (percent)

The other is the statement “Under a market economy, it is no wonder that a corporate bankruptcy occurs and some company will be closed at worst”. Here we found a considerably large difference between the responses at the state-owned enterprise and those at the non-state-owned enterprises. Namely more than half of respondents at the non-state-owned enterprises (*Company B* and *Company C*) affirmed it, while most of respondents at the state-owned enterprise (*Company A*) denied it or reserved their judgment. Needless to say, if a company is going to be closed, the employees inevitably lose their job for the time being. As is well-known, secure employment had been one of the most valuable advantages of working for state-owned enterprise for many years. So that, it dose not surprise us that there were a great many of respondents at the state-owned enterprise who could not approve possibility of corporate bankruptcy under a market economy without reservation.

Table 24. “Under a market economy, it is no wonder that a corporate bankruptcy occurs and some company will be closed at worst.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	31.3	30.6	36.1	2.0	100.0
B	14.6	23.6	51.6	10.2	100.0
C	9.5	30.4	55.7	4.4	100.0

Chi-square values = 17.5760 P = 0.0002 < 0.01 (percent)

(3) Reform in welfare program

A major feature of the economic reforms has been to make enterprises autonomous economic units. This can only be achieved by relieving enterprises of the heavy social overheads they are burdened with. While housing, as an asset, can be sold off to the occupants or be transformed to become independent enterprises, the social security system is a major problem at present. Until now, urban work units have shouldered expenses for pensions, health care, and unemployment allowances. Moreover, some of state-owned enterprises have provided with employees and their families with social service, such as hospitals, clinics, child care, and elementary schools. Now, the huge expenses involved are taking over by a social insurance system, to which local government, enterprises and employees contribute. At the same time, many state-owned enterprises have begun cutting down the expenses on social service through various ways, for example asking local government to take over hospitals and schools attached to the enterprises.

In our survey, we asked respondents of how they see current situations described above. The results showed their answers were negative on the whole. First of all, when we asked them how they thought of the statement “In future the enterprise should separate non-production parts such as a school or a hospital and make them independent units with a view to cutting down expenses on social overheads”, at every surveyed company respondents saying “I think so” were considerably a small number. More than half of them at all companies answered “I don’t think so”, and if we add percentage of saying “difficult to say”, we can say an overwhelming majority at all the companies did not support the statement.

Table 25. "In future the enterprise should separate non-production parts such as a school or a hospital and make them independent units with a view to cutting down expenses on social overheads."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	51.0	25.9	19.7	3.4	100.0
B	61.1	19.7	13.4	5.7	100.0
C	54.4	24.1	17.1	4.4	100.0

Chi-square values = 3.1268 P=0.2094 > 0.05 (percent)

The tendency of responses was almost similar, when we asked respondents how they think of the statement "Under a market economy, it is natural that the enterprise puts less money into welfare programs than before with a view to cutting down personnel expenses". Most of respondents at surveyed companies answered "I don't think so" or "difficult to say" and conversely respondents saying "I think so" were a minority. Particularly, respondents not approving the necessity of reducing expenses on welfare programs were few at *Company A*. Nevertheless, since the difference among three companies did not show statistically significant, we can say most of employees regardless of enterprise types did not feel all right about a restructuring of company's welfare programs .

Table 26. "Under a market economy, it is natural that the enterprise puts less money into welfare programs than before with a view to cutting down personnel level."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	58.5	26.5	12.2	2.7	100.0
B	54.8	24.2	16.6	4.5	100.0
C	44.3	29.1	20.3	6.3	100.0

Chi-square values = 4.5997 P=0.1003 > 0.05 (percent)

The tendency of responses described above shows a strong feeling of employees that they did not want to lose their vested rights. This is clearly demonstrated in the answers to the following question. Namely, when we asked how they thought of the statement saying “Even though it is absolutely necessary to carry out a restructuring of state sector, it is also necessary to guarantee the jobs and rights of employees in the state-owned enterprise”, a great majority of respondents at all three companies answered “I think so”. But interestingly enough, if we look at percentage of respondents who did not support the statement, we found the figure was the greatest at the state-owned enterprise, that is, 23.8 percent at *Company A*, as compared 16.6 percent at *Company B* and 12.7 percent at *Company C*. In other words, the number of respondents at non-state-owned enterprises supporting the protection of the jobs and rights of state-owned enterprise employees was greater than that at the state-owned enterprise, though the difference was small.

