Lost in Transition:
The Reality of Reform in a Local SOE in Modernising China

A thesis submitted to The University of Manchester for the degree of
Doctor of Philosophy
in the Faculty of Humanities

2010

Chen Ni

Manchester Business School
Contents

ABBREVIATIONS ........................................................................................................... 5
ABSTRACT .................................................................................................................... 6
DECLARATION ............................................................................................................. 7
COPY RIGHT STATEMENT ............................................................................................ 8
ACKNOWLEDGEMENT ................................................................................................. 9

CHAPTER ONE: INTRODUCTION ................................................................................. 10
1.1 China’s Economic Reform .................................................................................. 10
1.2 The City of Suzhou and its Local Economy ....................................................... 13
1.3 The Research on Peacock .................................................................................. 22
1.4 Contributions to the Existing Literature ............................................................. 25
1.5 Synopsis of this Thesis ...................................................................................... 25

CHAPTER TWO: CHINA’S APPROACH TO SOE REFORM ......................................... 28
2.1 Establishing SOE and SOE Restructuring .......................................................... 28
2.2 China’s SOEs ....................................................................................................... 30
2.3 Learning from the Household Responsibility System: the Contract Responsibility System ............................................................................................................. 32
2.4 Grasping the Large and Releasing the Small: the Modern Enterprise System ...... 35
2.5 Conclusion ........................................................................................................... 39

CHAPTER THREE: METHODOLOGICAL ISSUES ....................................................... 41
3.1 Doing Oral History ............................................................................................. 42
3.2 Doing Oral History in the Context of Peacock, Suzhou ....................................... 45
3.3 My Position as the Interviewer ........................................................................... 48
3.4 Other Methodological Issues ............................................................................. 52
3.5 Contribution of the Study .................................................................................. 54
3.6 Conclusion ........................................................................................................... 56

CHAPTER FOUR: THE BEGINNING OF PEACOCK’S HISTORY ................................. 57
4.1 The Socialist Transformation in China in the 1950s .............................................. 57
4.2 Suzhou during the Socialist Transformation ...................................................... 60
4.3 ‘We were overwhelmed by the joy’: The Birth of Peacock .................................. 62
4.4 ‘Down to the Countryside and Be Re-educated!’ ................................................. 66
4.5 ‘It wasn’t something you could argue with’: Job Allocation in the 1970s .......... 70
4.6 The Reintroduction of the University Entrance Exams ....................................... 72
8.2 ‘...For the sustainable development of Peacock, nothing can be rushed’: Conflicts during Operation ............................................................................................................................................ 174

8.3 ‘They were not arguing from legal grounds, but from emotive grounds’: Labour Unrest during Relocation .................................................................................................................................................... 180

8.4 Conclusion: A Bitter Ending .............................................................................................................................................................................................................. 187

CHAPTER NINE: EPILOGUE .................................................................................................................................................................................................... 189

CHAPTER TEN: CONCLUSIONS .................................................................................................................................................................................................. 198

REFERENCES ................................................................................................................................................................................................................. 206

word count: 83,909
**ABBREVIATIONS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CCP</td>
<td>Chinese Communist Party</td>
</tr>
<tr>
<td>COE</td>
<td>Collective-owned Enterprise</td>
</tr>
<tr>
<td>CMRS</td>
<td>Contract Management Responsibility System</td>
</tr>
<tr>
<td>CRS</td>
<td>Contract Responsibility System</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GCS</td>
<td>Group Company System</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HCRS</td>
<td>Household Contract Responsibility System</td>
</tr>
<tr>
<td>IID</td>
<td>Suzhou Industrial Investment &amp; Development Co., Ltd</td>
</tr>
<tr>
<td>MES</td>
<td>Modern Enterprise System</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
</tr>
<tr>
<td>SKD</td>
<td>Semi-Knocked-Down</td>
</tr>
<tr>
<td>SOE</td>
<td>State-Owned SOE</td>
</tr>
<tr>
<td>TVE</td>
<td>Township and Village Enterprise</td>
</tr>
</tbody>
</table>
ABSTRACT

The University of Manchester, Chen Ni, PhD, Lost in Transition: The Reality of Reform in a Local SOE in Modernising China, December 2010

China’s SOE restructuring has always been an important challenge in the country’s economic reform. However, despite a growing literature dealing with the macro perspective of China’s SOE reform and the large national champions in the country, there have been few attempts to focus on the smaller local SOEs and their employees who also endured all these massive economic and social changes. This study, based on interviewing employees of a once successful small SOE in Suzhou China about their dramatic work-life changes provides another angle to examine China’s SOE reform. It also presents the impacts of the reform measures on a company and, more importantly, on its employees, by allowing the employees to make their own interpretation on the SOE reform and the changes. By doing so, it brings recognition to the employees of China’s local SOEs who seemed to be ignored in past studies and connects the macroeconomic policies and reform measures in China’s transitional period to a more concrete discussion of the actual individuals involved.
DECLARATION

No Portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.
COPY RIGHT STATEMENT

i. The author of this thesis (including any appendices and/or schedules to this thesis) owns certain copyright or related rights in it (the ‘Copyright’) and she has given The University of Manchester certain rights to use such Copyright, including for administrative purposes.

ii. Copies of this thesis, either in full or in extracts and whether in hard or electronic copy, may be made only in accordance with the Copyright, Designs and Patents Act 1988 (as amended) and regulations issued under it or, where appropriate, in accordance with licensing agreements which the University has from time to time. This page must form part of any such copies made.

iii. The ownership of certain Copyright, patents, designs, trademarks and other intellectual property (the ‘Intellectual Property’) and any reproductions of copyright works in the thesis, for example graphs and tables (‘Reproductions’), which may be described in this thesis, may not be owned by the author and may be owned by third parties. Such Intellectual Property and Reproductions cannot and must not be made available for use without the prior written permission of the owner(s) of the relevant Intellectual Property and/or Reproductions.

iv. Further information on the conditions under with disclosure, publication and commercialisation of this thesis, the Copyright and any Intellectual Property and/or Reproductions described in it may take place is available in the University IP Policy (see http://www.campus.manchester.ac.uk/medialibrary/policies/intellectual-property.pdf), in any relevant Thesis restriction declarations deposited in the University Library, The University Library’s regulations (see http://www.manchester.ac.uk/library/aboutus/regulations) and in The University’s policy on presentation of Theses
ACKNOWLEDGEMENT

This study in many ways connects greatly with my personal life. I grew up in the city of Suzhou and lived there until I left for university in 2001. Many changes took place in Suzhou during the time: I witnessed the development of the industrial parks, celebrated the prosperity of the local foreign-related businesses, and sensed the inevitable decline of the city’s state owned industries. My family connection with the local SOE Peacock encouraged me to pay more attention to the fate of China’s small SOEs. Although I was not able to witness in person some of the most dramatic changes that happened to Peacock during the fundamental restructuring, I always feel a responsibility to make Peacock and its employees’ story heard. Small SOEs and their employees should have their fair share in China’s reforming history.

Many people have helped to make this research possible. I am especially indebted to my supervisors Dr. Leo McCann and Professor John Hassard. Without their guidance and support, this study would not exist. My heartfelt thanks and lasting respect goes to them who patiently supervised me and helped me in every aspect of my PhD process. They were everything I could have wished for in supervisors. I would like to thank every interviewee who participated in this research. I was not able to quote every interviewee’s words directly, but everyone I spoke with has helped me with the shape of this research in one way or another.

I would like to thank my parents for their generous support and assistance during the past five years. They have always been my inspiration. I am grateful for the love and support from my boyfriend who is probably relieved that he does not have to listen to me go on and on about Peacock anymore. My friends in China have assisted me in every possible way to make my fieldtrips in Suzhou infinitely easier. For that, I thank them.

This thesis dedicates to the thousands of employees who worked for Peacock in the past. They were the reason for me to carry out this research in the first place. I genuinely wish them all the best in the future.
CHAPTER ONE: INTRODUCTION

In August 2010, many media around the world reported the news that China’s Gross Domestic Product (GDP) had officially surpassed Japan, and China became the second largest economy in the world (see Bloomberg News Aug 16th 2010; Economist website Aug 16th 2010). In fact, China’s economic awakening since more than three decades ago had already been a popular topic for many years. The impressive growth rates China achieved along the years, the indisputable improvements in people’s living standards, and the clear changes in the country’s economic and social structures all generated phenomenal discussions (Steinfeld 1998). The various reforming attempts to the country’s state industries have been researched widely as well.

1.1 China’s Economic Reform

China’s gradualist approach to transition, in contrast to the more radical approach adopted by economies such as those of Central and Eastern Europe and the former Soviet Union, was viewed as an unconventional economic model and attracted considerable attention from academics (Nolan 1995; Hassard et al. 2007). Its gradual rather than abrupt transition to the market was recognised as economically successful, although some questioned the sustainability and the limits of its economic development (Ho and Vermeer 2006). The gradual path China’s economic reform has taken should allow the transitional economy grow out of the previous planned economy by slowly altering the mechanisms of the old system and gradually introducing competition and market mechanisms (Naughton 1995). Therefore, a relatively smooth transition should be achieved by allowing the old system to continue while the new system is still establishing (Fan 1996). This ‘dual-track’ approach is acknowledged to have contributed to the maintaining of stability to certain extent, but problems including ‘rent-seeking’, ‘costs of long-term coexistence of old and new system’ and ‘excessive government intervention’ accompanied with this approach, are criticised by academics and policy-makers (Wu et al. 1996; Fan 1996). Another distinguishing characteristic of China’s reform is the inexistence of sufficient political change. In other former planned economies such as the Eastern European countries, political changes normally preceded economic changes (Cook and Nixson 1995). However, in China’s case, the massive reform which was
initiated more than thirty years ago focuses mainly on the economic side even until now.

One of the major tasks in China’s economic reform is the restructuring of State-owned Enterprises (SOEs). In fact, by more than one generation of Chinese leaders’ own admission, SOE restructuring is the most important challenge facing the nation’s economy (Jiang 1997; Wen 2005). Just as in any former planned economies, China’s SOEs once stood at the ‘commanding heights’ of almost all of its industries (Steinfeld 1998: 2). They used to be the provider of the basic industrial inputs for the country, as well as the provider of employment and social welfare for the majority of China’s urban workers. Unfortunately, they also regularly failed to meet strategic targets for efficiency and performance as a result of central planning (Hassard et al. 2007). As summarised by Steinfeld (1998), China’s SOEs suffered from habitual overstaffing, notoriously low productivity, and unsatisfying profit performance, all of which were ills of socialist production. In response to these problems, a variety of measures aiming at the restructuring of China’s SOEs had been implemented since early in the reform period, but the debate over this topic among academics and policy-makers had never been settled. By their primary theoretical orientations, Hassard et al. (2007) categorised the researches on China’s SOE reform into three groups: Group one emphasises on ownership changes, with policy priority being given to the clarification of property rights. Group two advocates the introduction of competition and suggests the realisation of a competitive external environment is more important. Group three argues instead of changing the state ownership, priority should be given to the improvement of the development of institutions and internal firm management. These arguments, together with the specific measures China adopted including Contract Responsibility System (CRS) and Modern Enterprise System (MES), will be discussed in more details in Chapter Two.

Another important characteristic of China’s economic development is its regional inequality. According to the study carried out by Huang et al. (2003), China’s coastal areas were more developed than the interior areas even since long before the found of the People’s Republic of China (PRC) in 1949, but their research using the Gini coefficient technique shows the level of inequality in China’s regional economies clearly increased from 1991 to 2001. Using regional GDP as an indicator, the extent
of this inequality between the coastal areas and the interior areas in the last decade of the 20th century can be acknowledged clearly:

<table>
<thead>
<tr>
<th>Selection of Regional GDPs in China</th>
<th>in 1991 and 2001 (Unit: 100 million RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>2001</td>
</tr>
<tr>
<td>Shanghai</td>
<td>731.69</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>857.71</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>1471.05</td>
</tr>
<tr>
<td></td>
<td>3060.45</td>
</tr>
<tr>
<td>Tibet</td>
<td>30.53</td>
</tr>
<tr>
<td>Gansu</td>
<td>255.45</td>
</tr>
<tr>
<td>Qinghai</td>
<td>75.58</td>
</tr>
<tr>
<td>Ningxia</td>
<td>68.49</td>
</tr>
<tr>
<td>Guizhou</td>
<td>289.76</td>
</tr>
<tr>
<td></td>
<td>719.81</td>
</tr>
</tbody>
</table>

Source: State Statistical Bureau (www.stats.gov.cn)

Compared to the city of Shanghai and two other provinces in the Yangtze River Delta on the coast (Jiangsu and Zhejiang), the five provinces in the interior areas (Tibet, Gansu, Qinghai, Ningxia and Guizhou) had lagged behind not only hugely in the net GDP but also in the growth rate as well. Such situation hasn’t improved much in the past decade either. According to the newly published regional GDP figure by the State Statistical Bureau, in 2008, there was still a more than seven times difference between the regional GDP of these two groups of city and provinces. Scholars have been trying to explore the determinants of this regional development inequality. Xu and Zou (2000) suggested the status of SOEs, inflation, and the exposure to foreign trade all had an impact on China’s regional development inequality. Yao (1997) argued the uneven development of enterprises in both townships and villages had seemingly been a major factor in the increased inequality in regional income. Steinfeld (1998), on the other hand, tried to explain the reason why some local authorities in China promote business and entrepreneurship better than others and why certain areas in China have lagged behind by focusing on the nature of economic constraint.

Nevertheless, it should be recognised that when studying China’s economic reform, different regional situation should be taken into consideration and discussed separately. In fact, instead of providing a bird’s-eye view of China’s economic reform and SOE restructuring, studies focusing on a relatively micro level can be more effective when trying to identify the actual changes happened in a region or a firm, and the impacts of the reform on individuals. In a sense, this research provides
just that. Although the general picture of China’s SOE reform stages and the related policies will be summarised in the next chapter, the aim of this research is to be decidedly micro in approach. To be more precise, this research focuses on a once successful local SOE, Peacock, in the city of Suzhou, and follows its various developing stages since the establishment. The history of Peacock provides rich sources to understand China’s SOE reform from another angle: the firm-level processes in a local SOE which specialised in television manufacturing, rather than focusing on huge national champions in heavy industries. More importantly, such an in-depth study gives us a chance to look into the changes of work-life of a local SOE’s employees in a presumably developed area of the country. Having looked into the changes they experienced and their frustrations and confusions, the term ‘gradualism’ that is used to categorise China’s reform approach just seems to be too simplistic and incomplete. What we have instead is a series of organisational changes happened rather radically on firm-level that completely altered the work-life of local SOE employees and demolished the value they held for so long towards employment. In a fast advancing local economy, they lost their previously privileged social and economic status and became a part of the cost the country needs to bear during the process of achieving modernisation.

1.2 The City of Suzhou and its Local Economy

The city of Suzhou is located in the Yangtze River Delta, about 80kms northwest of Shanghai. Written historical records indicate that Suzhou has a history of over 4,000 years, which made it one of the oldest residential areas in China. The city of Suzhou we see nowadays was developed based on the ancient ‘Grand City’ built in 514 BC as the capital of ‘Wu’ and has been standing at its original position for more than 2,500 years until now (Yang 2004). When the ‘Grand Canal’1 was completed in Sui Dynasty (581-618 AD), Suzhou found itself strategically located on the most important trade route of the nation and began to perform as a metropolis of industry and commerce in the southern-east coast of China. Moreover, Suzhou’s mild weather condition and sufficient water supply made it one of the most important rice

---

1 It is also known as the ‘Beijing-Hangzhou Grand Canal’, which is the longest ancient canal in the world. The oldest parts of it date back to the 5th century BC. After all the sections were finally combined in Sui Dynasty, the total length of the “Grand Canal” reached 1,770 km roughly, and passed the cities of Beijing and Tianjin, and the provinces of Hebei, Shandong, Jiangsu and Zhejiang. It served as the main artery between northern and southern China for hundreds of years, and was essential for the transporting of grains and other commodities to Beijing. Thus, the corridor along the canal developed into China’s important economic belt. Part of it is still in use even now. (Jing and Du eds 1997)
producing areas in China too. The old Chinese saying of ‘harvest in Suzhou and Huzhou can supply rice for the whole nation’ (suhushu, tianxiazu) describes Suzhou’s status in agriculture in the history. Thus, life in Suzhou had always been comfortable compared with other parts of China at the time. During the Tang Dynasty (618-907 AD), the famous poet Juyi Bai once praised Suzhou as the paradise on earth together with another city Hangzhou in Zhejiang Province. Since then, ‘Paradise in heaven, Suzhou and Hangzhou on earth’ (shangyou tiantang, xiayou suhang) became a famous appraisal for the city. The relatively stable and prosperous local economic condition contributed to the flourishing of architecture and arts. Even until now, many ancient gardens built hundreds of years ago are still preserved in the ancient city as cultural heritages. Embroidery and silk production is still one of the many local specialities in Suzhou. The good life quality, the pleasant weather condition, the passion in arts and the relatively high education level among the local residents all contributed to the formation of the unique ‘Wu culture’, which emphasises on diligence, delicacy, softness and order (Jiao 2001).
However, in more recent history, the development of the nearby city Shanghai’s seaports and modern industries weakened the significance of the ‘Grand Canal’, together with Suzhou’s importance in industry and commerce in the nation. Some modern factories adopting advanced machineries and technologies were set up in Suzhou in the late 19\textsuperscript{th} century, but most of them were in light industries and were small in size.

In the years to come, the decades of war in the first half of the 20\textsuperscript{th} century disturbed the social and economic order of Suzhou and the whole nation. Most of the workshops and factories in Suzhou went out of business. Entrepreneurs and technicians who had financial abilities all left Suzhou with their families, many of whom moved to Hong Kong and other foreign countries. The agricultural recession was fatal too. The productivity of grain in 1945 was only 180 kilos per \textit{mu}\textsuperscript{2}, with an almost ceased production of rapeseeds and silkworms (\textit{Suzhou Municipal Records} 1996). After the Chinese Communist Party (CCP) took power in 1949, Suzhou experienced the socialist transformation period with the rest of the country. The mission was to achieve ‘the gradual realization, over a considerable long period of time, of the socialist industrialization of the state, and the gradual realization of the socialist reform of agriculture, handicrafts, and private industry and commerce by the state’ (Steiner 1959). However, this ‘gradual’ process soon accelerated since the mid-1950s and became a political movement that was to dominate Chinese public life in the next twenty years.

\textsuperscript{2}Chinese tradition measuring unit for area, one \textit{mu} equals to about 666.67 m\textsuperscript{2}.
Following Soviet Union’s example, China focused on the development of heavy industries in the 1950s. Even in Suzhou which historically had no heavy industries at all, a number of factories related to the developing priorities set by the central government were founded.

The relationship between China and the Soviet Union went wrong dramatically after the CCP launched the famous political campaign of ‘criticizing the Revisionism’, targeting the Soviet Union’s ‘Peaceful Coexistence’ policy with the western powers (Bo 2008). China then unveiled the ‘Great Leap Forward’ in 1958, aiming to achieve rapid development in agricultural and industrial sectors in parallel. It turned out to be a disaster. Agricultural productivities were hugely exaggerated by every level of the hierarchy. Decisions made by the central government based on those figures, such as the amount of grain to hand in by every People’s Commune and the exporting of large amount of agricultural
products to friendly countries, all contributed to the largest human famine from 1959 to 1961 (Bo 2008).

In the late 1950s, steel production was considered as the ultimate benchmark of the country’s industrialisation. Everybody in the country, including peasants, was devoted into it using every possible means one could think of. However, the quality of the pig iron produced in people’s backyards without proper technologies turned out to be very poor, so the whole ‘Aiming at Steel Movement’ became a great waste of resources and human effort.

This was mainly because Mao Zedong saw steel production as the symbol of industrial development. He forecast in the beginning of the Great Leap Forward that in 15 years, China’s steel production would surpass that of the UK. Without any professional knowledge on metallurgy, he believed even in the backyard of a residential house, people could produce steel using cheap furnaces. Therefore, he encouraged urban residents to do so nationwide.
During the ten-year Culture Revolution from 1968 to 1978, Suzhou had an unsettling decade as well. ‘Big-Character Posters (dazibao)’ and ‘Criticize and Denounce Conventions (pidou dahui)’ were everywhere. In 1967, because of disagreements in opinions and power distribution, the two different ‘revolutionary factions’ in Suzhou even had an armed conflict in the city, resulting in many deaths (Suzhou Yearbook 1984). In the first few years of the Cultural Revolution, almost none of the factories were under normal operations. In rural areas, peasants would also take part in political movements in their spare time: learning quotations of Mao’s, watching ‘socialist performing arts’, criticizing ‘un-revolutionary behaviours’. In the later years, social orders were reconstructed to a certain extent. Productions in public-owned industrial sectors were resumed more or less while market trading and private workshops, even including tinkers, were abolished as the ‘tail of capitalism’ (Suzhou Municipal Records 1996). Most of the students who went out for the ‘Great Link Up (dachuanlian)’ and the urban youth who were being sent to the countryside to be re-educated came back to school although the national university entrance exams were not re-held until the year of 1977. According to the statistical records, Suzhou’s GDP growth in the late 1960s was negative while by the year of 1976, the growth rate finally reached back to the level before the Cultural Revolution took place (Suzhou Municipal Records 1996).

---

4 Students were encouraged to skip classes and travel across the country for free to meet other young activists and to be educated by the proletarians during these experiences. This movement was called the ‘Great Link up’.
On Sept. 9th, 1976, Mao Zedong passed away. For the whole nation of people who were still deeply in the cult of their leader, his death was a grieving moment. Memorials were held in every city across the country.

In fact, since Prime Minister Zhou Enlai and the Chairman of Standing Committee Zhu De had already passed away earlier in the same year, 1976 was considered as a year for big political changes. Mao’s death was not only the official ending of the Cultural Revolution, but also the starting point of another era. Deng Xiaoping, the former vice Prime Minister who had been purged twice during the Cultural...
Revolution, re-emerged on China’s political stage with his different vision for China’s future soon after. With his support, China cautiously opened up its door to the outside world step by step. A full-scale economic reform which aims to modernise the whole country began in 1978.

As for Suzhou, it was not one of the first few open cities\(^5\), but that did not mean Suzhou was left behind in economic reforms. After years of fast development since the opening of Yangtze River Delta in 1985, Suzhou achieved huge success in developing Township and Village Enterprises (TVEs) and foreign related businesses, and again becomes a city of great economic importance. The Suzhou Statistical Yearbook 2008 shows that Suzhou’s GDP was 570.085 billion yuan in 2007, ranked the 5\(^{th}\) in the whole nation, 1\(^{st}\) in the Jiangsu province. Other economic indexes all indicate the same top positions Suzhou is holding now. It seems Suzhou’s prosperity in the history was fully revived and reached to another level.

**SUZhou in Statistics (2007)**

**Position of Suzhou in the Country**

- Gross Domestic Product: 5\(^{th}\) Place in the Country
- Budgetary Revenue: 4\(^{th}\) Place in the Country
- Total Value of Imports and Exports: 3\(^{rd}\) Place in the Country

**Position of Suzhou in Jiangsu Province**

- Gross Domestic Product: 1\(^{st}\) Place in the Province
- Budgetary Revenue: 1\(^{st}\) Place in the Province
- Total Value of Imports and Exports: 1\(^{st}\) Place in the Province

**Economic Development of Suzhou**

<table>
<thead>
<tr>
<th>2007</th>
<th>Average Growth Rate 1978-2007 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Domestic Product (RMB 100 million)</td>
<td>5700.85</td>
</tr>
<tr>
<td>Total Imports and Exports (USD 100 million)</td>
<td>2117.96</td>
</tr>
<tr>
<td>Actual Utilization of Foreign Capital (USD 100 million)</td>
<td>71.65</td>
</tr>
<tr>
<td>Financial Revenue (RMB 100 million)</td>
<td>1220.23</td>
</tr>
</tbody>
</table>

**Income Level Per Capita in Suzhou (yuan)**

- Disposable Income of Urban Residents per year: 21,260
- Net Income of Rural Residents per year: 10,475

Source: Suzhou Yearbook 2007

\(^{\text{\*}}\) Behind Shanghai, Beijing, Guangzhou and Shenzhen

\(^{5}\) In July 1979, Shenzhen, Zhuhai, Shantou and Xiamen were approved as the first four cities where Special Economic Zones (SEZs) would be set up. In May 1984, another 14 cities on the east coast were approved to open up and to set up SEZs, including Shanghai. The two cities from Jiangsu Province which got approved among these 14 were Nantong and Lianyungang. Suzhou was not opened until the whole Yangtze River Delta was approved to do so in 1985 (Policy Collections from Suzhou Archive Bureau).
Nowadays, standing on the Bridge of Lion Mountain (shishan daqiao), the only bridge which connected Suzhou National New & Hi-Tech Industrial Development District (New District hereafter) with the ancient Suzhou city when the New District was first founded in 1990, the slogan of ‘Development is of Overriding Importance’ – Deng Xiaoping’s famous statement on the direction of China’s future economic reform – is highly prominent. For the ones who are on their first trip to Suzhou, the views they are enjoying will be quite astonishing: skyscrapers and neon lights on one side, tiny bridges and flowing canals on the other. It is indeed Suzhou, an ancient city with thousands of years of history and traditionally famous for its countless gardens and beautiful embroideries, surrounding by 15 economic zones similar to the New District, thus more recently surprised the world by its marvellous economic performance.

![Picture 1.18: Development is of Overriding Importance](image)

Of course, Suzhou’s economic prosperity is not achieved without costs and worries. The aggressive advancement towards industrialisation and modernisation in the past two decades had altered the presence of the city dramatically. The unpleasant consequences of fast economic development, including pollution and crowding, seemed to be inseparable with the improvement of the local economy. Moreover, since the outstanding economic performance of Suzhou in the past twenty years was held largely by TVEs and foreign related businesses, the importance of public-owned enterprises declined significantly. As a result, the State-owned Enterprises (SOEs) and Collective-owned Enterprises (COEs) in Suzhou experienced radical changes and reforms (see Chapter Seven for details). The privatisation and closure of the local public-owned industries caused massive early retirements and lay-offs. Although the local social benefit system and
reemployment supporting systems are relatively more adequate, some mounting labour employment issues on a more profound level cannot be solved by simply relying on the local private sector to prosper and to provide more jobs. The fact that the majority of Suzhou’s public-owned enterprises were small and local, and were not operating in ‘strategically important’ industries shouldn’t be the excuse of ignoring the life of the hundreds of thousands of employees who used to work in them. After all, they are the ones who need to bear the actual impacts of the reforms and live with the changes happened to their work life. This thesis explicitly focuses on them.

1.3 The Research on Peacock

Peacock, one of Suzhou’s many local SOEs which declined during the transition, had a particularly glorious past. As one of the country’s earliest TV specialising manufacturers, Peacock started to produce black and white televisions in the early 1970s. It received investments from both the municipal government and state ministries during its establishment, and had a large factory site in the north part of the ancient city. It was China’s first TV manufacturer to use a semi-automated production line and exported the first sets of televisions manufactured in China to Europe.

Peacock reached its peak in the 1980s when the demand for televisions far exceeded the supply in China. With the production of China’s first colour TV with a remote in 1984, Peacock became a nationwide recognisable brand. The advantages SOEs received in a still largely central-planned economy guaranteed Peacock an agreeable performance. The more than two thousand employees working for Peacock at its
peak time also enjoyed great financial rewards and better welfare than the employees in most of the other local SOEs during that period.

In response to the market and the changing economic environment after China adopted the open-door policy in the late 1970s, Peacock set up a joint venture in the early 1990s with Philips, the world leading producer in consumer electronics, aiming to learn from the advanced technologies and management from the Dutch giant, even at the cost of ‘sacrificing national brand’s domestic market’. The joint venture itself was a huge success financially and contributed greatly to the local revenue, but the cooperation not only brought enormous changes to the work life of Peacock’s employees, but also had unpleasant impacts on this local SOE as well. In fact, since Peacock ceased to produce televisions and other video displaying products after the establishment of the joint venture, the factory started to decline rapidly.

Some reforming measures were implemented in the coming years, including the change of Peacock’s management and a grouping process, but there seemed to be very limited improvement in the performance of the company according to all the interviewees who worked for Peacock during that period of time. When the authority of Suzhou decided to introduce a radical reform to the local SOEs in 2003, Peacock became one of the first privatised SOEs in the city and was sold to 22 of its managers and employees. During this process, people working for Peacock yet experienced another round of huge changes. Unfortunately the clarification of property rights was not able to revive the company instantly. Problems in relating with debts, employees’ mindsets, and job allocation caused serious internal tensions and disharmony. In 2007, an external investor who was interested in the land assets of Peacock rather than its manufacturing ability became the new major shareholder, which indicated
the failure of the original privatisation plan. Soon afterwards, Peacock was ordered to move out of the ancient city and its old factory site which had carried thousands of employees’ good memories and glorious days was torn down. The conflicts during this reallocation in regard to the compensation and the settlement of employees were intensified into a disturbance in the end of December 2008. The local authority had to step in and Peacock’s old factory site was closed amid chaos and acrimony.

Looking back at Peacock’s less than forty years of history, fascinating empirical evidence can be found and connected to the macro reforming stages and policies. Peacock was such a typical local SOE and had more or less experienced all the reforming measures ever suggested. The employees Peacock had along the years also experienced different stages of social and economic development. Their experiences and feelings during this transitional period can be considered as first-hand evidence when trying to understand China’s economic transition and SOE reforms.

As a local from Suzhou, Peacock connected significantly to my own life as well. In 1986, when I was only four years old, my family purchased a Peacock colour TV set produced with Sony’s technology. It was the news of the neighbourhood and literally made my childhood colourful. This television continued to serve the family until 2001 when we moved to a new home, despite the purchase of other larger and better televisions along the years. The incident that really made me see Peacock as a company with thousands of employees rather than a brand of televisions was the reallocation of my father from the general manager of a successful joint venture to the managing director of the troubled Peacock in 1996. Since then, SOE reforms became real events to me and to my family. I started to notice the other side of Suzhou’s prosperous local economic development. Although I was not able to witness some of the most dramatic changes happened in Peacock since I left Suzhou for university in 2001 and then continued with my further education abroad, Peacock and its employees’ fate always caught my attention. To certain extent, Peacock is the reason I pursued the research of China’s SOE reform and I had always felt a personal obligation to tell the story of this company as one of the local SOEs which were generally neglected by major academic researches together with the stories of its thousands of employees. I believe with appropriate methodologies, which would be discussed in Chapter Three, this research on Peacock and its employees would record
and make sense of a history that has important significance in China’s transitional period and would benefit to the literature of China’s economic reform as well.

1.4 Contributions to the Existing Literature

This study will make a contribution to the existing literature in two respects. Firstly, it will extend the current understanding of China’s economic reform on state enterprises by providing an in-depth micro study on the actual reform process from a firm-level. Along the years, there have been some outstanding studies that examined the country’s economic transition and its SOE reform. Some of the studies explored the general picture of the reform and the policies adopted at the different stages (see Naughton 1995; Harvie 2000; Nolan 2001, 2004; Wu 2003). Some at the same time addressed the reforming issues in large SOEs in the country’s heavy industries, such as the steel and iron industry (see Steinfeld 1998; Hassard et al. 2006, 2007). However, this research is different. It will provide another angle to examine China’s SOE reform by looking into the changes which engulfed a small local SOE during the past a few decades. The fact that this SOE is located in one of the most developed areas in China adds the possibility for discussing the labour employment issues in a different context as well.

Secondly, this research will contribute to the study of China’s contemporary ethnographic history. This retrospective research allows us to understand the impacts of the reform measures on a company and, more importantly, on its employees. It also brings recognition to the employees of China’s local SOEs who seemed to be ignored in past studies, and allows them to make their own interpretation on the SOE reform and the changes. To certain extent, this research aims to present and make sense of a period in China’s contemporary history by interviewing the participants directly. It will connect the macroeconomic policies and reform measures in China’s transitional period to a more concrete discussion of the actual individuals involved, and therefore allow us to establish a better understanding of this period.

1.5 Synopsis of this Thesis

The summaries of the subsequent chapters in this thesis are as follows:

In Chapter Two, China’s various SOE reforming attempts will be discussed with the focus being paid to the widely promoted Contract Responsibility System and Modern Enterprise System. Chapter Three serves as a methodology chapter that elaborates on
the methods I used when conducting this research and analyses my position as the researcher and the interviewer together with the problems and difficulties I encountered.

Chapter Four represents the first of a series of chapters that discusses the development and reforms Peacock experienced in the past four decades. The establishment of Peacock and its initial recruitment are presented with grander political activities. Just as in the following chapters, individuals’ personal stories are the main focus since the purpose of the whole study is to understand history from ordinary people’s perspective. Chapter Five examines the period when China first started the economic reform. The initial liberalisation of the economy and the dual-track system provided SOEs like Peacock a great opportunity for development. Employees’ work life is examined with topics including the job allocation and training system, life at work, reward and welfare, and the Union activities.

In Chapter Six, Peacock’s situation in the economic retrenchment in the early 1990s is described. The setting up of its joint venture with Philips can be considered as a response to the decline of the state industry and the prosperity of foreign related business in Suzhou. Employees of Peacock reacted differently to this change and the ones transferred to the joint venture started to lead a very different work life. Chapter Seven examines Peacock’s privatisation in the early 2000. It starts with an overview of the SOE ownership change as a whole in the city of Suzhou and elaborates on the detailed issues using Peacock’s case. Many efforts were spent to ensure the stability, but the economic efficiency of such a privatisation was not set as the priority.

Chapter Eight represents the intensified conflicts between the different groups in the company, which led to further organisational changes. The only labour unrest in Peacock’s entire history was caused by the inappropriate dealing of the labour during the relocation of the company, and resulted in a bitter ending of the company’s forty years’ of history.

Chapter Nine serves as an epilogue that traces some of Peacock’s former workers’ situation after the closing down of their factory. The impacts of working for Peacock had on them would never fade out. Chapter Ten concludes Peacock’s history and the research, and argues that when China’s transition brings people economic advancement and progression, it also brings people great confusions and insecurities. Modernisation promises opportunities, power and growth, but at the same time, it
also threatens to destroy what people believed and were used to. Under such circumstances, policy makers in China should be more aware of the social obligation the state has to its people.
CHAPTER TWO: CHINA’S APPROACH TO SOE REFORM

Since China embarked on the reform of its economic system in 1978, state enterprise restructuring has always been a central challenge. SOEs have played a pivotal role in China’s economy. Although they suffered from habitual overstaffing, notoriously low productivity and declining profit performance, they used to provide most of the industrial inputs for the economy, and employ the largest proportion of the nation’s urban workforce. Even after decades of economic liberalisation, their monopoly over more capital-intensive industries still remains unchallenged (Naughton 1998: 16). But the situation of China’s state industrial sector has long been unsustainable. In as early as 1998, the SOE sector as a whole made a loss of 7.8 billion yuan already, with 50% of the industrial SOEs posting losses (Hassard et al. 2007: 95). The dying state sector was threatening to drag down the nation’s entire economy along with it ever since.

This chapter introduces the problems SOEs have in general and the arguments behind the different restructuring attempts. It then represents the changes in performance of China’s SOEs in the past decades before elaborating the two main approaches China took to revive its state-owned industries. By doing so, this chapter sets up the policy background before introducing the empirical case study of Peacock, the local SOE that experienced every stage of China’s SOE restructuring.

2.1 Establishing SOE and SOE Restructuring

SOEs are not an exclusive form of organisations for socialist countries. They were widely established in industrial nations between the 1930s and the 1950s and were rapidly expanded among developing countries in the 1960s and the 1970s (Hassard et al. 2007). However, it was in socialist countries that state ownership was favoured over other forms of ownership.

The various objectives of establishing SOEs include: first, they were essentially a remedy for market failure and inefficiencies; second, they may be used to redistribute economic resources; third, they can be used to create political benefits; last but not least, they are used to channel resources to ‘strategically important’ sectors of the economy (Yarrow and Jasinski 1996). As a result of central planning, SOEs in general suffered from problems such as having unclear, multiple or sometimes conflicting social and economic objectives; over-centralisation; and
excessive personnel costs (Shirley 1983). The World Bank (1995) also suggested that information asymmetry and inefficient incentives and impaired profit-orientation were common problems in SOEs and that loss-making SOEs were absorbing too many state subsidies and thus were affecting macroeconomic stability. Worldwide evidence shows that many SOEs have incurred heavy financial losses and have been economically inefficient (Kikeri et al. 1994). Growing concerns with the inefficiency and underperformance of SOEs led to various attempts at reform. The arguments behind these attempts of reforms can be categorised into three groups (Hassard et al. 2007):

a. The ‘ownership-solution’ group suggests that shifting the ownership of SOEs from public to private hands is the best measure to improve economic efficiency. Private ownership is considered as more efficient than public ownership with the theoretical grounds rooted in theories of incentives, government behaviour and corporate governance, and principal-agent theory (Shirley 1999). Empirical evidence is used to demonstrate this superiority as well (Boardman and Vining 1992; Kikeri et al. 1994; Shirley 1999).

b. The ‘competition-solution’ group suggests that public ownership has some potential advantages over private ownership (Vickers and Yarrow 1988) and priority should be given to the creation of competitive markets rather than ownership change. This group of literature admits the contribution of ownership change on SOE reform but at the same time casts a critical eye over the works of ownership-solution group (Vickers and Yarrow 1988; Cook 1997). It is suggested that without a competitive market, the relative advantage of incentive over monitoring efficiency is less clear.

c. The ‘management-solution’ group advocates management reform without the need for mass privatisation and proposes to focus on issues related to institutions and management to improve efficiency and performance (Naughton 1995). Evidence from some transitional economies along the years suggests the theory used to guide the improvement of a market economy, such as rapid privatisation, cannot be used to guide a transitional economy (Nolan 1995). Importance is increasingly attached to institutions in transforming economies, although the application of new institutional economics is still limited (Smyth 1998).
The debates between the advocates of ownership change, competition and management reform theories remain on-going. The literature acknowledges the significance of ownership change on public-enterprise reform (World Bank 1995; Shirley 1999), but it also acknowledges that changing ownership alone is insufficient, especially in transitional economies (Cook and Kirkpatrick 1997; Yarrow 1999; Nolan 2003). Attention should also be drawn to the extensive and far-reaching impacts generated by the transformation of public-enterprises on labour, the employment relationship and social security (Hassard et al. 2004, 2006, and 2007).

2.2 China’s SOEs

As a transitional economy, China used to be a nation with few ‘private’ firms. However, the country maintained ‘public ownership’ over industrial assets, but not necessarily ‘state ownership’ (Steinfeld 1998). There is an ambiguous distinction between ‘state owned’ (guoyou) and ‘publicly owned’ (gongyou) in the country. State-owned Enterprises (SOEs) are owned by ‘all the people’ (quanmin suoyou). These are the firms known to be providing lifetime employment and cradle-to-grave benefits and are the subject of most of the literature on ownership change and other reform practices in China. Publicly-owned enterprises, on the other hand, include not only SOEs but also Collectively-owned Enterprises (COEs) which are owned by specific local governments (jiti suoyou) including county or village level in rural areas or at the municipal level in urban areas. In general, COEs and SOEs operate in different sectors and behave differently in many aspects. Property rights over COEs are defined far more clearly than over larger State-owned enterprises. Also, they tend to operate in lighter, less capital-intensive industries since they generally do not usually have access to central sources of credit, subsidisation and investment thus are not able to challenge SOEs’ monopoly over heavy industry. The social welfare benefits provided by COEs are less sufficient as well (Steinfeld 1998). However, in certain areas of the country like Suzhou with very few large SOEs, urban COEs used to serve as supplementary to its urban SOEs during the planned economy to provide extra jobs and expand production. The distinction between ‘state ownership’ and ‘public ownership’ here was blurred even more. In fact, when Suzhou conducted reforms on its SOEs in the later stages, the urban COEs were not excluded. Therefore, in this research, when talking about SOE reform in Suzhou, it is worth
noticing that many measures were applied to its urban COEs as well. The transformation of state ownership in this research’s context is actually a transformation of public ownership if without further explanation.

Over the past three decades of reform, the role SOEs play in China’s economy has declined significantly. In 1978, SOEs accounted for over 75% of the nation’s industrial output. By the year of 1991, this portion had dropped to around 55% (Naughton 1995). Since then, both the number of SOEs and the share of industrial output accounted by them continued to decline rapidly (see Table 2.1). With regard to employment, the number of employees in state-owned sectors actually increased after the country’s economic reform was initiated in 1978. It remained relatively stable in most of the 1990s, but started to decrease dramatically since 1998. The change of the number of employees registered with industrial SOEs was in agreement with this pattern as well. By the end of 2005, the number of employees registered with state-owned sectors and industrial SOEs has dropped to only 62.32 million and 10.40 million respectively (see Table 2.2). Such massive lay-offs had brought huge threats to the country’s social stability, which has intensified the dilemma of SOE reform as a whole (Liu and Gao 1999).