Table 27. “Even though it is absolutely necessary to carry out a restructuring of state sector, it is also important to guarantee the job and rights of employees in the state-owned enterprise.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	8.8	15.0	73.5	2.7	100.0
B	5.1	11.5	76.4	7.0	100.0
C	5.1	7.6	80.4	7.0	100.0

Chi-square values=3.6739 P=0.1593>0.05 (percent)

One of the heaviest social overheads enterprises have shouldered is expenses for old-age pensions for retired persons. The burdens can be particularly heavier by long-established state-owned enterprises, since they have many retired persons they have to support. Although it is often reported one-third of state-owned enterprises in China are in the red-ink operation, it seems paying

old-age pensions to retired persons belongs to a top priority in this society. For example, according to what we surveyed in inner Mongolia Autonomous Region, surprisingly enough, even a deficit-ridden state-owned enterprise provided regularly old-age pensions with retired persons at the sacrifice of active employees' salaries.

In our questionnaire survey, respondents at each company seemed to approve such situation on the whole. Namely, when we asked them how they thought of the statement "It is natural that the enterprise makes great efforts to pay allowances for retired persons prior to wages for active employees", most of respondents at each company answered favorably to it. Namely, of respondents we surveyed, 70.7 percent at *Company A*, 63.1 percent at *Company B* and 74.1 percent at *Company C* said "I think so".

Table 28. "It is natural that the enterprise makes great efforts to pay allowance for retired persons, prior to wages for active employees."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	12.2	14.3	70.7	2.7	100.0
B	12.7	21.0	63.1	3.2	100.0
C	5.7	17.1	74.1	3.2	100.0

Chi-square values = 4.0635 P=0.1311 > 0.05 (percent)

As we told before, in order to relieve enterprises of the heavy social overheads they are burdened with, China has opted for a social insurance system, to which local government, enterprise, and employees are to contribute. Consequently, it has become necessary to collect a premium from enterprises and employees. Needless to say, whether a new social insurance system works successfully depends, for one thing, on how the local government collect premiums from members effectively. However, one of the troubles lying ahead of social insurance system in China is exactly a growing number of nonpayment of

premiums at the state-owned enterprises which cannot afford money because of red-ink operation and financial difficulties.

In addition to it, according to our survey, there lies another problem over a social insurance system. That is, it seems employees did not generally understand the need of paying a premium of insurance. Namely, when we asked respondents how they thought of the statement “Under a market economy, it is natural that every employee has an obligation to pay a premium on social insurance”, at all surveyed enterprises percentage of respondents approving it was a small number and accordingly most of them answered negatively or reserved judgment. To put it more concretely, altogether more than 70 percent of respondents at each company answered “I don’t think so” or “ it’s difficult to say”. By contrast respondents saying “I think so” ranged in percentage from 20.9 to 26.5 at most. If we here remember again that respondents worked for excellent companies in Inner Mongolia, we have to understand the problem more serious, because it means even advantageous employees who receive relatively good salaries (this is particularly true of employees working for *Company B* and *Company C*) did not show readiness to pay a premium on social insurance.

Table 29. “Under a market economy, it is natural that every employee hasan obligation to pay a premium on social insurance.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	37.4	34.7	26.5	1.4	100.0
B	36.9	34.4	25.5	3.2	100.0
C	30.4	44.9	20.9	3.8	100.0

Chi-square values=0.0776 P=0.9619>0.05 (percent)

However, it would be a great mistake if one concludes that employees were satisfied with the present scheme of welfare programs. To the contrary,

when we made face-to-face interview with employees prior to conducting a questionnaire survey, we often heard them complain that a clinic or schools attached to the state-owned enterprise gave only poor service mainly because of financial difficulties. For example, medical or educational facilities became out of date and good staffs did not come to work there because of low level of salary. Therefore, in a questionnaire survey we inserted a question asking respondents how they thought of the statement saying “Non-production parts such as schools and hospitals attached to the state-owned enterprise had better be entrusted other agents. Then working conditions for the staffs and client service will be improved and thus both employees and clients will benefit from it.” We found at least half of respondents at each company supported it. That means, as far as welfare programs are concerned, they were far from happy with the present service level, though employee generally showed the greatest reluctance to losing vested rights.