Table 2.1

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Industrial Enterprises</th>
<th>No. of Industrial SOEs</th>
<th>Output accounted by SOEs (%)</th>
<th>Year</th>
<th>No. of Scaled Industrial Enterprises*</th>
<th>No. of Industrial SOEs</th>
<th>Output accounted by SOEs* (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>8,612,100</td>
<td>103,300</td>
<td>51.52</td>
<td>2000</td>
<td>162,885</td>
<td>53,489</td>
<td>47.34</td>
</tr>
<tr>
<td>1993</td>
<td>9,911,600</td>
<td>104,700</td>
<td>46.95</td>
<td>2001</td>
<td>171,256</td>
<td>46,767</td>
<td>44.43</td>
</tr>
<tr>
<td>1994</td>
<td>10,017,100</td>
<td>102,200</td>
<td>37.34</td>
<td>2002</td>
<td>181,557</td>
<td>41,125</td>
<td>40.78</td>
</tr>
<tr>
<td>1995</td>
<td>7,341,500</td>
<td>118,000</td>
<td>33.97</td>
<td>2003</td>
<td>196,222</td>
<td>34,280</td>
<td>37.54</td>
</tr>
<tr>
<td>1996</td>
<td>7,986,500</td>
<td>113,800</td>
<td>28.48</td>
<td>2004</td>
<td>276,474</td>
<td>35,597</td>
<td>34.81</td>
</tr>
<tr>
<td>1997</td>
<td>7,922,900</td>
<td>98,600</td>
<td>25.52</td>
<td>2005</td>
<td>271,835</td>
<td>27,477</td>
<td>33.28</td>
</tr>
<tr>
<td>1998</td>
<td>7,974,600</td>
<td>64,700</td>
<td>28.24</td>
<td>2006</td>
<td>301,961</td>
<td>24,961</td>
<td>31.24</td>
</tr>
<tr>
<td>1999</td>
<td>7,929,900</td>
<td>61,300</td>
<td>28.21</td>
<td>2007</td>
<td>336,768</td>
<td>20,680</td>
<td>29.54</td>
</tr>
<tr>
<td>2000</td>
<td>7,974,600</td>
<td>64,700</td>
<td>28.24</td>
<td>2008</td>
<td>426,113</td>
<td>21,313</td>
<td>28.37</td>
</tr>
</tbody>
</table>

*Since 2000, China’s Statistic Bureau only provides statistics on the nation’s ‘scaled’ non-state owned enterprises, which are the ones with annual output of more than 5 million yuan.

Source: State Statistic Bureau (http://www.stats.gov.cn/tjsj)
Table 2.2

<table>
<thead>
<tr>
<th>Year</th>
<th>Employees in State-owned Sectors (million)</th>
<th>Employees in Industrial SOEs (million)</th>
<th>Year</th>
<th>Employees in State-owned Sectors (million)</th>
<th>Employees in Industrial SOEs (million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>74.51</td>
<td>n/a</td>
<td>1998</td>
<td>88.09</td>
<td>27.21</td>
</tr>
<tr>
<td>1980</td>
<td>80.19</td>
<td>n/a</td>
<td>1999</td>
<td>83.36</td>
<td>24.12</td>
</tr>
<tr>
<td>1985</td>
<td>89.90</td>
<td>38.15</td>
<td>2000</td>
<td>78.78</td>
<td>20.96</td>
</tr>
<tr>
<td>1990</td>
<td>103.46</td>
<td>43.64</td>
<td>2001</td>
<td>74.09</td>
<td>18.24</td>
</tr>
<tr>
<td>1991</td>
<td>106.64</td>
<td>44.72</td>
<td>2002</td>
<td>69.24</td>
<td>15.46</td>
</tr>
<tr>
<td>1992</td>
<td>108.89</td>
<td>45.21</td>
<td>2003</td>
<td>66.21</td>
<td>13.34</td>
</tr>
<tr>
<td>1993</td>
<td>109.20</td>
<td>44.98</td>
<td>2004</td>
<td>64.38</td>
<td>12.07</td>
</tr>
<tr>
<td>1994</td>
<td>108.90</td>
<td>43.69</td>
<td>2005</td>
<td>62.32</td>
<td>10.40</td>
</tr>
<tr>
<td>1995</td>
<td>109.55</td>
<td>43.97</td>
<td>2006</td>
<td>61.70</td>
<td>9.79</td>
</tr>
<tr>
<td>1996</td>
<td>109.49</td>
<td>42.78</td>
<td>2007</td>
<td>61.48</td>
<td>9.30</td>
</tr>
<tr>
<td>1997</td>
<td>107.66</td>
<td>40.40</td>
<td>2008</td>
<td>61.26</td>
<td>9.02</td>
</tr>
</tbody>
</table>

Source: State Statistic Bureau (http://www.stats.gov.cn/tjsj)

At the moment, the general goal of SOE reform in China remains that of converting large SOEs into shareholding corporations and allowing small and medium-sized SOEs to go to the private sector in a variety of forms. Policy measures of ‘grasping the large, releasing the small’, which was officially proposed in 1997 and put into action nationally in 1998, contributed to the sharp reduction of the number of SOEs (Hassard et al. 2007). But before the focus of SOE reform being switched to the diversification of forms of ownership, other measures have been undertaken to enhance the efficiency and competitive capacity of SOEs.

2.3 Learning from the Household Responsibility System: the Contract Responsibility System

China’s economic reform first started in the country’s agricultural sector. The 20 peasants in Xiaogang Village of Fenyang County in Anhui Province who spontaneously put their fingerprints on a ‘contract’ in 1978 to divide the then commune’s land among the 20 households they represented have become the symbolic figures of the initialising of China’s economic reform (Hassard et al. 2007). Under such a ‘contract’, the peasants would fulfil the required quota of grain to the state but would receive full control over the production and the possible surplus of production, with the ownership of land still belonging to the state. This practice soon spread to the rest of the province and was officially endorsed under the name of the Household Contract Responsibility System (HCRS) and introduced to the whole nation in the 1980s. Between 1978 to 1984, output in China’s agricultural sector increased by over 61% thanks to the adoption of such a system stressing individual
responsibility (McMillan et al. 1989). HCRS was considered the first vital success in China’s economic reform, the experience of which was applied to other sectors such as manufacturing.

Initial changes in the state industrial sector mainly focused on expanding the levels of autonomy and introducing profit retention for discretionary use, largely because of the success in the agricultural sector. Such a process was experimented with in six SOEs in Sichuan Province first in late 1978, and was gradually introduced nationwide (Hassard et al. 2007). SOEs undertaking such reforms were allowed to retain 3% of their profits, which represented a major breakthrough in the relationship between the SOEs and the government. By 1983, almost all SOEs had adopted this system, but the kind of success demonstrated in the agricultural sector was not achieved (Qian 2000). Thus, far more complicated reform measures on the country’s industrial sector were being promoted since then, companied with a series of price, financial and fiscal reforms. A ‘dual-track’ price system was employed, allowing the co-existence of the ‘planned track pricing’ and the ‘market track price’ for industrial goods. Therefore, goods produced above the planned quota could be sold at market prices while avoiding radical changes in the price system (Fan 1996). National banks underwent a series of reforms and restructurings, and started to provide loans to the state industrial sector as investment which used to rely on direct financial allocation from the state only (Wu 2003). In fiscal reform, the old system where all taxes and profits needed to be remitted to the central government and then transferred back to the provinces according to expenditure needs approved by the centre was replaced by a revenue-sharing system between the central and local government in the early 1980s. SOEs’ traditional revenue remittance system was largely replaced by a tax system as well (Hassard et al. 2007).

With the promotion of the reform measures in pricing, financial and fiscal systems, a nationwide implementation of the Contracted Responsibility System (CRS) in SOEs was carried out since 1987 and by the end of that year, 78% of the SOEs in the country adopted CRS (Wu 2003). Under CRS, enterprises would contract with the state to turn over either a fixed percentage of its profits, varied between 5% to 20%, each year during the course of the contract, or a certain amount out of profits which would be increased annually at a fixed rate. The course of the contract was usually set at three to five years, but exceptions, such as the 14-year contract term for
Shougang, existed too. The surplus profits were then at the disposal of the individual enterprises (Hassard et al. 1999, 2007). At the same time, an internal contract system operated at the organisational level. Internal contracting allowed enterprises to break down the targeted goals, contract them with second-level companies, and form up a contracting network in the whole company which had every employee know his/her definite contract task (Hassard et al. 1999). The CRS maintained state ownership, thus to certain extent avoided social and political instability during the process of gradually introducing SOEs to the competition with non-state sectors. It emphasised the rights and responsibilities of the SOEs and provided incentives for them to perform better than the plan required (Wu 2003). However, the CRS had its associated problems.

The first problem of this system was its ambiguity. Since the contracts were negotiated bilaterally between the individual enterprises and the government, there were significant disparities between the terms and conditions of such contracts when companies were to implement the system. As mentioned, the rate of profit an enterprise needed to submit to the state could vary from 5% to 20%, and the length of contracts varied (Hassard et al. 2007).

Secondly, the CRS failed, or intended not to, address the problem of property rights, which resulted in unclear distribution and control results (Lee 1996). Following the principal of separating management and ownership, the ‘State-owned Enterprise Law (issued in 1988)’ stated that under the CRS, management rights were granted to the SOEs by the state, and the manager of the SOE ‘is the legal representative of the enterprise’ and was authorised to carry out a series of operational functions. With the absence of certain supervision mechanisms by the owners, such as the Board in Western enterprises, granting ‘the legal representative of the enterprise’ with management autonomies was in fact granting the manager with de facto, although partial, ownership rights. This ambiguous and contradictory system led to corruption in many cases later. In order to exert some control over the ‘legal representatives’, the state had to rely on the Party committees in the SOEs and set up the so-called ‘manager responsibility system under the leadership of the Party committee’. By doing so, the state was in fact institutionalising the older habit of direct interference in the running of the SOEs (Wu 2003).
Thirdly, there was limited improvement in management quality. The ratio of debts to assets remained extremely high among industrial SOEs. Research shows in 1995, the average of this ratio was 69%, with 16% of all SOEs had liabilities exceeding their assets (Liu and Gao 1999). Another rather unexpected by-product of the CRS was the stress on short-termism among the SOEs’ management. As a CRS contract normally ran for 3 to 5 years, the management had the tendency of focusing on achieving the quantitative targets set in the contract while ignoring the measures which connected with the SOE’s longer-term development, including the upgrading of its technologies, the maintenances of its fixed-assets, and the setting up of long-term strategies. This short-termism sometimes succeeded in achieving the targets and offering workers wage increases, but it was at the expense of the company’s longer and more sustainable development (Hassard et al. 1999).

Last but not least, the CRS failed to urge the SOEs to take real responsibilities. Enterprises mostly were responsible for their own profits, but when they made a loss, the state was responsible for it. The CRS could not prevent loss-making SOEs from receiving state subsidies or bank loans. With bankruptcy of state-enterprises not in the options, there was not much real punishment for a SOE when it performed badly or even made a big loss (Wu 2003, Hassard et al. 2007).

By the early 1990s, the problems associated with the CRS were well acknowledged. The CRS was no longer considered as an efficient reform measure for China’s state industrial sector and was gradually phasing out (Wu 2003). It was then replaced by new measures which emphasised more on the clarification of property rights.

2.4 Grasping the Large and Releasing the Small: the Modern Enterprise System

The official statement of establishing ‘socialist market economy’ was passed at the 14th CCP National Congress in 1992. It signalled a breakthrough in political ideology and indicated the country’s economic reform was entering a new phase. The main process of reform on the state industrial sector at this phase was to establish the Modern Enterprise System (MES), which would ‘clarify the property rights, define clearly the rights and responsibilities, separate government and management functions, and develop scientific enterprise management (Wu 2003)’. The goal of the system was to corporatize the SOEs and to prevent the state from making direct intervention in SOEs’ management. In doing so, a share-holding
system was greatly promoted, which would see the state exercising rights over the assets of SOEs with other shareholders as well, including other state or non-state entities and potentially individuals. The system consisted of three main elements: reform, reconstruction and restructuring (gaige, gaizao, gaizu), and was intended to introduce to China’s SOEs the modern management mechanisms and elements of the Western corporate system. Technical transformation and improvement, reorganisation of property rights and assets, and the removal, or at least the substantial reduction, of the social welfare burden on state enterprises were among the other goals of MES (Hassard et al. 2007).

In accordance with the nature and convention of China’s economic reform, MES was experimented with at a relatively small scale at first. A pilot project was launched in early 1994, which involved the medium and large-sized SOEs in the country, aiming to transform the state-enterprises into autonomous, competitive, legal entities fully accountable for their profits and losses (Harvie and Naughton 2000). By the end of 1994, there were 156 SOEs piloting MES, including 100 enterprises undertaking a basic MES restructuring experiment and 56 large SOEs piloting the Group Company System (GCS) which aimed to develop a parent holding company and a large group of subsidiaries and had the MES-style reforming components internally since 1992 (Hassard and Sheehan 1997). In addition to these, provincial governments also selected enterprises to pilot MES since it became judged as an effective strategy of reform (Hassard et al. 2007).

In 1995, the central government drew up ‘the Ninth Five-year Plan and Long-range Objectives until 2010’, in which deeper SOE reform was emphasised as one of the nine key principles for the progression of China’s economic development in the next 15 years. The MES was further promoted in this plan. It was also specifically emphasised that during the strategic reorganisation of the SOEs, ‘the priority should be the large companies and groups that can provide the capital to link and drive a set of SOEs’ reform and development to achieve economic of scale’. At the same time, when dealing with smaller SOEs’ reforms, ‘depending on different situations, strategies including reconstruction, collaboration, merger, setting up shareholding system, leasing, contracted managing, and direct sale can all be used’. These

---

1 The full context (in Chinese) of ‘the Ninth Five-year Plan and Long-range Objectives until 2010’ can be downloaded from: http://www.nuua.edu.cn/xcb/web/flg/in/dahui/l4_62.htm
Guidelines on SOE reform were later summarised as the policy of ‘grasping the large, and releasing the small (zhuada fangxiao)’. Under this policy, only about 1,000 of the largest SOEs, which were considered to be of ‘strategic importance’ to the growth and defence of a modern, industrial and technically advanced society, were to be retained under government control and a high degree of state protection. These 1,000 national champions, operating in industries such as electricity generation, iron and steel, machinery, chemicals, transport, aerospace and pharmaceuticals, were holding around 70% of SOEs fixed assets (Nolan 2001, Hassard et al. 2007) and became the core of MES. In terms of the remaining medium and small-sized SOEs, according to Harvie and Naughton (2000), a series of measures were applied to turn the majority of these firms into: 1) enterprises with mixed ownership through the creation of joint ventures; 2) private enterprises through sales to private domestic individuals/firms; 3) private foreign enterprises through sales to foreign private individuals/firms as wholly foreign-funded enterprises; and 4) allowed to go bankrupt.

As such, these reform measures have widened and deepened the diversification of SOE ownership that was predominantly public, with small and medium-sized SOEs in particular being encouraged to diversify their ownership. By 1996, up to 70% of small SOEs had been privatised in pioneering provinces such as Shandong, Sichuan and Guangdong, and about half were privatised in many other provinces (Qian 2000). In fact, private ownership was recognised as an ‘important component’ of the socialist economy on the Fifteenth CCP Congress held in September 1997, replacing the previous definition of as the ‘supplementary component’ of the economy. This subtle change of rhetoric had its great ideological significance in Chinese politics, and further encouraged the nationwide ownership diversification. For example, this process of ‘releasing the small’ was radically promoted in the city of Suzhou in Jiangsu Province at the beginning of the 2000s, with all of the local SOEs being privatised within a very short period of time. The subject of this research, Peacock, was among them.

However, the MES is not without criticism. Wu (2003) discusses the problematic nature of subjecting SOEs into ‘forced marriages’ or ‘high-speed fattening’, where entire industries are merged into a few large firms or group companies during the ‘grasping the large’ process. Hassard et al.’s study (2007) in China’s steel industry
since the mid-1990s suggests that the MES in general has been hampered by the political imperatives of the government and the fact that property rights have remained weak. Dealing with the ‘surplus labour’ of the state industrial sector has also become a serious challenge for the government. Moreover, the radical privatisation of China’s small and medium-sized SOEs, which accounted for 95% of the country’s industrial SOEs in number and 57% in employment in 1993 (Qian 2000), was simply too vital a measure to fail. The effectiveness of carrying out such a large-scale privatisation to reform the state sector in a transitional economy is always being doubted by scholars (Vickers and Yarrow 1988; Nolan 1995; Steinfeld 1998).

Nevertheless, the MES has dramatically altered the presence of China’s state industrial sector. The number of enterprises owned by the state has declined sharply, while the performance of the remaining is reportedly better. By early 2001, ‘at least 65% of China’s large and medium-sized SOEs have reversed their loss-making situations (China daily, 6 March 2001)’. Under this measure, enterprises are to operate as ordinary market participants and are no longer responsible for the cradle-to-grave welfare of their employees. The massive restructuring and privatisation programme also resulted in unprecedented lay-offs among the state industrial sector every year, creating serious social and political instabilities in potential. Therefore, alternative forms and funding of worker social welfare are required urgently if economic and enterprise reform is to be further accelerated.

Studies conducted during the 1990s on China’s social security system suggested that, in both urban and rural areas, respondents believed ‘the state should be responsible for providing the social security provisioning to which they believe they are entitled (White and Shang, 1996: 4)’. This notion of entitlement was rooted in a rhetorical and practical legacy of state socialism. However, with the rapid pace of market reform, such an expectation was replaced by an increasing sense of insecurity and discontent as a result of the decline in benefit coverage. In urban areas, SOE workers were long privileged by welfare policies. They belonged to the category of population who were able to get access to a wide range of benefits and services because they were employed by enterprises in the public sector, which were functionally part of the state-sponsored and financed welfare system. But with the rapid declining of state-owned industries’ performance in an increasingly
competitive market, more and more SOEs were struggling with the financial burden imposed by the costs of social welfare to enterprises. The closing down of SOEs during the MES reform has led to an increasing number of urban residents unemployed and excluded from the previous enterprise-based welfare system. From the mid-1990s, welfare reform has constituted one of the priority areas on China’s national reform agenda to meet the changing and urgent requirements of an emerging market economy. The most significant trend in this reforming area is the growing separation of social welfare from its previous enterprise base (Croll 1999). For example, the pension reforms, aiming at evolving a society-wide system to replace the enterprise-based system, have had three key objectives since the initialisation in the mid-1990s: to establish a society-wide system of pension-fund mobilisation and management which takes over from the enterprises; to share the costs of pension insurance between individuals as well as enterprises and the state; and to move from a ‘pay as you go’ system to some form of partial accumulation (Ge 1996: 1-17). A second trend has been ‘the decentralisation of social welfare provisioning so that local governments have become key actors in accumulating funds, redistributing resources and establishing new welfare systems, with central state funds continuing to comprise only a small fraction of welfare expenditures (Croll 1999). There has also been a diversification in delivery systems with the market becoming an important channel for providing services, accessing of which was increasingly determined via a fee structure.

2.5 Conclusion

Reforming SOEs has been a major challenge to the Chinese government since the beginning of its economic reform. A series of measures had been implemented during the different stages of economic experimentations. Initially, the emphasis was on changes to the internal governance of the SOEs with the main reform programme of the CRS, aiming to give enterprises more autonomy and change the revenue distribution and profit sharing system. After 1990, the emphasis shifted to the external governance of the enterprises. Under MES, ownership diversification was promoted with the policy of ‘grasping the large, releasing the small’. Large state-owned group companies in ‘strategically important’ industries were established, while smaller SOEs were allowed to go bankrupt or go to the private sector. This massive scale of SOE reform and restructuring still has a long way to go, despite of
the fact that the state industrial sector has already shifted away from what it used to be.

As a local SOE, Peacock adopted CRS in the late 1980s. It allowed Peacock’s managing director at the time to have some autonomy on the operation and the distribution of the retained profits. But when state policies of ‘grasping the large, releasing the small’ were carried out to widen and deepen SOE ownership diversification, Peacock had no other choice but to be privatised eventually. After the discussion of methodology in the next chapter, Peacock’s development and reform will be discussed in details in order to analyse China’s SOE reform from a micro approach. What happened to the ordinary employees in a local SOE will be elaborated in order to understand the human reality of reform in the modernising China better. By doing so, this period of reforming history is no longer presented in the form of various policy and structural studies, but rather, from the perspective of common people and become a history from below.
CHAPTER THREE: METHODOLOGICAL ISSUES

In April 2009, an exhibition named ‘State Legacy’ was held in Manchester. Five contemporary Chinese artists used dozens of photos, meaningful objects and video clips, aiming to ‘visualise’ the political and social history of China during its recent industrialisation and modernisation1. The first ever Chinese-produced car that was presented to Chairman Mao as a gift was replicated as the representation of China’s automobile industry. The tests for China’s 6th national railway speed-raising in 2007 on a circular rail track that was built in 1956 were filmed from nine different angles, standing for the comprehensive modernisation of the country. But the most interesting piece of artwork from my point of view was a set of photographs recording the history of a now abandoned iron and steel factory situated in a desolate mountainous area of Southwest China. The factory was built intentionally in such a remote area in response to the Cold War. Such a decision was made without any real consideration on the economic efficiency of building an iron factory in a place with no mines and very inconvenient transportation, thus its fate in a more market-led modern economy can be foreseen. Thirty thousand workers were transferred there from all over the country in the 1960s and devoted their youth and passion to the factory for more than thirty years, only to leave behind a vast, obsolete factory site in the mountains, dead. When facing these huge gloomy pictures full of rusting machineries and breathless building structures, I found myself wondering about the lives and the stories of the employees who built and served this factory. As employees of a SOE that used to have significant political and strategic importance, they must have experienced very dramatic work-life changes before their factory was closed down.