Table 30. “Non-production parts such as schools and hospitals attached to the state-owned enterprise had better be entrusted other agents. Then working conditions and client service will be improved and thus both employees and clients will benefit from it.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	18.8	31.5	49.7	0.0	100.0
B	8.3	30.6	52.9	8.3	100.0
C	4.4	29.1	60.1	6.3	100.0

Chi-square values=7.2489 P=0.0267<0.05 (percent)

7. Views on State-owned Enterprise

As we told before, in 1992 and 1993, the reforms in China were accelerated. Namely, the central government started to harden economic environment for the less successful urban units, effectuating autonomy of state-owned enter-

prises. There were enterprises which had been structurally underfunded, had poor and backward technology, had poorly educated workers who were difficult to train, had produced commodities that were not in demand any more, had suffered from mismanagement. Such enterprises had not been able to profit from emerging market economy, but were subsidized by the state through credits and generous money allocations. It has been claimed that about one-third or a half of all enterprises belonged to this category. The response of the government has not been to close them down, unless in very special circumstances, in order to avoid the misery and unrest that inevitably follows from large-scale unemployment.

The main strategy has been to link up inefficient enterprises with profitable enterprises but so far it has not gained a desired result on the whole. Most of profitable enterprises don't want to merge inefficient enterprises, mainly because they don't want to take over their debts and social burdens for active and retired employees. Although even deficit-ridden enterprises continue to exist as long as the government gives a minimum level of financial support to them, they cannot help but freeze wage increase for the moment. Since there has recently been a remarkable raise in prices in China, most of employees who work for unprofitable state-owned enterprises find it difficult to get along with. Successful companies, conversely, offer higher level of wages to their employees in order to attract suitably skilled personnel they want. So that, wage differentials from company to company, particularly those between the state sector and the non-state sector have recently been growing.

Keeping such situations in mind, we were motivated to examine how Chinese employees recently saw working conditions at state-owned enterprises. Thus we prepared a series of sentences which referred to the work at the state-owned enterprise and asked each respondent "If you compare the state-owned enterprise with other types of enterprise, how do you think of the following statement? Please tell us whether you support or not." The results are present-

ed in each Table. Now let us see the features of response to each questions.

(1) Working conditions as a whole

At first, we wanted to see how each employee generally evaluated working conditions at the state-owned enterprise. When we presented the statement “The advantage of working for the state-owned enterprises lies in its good working conditions” and asked each respondent whether he or she supported it, we found that respondents having a sense of superiority of the state-owned enterprise over other types of enterprise were now a small portion at all the companies. Of respondents at each company, they were at most one-fourth (*Company A* and *Company C*) . Most of respondents at each *Company* Answered negatively or reserved judgement. Namely, 71.4 percent at *Company A*, 81.5 percent at *Company B*, and 68.4 percent at *Company C* did not affirm the statement.

Table 31. “The advantage of working for the state-owned enterprises lies in its good working conditions”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	34.7	36.7	25.2	3.4	100.0
B	47.1	34.4	18.5	0.0	100.0
C	41.8	26.6	25.3	6.3	100.0

Chi-square values=2.3668 P=0.3062>0.05 (percent)

(2) Employment security

Second, we asked more concretely about working conditions. The first item was employment security. It is well-known, for a long time, the lifetime employment system had been a big privilege only employees (especially “fixed personnel”) of the state-owned enterprise could enjoy. Thus we presented the statement “One of the advantage working for the state-owned enterprise is that

the employment is guaranteed” and ask each respondent whether he or she support it or not. Surprisingly, respondents answering positively to it were a small number at all the companies. Even at the state-owned enterprise, respondents affirming the statement were 30.6 percent (at *Company A*) . Most of respondents at each company answered negatively or reserved judgement. That means most of employees thought employment at the state-owned enterprise was no longer so secure as it used to be. The fact seems to be a surprise at first glance. But here we should note that the central government has more recently has put a greater emphasis on self-paying basis at the enterprise management and accordingly a growing number of state-owned enterprise went bankrupt or into liquidation in China as well. In addition to that, as we examined in the previous paper, nearly 70 percent of respondents at *Company A* (the state-owned enterprise) said fear of unemployment increased¹¹⁾. Therefore, concerning employment security, it is no wonder such a large portion of respondents now questioned the superiority of state-owned enterprise over other types of enterprise.

Table 32. “One of the advantages of working for the state-owned enterprise is that the job is guaranteed.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	37.4	29.3	30.6	2.7	100.0
B	43.9	28.0	22.9	5.1	100.0
C	43.7	23.4	24.1	8.9	100.0

Chi-square values=2.3587 P=0.3075>0.05 (percent)

(3) Workloads, wages, allowances, and housing

Next, we asked about other working conditions. As for workloads, we presented the statement “Basically the job in the state-owned enterprise is comparatively easy to do” and ask each respondent whether they supported or

not. Although respondents were divided in their opinions on this matter at all the companies, of respondents at the state-owned enterprise and the private company, relatively a large portion (40.1 percent at *Company A* and 44.3 percent at *Company C*) said “I don’t think so” and of respondent at the joint capital *Company A* relatively large portion said “I think so”. Anyway, as far as workloads were concerned, it seemed most of respondents did not recognize any advantage of the state-owned enterprise over other types of working unit.

Table 33. “Basically the job in the state-owned enterprise is comparatively easy to do.”

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	40.1	21.8	33.3	4.8	100.0
B	33.1	19.1	41.4	6.4	100.0
C	44.3	23.4	25.9	6.3	100.0

Chi-square values=4.2816 P=0.1176>0.05 (percent)

In contrast to workloads, we could find interesting tendencies concerning other three items. At first, as for wage level, we presented the statement “Basically wage level in the state-owned enterprise is very low” and ask each respondent whether he or she supported or not. The responses at the state-owned enterprise and those at the private enterprise makes a contrast. Namely, a majority of respondents at *Company A* (58.5 percent) answered “I think so”, while nearly half of respondents at *Company C* (48.7 percent) said “I don’t think so”. As regards responses at *Company B*, 37.3 percent said “I think so” and 24.8 percent said “I don’t think so”. To put it in another way, the ratio thinking wage level in the state-owned enterprise is very low was the highest at *Company A*. That means employees at the state-owned enterprise had most strongly a sense of inferiority in their wage level.

Table 34. "Basically wage level in the state-owned enterprise is very low."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	12.9	24.5	58.5	4.1	100.0
B	24.8	12.1	37.6	25.5	100.0
C	48.7	25.3	19.0	7.0	100.0

Chi-square values=39.8069 P=0<0.01 (percent)

Similarly, as for additional allowances, the survey results showed employees at the state-owned enterprise expressed most strongly dissatisfaction with them. Namely, when we presented the statement "Basically allowances in the state-owned enterprise are satisfactory" and ask each respondent whether he or she supported or not, 54.4 percent at *Company A*, as compared to 28.0 percent at *Company B* and 33.5 percent at *Company C*, responded I don't think so". If we add the ratio saying "It is difficult to say" to the ratio saying I don't think so", 74.8 percent at *Company A*, as well as 62.2 percent at *Company B* and 69.6 percent at *Company C* questioned the statement. Namely, we found at all the companies most of respondents questioned the superiority of the state-owned enterprise over other types of enterprise as far as allowances were concerned.