Stories like this are not scarce in China after more than thirty years of economic reform. The policies implemented during the different SOE reform stages summarised in the previous chapter have had far-reaching impacts on individual SOEs and their employees. The presence of China’s state industrial sector was altered greatly in the past decades, with public ownership no longer being the only and dominant type. This process was recorded and discussed well in academic literature (see Naughton 1995; Fan 1996; Steinfeld 1998; Harvie 2000; Nolan 2001, 2003, 2004; Wu 2003; Hassard et al. 2006, 2007), but most of the studies explore

1 Details of this exhibition can be found on: http://www.miriad.mmu.ac.uk/statelegacy/
the general picture and focus on the policies adopted during the reform and the large national champions in industries of ‘strategic importance’. Very limited efforts have been made in studying the smaller local SOEs in China, even though they experienced changes as dramatic, if not more, as the large ones, especially after the policy measures of ‘grasping the large, releasing the small’. It is even rarer to hear the story from these local SOEs’ employees’ perspective on the vast social and economic changes during this period of history. Ordinary employees’ understanding of their work life changes is, to certain extent, being ignored, although they are the ones bearing the consequences of these dramatic changes directly. Therefore, I decided to make my research on Peacock (a small local SOE) a study of historical memories, as told by its participants, in order to provide another angle through which to understand China’s SOE reform and, from a micro-level, rethink the impacts that the reforming policies had in real life. I believe the oral history generated by such a retrospective research will contribute not only to the study of China’s economic reform as a whole, but also to the study of China’s contemporary ethnographic history. This chapter is going to discuss the methodological issues I encountered when conducting such an oral history study.

3.1 Doing Oral History

The most distinctive contribution of oral history – ‘the interviewing of eye-witness participants in the events of the past for the purposes of historical reconstruction’ (Grele 1996) – has been to include within the historical record the experiences and perspectives of groups of people who might otherwise have been ‘hidden from history’ (Perks and Thomson 2006). Thompson (2006) suggested until the last century, the focus of history was essentially on the documentation of the struggle for power and the lives of the ‘great men’. Even as the scope of history has widened in more recent times, he argues that ordinary people have been brought in only as ‘statistical aggregates’. For example, in his opinion, economic history is constructed around three types of sources: ‘aggregate rates of wages, prices and unemployment; national and international political interventions into the economy; and studies of particular trades and industries, depending on the bigger and more successful firms for records of individual enterprises’ (Thompson 2006: 27). Similarly, labour history for a long time consisted of, on one hand, ‘studies of the relationship between the working class and the state in general’, and on the other hand, institutional accounts
of trade unions and large and more successful working-class political organisations which normally leave records or commission their own histories. However, over the past sixty years or so, the approach of oral history has transformed the practice of contemporary history (Perks and Thomson 2006). Through oral history interviews, substantial groups of people who had been ignored have inscribed their experiences on the historical record and offered their own interpretations of the period of history they had participated in. For most existing kinds of history, taking such an approach allows evidence from a new direction, which provides a more realistic and fair reconstruction of the past and a challenge to the established accounts. At the same time, it implies some shift of focus, and in some fields, even results in the opening up of important new areas of inquiry. Labour historians, for example, can benefit from this approach since they are now enabled to undertake effective studies of minor groups of workers and of the normal experience of work rather than being confined to those, who gained contemporary publicity and investigation because of strikes or poverty (Thompson 2006).

An oral history interview generally consists of ‘a well-prepared interviewer questioning an interviewee and recording their exchange in audio or video format’ (Ritchie 2003:19). Since the 1970s, historians were encouraged to use such a format to capture the voices of everyday people in order to use the oral evidence to write history ‘from the bottom up’ (Ritchie 2003). However, scepticism of such an approach has been challenging the objectivity and credibility of oral evidence ever since as well.

When historians describe evidence as ‘objective’, they mean not only unbiased but also unchanging, such as the written documents that are fixed and remain the same whether we find them or not, even if interpretations of them shift (Ritchie 2003). From this aspect, oral evidence is indeed not ‘objective’. After all, even the existence of oral evidence depends on the researcher who decides that there will be an interview in the first place. The content of oral sources depends largely on what the interviewer puts into it in terms of questions, dialogue, and personal relationship. Since communications always work both ways, the informant during the interview often gives priority to what she or he wishes to tell. Moreover, just as any form of oral communication, oral history interview is never the same twice. Even the same interviewer gets different versions from the same informant at different times,
depending on the improvement of the relationship between the two subjects, the better understanding of the purposes of the interview by the informant, or simply because the previous interview awakened memories which are told in later meetings. Researchers should recognise these facts and make the best of their advantages, rather than trying to eliminate them for the sake of achieving the impossible or even undesirable ‘objectivity’. After all, taking the approach of oral history is to collect evidence indicating not just what people did, but what they wanted to do, what they believed they were doing, and what they now think they did (Portelli 1981). A value-free research process is not possible. As suggested by Yow (1997), when doing oral history studies, we should understand the subjective aspects of the research and interpretation so that we can carry out the project with as much objectivity as possible and use subjectivity to its advantage.

In terms of ‘credibility’, oral evidence is not less credible than many of the written documents since very often the written documents are only the transmission of oral sources, for example, in the cases of trial records and minutes of meetings (Portelli 1981). Sceptics expressed concerns over the accuracy of human memory, since memory tends to lose its sharpness over time and quite often people tend to have rosy reminiscences about the old days when recalling. But again, this problem exists for many written documents as well, since they usually are written some time after the event to which they refer, and more often by nonparticipants (Ritchie 2003). Oral evidence is credible, but with a different kind of credibility. In many measures, the significance of it may not lie in its accuracy to facts, but ‘rather in its departure from it, as imagination, symbolism and desire emerge (Portelli 1981)’. The informant not only recalls the past in the oral history interview, but also asserts his or her interpretation of that past (Perks and Thomson 2006), which made such oral evidence valuable when trying to better understand and reconstruct the past.

In all, oral evidence is reliable when being treated as cautiously as any other form of evidence. No single piece of data of any sort should be trusted completely anyway, and all sources need to be tested against other evidence (Ritchie 2003). If used in careful conjunction with other sources of evidence, such as documents and archives, oral history can be of great value. It offers an approach to study a history built no longer around heroes and leaders, but around the unknown majority of the people. It also offers a challenge to the existing history by providing a shift of focus or even
opening up new areas of inquiry. Historians like Kotkin (1995) conducted studies on the subject of Stalinism at the micro-level by providing a better picture of the life of the newly urbanised Soviet workers of the 1930s. Dudley (1994) also studied the deindustrialisation of the Midwest USA in the 1980s by focusing on the struggles ordinary people went through and the transformation of the communities in the town of Kenosha. To certain extent, my study on Peacock aims to similarly open up new inquiries on China’s modernisation and SOE reform. The confusions and insecurities that came with the economic advancement can only be understood when the study is conducted with an approach that allows the individuals who experienced the changes to express their feelings and talk about their stories. The oral history approach serves just that.

3.2 Doing Oral History in the Context of Peacock, Suzhou

During 2007 to 2009, I visited the city of Suzhou and Peacock six times. In hindsight, the story of Peacock follows a rather familiar script: a small local SOE in southeast China once gloried under historical conditions unable to keep up with the changing environment and market forces, similar to thousands of others all across the country. It can also be interpreted as a failed case of SOE reforms or even as the failure of governmental intervention on business conduct. But in my opinion, Peacock’s case can provide more than evidence for a policy study on the different reforming stages of a local SOE. By talking to the employees and managerial personnel who served the company, and the local government officers who made important decisions for the development of the company in the past, a local business history viewed through the eyes of its participants can be established. Such a study, which is mainly based on oral evidence collected from the life stories of the participants, is an experiment in perspective. Lives of ordinary people as these informants have not been formally well-documented. In fact, a small SOE like Peacock’s history wouldn’t catch much of archive writers’ interest either. In the absence of sufficient documentary evidence, perhaps the only way to gain a better insight into this part of history is to use oral evidence. As discussed earlier, an oral history study gives ordinary people an opportunity to make sense of their own experience and to share their attitudes, beliefs, motives and actions. The information they share will then be more valuable to enrich our understanding of the past when being properly placed within a wider social context. But this study is also different.
from the typical labour history studies that focus on the struggle between the working class and management/authority (see Beynon 1973; Sheehan 1998; Fine 2004). On one hand, some of the managerial personnel and even some local government officers have taken part in this study and provide valuable accounts of their understanding of events. On the other hand, as a result of the distinctive promotion system used in typical SOEs in the planned economy which connected heavily with seniority, most of the long-term employees who had devoted tens of years of their work life to Peacock would reach some sort of managerial positions eventually, even if they started as workers on the product lines at first. Therefore, life histories of these long-term employees of Peacock are more complex, since they cover both the work experience as workers and the understanding as managerial roles on events as well.

During the six visits I made to Peacock and Suzhou, thirty-two interviews were conducted with twenty-nine informants (See Table 3.1). These in-depth interviews can be categorised into two groups: The first group contains twenty-two interviews conducted with nineteen interviewees who had worked for Peacock or its joint venture in a period of their lives for at least ten years. Eleven of them who responded to my interview requests already have established relationship with me or my family before this study. The remaining eight were introduced to me by the chairwoman of Peacock’s company union after I interviewed her in 2007. These interviews served as the main data source of this thesis. On average, each of these interviews lasted for around two hours, with a few exceptional cases in which the interviewees agreed to meet a second time for further discussions. The other group contains the remaining ten shorter interviews conducted with informants connected with this company in one way or another: two of the interviewees were the new managers who came in after Peacock’s privatisation; four worked as local government officers who either made crucial decisions about Peacock in the past or witnessed the decision-making process and understood the policies behind them; the other four were directors or senior managers of other local SOEs in Suzhou which shared the same historical background with Peacock. Although these interviewees never worked in Peacock directly, the value of their opinions and experiences should not be underestimated. On one hand, some of these interviewees, when talking about their own work life, helped me to build up the general background of Suzhou’s
economic development and SOE reform in the past decades; on the other hand, some of their opinions represented the views from the local authority on certain events, which is extremely valuable for a more reliable reconstruction of the past.

**Table 3.1 List of Interviewees**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Interview Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chen CJ</td>
<td>Peacock Employee</td>
<td>18/09/2009</td>
</tr>
<tr>
<td>Chen G</td>
<td>Peacock Employee</td>
<td>03/04/2009</td>
</tr>
<tr>
<td>Chen LM</td>
<td>Peacock Employee</td>
<td>04/12/2007</td>
</tr>
<tr>
<td>Dong B</td>
<td>Government Officer</td>
<td>30/11/2007</td>
</tr>
<tr>
<td>Feng DJ</td>
<td>Government Officer</td>
<td>15/07/2008</td>
</tr>
<tr>
<td>He GZ</td>
<td>Peacock Employee</td>
<td>22/09/2009</td>
</tr>
<tr>
<td>Jiang J</td>
<td>Peacock Employee</td>
<td>21/09/2009</td>
</tr>
<tr>
<td>Li B</td>
<td>Peacock Employee</td>
<td>10/11/2007</td>
</tr>
<tr>
<td>Li JH</td>
<td>Peacock Employee</td>
<td>13/11/2007</td>
</tr>
<tr>
<td>Li WL</td>
<td>Peacock Employee</td>
<td>21/09/2009</td>
</tr>
<tr>
<td>Lin JZ</td>
<td>Manager of Other SOE</td>
<td>09/11/2007</td>
</tr>
<tr>
<td>Ni SP</td>
<td>Peacock Employee</td>
<td>10/04/2007</td>
</tr>
<tr>
<td>Shen WY</td>
<td>Peacock Employee</td>
<td>26/03/2009</td>
</tr>
<tr>
<td>Sun LJ</td>
<td>Manager of Other SOE</td>
<td>06/11/2007</td>
</tr>
<tr>
<td>Tang Y</td>
<td>Peacock Employee</td>
<td>14/11/2007</td>
</tr>
<tr>
<td>Tao HH</td>
<td>Manager of Other SOE</td>
<td>26/07/2008</td>
</tr>
<tr>
<td>Wang CL</td>
<td>Peacock Employee</td>
<td>18/09/2009</td>
</tr>
<tr>
<td>Wang LS</td>
<td>Government Officer</td>
<td>22/07/2008</td>
</tr>
<tr>
<td>Wang ZQ</td>
<td>New Owner of Peacock</td>
<td>14/07/2008</td>
</tr>
<tr>
<td>Wu WY</td>
<td>Government Officer</td>
<td>13/11/2007</td>
</tr>
<tr>
<td>Xiao JG</td>
<td>Peacock Employee</td>
<td>02/04/2009</td>
</tr>
<tr>
<td>Xie M</td>
<td>Manager of Other SOE</td>
<td>20/07/2008</td>
</tr>
<tr>
<td>Xie YH</td>
<td>Peacock Employee</td>
<td>23/09/2009</td>
</tr>
<tr>
<td>Xu LY</td>
<td>Peacock Employee</td>
<td>17/11/2007</td>
</tr>
<tr>
<td>Xu WH</td>
<td>Peacock Employee</td>
<td>25/09/2009</td>
</tr>
<tr>
<td>Zhang GZ</td>
<td>Peacock Employee</td>
<td>18/09/2009</td>
</tr>
<tr>
<td>Zhang JY</td>
<td>New Owner of Peacock</td>
<td>12/07/2008</td>
</tr>
<tr>
<td>Zhang YQ</td>
<td>Peacock Employee</td>
<td>12/04/2007</td>
</tr>
<tr>
<td>Zhao RJ</td>
<td>Peacock Employee</td>
<td>16/11/2007</td>
</tr>
</tbody>
</table>

When these interviews were carried out, all the interviewees were encouraged to bring up any topics they consider important or relevant, although the main theme was always about their work life. The interviewing locations were chosen by the interviewees themselves – mostly at their homes or other places that were private and convenient to them; only seven of them were willing to have their interviews set at their workplaces. Considering Chinese people’s hesitation towards being recorded, with the presence of a digital recorder, all of the interviewees were guaranteed their anonymity. By offering this, reluctances were eliminated as much as possible
although both parties of the interviews understood in the first place that sensitive information, such as opinions on political events, was not likely to be discussed and recorded. In the meantime, without a fixed list of questions, a more relaxing atmosphere was created to help interviewees open up. Since it is the entire work life history that is relevant to the study, the interviews were mainly pursued chronologically using open-ended questions as the beginning of each stage. Strictly topical questions were used only as follow-ups to avoid eliciting responses that lacked depth and context. Approving nods, appreciative smiles, enraptured listening, and understanding comments turned out to be very useful when used to encourage and stimulate the interviewees. After all, in order to conduct a successful interview, ‘all interviewers need to put their interviewees at ease, to listen carefully to what they have to say, to respect their opinions, and to encourage candid responses’ (Ritchie 2003: 84). But it is equally important for the interviewer to realise his/her own position on the research before conducting the interview, since the attitude of the researcher will have a critical affect on the research as a whole. This is the topic I now move to explore.

3.3 My Position as the Interviewer

Oral historians have debated how much an interviewer should intervene in the interview. Some initially argued that the interviewer should act as a neutral, objective collector of other people’s reminiscences, while others rejected this image and saw their role as that of an active agent in the process (Ritchie 2003). From the late 1980s, a new oral history paradigm encouraged ‘awareness and use of the interactive process of interviewer and narrator, of interviewer and content’, and that oral historians were increasingly alert to ‘both of the effects of the interview process on the interviewer and of the effects of the interviewer on the process’ (Yow 1997: 57). Such an acknowledgement was developed on the recognition of the fact that any historian is not an objective observer in the first place. Duberman (1974: 12) suggested that ‘every historian knows that he manipulates the evidence to some extent simply because of who he is (or is not), of what he selects (or omits), of how well (or badly) he empathises and communicates’. Collingwood (1985: 137) reminded historians that ‘history cannot exist outside of human consciousnesses’ and continued to argue that the historian cannot be objective, even in beginning the research, since it is only when ‘we have a problem in mind that we can begin to look
for evidence’. In fact, questioning of the idea of scientific objectivity went on in many disciplines in the 1970s and 1980s. The acknowledgment of effects on the researcher and of the researcher on the process of research in disciplines using recorded life review as sources, such as anthropology, sociology, biography and feminist theory, has made a great impact on oral historians (Yow 1997). Through a study of the articles published in *Oral History Review*, Yow found that since the beginning of 1987, oral historians have often explored the ways their class, gender, age, or ethnicity affected their interaction with the narrator, and their ways of reaction affected the research and interpretive processes. Interviews have, since then, been thought of as a collaborative effort, and in many cases, the relationship between the interviewer and the interviewee became an important component in understanding the meaning created during the interview (Futrell and Willard 1994). However, this does not suggest that the researcher’s personal reactions should become the emphasis of the research. What it suggests is that researchers should notice and understand the subjective aspects of carrying out an oral history study and use them as advantages, rather than pretending there is nothing going on in the researcher that is influencing the research and interpretation (Yow 1997). Therefore, I believe researchers should be aware of their own positions when carrying out an oral history study and its interviews.

The first question I asked myself is my motives of doing such a study on Peacock. As mentioned in chapter one, this is a study that connects greatly to my personal life. I grew up in the city of Suzhou and had lived there until I left for university in 2001. As teenagers, most of my friends and I wouldn’t have thought too much about the social and economic changes took place around us in those years. Only in retrospect at an older age did it become apparent that we had actually lived through such a dramatic transitional period. But my interest on SOE development and reform has been with me since quite early on. Peacock was the company that provoked such interest, simply because my father was reallocated by the local authority from the general manager of a successful joint venture in the city to the managing director of the troubled Peacock in 1996. Since then, ‘SOE reform’ became a real event to me and to my family, rather than just a term encountered frequently in the news and on the newspaper. I paid attention to the development of Peacock and was aware of the different reform measures implemented during the years. But it was only after I
came to study in UK and distanced myself with Peacock and Suzhou did I realise that my understanding of the history of this local SOE and the impacts of the reform it experienced had been quite one-sided and far from comprehensive. The dramatic changes Peacock and its employees went through in the past decade, many of which I was not able to witness in person, cannot be fully understood without being aware of the feelings and opinions of the direct participants.

At first glance, it seems if I decided to carry out such a research simply because I am able to, since my family connection enables me to have the chance to get to know the employees of Peacock and some key players in the company’s history. Such a privilege gives me the accessibility which any other researcher may not be able to establish. But my more profound motive of carrying out a study of this kind is because I believe the history of China’s SOE reform is not only about the large companies in ‘industries of strategic significance’ and is not only about the policy measures designed by the authority. Smaller local SOEs and the ordinary employees who work for them should have their fair share in this history. After all, until the year of 1993, small and medium-sized SOEs still accounted for 95% of the country’s industrial SOEs in number and 57% in employment (Qian 2000). What exactly happened to these companies during China’s massive SOE reform? How did their employees cope with the dramatic changes in their work life? What kind of decisions have been made and why? How did they adjust their attitudes, expectations and values of their work? Or, did they ever? With these questions always in mind, I feel a personal obligation of researching and telling the story of Peacock as one of the small local SOEs that were generally neglected in the study of the country’s SOE development history, together with the stories of its long-term employees. By doing so, I hope some contribution can be made to a fairer and more comprehensive understanding and reconstruction of this particular history during China’s transforming and modernising period.

The second question I ask myself concerns about the effects I, as the interviewer, had on the process of the interviews and the research. One of the researcher influences on a research like an oral history study is considered as a result of the researcher’s self-schema which is comprised of thoughts and feelings about the self in certain domains that will influence the individual’s perception of others in those domains (Markus and Smith 1981). There are also constructs based on gender, class,
age, race, ethnicity, and ideology which influence how the interviewer relates to the interviewees (Yow 1997). Sypher et al. (1994: 58) therefore suggested that ‘as interviewers, we must attempt to move beyond our own self-schemas, focusing the interview not on what is important to us in our lives, but what is important to our interviewees – regardless of the accuracy with which they actually recall events’. During the course of carrying out interviews in my research, I noticed that I indeed had perceptions about certain events in Peacock’s history, since I had been paying attention to the development of this company long before I decided to carry out this study. My general knowledge about China’s SOE development and reform also made me more alert to the areas with pre-defined importance to me when interviewing. Being aware of the existence of such perceptions was beneficial when carrying out the interviews. The most efficient way of minimizing the undesirable impacts of these personal perceptions was to use open-ended questions instead of strict topical questions. In a study like this, the informants should be the ones leading the interviews, therefore as the interviewer, I focused on provoking them to talk and open up. Another possible researcher influence in this particular study related to my family background. My family connections with Peacock served as a double-edged sword. On one hand, it helped me to gain great accessibility when I was arranging the interviews; on the other hand, because of it, interviewees might be more cautious about what they were saying and even unobtrusively told the story in a way they believed I wanted to hear. To minimize this influence, I used time before each interview to explain to the interviewee about this research and made sure they understand my purpose of interviewing them. I found by assuring them that the interviews were to be used as sources of an academic study adding on the fact that I was still a student of a relatively young age to them, most of the interviewees would communicate with me positively.