Table 35. Basically allowances in the state-owned enterprise are satisfactory."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	54.4	20.4	22.4	2.7	100.0
B	28.0	34.4	30.6	7.0	100.0
C	33.5	36.1	24.7	5.7	100.0

Chi-square values=9.7309 P=0.0077<0.01 (percent)

Among various fringe benefits of employees working for the state-owned enterprise, the system in which employee could rent an apartment from the

company at very low charge had been a big benefit that was equal to lifetime employment system. Thus we prepared the statement "Providing company housing with employees is particularly a great advantage of working for the state-owned enterprise" and ask each respondent whether he or she supported or not. The responses were unexpectedly negative. Namely, of respondents at the state-owned enterprise (*Company A*), the ratio saying "I think so" accounted for 44.9 percent, in other words, a majority of them answered "I don't think so" or "It is difficult to say". As for non-state-owned enterprises, 56.7 percent at *Company B*, as compared to 36.7 percent at *Company C*, said "I think so"

Table 36. "Providing company housing with employees is particularly a great advantage of working for the state-owned enterprise."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	21.8	29.9	44.9	3.4	100.0
B	21.7	15.9	56.7	5.7	100.0
C	33.5	23.4	36.7	6.3	100.0

Chi-square values=8.0762 P=0.0176<0.05 (percent)

The reason why a great many respondents at *Company B* agreed with the statement was unclear. However, it is understandable why, of respondents at *Company A*, the ratio affirming the statement were unexpectedly little, if we consider the recent change of the housing system. That is, according to new regulation, many enterprises started to sell off the right of using a company housing to the occupant as an asset. When employee purchases an apartment from the company, it is needed to prepare a certain amount of money, though it is not too expensive to employees. Anyway, the system in which employees working for the state-owned enterprise could use a company housing at extremely low charge is coming to an end. That is why, we suppose, a majority of respondents at *Company A* more or less questioned superiority of the state

-owned enterprise as to the availability of company housing.

(4) Total evaluation of merit of working for the state-owned enterprise

Then how did employees view working for the state-owned enterprise as a whole. In order to measure that, we set up three statements and asked each respondent whether he or she supported or not.

The first statement is related with the problem how to get optimum workforce allocation at the family level. When we made interviews with employees working for a state-owned enterprise prior to the questionnaire survey, we often found their family members also had a job at the same enterprise. At one time, many of children whose parents worked for the state-owned enterprise were employed in the same enterprise through their personal connections. So that, it was not unusual that parents and their children worked for the same company. In those days when the non-state sector was underdeveloped, it may be one of the best options for a family to put all the workforce into the state-owned enterprise.

However, survey results reveals that employees who stuck to a traditional work style were now a minority. Namely, when we asked each respondent whether he or she supported the statement "It can be regarded an ideal state that all the working members of a family get a job in the state-owned enterprise", of respondents at each company, the ratio saying "I think so" reached at most 31.3 percent at *Company A*. Most of respondents answered "I don't think so" or "It is difficult to say" (66.7 percent at *Company A*, 72.0 percent at *Company B*, and 72.1 percent at *Company C*, respectively).

Table 37. "It can be regarded an ideal state that every member of family gets a job in the state-owned enterprise."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	38.1	28.6	31.3	2.0	100.0
B	35.7	36.3	22.9	5.1	100.0
C	38.6	33.5	23.4	4.4	100.0

Chi-square values =0.4650 P=0.7925>0.05 (percent)

Then, we asked each respondent more frankly, stating "As the economic reform goes on, advantages of the employee working for the state-owned enterprise is decreasing", whether he or she supported it or not. The result showed respondents were divided in their opinion, though the ratio saying "I think so" were relatively a large portion (approximately one-third at each company) . But if we count respondents saying "I don't think so" and "It is difficult to say" as one group, they reached a majority at each company (57.9 percent at *Company A*, 59.2 percent at *Company B*, and 60.8 percent at *Company C*, respectively).

Table 38. "As the economic reform goes on, advantages of working for the state-owned enterprise is decreasing."

	Don't Think So	Difficult to Say	I Think So	N. A.	Total
A	28.6	29.3	35.4	6.8	100.0
B	26.1	33.1	35.7	5.1	100.0
C	28.5	32.3	32.9	6.3	100.0

Chi-square values =0.1218 P=0.9409>0.05 (percent)

We found a similar tendency, when we presented the statement "From now on it is better to get a job in the foreign capital affiliated company rather than in the state-owned enterprise" and asked each respondent whether he or she supported or not. Namely, respondents at each company were divided in

their opinions and the ratio answering “I think so” were far less than half (at most 36.3 percent at *Company B*). That means most of employees were still undecided whether they should regard the decline of the position of the state sector in national economy as an ultimate one.

Table 39. “From now on, it is better to get a job in the foreign-capital-affiliated company rather than in the state-owned enterprise.”

	No	Difficult to Say	Yes	N. A.	Total
A	25.9	35.4	32.7	6.1	100.0
B	24.2	35.0	36.3	4.5	100.0
C	23.4	45.6	25.9	5.1	100.0

Chi-square values=0.8325 P=0.6595>0.05 (percent)

8. Views on Significance of the Job

With the development of a market economy, working conditions in general started to harden for employees working for state-owned enterprises as well as for those working for non-state-owned enterprises. Then how do they think of their job and company? We approached to the problem from two aspects. One is how employees perceived a significance of the job they perform. The other is how employees obtained adequate information from their company.

(1) View on the job significance

We prepared three questions. The results indicate that on the whole employees recognized their job significance very well. When we asked each respondent “To what extent does your work have importance in your company?”, the ratio saying “a little” were a small portion at all the companies. An overwhelming majority of respondents answered “to some extent” or “consider-

ably". Similarly, when we asked each respondent "To what extent does your work make a contribution towards the company's performance?", most of them at each company answered "to some extent" or "considerably". It is a surprise that the ratio being aware of own contribution to the company were particularly high at the state-owned company (44.2 percent at *Company A*, as compared to 26.1 percent at *Company B* and 29.7 percent at *Company C*) .

Table 40. "To what extent does your work have importance in your company?"

	A Little	To Some Extent	Considerably	N. A.	Total
A	14.3	42.9	42.2	0.7	100.0
B	22.9	41.4	35.7	0.0	100.0
C	6.3	50.0	36.7	7.0	100.0

Chi-square values = 3.4818 P = 0.1754 > 0.05 (percent)

Table 41. "To what extent does your work make a contribution towards the company's performance?"

	A Little	To Some Extent	Considerably	N. A.	Total
A	8.2	47.6	44.2	0.0	100.0
B	31.2	39.5	26.1	3.2	100.0
C	20.9	42.4	29.7	7.0	100.0

Chi-square values = 15.8241 P = 0.0004 < 0.01 (percent)

Respondents showed the highest job consciousness when we asked them "To what extent does your work have an importance towards the job performance of other sections in the company?". Namely, 81.7 percent at *Company A*, 76.4 percent at *Company B* and 76.0 percent at *Company C* recognized an importance "to some extent" or "considerably".

Table 42. "To what extent does your work have an importance towards the job performance of other sections in the company?"

	A Little	To Some Extent	Considerably	N. A.	Total
A	11.6	39.5	42.2	6.8	100.0
B	22.9	36.9	39.5	0.6	100.0
C	16.5	39.9	36.1	7.6	100.0

Chi-square values=1.6837 P=0.4309>0.05 (percent)

(2) Information flow from the company to its employees

According to our survey, communication between the company and employees was not in good conditions. When we asked each respondent, "To what extent does your company give information towards employees about the business state?", the percentage saying "a little" were remarkably high at all the companies. That is, 45.6 percent at *Company A*, 57.3 percent at *Company B*, and 38.6 percent at *Company C*. By contrast, the ratio feeling they get information to a considerable extent were a small portion at all the companies, namely 21.8 percent at *Company A*, 10.2 percent at *Company B*, 20.3 percent at *Company C*.

Table 43. "To what extent does your company give information towards employees about the business state?"

	A Little	To Some Extent	Considerably	N. A.	Total
A	45.6	30.6	21.8	2.0	100.0
B	57.3	26.8	10.2	5.7	100.0
C	38.6	32.3	20.3	8.9	100.0

Chi-square values=7.9669 P=0.0186<0.05 (percent)

Similarly, when we asked each respondent, "To what extent does your company give information about your workplace towards employees?", we found a same tendency. Namely, nearly half of respondents at *Company A* and

Company B expressed they got information to “a little” extent. As for *Company C*, the ratio telling they got information to “a little” extent was less than those at other two companies, but the ratio expressing they got enough information were a small portion , that is, 18.4 percent.