Another question is in regard to the impacts of the interview process had on me. My understanding of China’s SOE reform is more thorough as a result of conducting such a research. But more importantly, talking to the ordinary employees of Peacock allowed me to break up some of my perceptions of the events in Peacock’s history, many of which were built up in earlier years based on the influence of the company’s senior management, i.e. my father. The interview process of this study made me learn to listen to opinions from different perspectives and to deal with
information sometimes contradicting with each other. Although I will not go as far as claiming this research and the interview process totally altered my ideology and made me a different person, it is still fair to say that I was more compassionate to Peacock and its ordinary employees after conducting this research and was more sceptical than ever before about the results and impacts of the reform measures designed by the authorities.

To summarise, my motive of doing such a research is to tell the story of China’s SOE reform from a different angle, an angle which was generally being neglected in the past. I was not planning to be a ‘neutral observer’ when carrying out the interviews of this research, since I believe an oral history study to some extent is the product of both the informants and the researcher. Admitting such subjectivity does not affect the credibility and validity of the oral evidence I collected from the interviews. Instead, acknowledging the subjective and ‘human’ elements of such research can make the study richer and more authentic. It can help us to understand informants’ opinions and positions in a more sophisticated fashion.

3.4 Other Methodological Issues

As expected, a lot of preparation needed to be done before conducting the interviews of an oral history study like this. Without sufficient knowledge of the history of Peacock and the city of Suzhou, it is hard to follow the interviewees and make the right comments and follow-up questions. In addition, the municipal policies on related issues, such as policies used to attract FDI and measures on SOE reforms are of great importance when trying to understand the full picture too. Document and archive studies were used when conducting background studies and cross-checking the oral evidence. In July of 2008 and September of 2009, I visited the Suzhou Municipal Archive Department and the Suzhou Library several times. The documents I studied include both official documents deriving from the state and documents deriving from private sources. The former category includes statistical information, the municipal archives and declassified municipal policies and regulations, while the latter includes documents such as old photographs provided by the interviewees, company archives, internal publications and Peacock’s company regulations. Mass media outputs, such as old newspapers and published old photograph collections, were used where appropriate as well. Data collected from document studies like these have the advantage of being relatively objective.
The interpretations of them may shift over time, but the data themselves will stay unchanging for future scrutiny. Together with my personal observations in the factory site of Peacock and indeed my living experience in the city of Suzhou, these document studies helped to build up a timeline and a basic understanding of my research topic. However, in this particular study, the value of document and archive studies was quite limited. First of all, there is the issue of availability. As mentioned earlier in this chapter, written documents that can represent Peacock’s employees’ life experiences simply do not exist. In a country that historically weighs collective value much more than individual value, archives or documents that can directly contribute to a life history study are barely available at all. As a small local SOE, Peacock didn’t have a systematic company archive until it reached its most successful period in the 1980s. When the company performance started to drop, archive keeping was once again ignored. It is a great shame that in the course of the change of the ownership and factory-site relocation, the company archives were undervalued and many of them were misplaced. Moreover, since China has strict rules about classified documents, some of the municipal policies and regulations have a term of as long as thirty years before they can be declassified for public reference. This significantly reduces the value of the documents that I could get hold of since, as expected, most of the issues I needed to look into happened less than thirty years ago.

The second issue is credibility. Although all the documents come from reliable sources with no doubt about their authenticity, extra attention are still needed when interpreting them. Due to historical reasons, official documents of those years, either deriving from government or private sources, tended to focus on glamorous news and information only. It is worth bearing in mind that the possibility of information being distorted to serve certain political goals can never be ruled out when dealing with these documents. Having said that, studying these documents still makes it possible to verify some information that might not be accurate if relying on interviewees’ memories only, such as the date of a particular incident. As a supplement to the oral history study, document studies helped in building up background knowledge of the research, and provided a means to cross-check the credibility and validity of the data gathered from interviews.
Another methodological issue that deserves to be discussed here is the language obstacles encountered in this research. During the course of conducting the interviews, Mandarin and the Suzhou dialect were used since none of the interviewees can speak English fluently. Therefore, it is anticipated that there will be a challenge to form up a research in English using data collected in other languages. On one hand, there is very little help available on the dozens of hours of recording materials generated in the interviews. It is highly unlikely to have professionals able to transcribe these interviews since Suzhou dialect is used uncommonly even in China, not to mention the need of translating them into English in the next stage. On the other hand, just as doing any other studies that involves multilingual issues and foreign cultures, the chances of misunderstanding interviewees’ subtexts and mistranslating the context of the interviews are always higher than doing unilingual studies. The only way to minimize these risks in my research is to process each piece of oral evidence by myself since firstly, I am a native speaker in Mandarin and Suzhou dialect; secondly, I conducted these interviews in the first place. Although it is very time-consuming to complete all the index and translations by myself alone, the validity of the data is preserved to the greatest extent in this way. However, the accuracy of the translation is still limited by the differences between languages and the use of slang terms in the interviews. The jokes and jargons people tell during the interviews in Mandarin and Suzhou dialect sometimes lose their original sharpness after the process of translation. To deal with this, all that can be done is to add my own explanation and interpretation if the meanings of the localised languages are crucial to understand people’s behaviours and mindsets.

3.5 Contribution of the Study

The last methodological issue being discussed here is a response to the scepticism of the ‘generalisability’ and contribution of such a research project which appears to be a study focusing on a group of people in one company of one city only. On the face of it, it seems hard to prove that the history of Peacock is of any special significance or has a pattern that can be generalised to other places and organisations. The knowledge and lessons we generate from Peacock’s developing path may never be perfectly applied to any other organisations since there will not be another company has the exact same conditions and environment Peacock once had. Some may also argue that these interviewees would have limited representativeness if taken as a
proxy for the majority of the workforce in China, since Suzhou belongs to a much more developed area than the rest of the country.

To certain extent, these claims are all true. But this study is not aiming to achieve a universal law to explain or to predict any future situations in different organizations. As mentioned before, the contribution of this study lies in the fact that it allows us to establish a better understanding of a complex social phenomenon in a transitional economy – the SOE reform process in China – from a different, human and subjective perspective.

Changes during the economic transition have far-reaching impacts on ordinary people’s everyday life. Some studies on western economies have taken a similar approach to discuss the confusing process and consequences brought about by deindustrialisation. Studies on residents and workers in the ‘rust belt’, that swath of middle America razed by the decline of the rubber, steel, and automobile Industries, for instance, are great examples. Dudley’s study (1994) on the 1988 closing of the Chrysler assembly plant in Kenosha, Wisconsin provided a powerful portrait of America in transition. The unsettling process of change brought about by deindustrialisation, which redefined the way Americans think about families, communities and future, was charted using interviews with residents of the city. Fine’s 2004 study on a small local automobile manufactory in Lansing, Michigan recorded its history from the early 20th century to the year of 1975 when it was closed down by looking into the life of its employees. Topics including union, ideas about work, manhood, race, and family were discussed in great depth. Similar studies were also conducted on Flint, Michigan (Dandaneau 1996) and the city of Boston (Bluestone and Stevenson 2002), in which the consequences of deindustrialisation and the enormous changes occurred to the communities and the social structure were discussed from a grander level.

The study on Peacock looks into the same topics – the confusing process, the impacts and consequences of changes on ordinary people – in a rather different context, the context that involves a transitional economy in the other side of the world embracing industrialisation and modernisation. Employees of Peacock, just as most of the residents in the country, have more or less benefited financially from China’s modernising process, but they also suffered greatly as well. The uncertainty, anxiety and confusion brought by the transition, as well as the loss of job security
during the SOE reform, is the cost they have had to pay. Throughout the years, China is known to have adopted a ‘gradual reform’ strategy compared with the ‘radical approach’ or ‘shock therapy’ taken by the nations of the former Soviet Union or Eastern Europe. Countless studies on China’s economic reforms are based on this presumption. This study advances the argument that, although when viewed from a macro perspective, China’s reform policies may have a ‘gradual’ and experimental nature, when viewed from below, at a micro level, changes are more likely to appear in radical form. For the individuals and the companies, nothing seems to be gradual when the social and economic order they were used to altered fundamentally. The impacts of economic reforms on these individuals might appear considerably harsher, the transition notably faster, than is widely thought to be the case.

3.6 Conclusion

This research on Peacock, a small local SOE in the city of Suzhou, aims to offer a different perspective from which to understand and reconstruct the history of China’s SOE development and reform in the past a few decades. The approach it takes allows the company’s employees and other direct participants of that history to offer their own opinions and tell their stories from their own perspectives. As the researcher and the interviewer, I fully recognised my position and didn’t pretend to be a ‘neutral observer’. The data I collected from the interviews have been cautiously treated to ensure the credibility as was possible given the complexity and sensitivity of the story in question. The obstacles I encountered during the research, such as the translating of the oral evidence, have been dealt with to the best of my abilities. From the next chapter on, Peacock’s story together with the life experience of its employees is going to be told in a chronological order to represent the reality of the development and reform of a local SOE.
CHAPTER FOUR: THE BEGINNING OF PEACOCK’S HISTORY

Before we started to discuss China’s fiercely debated SOE reform from the study of the local SOE Peacock, some efforts should be spent on understanding the historical context of the establishment of the country’s state-enterprises first. With so much attention being paid to the SOE reforms in the past a few decades, it may be easy to forget that almost all of China’s SOEs have relatively short histories. They were established only after the communist victory in China in 1949, although the ones adopting public ownership during the radical socialisation in the mid 1950s might have a history of operating as private firms before. Therefore, all of the changes and reforms that took place in these SOEs were experienced by only one generation or two of their workforces in many cases. In other words, things were very different when many long-term SOE employees started their work life. This chapter, therefore, focuses on the beginning of Peacock’s history and how some of its long-term employees started their work life there. Since the interplay of politics and economics is inescapable, this chapter starts with a brief discussion of the ‘three great transformations’ – the agricultural collectivisation, the socialisation of handicrafts, and the socialisation of the remnants of urban industrial and commerce – that took place in the 1950s. The foundation of Suzhou’s state industries was laid after that and a number of industrial SOEs were established in the city in the coming years, including Peacock. But its development as a television manufactory was in a very early stage and was far from successful. Still, many employees joined Peacock during this period of time, mostly being allocated by the authority. Their personal stories were elaborated to help us understand how ordinary people really think and react under the largely inflexible political conditions in a planned economy in the 1970s.

4.1 The Socialist Transformation in China in the 1950s

When the Chinese Communist Party (CCP) seized power in 1949, China was an extremely poor country devastated by decades of foreign invasion and civil war. Reviving the domestic economy efficiently was considered as crucial for the new authority to stabilise its ruling. Even on the Second Plenary Session of its Seventh Committee which was held even before the founding of the People’s Republic of China (PRC), CCP leaders have already reached for a resolution that:
‘After achieving success of revolution, (we should) revive and develop production promptly, and to fight with foreign imperialism, in order to transform China from an agricultural country to an industrial one step by step, and to transform the China under New Democracy to a socialist country.’

(Resolutions of the Second Plenary Session of CCP’s Seventh Committee 1949)

This resolution was later formulated as a more comprehensive guideline by Mao Zedong himself in 1953 and served as the ‘General Line’ of the new government during the so-called ‘transition period’:

‘The time period between the founding of the People’s Republic of China to the completion of the socialist transformation is a transition period. The main principle and the main duties of the CCP during this time are, the gradual realization, over a fairly long period of time, of the socialist industrialisation of the state, and the gradual realisation of the socialist transformation of agriculture, handicrafts, and capitalist industry and commerce.’

(Document Editorial Association of Central Committee 1986)

It is worth noticing that in the General Line, Mao still emphasised that the socialist industrialisation and transformation should be a gradual process and accepted that a fairly long period of time was needed. In fact, on a party meeting on 27 February, 1953, he publicly declared that ‘to realise the socialist reform in agriculture, in handicrafts, and in capitalist industry and commerce, ten to fifteen years were needed, or even longer if necessary’. He also urged ‘not to aim for quick success and should wait until conditions were ripe’ (Bo 2008: 152). However, in the coming years, this projected gradual process was massively accelerated. When meeting with provincial Party secretaries on 31 July, 1955, Mao criticised some party members’ reluctance towards widely spreading agricultural co-operatives nationally as ‘walking like a woman with bound feet’. His speech ‘On the Question of Agricultural Co-operativisation’ immediately triggered a ‘Socialist High Tide’ that during 1955-56 engulfed the entire countryside in a radical upheaval and a shift of agricultural organisation towards collectivisation (Kueh 2006). By the end of 1955, 60% of the rural families joined the co-operatives and by the end of the next October, most of the provinces achieved agricultural co-operativisation (Bo 2008: 230). The

---

1 The General Line was formalised on 28 December 1953 in a document entitled ‘Struggle to Mobilise All Strength to Build Our Country into a Great Socialist One, an Outline for Study and Propaganda of the Party’s General Line for the Transition Period’. It was ratified at the Fourth Plenary Session of the Seventh Congress of the CCP and incorporated in the new constitution of the People’s Republic of China in the same year (Liu and Wang 2006).
booming development in agricultural co-operativisation in turn stimulated the socialist transformation in handicrafts, industries and commerce. The CCP had already impressed the businessmen the comprehensive range of the new government’s authority. The ‘Five Anti’ campaigns launched by Mao since the end of 1951 aiming to attack the law-breaking practices among capitalists, including bribery, tax evasion, theft of state property, cheating on government contracts, and stealing secret economic data, had made a great impact on the owners of the private enterprises. For instance, it was reported that 76% of 450,000 private enterprises in nine major cities were found guilty of at least one of these crimes, which carried punishments of arrests, fines and occasionally executions (Ecklund 1963). At the same time, the CCP launched the ‘Three Anti’ movement among government employees, campaigning against corruption, waste and bureaucracy. Such a show of force destroyed owners of private enterprises any hope of running their business as usual in the new regime, and to certain extent prepared them for other massive political campaigns, even if the aim was nationalisation. Originally as of September 1955, the nationalisation, or social transformation, of the remaining private enterprises into joint state-private enterprises was projected to take five years to complete. But after Mao’s speech to representatives of industry and commerce on 29 October, calling for a speed-up in the transformation process, the original plan was revised to two years (Sheehan 1998). In fact, by the end of January 1956, all the industrial and commercial enterprises in major and medium-sized cities were nationalised. By the end of April 1956, 90% of the craftsmen in handicraft industry were members of cooperatives (Bo 2008: 230).

Why did Mao undertake and accelerate the transition to socialism within such a short period of time? This question has been greatly debated but a unanimous answer has not been achieved in the academia. The official response from the CCP on this issue was made at the Sixth Plenary of the Eleventh Party Congress in the ‘Resolution concerning several historical issues in the Party since the founding of the PRC’\(^2\) in 1981. In this resolution, it was reaffirmed that undertaking the transition at that time reflected historical necessity and was a correct decision made under three conditions: first, the pace of national industrialisation called for these decisions; second, the main social contradiction in Chinese society after the land

\(^2\) This Resolution can be read in Chinese from: http://news.xinhuanet.com/ziliao/2002-03/04/content_2543544.htm
reform was between two classes and two political roads and that these contradictions had to be resolved quickly; third, at the time the peasants had already shown their enthusiasm for socialisation. This official view was debated and challenged by the Chinese scholars since the late 1980s. Liu and Wang (2006)’s study on the origins of the General Line and the acceleration of the Chinese socialist transformation summarised the different analysis on Mao’s reasons of launching the acceleration made by the scholars along the years, including: requirements of national defence, believing the accumulated experience in the initial stages of transformation, and trying to maintain the Soviet Union’s support and confidence, etc. Although it was hard to tell the exact reasons behind the acceleration of China’s socialist transformation, scholars’ view towards the impact of the radical transformation was rather agreed. Some suggested that the radical agricultural collectivisation, coupled with the gigantic experiment of the People’s Communes in 1958, impaired peasant incentives and should be responsible for the slow growth or stagnation of Chinese agriculture, and that the Great Leap Forward movement had cost China almost a decade of economic growth (Kueh 2006). Others recognised some significant advances in technologies achieved directly after the socialisation, but still agreed that the ‘three great transformations’ appeared to have been too hasty and left in their wake many practical problems (Xue 1989; Yu 1996; Liu and Wang 2006).

4.2 Suzhou during the Socialist Transformation

During this period of time, Suzhou’s story was no different from the rest of the country. Local archives show that agricultural co-operativisation was publicised in Suzhou’s rural area since 1953 and within less than three years’ time, 99.35% rural households were members of the co-operatives. At the same time, the local handicraft industry was nationalised as well. 313 co-operative workshops were set up for 30,493 craftsmen. Moreover, answering to the Central Committee’s call for a high-tide of socialist transformation in industry and commerce, Suzhou’s local authority started to seek for a full nationalisation among industrial and commercial enterprises soon after. On 17 January 1956, the local authority declared that all of the 1,791 private enterprises Suzhou had at the time were voluntarily nationalised with no industrial unrests. The document below is a copy of the agreement made by the private owners and the government when nationalising Dongwu Silk Mill, one of Suzhou’s oldest silk mills, to a joint state-private enterprises in June 1955.
The agreement indicated that after the socialist transformation, a board should be established in the new factory and the president of the board would be allocated by the local government while the private owners could select the vice president. In principle, other managerial employees would be maintained. Issues relating with personnel and operations should be discussed between both the private and the public parties. However, if there were any conflicts in opinion, the local authority should be informed and would make up the final decision. The agreement had not mentioned anything about the share proportions (although it did mention that the local government would invest 30,000 yuan RMB\(^3\) into the new factory) or about the profit and bonus allocation for the private owners. Other documents show that Suzhou adopted the same policy as the rest of the country on the latter issue: 1) For the profits generated during 1953-1955, 46.19% of them would be submitted as tax, 17.57% allocated to private owners as bonus, the rest 36.24% to the employees as welfare and accumulation fund; 2) Since 1956, the private owners would receive monthly salary (relatively higher than average workers) as agreed in the negotiated agreements, and 5% fixed dividend every year till 1963 on their investment (in fact, this policy was extended to 1966), no matter how much profit or loss were made in their enterprises (Suzhou Municipal Records 1996; Chen 1995).

Suzhou had seldom had any major industries in history. The 1,791 private enterprises it had at the time were mostly very small. In fact, records show that among them only 475 had more than 10 employees. The vulnerable small companies could hardly survive in the changing economy on their own. Thus a plan that offered

\(^3\)Calculating by purchasing power, 1 yuan RMB at the time equals to about 15 yuan RMB now, approximately £1.50.
government support in restructuring and guaranteed owners’ fixed returns was welcomed. In due course, these small companies were restructured through administrative mergers and became 233 larger enterprises operating in electricity, construction, mechanical engineering, chemical engineering, textile, and food industry. Together with the co-operative workshops in the handicraft industry, they became the foundation of achieving Suzhou’s later industrialisation. Although none of the interviewees in my study is aged enough to participate in Suzhou’s socialist transformation, it is still a history directly related to this research, since one of the co-operative workshops which manufactured toys later developed into Suzhou Peacock Television Factory, the research subject of this study.

4.3 ‘We were overwhelmed by the joy’: The Birth of Peacock

When going through Peacock’s archival documents that had been yellowed by age, hardly any information can be found on how Peacock was established. However, one of my interviewees, Mr. Zhao RJ, was able to recount some details. As one of the most senior employees and later a key management role of the company, he still remembers that period of time vividly. According to Mr. Zhao, Peacock’s very initial form should be a ‘toy factory’ that was set up as a co-operative workshop in the 1950s as a result of socialist transformation and did not even have a name. It had fewer than 40 employees when founded, most of whom craftsmen who had skills in making wooden toys. By the early 1960s, this co-operative workshop had achieved some scale and was formally entitled as a Collective-Owned Enterprise (COE) under the name of Suzhou Crafts and Toys Factory. But the Cultural Revolution halted its development and the production plan became unsystematic. According to Mr. Zhao, during those years, they produced wooden toys, accessories for a car factory in Shanghai and even own-branded air guns. Eventually, this toy factory was merged into the Suzhou 3rd Electronic Apparatus Factory by administrative order and was settled for the production of electronic apparatus, mainly because the central government published a directive at the time, encouraging the expansion of the electronic industries. Later on, the authorities helped to clear up the factory’s ownership and made it a collective-owned company supervised by the municipal electronic bureau.

In 1969, the Sino-Soviet relation turned bad dramatically (see Robinson 1972; Bo 2008). A series of armed border conflicts forced the Chinese government to increase
its military spending, but the producing ability of the military industry was limited. Therefore, companies in the civil industries like the 3rd Electronic Apparatus Factory seized the opportunity. The contract they got from the government was to produce high-power loudspeakers for the purpose of broadcasting political slogans on the border. This secured national order not only brought in stable revenues for the factory, but also opened up channels for networking with the government agencies at the higher level. The factory also experienced another expansion in 1971 by merging with the Suzhou Bayi Electronic Apparatus Factory, a state-owned company that had military contracts and networks as well. Soon after that, the newly appointed factory director made a decision to shift the company’s producing focus to televisions, and changed this company’s fate forever. Mr. Zhao RJ told me in the interview that it was thanks to this decision that this enlarged electronic apparatus factory had the opportunity to stand out later:

“We had been developing televisions for a while at the time… the government encouraged all the factories in electronic industry to do so, since televisions were considered as the tool of political propaganda of the proletariat dictatorship… we already started to make 14-inch black and white ones in small quantities using technologies learnt from an existing TV producer in Shanghai. Then with some retired army technicians’ help, we developed a very simple projection TV by ourselves. It was not even technologically mature yet, since the projection CRT was far from stable. But our new director, Liu, who knew limited about technologies but a lot about bureaucracy, decided to publicise it. He established special teams in the factory to manage government relations. They went to provincial government and the Electronic Department in Beijing regularly to report our producing activities on TVs and showed them our projection TV. Those officials took the projection TV quite seriously… you know the biggest TV sets China could produce at the time were the 14-inch ones… Families couldn’t afford them and they were too small for public use… So when we showed them the projection TV, the officials thought it could be the solution. Factories and government could use them to broadcast programmes for their employees during the spare time. The officials were really happy about it.’

Although the projection TV has never been put into mass production, it seemed the efforts Peacock spent on networking soon paid off. In 1973, the central government decided to set up two specialised TV factories in the country. Instead of investing in the already well-known TV producers, such as the Pioneer in Shanghai and the

---

4 Before that, all the TV producers in China had other product lines too. They normally were called Broadcasting Equipment Factory.
Peking in Tianjin, the Fourth Ministry of Machinery and Industry recommended Suzhou *Bayi* Electronic Apparatus Factory after a field trip. Since the radios branded as Peacock produced by another SOE in Suzhou had already been quite popular in the country, the local government suggested naming the televisions about to be produced as ‘Peacock’ too. The initial investment from the government was 6 million yuan RMB and the local government marked out 45,000 m² industrial land in the north part of the city for the newly renamed Suzhou Peacock Television Factory too. With the state investment, Peacock was no longer a collective-owned company but a local SOE. According to Mr. Zhao, all of the employees were excited about this great opportunity:

‘We were overwhelmed by the joy and couldn’t believe it was really happening. You know, using the words of those days, it showed the Party’s trust and confidence on us! Six million and 45,000 m²… Before that we were working in a very small workshop and combining normal desks together as work stations… no product lines at all. All a sudden… well you know what did we do as the first thing when we started the construction on our new factory site? Built up four little buildings in the four corners of that land in case the government regretted later and tried to take part of the land back! It was just unbelievable. We actually didn’t need such a large place… that’s why we built up so many rock gardens and planted so many trees in our factory site later on. It’s great! Very pretty!’

Apart from spending in construction and infrastructure, the management decided to invest in an assembly line and to convert it for TV production. That made Peacock the first TV producer in China using semi-automated production lines. The designed annual producing ability of this line was 150,000 sets of 12-inch black and white televisions. However, the production of 12-inch picture tubes in China then bedevilled with problems. The picture tube quota Peacock got from the central government was far from enough to suit the running production line. Peacock was in a tight corner right from the starting point. At that time, Suzhou government showed its support. The local officers knew there would be a 9-inch picture tube factory set up in the nearby city of Wuxi soon and were confident that because of the great relationship between the two municipal governments, it would be easier to get large quantities of 9-inch picture tubes later. Therefore, a special team helping Peacock to design 9-inch black and white TVs was established, and in a few months Peacock

---

5 The other one was set up in Shaoshan, Mao Zedong’s hometown.
started to produce 9-inch TVs. Looking back, clearly there was no element of any market research behind such a decision, so the fact that 9-inch TVs didn’t sell at all later was not surprising. But managers and employees of Peacock didn’t need to think or question about the economic effectiveness of such a decision, nor did they need to take much responsibility when this design didn’t work out. They just need to realise the plan quota, whatever the result. After all, it was in the mid 1970s, and major decisions in the operation of the SOEs were still made by the government anyway. However, Mr. Zhao still made some of his own analysis about the reason of this failure:

‘People just didn’t go for the 9-inch ones. They didn’t want them! ... We didn’t understand at that time and I think those government officers didn’t understand either… 9-inch ones were indeed more affordable for families. Why didn’t they buy them? … Now we understand it… It was totally in accordance with Chinese people’s consuming pattern and mind-sets: they had seen bigger ones, why should they go for smaller ones? If the bigger ones were not that available, which would only make them more popular, people would just wait. Besides, purchasing a TV was such a big thing then. What if I bought this 9-inch one and soon 12-inch ones became available? Smaller ones were not like free either. But we wouldn’t stop our production. We didn’t need to care about loss or sales at that time… just focused on production! Therefore, in a not very long time, our warehouses were packed with 9-inch TVs.’

Government intervention is commonly considered as one of the major reasons of SOEs’ inefficiency since it frequently causes resource misallocation (World Bank 1995; Shirley and Walsh 2000; Hassard 2007). Peacock’s failed 9-inch TV project seems to be a perfect piece of evidence for this argument. The local government’s plan didn’t work out but the production of such unpopular goods still went on. Peacock didn’t have the incentive to adjust the production plan since its loss would be subsidised by the government and it would be offered another plan later anyway. However, under the historical conditions, there was actually no choice other than following the government plan. Peacock had the ability to produce 12-inch TVs which would be popular among the consumers at the time, but picture tubes were just not available. In order to maintain production and provide employment, economic efficiency could be removed from the priority list of Peacock. The general institutions of the planned economy decided that, without ‘government intervention’, SOEs like Peacock simply couldn’t survive, not to mention achieving economic efficiency. Unsalable products wouldn’t bring down a SOE in those years, although
they would do no good for a SOE’s reputation and might affect its image and significance in the industry. From this perspective, Peacock was lucky. This failed project not only didn’t cost Peacock’s development, but unexpectedly benefited the company quite shortly afterwards. In September 1976, Mao Zedong passed away. This significant incident signals the beginning of another era in China’s contemporary history, but one of its more direct impacts on Peacock was the boost of the sales of televisions. Mr. Zhao recalled:

‘When Chairman Mao passed away in 1976, televisions suddenly became extremely popular. 9-inch, 12-inch and 14-inch… whatever sizes… all of them were sold out. People wanted to watch the news at home, so the sales to families boosted. But more importantly, since broadcasting Mao’s memorial to the employees was a political task that had to be achieved by every single organisation in the country, they would try everything to find a TV! Even a 9-inch one would be better than not having one! So the majority of the televisions were sold to factories and government offices. Within days, all of our 9-inch stocks were gone! So I guess you can say… Chairman Mao’s death created a sudden rigid demand and we were among the very few TV factories that had the stock to cope with it.’

Ever since this nationwide rush purchase, Peacock became a recognisable brand in the country. Although it was still making an official loss of 400,000 to 500,000 yuan a year, Peacock started to become a famous player in the domestic TV producing industry and a locally favoured employer. With Peacock’s expansion in scale since the mid 1970s, more and more employees joined the factory. Many of them stayed with the factory ever since. Jobs were allocated to individuals under the socialist planned economy, but during the years of Cultural Revolution, urban industries’ recruitment was greatly disturbed. Many of the Peacock employees who took part in this research belong to that generation encountered the high-tide of Cultural Revolution at school age. Their personal experience during that period of time, including how they got recruited by Peacock, is a true reflection of the ordinary people’s life in that socially and politically unstable decade.

4.4 ‘Down to the Countryside and Be Re-educated!’

On 5 August, 1966, Mao Zedong published ‘Bombard the Headquarter – My First Big-Character Poster’, a short document which was widely believed as targeting Liu Shaoqi, who was in charge of the daily operation of the central government at the time (Cheng 1971). In this document, Mao excoriated ‘some leading comrades from
central down to local level...enforced a bourgeois dictatorship and struck down the surging movement of the great Cultural Revolution on the proletariats (People’s Daily: 5 August 1966).’ On 8 August, the Central Committee of CCP passed its ‘Decision concerning the Great Proletarian Cultural Revolution’. The decision elevated the already existing student movement to a level of nationwide mass campaign. Since then, a movement initially aimed to purge intellectuals with ‘Rightist’ ideology, which had shown few signs different from the ongoing leftist campaign, escalated to a disastrous turmoil that lasted for ten years and led to the deaths of thousands (See: Yan et al 1996; Esherick 2006; Clark 2008). In December 1968, Mao, who by this point had achieved god-like status, launched the ‘Down to the Countryside Movement’. This decision and the persuasive agitation by the government changed the life of millions of youth. In his appeal, Mao said:

‘It is necessary for the educated youths to go to the countryside, and be re-educated by the poor peasants. We need to persuade cadres and others in urban areas to send their children who graduated from junior high, senior high, and college to rural areas. Let us have a mobilisation. Comrades in rural areas should welcome them.’

(People’s Daily: 22 December 1968)

In fact, two years of ‘Red-Guard Rebellion’ had already paralysed most of the government administrations and education institutions. No classes were provided at school anymore (Pepper 1996). Due to the ‘Send-Down’ policy, students could no longer advance in school, and neither could they be assigned jobs in urban areas. Although in the later years this policy was loosened with flexibility in application, still approximately 17 to 20 million of urban youths were sent to the rural areas to live and work. Many stayed there for more than ten years (Zhou and Hou 1999). As one of the largest and most intensified human mobilisation in history, ‘Down to the Countryside Movement’ was a direct result of state order.

In retrospect, residents in Suzhou were quite lucky during this massive movement. Apart from the very early years of the ‘Down to the Countryside Movement’, youths in Suzhou would only be sent to countryside that was relatively close to their hometown upon graduation. Later, some of them just needed to stay in the suburbs and could visit their families quite frequently. Policies were adjusted in the later years during local implementation: Single children were not required to ‘go down’; one of the children, usually the oldest one, could stay in the city and the government would allocate him/her a job; if there were more than two children in the family,
when the third one was sent down to the countryside, the one had already been ‘re-educated by the peasants’ could come back; and so on. However, the policy flexibility did not provide the graduates with any room to make choices for their personal future. It just listed certain rules for the graduates to follow, which probably enabled them to foresee their future. One employee of Peacock, Ms. Zhang GZ, described her personal experience during that period of time as follows:

‘There are four children in my family. I am the second. I’ve got an older brother, a younger sister and a younger brother. I graduated [from Senior Secondary School] in 1974. My older brother graduated in 71…The oldest child would get a job in the city…That was the policy. And the second child in the family would be sent down. So I graduated in 74, and was sent down to Kunshan in 75…Didn’t feel bad at the time at all…Those years people were simple-minded. We knew the policy. We knew if the older brother or sister had got a job already, as the second we would go down to the countryside. Nobody would have second thoughts at all…’

Ms. Zhang’s experience was quite a typical pattern that most of the high school graduates in Suzhou would have been through during those years. Many local residents of that generation had the shared memory of spending a few years of their youth in one of the ‘Youth Stations’ near their hometown. It seemed to be an unavoidable experience and when talking about it, some interviewees, like Mr. Wang CL, even used a very relaxing and easy tone:

‘My experience of ‘down to the countryside’ was OK. I was in one of those ‘Youth Stations’ near Suzhou for two years…quite close to home. It was like a collective living experience. Hundreds of urban youths lived together…but we needed to help the peasants and work in the farm…but overall it was all right.’

However, even during these years which thought to have very inflexible political conditions, there were still exceptional cases. Both Ms. Zhang GZ and Mr. Wang CL mentioned the term ‘dingniuhu’ during their interviews, the literal meaning of which is ‘the household that act like a stubborn bull’. They were the households that insisted not to send their children to the countryside and were considered as the black sheep of the society. Although they were few in numbers, their existence still suggested certain form of autonomy individuals had during those years. However, even if there weren’t any legal punishment since these urban youths would use some justifiable excuses for not going, there would always be some prices to pay for their action. Mr. Ni SP, Peacock’s factory director since the late 1990s, was one of them:
‘One of my older sisters was working in the city at the time. So I should’ve gone to the countryside… Personally it was OK for me, because at the time the places we were asked to go was not far from Suzhou. It normally was the so called ‘Urban Youths Station’ set up in the suburban by your parents’ working places… I should have gone to Taicang… they were doing some kind of industrial production there… so we would go there working just like workers, not as the typical peasants working in the farm… However, my parents were both in poor health conditions at the time. My dad, because of the criticising and denouncing he had been through, was always in tension psychologically and thus lost all his teeth, and had some heart problems. My mum never worked and had been ill for years already…And my sister who stayed in Suzhou was married and was no longer living with my parents…Having considered the family situation, I refused to go to Taicang and stayed at home to look after my parents…Since then nobody had told me to do anything after I graduated in 1974, for four years. It’s like I was abandoned from the system… Actually during this period the university entrance exams were brought back because Deng Xiaoping was back… But for me, I couldn’t go and attend the exams. You think about it, the excuse I used for not going to Taicang when I graduated was my family needed me to stay in Suzhou… If I passed the exams and went to other places for higher education, my previous excuse couldn’t stand… So during those four years, nobody told me to do anything. Nobody asked me to go to the countryside again and no allocation for work either. I could only stay home with my parents. Therefore I had to do something I’m interested in…such as cooking for the family, gardening…and I read quite a lot, sometimes I would assemble radios if my friends at the radio factory were free to teach me. I went to the waste processing station to see if some accessories for radio assembling could be found. That was my life…Those were really hard years.’

For nearly a decade, the principal component of Chinese policy towards school graduates has been not to pursue further education, including apprenticeship in urban factories, but to be sent down to the countryside for an indefinite period of agricultural labour. At the same time, the political turmoil has brought industrial expansion to a halt, so there were very few factory jobs available for the students in the first place (Unger 1979). Under such circumstances, being allocated a job in the urban industry after graduation was a rare and greatly envied opportunity. In the next section, we are going to see some examples of how ordinary individuals were allocated jobs before the country’s centralised labour policy was reformed.
4.5 ‘It wasn’t something you could argue with’: Job Allocation in the 1970s

The centralised job allocation policy China adopted during the planned economy was based on the Maoist ideology that labour is not a commodity but a national resource (Bian 1994). Under such ideology, every Chinese citizen was given the right to work, but where and what the job was would be decided by the official. A set of well-defined formal procedures and rules, such as labour quotas, recruitment criteria and regulations, needed to be referred to when a job assignment was made, while candidates could only wait passively in most of the cases (Tang 1990 pp. 67-69). Bian (1994)’s study on Tianjin shows that during the Cultural Revolution, 95% of urban jobs were state-assigned. But as discussed in the last section, for most of the years during the Cultural Revolution, the main principal of Chinese policy towards graduates was to send them to the countryside to be re-educated instead of offering them jobs in the urban industries. However, fresh labour was still needed in factories to replace retired workers and, in some cases, for the expansion and development of certain industries. Therefore, rules were designed to separate the fate of the urban youths to allow some of them staying in the city and work for the factories after graduation. In Suzhou, one of the widely used rules was to allow the first child in the household to stay. Ms. Xu WH, a long-term employee of Peacock, was thus offered her first job in a coal mine when she graduated from junior high school in 1970:

‘It was a job in the Xishan Coal Mine. The job allocation… it wasn’t something you could argue with. You just had to take it…The Coal Mine was in the suburb…you got to take a boat to get there. Sounded like a horrible job at the time (laugh)…I was really young at the time, only 15! I complained, but you just couldn’t do anything about it. So I went, and actually it turned out to be quite a nice job for girls. We girls only needed to recharge the miners’ lamps! The pay was good too! Coal mines were definitely state-owned enterprises. So I became a worker of a SOE at 15! That was something everybody would envy…’

Another rule was designed for the families with more than two children: when the third child was sent to the countryside, the child who was in the countryside already could return. But if the older child decided to remain in the countryside, the younger one could be offered a job in the city. This was not an easy rule, since it required the family to make a decision on sending which one of their children away to the countryside where living conditions were normally tougher than in the city. Ms.
Zhang GZ, who was sent down to Kunshan in 1975, faced with such a difficult decision in 1977 when her younger sister graduated:

‘She could’ve stayed in the city because I was already in the countryside. But if she chose to be sent-down, I could come back… People were just different at the time. I feel grateful to her my whole life… She came to me later and said she had asked to be sent-down so that I could come back. She said it was OK because she was sent to the suburb of Suzhou and she thought my place was too far away from home and the living condition was too poor…So I came back on Feb.1979, months after the whole sending-down movement was called off and months before all the urban youths were transferred back to the city…It is blood relation… I am always thankful to my younger sister…Then I got lucky when they allocate the jobs… A friend of mine in Kunshan asked me what sort of jobs I would like to have later. I said something to do with electronics! Factories relating to electronics were so popular at the time. And we all knew most of the time girls would be allocated to spinning mills and places like that…so she laughed at me and said: You dream! But when I was transferred back to the city, probably because I came back earlier than the rest of the urban youths, there were vacancies in Peacock! So when they informed me that I should go and report to Peacock, I could hardly believe my ears! It was just the best thing! A dream came true… I was genuinely happy, so was my whole family!’

The centralised job system not only took care of graduates’ first jobs but also their change of jobs afterwards. During the years when life-time employment was the norm, change of jobs could hardly be achieved with individual’s own will only. Moving to a new employer was called ‘diaodong’ (transfer) and required appeals to at least two supervisory levels within the firms, and then approval from the administrative supervisors for both new and old employers (Davis 1992). The document required for such a job transfer was called ‘siliandan’ (quadruplicated form), a name still able to remind that generation of Chinese people of all the hard efforts that were needed to achieve some change under the tightly controlled bureaucratic job system. However, if the job transfer was required by the authority, it would be processed quickly without much consideration of the individual’s opinion. Ms. Xu WH was transferred to Peacock from Xishan Coal Mine in 1975 when the authority decided it was not economically efficient to have a coal mine in Suzhou:

‘I loved working there [at the coal mine] and was performing really well – I joined the Communist Youth League there… but I had to be reallocated in 1975 since they were closing it. And that was why I started to work for Peacock… I didn’t want to be sent to
Peacock… I knew it supposed to be a good factory, but I wanted to be sent to a mill. It sounds odd now, but I really wanted so… Probably because I was young, my standard of judging a factory was its size. Peacock was a small factory at the time, while a mill would have tens of thousands of workers which would be similar to a coal mine. I thought only with that sort of size would it be a good factory! So I was not excited at all… There was another reason… I lived quite close to the former Peacock, you know, that toy factory which later merged with an electronic apparatus factory… I walked by that toy factory daily when I was younger. I saw them carving those wooden toys all the time… So I remember saying to myself: ‘No way! That toy factory? How can I work like that?’ But again, you just didn’t have a choice… I admit I felt nothing special about producing TVs at the time. It was just too small a factory for my taste (laugh)…’

Under the central planning, government had total control over every aspect of labour arrangements. The ideological goal of full employment was achieved by having an authoritarian structure of job allocation, which was responsible to allocate jobs to the individuals who needed them. But when the Chinese economy was thrown into upheaval by political forces, as happened during the Cultural Revolution, special arrangements had to be made to maintain the façade of full employment (Meng 2000: Chapter 2). Millions of urban youths were sent to the countryside during this period of time when production stagnated and schools and universities were closed down. The graduates who managed to get a job in the urban industries were considered to be lucky and well envied. This policy not only made many graduates became part of the hidden rural unemployment, but also created a huge unemployment problem when they returned to the cities at the end of the Cultural Revolution (White 1988). But the reintroduction of the national University Entrance Exams in the late 1970s at least provided great hopes to the young people to change their lives by themselves.

4.6 The Reintroduction of the University Entrance Exams

During the Cultural Revolution, educational issues were at the core. Mao understood the profound influence that educational system could have upon the society, so when he thought the Chinese society was becoming too bureaucratic, elitist, and Soviet-style revisionist, he took the educational system as the starting point for social reform (Shirk 1979). The inclusion of more political content and manual work in the curriculum of schools and colleges was part of such reform. Mao also believed that schooling often had a deleterious effect on students’ attitudes and would transform the students into ‘spiritual aristocrats divorced from the workers and peasants, and
from reality’ (*People’s Daily*, March 29, 1969). This in particular accounts for the reduction of years required at all levels of schooling and the launch of the already discussed ‘Down to the Countryside Movement’. University Entrance Exams were abolished as early as at the beginning of the Cultural Revolution. In the editorial of 18 June, 1966, *People’s Daily* announced that:

Party Central Committee and Chairman Mao have pointed out repeatedly: the old bourgeois education system, including the admission system, needs a fundamental reform! This old admission system is jeopardising our socialist society. This system, is not leading by proletariat politics but by bourgeois politics! It is based on exam marks! This system is seriously against our Party’s class line policy. It will refuse many excellent children of workers, poor peasants, revolutionary cadres, revolutionary army members and martyrs to go to university. And it will make convenience for the bourgeois class to raise their successors!