Table 44. “To what extent does your company give information about yourw towards employees?”

	Little	To Some Extent	Considerably	N. A.	Total
A	49.7	36.1	11.6	2.7	100.0
B	48.4	28.7	11.5	11.5	100.0
C	34.8	39.2	18.4	7.6	100.0

Chi-square values=6.5730 P=0.0374<0.05 (percent)

As a result, employees who understood the company’s operation were not many at all the companies. Namely, when we asked each respondent, “To what extent can you understand the structure of the company through doing your task in the workplace?”, the ratio saying they could understand considerably were a small portion at all the companies, that is 17.0 percent at *Company A*, 21.0 percent at *Company B*, and 29.1 percent at *Company C*.

Table 45 “To what extent can you understand the structure of the company through doing your task in the workplace?”

	Little	To Some Extent	Considerably	N. A.	Total
A	33.3	44.9	17.0	4.8	100.0
B	36.3	38.2	21.0	4.5	100.0
C	16.5	47.5	29.1	7.0	100.0

Chi-square values =11.5149 P=0.0032<0.01 (percent)

9. Outlook for enterprise and work reform

In order to gain the support of the people, which is an absolute necessity to achieve success in economic reform, China adopted gradualism as a strategic principle. This was not a way to refrain a radical reform but to do it step by step. The central government designated several regions and enterprises where the plan of reform was needed or possible to realize, and at an early stage the central government carried out a fundamental reform only there. Then, watching the results prudently, the government enacted new laws and decrees to extend institutional reforms to all the regions, enterprises and employees. The aim of these ways was to provide a learning period with the people and to make them realize harsh reality one hand, and to develop their patience for some painful consequences of the reforms, in the other hand. Until now it can be concluded China made it in their strategy. Our survey also demonstrates the people generally understood the need of the reforms very well.

Recently, however, China's government has officially reported a considerably big change in its economic policy to speed up reforming state-owned enterprises, since gradual way of the reform reached the limits of its effects. Namely, in National People's Congress held in March of 1998, the Prime Minister Li Peng announced that in three years the government would rebuild the big and medium-sized state-owned enterprises suffering from red-ink operation through carrying out a drastic enterprise reform. He also addressed the government would encourage M&A (merger and acquisition of enterprises) and establish a definite legal procedure for a corporate bankruptcy.

Such policy assumes a restructuring and downsizing loss-making units in state-owned enterprises which would inevitably dumped a lot of workers into unemployment lines. But the problem is unemployment rate is far from low at present. In 1997, according to the official announcement, the number of the unemployed in urban districts was 577 millions and unemployment rate was 3.1

percent up 0.1 percent from the previous year. However, this figure is undoubtedly an underestimated one, because it does not include the number of workers laid off from the company. In China, unemployed means only the person who loses a job due to a shutdown of the company. In 1997, according to China's state bureau of statistics, the number of accumulated layoffs from state-owned enterprises reached 1200 millions, of which 634.3 millions could not find a job. If we count them as unemployed, the real unemployment rate would amount to 6.5 percent¹²⁾.

Then the question is how far the people have developed patience for such painful consequences of the reform. It is difficult to give a definite answer. Nevertheless, it is hardly possible to say the ordinal people are ready to accept it, according to our survey results. Namely, it is expected the employees would show a great reluctance when they lose their vested rights. This is demonstrated by the fact that, regardless of what type of enterprise they belong to, an overwhelming majority of respondents thought it was necessary to guarantee the jobs and rights of employees in the state-owned enterprise even though it is absolutely necessary to carry out reforms. Furthermore, the surprising thing was that respondents understanding the necessity of paying a premium on social insurance were just a minority at all the enterprises.