(*People’s Daily: 18 June 1966*)

Since then, for more than ten years, universities were not allowed to screen the intellectual abilities of their applicants. Students were selected only based on class backgrounds and working place recommendations. Thus many of them were not able to do college-level work and contribute to the scientific research. Moreover, college campuses never settled down during those years and faculties were severely disrupted and purged. College education existed only in name. After Mao’s death, the moderate leadership group which had controlled policy before the Cultural Revolution regained power. The senior members of this moderate group, particularly Deng Xiaoping, have always preferred a more conventional education model and decided to bring back the University Entrance Exams (Shirk 1979). In fact, according to my interviewees, Deng had tried to do so during the Cultural Revolution already. That was the reason Mr. Ni SP got to receive high school education after graduated from junior high school during the ‘Down to the Countryside Movement’:

‘When I graduated in 1971 [from junior high school], Deng Xiaoping was back in charge from his first purge. When he was back in charge, he would like to bring back the entrance exams for universities. But he did not dare to do so immediately, and he knew even he did, there would be no candidates to take part in the exams since all the youths were sent to the countryside by Mao. So he decided to start from the next generation. He made a long-term strategy…So in my time, junior high school graduates who were younger than 16 years old were required to advance to the senior high schools. I was one
of them. I couldn’t get a job in the city, and couldn’t go to the countryside either… So in my case, I went to high school for two years afterwards… Those were probably the most stable years in the Culture Revolution. We were trained as future candidates to take part in the [university entrance] exams… We were taught by the best teachers they could get… But unfortunately, in 1973, Deng Xiaoping was brought down for the second time. As soon as he was down, the hope for reviving the university entrance exam was over as well… So when we graduated, the situation was exactly the same as two years ago: to work in the city industries if you did not have a brother or a sister doing so already, or to go to the countryside.’

When the moderate leadership group regained power in 1977, policymakers moved with remarkable speed to reconstruct the educational system. Directives on different policy questions were published on a daily basis. Additional emphasis was placed at the university level in order to support scientific and technological research and training to narrow the gap between China and the developed nations quickly. In terms of the candidate selection, policymakers argued that educational resources should be concentrate on the most talented students since the speed of catching up with other countries was the most important thing, thus there was no other way out except for dividing students by ability rather than by the social class they belonged to (Shirk 1979). On October 21, 1977, People’s Daily published the news ‘Great Reforms in University Admission’ and the editorial ‘Do a Good Job in University Admission is the Hope of the People’ (Picture 4.2). This indicated the official reintroduction of the University Entrance Exams which had been abolished for 11 years. Although many people still had reservations, more than 5.7 million candidates turned up for the exams in the winter of 1977 and 270 thousand got accepted. In the next summer, another 6 million took part in the exams and 420 thousand were accepted⁶. The successful candidates from those two exams all entered university in 1978.

Since there was no age limit for the entrance exams until 1981, everyone who missed their opportunity to study at the university level during the Cultural Revolution was entitled to take part in during those years. It was an encouraging sign for many Chinese indicating individuals were no longer being judged by their backgrounds and class but by their abilities, and that the normal social order was going to be brought back soon. Many successful applicants’ lives were changed ever since. And in some cases this was also true for the ones didn’t succeed in the exams.

Mr. Wang CL, an employee of Peacock for thirty years, suggested so:

‘…I stayed [in the countryside] for about one year and half only, because I took part in the University Entrance Exams. That should be the year of 1978…no, 1977…anyway it was the first National University Entrance Exams since the start of the Cultural Revolution… I wasn’t accepted by any university. But I guess I still did OK in the exams…because 15 of us were selected from the Youth Station by the Suzhou city…I there was no large-scale ‘return-to-city movement’ at the time…15 of us were selected to come back to the city and work for Peacock. It was a special recruitment directly from the Youth Station. We didn’t know anything in advance. We didn’t do anything to promote it. They said it was because our performance in the Entrance Exams was OK…not good enough for entering the universities, but good enough to prove we were quite smart I guess (laugh)…So I started my life in Peacock…15 of us…we were considered as talents. That was the year of 1978. We were treated differently. We didn’t work on the producing lines. We were trained as accountants…you see, it was a special recruitment! If I didn’t do that Entrance Exams, I wouldn’t have been selected.’
The reintroduction of the University Entrance Exams was just one of the many reforms that brought far-reaching changes in ideology and policy by the new CCP leadership headed by Deng Xiaoping. In the late 1970s, an unprecedented social and economic reform in China’s post-revolutionary history, which continues to this date, was launched. This reform, which is based on market-oriented principles, made an impact on almost every element of the centralised planned economy. As a local SOE, Peacock, together with its employees, is about to enter a very different stage of development.

4.7 Conclusion

After the CCP came to power in 1949, the Communist leaders adopted the basic institutional feature of the ‘Soviet model’, aiming to achieve rapid socio-economic modernisation while avoiding the human costs of early capitalist development and the dependence on the advanced capitalist nations. The country’s socialist transformation was accelerated in the mid 1950s and the ‘three great transformations’ – the agricultural collectivisation, the socialisation of handicrafts, and the socialisation of the remnants of urban industrial and commerce – were completed within a matter of years. Although the adoption of the Great Leap Forward policy, the formation of the People’s Communes, and the launch of the Cultural Revolution in the following two decades greatly disturbed the nation’s economic order, SOEs like Peacock still made some development. Urban youths were required to be re-educated by the peasants in the countryside, but some still managed to be allocated jobs in industries. In 1977, the University Entrance Exams were reintroduced after the moderate CCP leader group regained power. It was the beginning of an unprecedented economic and social reform that aims to modernise the country. The massive transition from a centralised planned economy to a market-oriented economy was starting to reveal itself.
CHAPTER FIVE: PEACOCK AT ITS PEAK

When talking about China’s economic reform, the Third Plenum of the 11th Central Committee of the CCP, which was held in December 1978, is of great significance (see for example: Field 1984; Nolan and Ash 1995; Nolan 2004). On this historic meeting, the overall policy direction of ‘reform and opening-up’ was established, which had a far-reaching impact on the country’s modernisation and economic development in the coming decades. However, this doesn’t mean that reforms were carried out at a massive scale in every aspect of the country’s planned economy immediately after the meeting. On the contrary, the strategic approach of China’s economic reform was considered to be gradual, evolutionary and incremental. The reform began with the agricultural sector in rural areas from late 1978 by introducing the Household Contract Responsibility System (HCRS). This de-collectivisation effort aimed to trigger reform and inspire the enthusiasm of farmers (Hassard et al. 2007:53). In urban industries, a variety of reforms and experiments were carried out on a very small scale, primarily in Sichuan province (Field 1984), before being promoted to a larger scale. Initial changes concerned expanding the level of autonomy and introducing profit retention for discretionary use, but the kind of success demonstrated in the agricultural sector was not attained. From the mid 1980s, the focus of reform started to shift to the urban areas and to the industrial SOEs. Contract Responsibility System (CRS) was actively promoted and rapidly spread among state enterprises since 1987. At the same time, further areas of reform relating to prices, finance and banking, taxation, investment and government transformation took place gradually as well (Hassard et al. 2007: 64-80). During this phase of reform, profound issues such as ownership change of large SOEs were not touched, but managers of the state-enterprises were granted more ‘control rights’ over the operation of their companies. Moreover, gradual reform of the price system allowed SOEs not only to sell products within a certain quota at a state-planned price, but also to sell those above the quota at a market price which was generally higher. Many SOEs, including Peacock, enjoyed a prosperous period of development. This chapter, therefore, is going to describe Peacock’s prosperity during the period of late 1970s to late 1980s. Employees’ work life will be looked into by examining topics including the job allocation and training system, life at work, reward and welfare, and the Union activities. On certain details, the
interviewees’ accounts seem to have some inconsistencies, possibly because of the impact of time on memories, but people usually talked about this period with deep emotions. For many of them, it was the best time of their work life. It was also the period they recall the most when facing unpleasant changes in the later days. To a certain extent, it is fair to say this decade or so of ‘good old days’ of Peacock set the standard for what a good job ‘should’ be like for many of the long-term employees of the company.

5.1 Reaching the Peak

Before Peacock reached its peak in the mid-1980s, there was a twist. Chinese people believe ‘A loss may turn out to be a gain’, and Peacock’s experience certainly followed this proverb.

In 1981, one of Peacock’s black-and-white televisions KQ-31-1 failed to pass the annual quality test held by the National Quality Monitoring Bureau. This incident disturbed the stable atmosphere Peacock was having and had far-reaching impacts on the company’s future. Mr. Tang Y started to work for Peacock that year. As a newcomer, he remembered this incident vividly. He also claimed there was a harsh editorial in the nation’s most influential paper, People’s Daily, criticising Peacock at the time:

‘It was a huge disaster… being criticized by People’s Daily… especially when we were one of the only two state-invested TV plants in the country. Officials from the provincial government were angry and the top management of our factory was all removed. Soon, they sent down an inspection team to our factory, and a Japanese expert was with them as well… That was the first year that Jiangsu Province started to have collaborative projects with the Japanese consultants on updating management styles. I remember the Japanese expert gathered all the employees, including workers on the production lines, in our canteen, and made a report on what he thought an advanced management style was. Let’s not argue whether our quality problem was due to our management style or not, at least that was the first time we had the chance to know how foreigners were running their factories then.’

The ‘harsh editorial’ couldn’t be found in 1981’s People’s Daily, but there were records in Suzhou’s industrial archive saying Peacock did poorly in the 1981’s National Quality Contest and ‘revived soon with provincial officials’ guidance’ (Suzhou Municipal Records 1996). When inquiring further about this incident with other interviewees, I found that the Japanese expert did more than a report. He set up
a training course on quality control for nine promising young cadres selected by the Party Committee of Peacock, including Mr. Zhao RJ and the later new factory director Mr. Sun ST, a graduate from University of Science and Technology of China, one of the country’s best universities. These young educated cadres soon replaced the old management of the company, which marked the beginning of an internal reform that was promoted by the authorities. When Mr. Sun was formally appointed in October 1982 as the new factory director, Peacock had become an experimental unit for carrying out the Contract Management Responsibility System (CMRS), which was the most widely used form of CRS. Under the CMRS, the enterprise would establish a formal contract with the state, which had three main components: first, a profit-sharing scheme; second, projects for upgrading the enterprise’s technology and management; and third, a scheme for determining wages and bonuses that were contingent upon the enterprise’s performance (Pyle 1997: 96). The factory director would have the autonomy and responsibility to make operational decisions, while in the past the factory’s Party Committee had the formal power to assume the management of the company. However, the factory director still had to maintain harmonious relationships with the company’s Party Secretary, since in order to achieve anything in an organisation requires the acquiescence, if not the active support, of other executives in the company, not to mention the fact that almost all the top managers of a SOE, with exceptions only in the smallest ones, will be Party members and members of the Party Committee (Walder 1989). Therefore, Mr. Sun’s plan and vision on Peacock’s development still needed to be discussed with the company’s Party Committee. Mr. Zhao RJ, the Party Secretary of the time who assisted Mr. Sun, remembered him being passionate about bringing in foreign technologies and using Sanyo’s Integrated Circuit (IC) when Peacock started to produce colour TVs (Picture 5.2) in the early 1980s:

‘Speaking of Japanese electronic appliances, Sanyo might not be that famous nowadays. But in the early 1980s, Sanyo was the only foreign brand of electronic appliances on China’s market. It was well-known in China… Actually its technology in TV production was not the best at the time, but there were no other choices then if you would like to adopt foreign techniques… all the other foreign brands hadn’t decided to come to China yet… then we had our first colour TV. It had a maximum of eight channels but didn’t have a remote controller.’
Peacock didn’t produce many of these ‘Sanyo style’ TVs, since Sanyo’s expansion started to concern Sony. The latter felt it needed to act fast before the Chinese market was dominated by others. In the early 1980s, the destinations of Foreign Direct Investment (FDI) made to China were still controlled to be in only a few Special Economic Zones (SEZs) in the country (see Chapter Six for details). But Peacock had the advantage of having better educated work force and relatively mature technology and producing lines. Therefore, with the help of the National Electronic Bureau, Sony and Peacock started a Semi-Knocked-Down (SKD) cooperation programme. The Japanese company which had the world-leading technologies in TV production at the time would provide all the components and design for Peacock to assemble ‘Sony style’ colour TV to sale on the Chinese market. Profits would be shared by the two parties. Sony also agreed to let Peacock produce or purchase all the other components domestically apart from the picture tubes and the IC in the fullness of time. Soon, China’s first 14 inch colour TV with a remote controller, KV-1882, was produced in Peacock in 1984, although it was branded as Sony (Picture 5.2). Mr. Zhao provided his own explanation of the branding issue:

‘At first, the colour TVs we produced in the SKD programme were branded as Sony, since on one hand, all the components were imported; on the other hand, branded as Sony could charge a much higher price in the Chinese market… I guess you understand the purchasing preferences towards foreign brands among Chinese consumers… After the percentage of home-made components rose to a certain extent, we started to brand our TVs as Peacock. But the same product with a Peacock’s brand priced 1,450 yuan RMB while with a Sony brand priced 1,850 yuan RMB. Although demands for both of them exceeded supplies a lot, you still could see the difference. Even as SOEs, companies in China started to be more profit-driven in that transitional period. Higher
profit meant bigger contribution to the country, better welfare for the employees, and better chance to be promoted for the management. So of course we would agree to brand them as Sony, as long as the contract allowed. But we made Peacock ones too, because you needed to submit national-branded ones to enter the various national competitions and evaluations, and well… to make sure Peacock was recognizable in China.’

Since 1984, Peacock entered a fast expansion period. The annual output soared from the 150,000 sets before the Sony cooperation programme to 330,000 sets in the first year. According to the various issues of Suzhou Yearbook published in the late 1980s, Peacock’s output of 725,000 sets in 1987 brought a submitted-profit of 29.48 million yuan RMB. In 1989, its output reached a peak of 1.02 million sets. But even a flying speed of increase in output could not meet the even faster expansion of national demand (Picture 5.3 and 5.4). In the interviews, almost every interviewee gave out interesting descriptions about those best days of Peacock from different perspectives. One of them, Ms. Li JH, who later became the chairwoman of Peacock’s Company Union, told me the intensity of the competition between the retailers in order to get Peacock’s products in those years:

‘At that time, retail was no longer controlled by a few institutions in the country. We had set up our sales department already, but still didn’t need to worry about selling at all. Our sales department was always full of people those years. Purchasers from the retailers all over the country waited there all the time. The money in our advanced collection account always exceeded 60 million yuan! Retailers would pay us first, and still would need to wait a long time for the products. Dozens of trucks waiting to be loaded queued at our back entrance every day… They would try everything to make friends with our people in the sales department just to get the TVs a little bit sooner… Everybody was treating our sales people with dinners and presents… and later on some smarter ones thought of the directors in the workshops! So conflicts were raised between the workshops and the
sales department all the time, since the workshop directors sometimes would skip the warehousing procedure and let the purchasers who were conversant with them take the TVs first that had just been brought down from the lines! This certainly would annoy the sales department, since they had purchasers conversant with them waiting as well! And both parties had already paid for the TVs [laugh]! At that time, I was working in the operation and management department, so I had to go between them to make interventions quite often… Normally the only solution was to let both parties have half of that batch… That was how popular we were in the 1980s.’

During this reform period, Peacock benefited greatly from the gradual reforming approach of having ‘dual-track’ systems. Since the old systems were allowed to continue without fundamental changes, SOEs like Peacock still faced with limited competition. But new systems were created gradually and were coexisting with the old ones for the purpose of replacing them eventually (Fan 1996). Such a distinctive character of China’s economic reform profited the SOEs with popular products. For example, the coexistence of the state-planned price and the market price encouraged SOEs like Peacock to produce beyond their given quota and sell those above the quota at the higher market price to make more profit, and, under the CRS, to gain more profit retention for discretionary use. Employees of these SOEs, therefore, would be enjoying better welfare and remuneration since their management started to have more autonomy in determining wages and bonuses. Since then, Peacock developed from a stable and average local SOE to one of the most popular and envied employers that everybody wanted to get in. Meanwhile, China’s job allocation system experienced some initial changes as well.

Picture 5.3 and 5.4: Peacock queuing for Peacock’s TVs at one of its sales agency in Suzhou, mid-1980s
5.2 ‘Everyone could get a job’: The ‘Two-Way Selection’ Job Allocation System

As described in Chapter Four, under the planned economy, China instituted a labour allocation system that denied individual’s involvement in choosing. Neither did the employers have much say in who to employ. But with millions of ‘knowledgeable youths’ being permitted to come back to the cities when ‘Down to the Countryside Movement’ was ended in the late 1970s, the traditional system was being challenged and started to experience some changes. As a result, a ‘two-way selection’ process took over, whereby employers started to have the right to select individuals who met their criteria and individuals started to choose jobs of their preferences (Zhu, 1998).

To make the ‘two-way selection’ process an open one, Suzhou started to put in place a municipal recruitment exam since 1979. Although it was not compulsory for employers to select all their new staff from the exam takers, which left possibility for better acquainted individuals to be recruited by other means, it still offered a fair chance for everyone to get their preferred job. In fact, Mr. He GZ, who came from an average family, became a Peacock employee after having scored high marks in the recruitment exam:

‘I was from a quite poor family. My father passed away when I was nine. I have an older brother, but he was in the army since very early on. So my mother and I depended on each other… I was a good student, but I didn’t go for the University Entrance Exam… You know, there was a recruitment exam held by the local government at the time. I took part in it. I scored 246 out of 300…I was good with exams. Then all the companies which were to recruit people that year would publish their criteria on the local newspaper…such as what kind of score they were looking for in the [recruitment] exam… I remember Peacock’s requirement was 240 in the exam. I got 246. So I went to their recruitment office and enrolled myself. And days later I was informed that I got the job! Simple like that! That was the year 1980… Everyone could get a job… no matter how low you scored in the exam, there would always be an employer for you… wages were similar as well… it’s just sometimes those jobs were the ones nobody really wanted to do… like as a sanitation worker… But 240 [in the recruitment exam] was quite a tough requirement. Not many employers would ask for that…only the best ones…Of course the very well acquainted ones didn’t need to go through the exam… they just got in… you know, there were a lot of cadres’ children in Peacock at the time. Peacock definitely was one of the best employers at the time in Suzhou… At least 10% of the staff was somebody’s somebody…yeah, I would say at least 200 people had some sort of connections… I don’t think that affected the morale though. Everybody has his own
life… I was just thrilled to be a part of Peacock. It was such a proud thing… I still remember my first day… that was Nov. 3rd, 1980.’

Another group of people who could join Peacock easily were demobilised servicemen. When they came back from the army, the local government were responsible to help them settle down and offer them jobs. In an age when serving in the army was considered as the most glorious thing, it was not uncommon for ex-servicemen to have plenty of career choices when they came back. Mr. Chen G was demobilised to Suzhou in December 1980. He was instantly being offered several job opportunities:

‘I joined Peacock in Feb. 1981, just after the spring festival. Suzhou government took quite good care of ex-servicemen. I got quite a few career opportunities for me to choose from: I could go to the Fifth People’s hospital, ‘coz I was a medic in the army; I could also go to work for the Suzhou Gardens’ Administrative Office – should’ve chosen this one judging by today’s situation…you know civil servants now are so envied – stable and well-paid – but at that time young people wouldn’t want to work for the Gardens’ Office…Boring… The other option was to report to the Electronics Bureau to see what they could offer me. So I thought: Electronics…sounds like something skillful…so I went. People at that time were just simple-minded… wouldn’t ask about the pay or welfare… all the same! The only thing in my mind…and I believe it was so for many youths…was to learn some skills. We believed that was the only way to make contribution to the country…learning some useful skills…Probably you will think it is hilarious but at the time the job that ordinary youths envied the most was to become a full-time driver! You know, vehicles were so rare and were believed to be some advanced and sophisticated machineries… Becoming a doctor was great too, but I didn’t want to work with blood and stuff… yeah I was a medic in the army, but you couldn’t choose when you were in the army. I figured once I was demobilised, at least I could choose to stay away from that sort of job. So I didn’t choose the hospital and I reported to the Electronic Bureau… and they allocated me to Peacock… which was satisfying! I knew nothing about making televisions, but I knew it’s not easy and I definitely could learn some skills! And later on, knowing so many cadres’ children were there, I believed even more firmly that it was a good factory…not because of the economic performance – at least that was not the main reason for me – but because of the technologies I believed involved in making a television! You must think: What a naïve kid! But the truth is: We all were naïve kids at that time [laugh]!’

The ‘two-way selection’ system was indeed a big step forward towards a liberalised labour market. It offered certain autonomy to the employers and the individuals, but
at the same time it was still a system which would guarantee a very high employment rate. Local archives recorded that in the year of 1985 only 775 residents who were able to work were not employed in the urban area of Suzhou. In fact, the word ‘unemployment rate’ was not even applicable at the time. Instead, these 775 people were categorised as the ones ‘waiting to be allocated’, accounted for 0.13% of the overall urban labour force of Suzhou (Suzhou Municipal Records 1996). A full-employment system abolished employment pressure among the graduates. When being asked about the experience of getting a job in those years, interviewees frequently used words such as ‘carefree’, ‘nothing to worry’, ‘no pressure’. Although they also admitted if wanted to be employed by popular companies, one sometimes needed to ‘know somebody’, they generally felt there was ‘not much motivation to do anything’, or to be ‘differentiated from peers’, because everybody would have a job and would be paid a similar wage, although they admitted there were differences in welfare even among state-enterprises.