If the government wants to persuade the workers to accept a reconstruction plan of state-owned enterprise, they have to present new incentives, for example performance-oriented salary system, and social security measures. Otherwise, the workers would not support the reforms. If the government forces a downsizing plan in the enterprise, it could plunge the employees into a great unease. In fact, with the recent acceleration of restructuring state-owned enterprises, it is reported the workers who lost their job organized a protest demonstration or staged a sit-down strike in front of city hall in various districts. Though the incidents were limited to local areas until now, we cannot overlook their background. Namely, unemployment insurance is yet so poorly

spread in China that it covered only 2.8 percent of the unemployed¹³). Therefore, it is assumed almost all of the workers who joined in the demonstration were fired from their enterprises without gaining sufficient unemployment benefits.

Of course, labor market situations differ from district to district. In the places, where the non-state industries greatly developed, for example a big city such as Beijing, Shanghai, or Guangzhou, it is relatively easy for the jobless to find a new job, so that unemployment problem would not cause a social unrest. By contrast, in the places, where the non-state sector industries are still underdeveloped, it is not so easy for the employees who are dismissed from the state sector to find a new job. Among those places is Inner Mongolian Autonomous Region where we conducted a questionnaire survey. If the impact of the current recession in Southeast Asia on the Chinese economy becomes very serious, it is expected to be more difficult for jobless persons to find a new job. Then the central government would be forced to slow down the pace of personnel cut in the state-owned enterprises. We think no one can tell definitely at present whether China will win a struggle of reforming deficit-ridden state-owned enterprises within three years.

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Notes

- 1) Mitsubishi Research Institute (ed.), *China Information Handbook 1997*, Sousousya, Tokyo, 1997, p. 110.
- 2) Ibid., p. 80.
- 3) For recent example, due to recession in China's economy after the case of Tiananmen Square, there was a sudden increase in corporate bankruptcies at the non-state sector between 1989 and 1991. In 1989, approximately 196,000 rural enterprises were forced to shut down or closed, and reduced their workforce by about 1,787,000. Similarly, in 1990, approximately 186,000 rural enterprises were driven into a shutdown or liquidation, and as a result, about 1,016,000 employees were cut down. See, *Labor Policies and Labor Market in China*, Japan Institute of Labor, Tokyo, 1997, p.275.
- 4) Old-age pensions for the retired persons accounted for 3.0 percent of total expenditure for wages and allowances at the state sector in 1978. The figure jumped to 11.7 percent in 1988 and reached 14.4 percent in 1994. See, *ibid.*, p.164.
- 5) As regards recent surveys on employees' attitudes, we can take following studies for examples. Yukihiko Kiyokawa, *Enterprise Reform and Recent Change in Job-consciousness in China*, The Economic Review, Vol. 45 No. 2, The Institute of Economic Research, Hitotsubashi University, 1994. Takatoshi Tsukamoto, *Chugoku-no Syakaihendo (Social Change in China)* , Zeimukeirikyokai, Tokyo, 1996.
- 6) This is the second report on our survey findings. In the first report, we examined how far employees in Chinese enterprises were satisfied with their working conditions, see Kazuo Zaiki, "*Chinese Employees and Their Job Satisfaction: Comparative Analysis of Survey Results at Three Different Types of Enterprise in China*", Studies in Social Sciences (The Annual Report of Faculty of Integrated Arts and Sciences, Hiroshima University) , Vol.22,

1997, pp.89-120.

- 7) Salary here refers to total amount of wage and allowances.
- 8) Unfortunately we don't have statistical information about average salaries of employees by regions and types of ownership form. But as far as we know, average annual salary of Chinese employees was 5170 yuan in 1996, and average monthly salary was accordingly 431 yuan. (Source; Mitsubishi Research Institute (ed.) , *China Information Handbook 1997* , p.86.)
- 9) According to the material provided by the *Company*, though at *Company B* monthly wages of employees ranged from 500 to 900 yuan, wage differential determined by educational career was only 10 yuan.
- 10) See, Kazuo Zaiki, op. cit. pp.98-99.
- 11) See, *ibid.*, p.105.
- 12) Mitsubishi Research Institute (ed.) , *China Information Handbook 1998*, Sousousya, Tokyo, 1998, p. 150.
- 13) *Ibid.*, p. 150.