At this stage, China’s employment system, known as the ‘iron rice-bowl’, guaranteed Chinese SOE workers jobs for life and cradle-to-grave welfare protection, including housing, medical care, nurseries, schools and so on. It also had a wage grade system that was copied from the Soviet model to control the wage difference among employees (Warner 1996). In the coming years, many aspects of this employment system were reformed. Labour contracts were introduced in the second half of the 1980s, indicating that lifetime employment could no longer be taken for granted (see Zhu 1995; Warner 1996). Extensive reform measures had been implemented in the wage system by 1987 as well (see Korzec 1992). But in the coming sections of this chapter, the work life of SOE employees when they were still holding such ‘iron rice-bowl’ will be elaborated using the case of Peacock during the 1980s.

5.3 Working at Peacock

Most of the employees would have quite a routine work life at Peacock in those years. No matter how popular Peacock’s products were in the market, the company never did multiple shifts. Peacock’s annual output was planned in advance; therefore normally there was no need for overtime either. Work started at 8:45 in the morning
and finished at 5:00 in the afternoon daily, with a lunch break at 11:30. Just like for many SOEs located in the ancient city, the narrow lanes of Suzhou created quite some transportation difficulties for Peacock. Picture 5.5 is a sketch of Peacock’s front entrance in 1999, when the only path which connected Peacock’s front entrance to the main streets, Pingjia Lane, had been widen to the maximum already. Still, only one automobile could get pass at one time.

![Picture 5.5: The sketch of Peacock’s front entrance in 1999, by Bin Wang.](image)

Luckily, Chinese people didn’t have private automobiles in the 1980s yet. People arrived at work on bicycles. Two thousand bicycles would pass the Pingjia Lane within 15 minutes daily in the morning and in the afternoon. Ms. Xu WH told me it was always crowded in the lane in the morning, and since the entrance was just half of the size as later, it was not possible to ‘calculate in advance and arrive at the gate 8:45 sharp since [one] would definitely be late to punch the clock’. When recalling this spectacular scene, Ms. Zhang GZ was filled with all sorts of feelings:

‘…quite emotional… You could not imagine how crowded and lively it was in Pingjia Lane at the time… So many people wanted to pass quickly in the morning and after work. You couldn’t even ride your bicycle… you could just walk with it. We always complained and hoped the residents would be reallocated and their houses on the lane could be torn down quickly, so that the lane could be further widen… and made it easier for our workers to pass. But you see now… I bet at the time no one expected one day the houses will still be there while Peacock has been torn down already.’

Most of the graduates joined Peacock would start their life of SOE employee as apprentices in the workshops. The ‘tutor-apprentice’ system was the main training system SOEs had in place during those years.

---

1 Double day-off started in China in May 1995. Before that, the maximum working-hour per week was 44 hours.
5.3.1 ‘You could always go to your tutor’: Training at Work

Since the late 1970s, China started to place an emphasis on improving the quality of the country’s human resources. Investment in education was hugely increased, with nine years of education being compulsory for every young person, and the development of vocational education and management training (Zhu 1998). In SOEs, apprentice training was still considered as one of the major and effective methods for newly employed workers (Guan 1990: 34), but technical schools started to play a more and more important role in training technicians and professionals. Since the 1980s, many institutions for adult further education have been established, such as Worker-Staff College, TV University and Management Training College. These institutions offered part-time and full-time courses for enterprise cadres or managers and would provide college associate diplomas (non-degree) when students finished the courses and passed exams (Zhu 1998).

When graduates joined Peacock, they would be assigned to a workshop and their specific job roles would be allocated by the director of the workshop. Training was normally provided on the job by the allocated personal tutor who not only taught techniques but was responsible to make sure the well-being of the newcomers as well. As a relatively young company with a quite modern product line at the time, Peacock had a young work-force. Many skilled workers who would serve as personal tutors were still in their late twenties or early thirties at the time. As a result, tutors and apprentices in Peacock sometimes were more like ‘buddies’ and would build friendships that last even till now. Ms. Jiang J, who joined Peacock in 1978 after graduating from high school, started as a troubleshooting apprentice on the production line of the No. 4 Workshop. Her technical training was provided solely by her personal tutor:

‘Training? We had general training… for about a week…you know, health and safety etc. Then I was assigned to No.4 Workshop doing troubleshooting… Of course I didn’t know what to do – we were just students – but everyone would have a tutor who was already an experienced worker in your assigned position. It was on one-to-one base in my time… There were 144 new graduates joining Peacock in 1978…It was the biggest recruitment Peacock had for quite a few years… Many older employees later said it was such an interesting thing to have fresh blood all over the place… Older employees really treated the apprentices well…Erm, they were not that ‘old’ themselves either. For instance, my tutor was only 6 years older than me. She was not even married at the
time…She taught me everything about troubleshooting. At first I just sat beside her on the line and watch. She would explain to me what she was doing… Then I copied…and if I had problems, she would solve it. I learnt all I need on the production line from her. We got along with each other really well… talked about everything… I was still like a high-school student at the time, so at the beginning it was a bit hard for me to be used to the working environment and mind-set… you know, it was normal… after all you still had targets to achieve in workshops… My tutor would comfort me and talk me through it… I stuck with her all the time during my apprenticeship… You could talk to your tutor about everything…Well, young people normally worried very little those days, but if you had any problems, on anything…even things in life… you could go to your tutor… That was the idea.’

Other forms of professional training in Peacock, such as managerial and accountancy training, normally took place in the form of further education in local or nearby colleges. Candidates who were to receive the further education were normally selected by the Party Committee of the company, using a set of complex but vague selection criteria including work performance and political status. Being offered such a chance usually indicated job changes or career advancements. The expense of the further education would be fully covered by the company. Candidates would still receive their monthly wage even if they were attending college full-time, but bonuses or other extra pay wouldn’t be applicable any more. This tradition was maintained until right before Peacock was privatised in 2002. Even in that year, there were still about ten employees being sent to Shanghai Tongji University to learn English. From the individuals’ perspective, these professional training seemed to be great chances to improve themselves, but the only problem is, individuals didn’t get to choose what to learn. Mr. Cheng LM worked in the Purchasing Department and was responsible for the procurement of television picture tubes during Peacock’s best years. It was an extremely important job role which required great communication and networking skills, since the quota of picture tubes was tightly controlled by the central government. Mr. Cheng knew his performance in Beijing would hugely affect the producing performance of Peacock next year. He considered it as a challenging job and had learnt a lot from it. But it was not his preferred role when he joined Peacock in 1980:

‘I guess you can say I was one of those cadres’ children Peacock had… so for me, joining Peacock was not hard. My family was not that important, but my dad knew people. To be fair, I was a great candidate anyway: I had military experience; I was quite
young; and I was already a Party member! So Peacock’s Party Secretary liked me a lot. He asked me what I wanted to do in the company. I said I would like to work in the Apparatus Department. In my mind, Apparatus Department dealt with sophisticated machineries all the time so that I could learn skills… fix things and know about the new machineries. Young people just wanted to learn skills at that time. So I went…but I didn’t know the director of the department was an old-fashioned ‘intellectual’. Once he found out I was directly assigned by the Party Secretary, he was not happy. He said to me directly: ‘Another one got in from the ‘back-door’! I don’t have vacancies at the moment. You go to guard the warehouse for a month!’ …I realised I need to work very hard to prove myself… I was very into machineries and I learnt eagerly… and the department director started to like me soon… then one day I was informed that I was selected by the Party Committee to do a management degree in a local college… ‘Management? I don’t want to do Management…’ I talked to the director. I’m pretty sure I would become a good technician! Management course was just not my cup of tea! Then the director talked to me in a private occasion: ‘LM, I suggest you go,’ he said, ‘I know you want to stay here and learn skills for production, but it is such an opportunity! Hundreds of people want it! There are so many nice young people in the company now… if you want some career advancement, you need a degree! No matter what degree… just get it! You will become the reserved talent! Just get a degree… subject doesn’t matter!’ I listened to him and went to the college… for five long years! When I came back in 1985 with a certificate and a degree in Management, I was re-allocated to the Sales Department first for a while… then the Purchasing Department. Never went back to the workshops…”

SOEs in China tended to have a large number of employees in administrative positions. Bodmer (2002)’s study on the effects of labour reforms in Chinese SOEs during 1980 to 1994 shows that a large group of Chinese SOEs reported a surplus of managers and office workers. He suggests this non-optimal behaviour by SOEs was due to a desire to favour some people by giving them comparatively easy administrative posts or simply due to a propensity to overstaff management offices. This overstaffing of non-producing workers was also true in Peacock. According to some of the interviewees’ estimation, Peacock had almost the same number of employees in workshops and in non-producing positions. However, just as Mr. Cheng LM had expressed, working in positions that directly related to production was more popular among employees in Peacock in the 1980s.
5.3.2 ‘I thought it as an honourable job’: Working in the Workshops

Peacock provided different uniforms for its employees every a few years. In the 1980s, the uniform for spring and summer was a white knee-length cotton coat. Employees also had a blue jacket for the colder weather. Workers on the production line were required to wear their uniforms when at work, except for the very hot summer days, while office workers’ dressing code was more flexible. Ms. Jiang J said she was happy to wear the uniform, especially the white one, because it looked just like a ‘doctor’s gown’ and made her feel ‘the job was a clean one which was different from other producing jobs in other factories, and skills were involved’. As a matter of fact, producing televisions in those years did require quite some skills from the labour force. Although Peacock introduced production lines from very early on, the level of mechanisation in the workshops was still low in the 1980s (Picture 5.6 and Picture 5.7). Most of the components, including the most delicate ones, were plugged in by hand. Mr. Chen G’s first job at Peacock was to install picture tubes on the production line. He remembered it as follows:

‘My position was the second [on the line]…installing picture tubes. It wasn’t one of the most popular positions. Why? Because you needed to pull 4 to 5 huge heavy wooden cartons to your position every morning, and each carton would contain at least 12 picture tubes². Then you needed to lift each tube up to the line, and install it. It was hard work… Nobody wanted to do it, but I didn’t care. I was just back from the army, so the lifting was nothing to me [laugh]…The line was poorly mechanised… At first it was just two moving belts! Workers at the end of the first belt needed to lift the unfinished products down by hand and put them on the second belt, since the production line couldn’t even make a turn itself! You couldn’t compare Peacock with the factories nowadays… All the things were done by hand until the Sony project… Smaller components, like resistors and capacitors, were normally plugged in by female workers… bigger or heavier ones belonged to males. But I would say males and females were 50-50 at the time on the line… The interesting thing is, I probably never thought [installing picture tubes] as a tiring job – although it was – I thought it as an honourable job! I will explain to you: if I remember correctly, there were 53 factories making TVs nationwide in 1980. Peacock was one of the larger ones already, but still there were only six production lines… so six workers in Peacock were doing my job – installing picture tubes – so, well, at most, only 318 workers in the country were doing the same job as I was! Only 318 in the whole

² Mr. Chen worked on the production line only in 1980. That year Peacock’s producing capacity was only 134,000 sets (see Suzhou Yearbook 1980). Since then, company’s producing capacity increased significantly. This explains the inconsistency on daily production targets between Mr. Chen and other interviewees in the later context.
country! How honourable was that! Imagine: every time I saw a TV at someone’s home, there was quite a chance the picture tube of it was installed by me [laugh]!”

Relationship between colleagues in the workshops was described by the interviewees as ‘friendly’, ‘simple’ and ‘warm’. Although sometimes working pace could be quite intensive in the workshops, especially since the Sony project was on, the atmosphere was always quite ‘peaceful’. None of the interviewees could remember any quarrels between the workers on the line or even any significant negative feelings they had at work. Some of them believe it was because people were more ‘kind-hearted’ and ‘simple’ than nowadays so that it was just easier to get along with each other and to be happy. But when some other factors were taken into account, it seems there might be other interpretations on a profound level for why, to the employees, Peacock was quite an enjoyable place to work for. One major factor would be the company’s managing philosophy. It is not this research’s main intention to discuss or assess whether Peacock was an ‘efficient’ organisation compared with the westernised modern companies, but still, one can easily realise there was a difference between Peacock and companies nowadays in the philosophy of running the business. Performance was crucial to Peacock as well, in terms of the quantity of production, but the real priority was to maintain the stability, and in many times this meant to make sure the well-being of the employees. This philosophy was aligned with the socialist ideology and could be reflected in many aspects of the business formalities, including the welfare system and the Union.
activities which would be discussed in this chapter later. It also could be reflected from how workers on the line were managed in the workshops on a daily basis. Several interviewees who used to be line managers shared their experience on how to run their lines smoothly. The things they did in common were to be flexible with the workers and to rely on personal connections. Although rules and regulations were in place, line managers had to apply them with flexibility, since on one hand, their power on delivering rewards and punishments was very limited, and on the other hand, the production was depended on labour force so much that they could not afford to jeopardize their relationship with the workers. Ms. Xu WH’s experience on this topic was quite representative:

‘Managing on the line was a hard job, very tiring. It was a huge test on your personal skills… My part of the line had more than fifty job positions… all girls in their twenties, plugging mainly small components into the circuit boards… Yes it was intensive. The pace was… Some workers sometimes were unable to catch up with the line, especially when they had some sort of resentments for various reasons… Well, we are all people. People have issues. But when their negative attitudes affected their work, I have to deal with them… the line was running… Soft approach was always the way. I couldn’t criticize them or yell at them, no, couldn’t do that… That would make things worse – if they stopped working completely, how could the line keep moving? …And what about the next day and in the future? I couldn’t get rid of her anyway… Had to work with her everyday… I wouldn’t risk creating problems with the workers… There weren’t many real punishments or incentives that I could use. So it was mainly depended on my personal relations with the workers. I know them well – even now some of us still keep in touch – If I knew somebody came to work with an issue, I would ask her to sit at the first a few positions since the work was lighter. I would always appoint 2 to 3 ‘flexible workers’ – they had to be efficient with every position on the line and had to be close with me – they could help the ones having trouble to finish their parts. If somebody really didn’t want to work that day, I would tap her on the shoulder and ask her to stand up and rest beside the line. I would personally fill in her position. But that happened rarely… after all it was humiliating. People all want face… Our daily target was initially set at 500 sets, and then later it was nearly doubled because of the Sony thing. It was constantly busy in the workshops, but occasionally we still needed to wait for the raw materials. When the lines were stopped and workers had nothing to do, they would sit there in small groups and chat. That would be a great chance for me to build up relations. I would sit with each group for a while… joking around. Sometimes they would sneak in snacks when waiting – it was not allowed to eat or drink in the workshops – but I would pretend that I saw nothing. What else can you do [laugh]? You need them to cooperate
with you. Sometimes when we finished our target before schedule, workers would sneak out to the kindergarten in the factory to check their babies or something, I would allow them – it was against the rule, but I would allow them – the workshop director sometimes would find out a few people were missing, and I would cover for them, as long as they had notified me before they sneaked out. And later when monthly production bonus was introduced, I would always fight for my workers with all the other line managers. It was not a fat bonus… but it was these small incidents that helped me to have a good relation with the workers. You needed to be liked, and you needed to really know the workers. Not easy, but very important if you wanted your line to run smoothly!’

Ms. Xu’s account about her experience of managing on the line seemingly provided evidence about how inefficient SOEs were during those years. After all, line managers seemed to be unable and unwilling to even prevent their workers from breaking the basic regulations. Both the workers and the managers had no incentive to spend more effort at work than required to complete the daily production plan. For the time being, since Peacock was facing limited competition and was operating comfortably in a seller’s market, everything seemed to be fine. But in the coming years when the market was more liberalised and when more competition was introduced, Peacock’s inefficient managing style was about to damage its performance. However, having said that, for the employees of Peacock, such a flexible work environment was what they were used to and took for granted. Most of them didn’t feel the need to change, nor did they want to. Their ‘iron rice-bowl’ offered them job security, balanced work life, a payroll that was no different with others, and sufficient welfare. Changing all these within very short period of time, just as happened in the next two decades, would cause great confusion and uncertainty to individuals. But first, we should take a look at the remuneration and welfare a SOE like Peacock was really offering in the 1980s.

5.4 Remuneration, Incentives and Welfare

China’s ‘iron rice-bowl’ system, an enterprise-based employment system that guaranteed SOE employees jobs for life and cradle-to-grave welfare protection, has often been criticised as one of the major factors leading to the fiscal imbalance, the economic inefficiency, the lack of incentive and labour discipline among SOEs (Fung 2001). It had a wage grade system that had been copied from the Soviet model, but a Maoist egalitarian wage-payment arrangement was later introduced and incentives were limited to the minimum frequently (Warner 1996). The
comprehensive welfare coverage it offered had been considered as the privilege of SOE employees and was valued as an essential and enduring feature of the socialist employment system.

5.4.1 ‘The 36 yuan wage days’: the Payment System in Peacock

On 16th June 1956, the State Council issued ‘Decisions on Wage Reform’³. It laid the foundation for China’s wage system of the next three decades. The core of this wage system is a complex set of standard wage ranks and the corresponding monthly wage payments, with the applying of regional differentials to compensate for the area differences on the cost of living (Korzec and Whyte 1981). The Selected Documents on Labour Wage, published in 1970 as internal policy collections by Suzhou Archive Bureau, contains information on the wage ranks of more than 60 occupational categories at the time, including the 26 ranks for state administrative cadres, the 10 ranks for employees in retail, the 10 ranks for school teachers, the 13 ranks for policemen, etc. Among them, the 8 wage ranks for industrial workers had the widest impact on the ordinary labour force.

The rank 1 wage and the rank 8 wage for industrial workers fall in the range of around 30 yuan per month to around 100 yuan per month respectively⁴. Each grade of the regional differentials had a 3% impact on the wage. For example, Beijing at the time belonged to Region 6 while Shanghai was in Region 8, thus a rank 1 worker in Shanghai would receive 6% more every month than a rank 1 worker in Beijing. Suzhou’s regional factor at the time was 4.66. The wage rank of each worker depended on a set of factors, including skills and seniorities, and once the rank of a worker was decided, it wouldn’t change for many years and the corresponding wage would be fixed. In fact, wage increases were virtually frozen in China from 1963 to 1977 (Walder 1987), with the exception of two national wage adjustments in 1963 and 1972 (Korzec and Whyte 1981). Apart from the basic wages, there were other means of supplements people could receive, such as the subsidiaries for dangerous posts, but for the majority of workers in Peacock, these supplements were not applicable. As a young factory, most of Peacock’s employees’ wage ranks were between 1 and 3. New graduates, after having finished their apprenticeship, would

³ Full text can be found on: http://news.xinhuanet.com/ziliao/2004-12/30/content_2393793.htm
⁴ Apprenticeship was not included in the wage rank. The wage of an apprentice was set at 14 yuan until mid 1970s. It was gradually adjusted to around 27 yuan later in most of the industries.
receive rank 1 wage (around 31 yuan). If no major mistakes were committed within one year, they could start to earn rank 2 wage (around 36 yuan) without the prospect of promotion for many years.

When talking about these ‘36 yuan wage days’, interviewees provided many personal stories in great details. Ms. Xu WH recalled the days when she had to hand in most of the wage to her parents in order to support the younger children in the family and lived the whole month on 7 yuan only. Mr. Chen G remembered the price of some dishes in the factory canteen vividly: 0.03 yuan for a small dish of fried vegetable, 0.06 yuan for a boiled egg. Ms. Jiang J remembered being criticised by the mother because she purchased another new blouse after she had already done so in the previous month. People were living amid great material scarcity, but the fact that everyone else was leading a similar life with the same wage made the poor living conditions easier to be accepted. At the same time, there was no motivation for people to take initiatives. The idea of a guaranteed equal treatment was taken for granted. This wage system dominated the 1960s and the 1970s. In fact, when Mr. He GZ joined Peacock in 1980 after scored high in the municipal recruitment exam, this wage system was still in place:

‘[I] reported to Peacock on 3rd Nov. 1980… and on the 8th of that month I received my first wage in my whole life: 26 yuan and 3 fen – those years wages were paid at the beginning of the months rather than the end…sort of like giving you living expense rather than rewarding your work – full wage for an apprentice like me should be 27 yuan at that time – already a huge increase from the 14 yuan paid in the early 70s – but since I started a few days late, I received 26.03 yuan… I was thrilled, so was my mother… first wage of my life! You know my family was poor, and I couldn’t even remember the last time I had any new clothes before I started to work. So I will tell you how my mother and I spent that 26.03 yuan: We went to the People’s Department Store – the best and the biggest store in Suzhou – and purchased 750g of their best woollen yarn, so that my mother could knit a nice sweater for me. The woollen yarn was made in Beijing and was pricy: 22 yuan per 500g! It was the luxury of the time! And I wanted that green military-styled satchel for many years… so I got one. I had been using my old schoolbag for more than five years already, so I needed a new bag for work anyway… That bag cost…I think, a little bit more than 4 yuan. So yeah, there was my first wage: the yarn cost us 33 yuan, plus the bag… My mother had to ‘subsidy’ me [laugh]…But we were just happy. This sort of spending was not common in my family, but it was a celebration.’
Reforms in China’s wage system took place in the late 1970s. The first reform converted the enterprise’s centrally fixed total wage quota into a floating total wage bill which was related to its profitability. Firms were allowed to retain part of their profits to provide workers with bonuses and to contribute to their employees’ welfare system. The second reform attempted to build up a link between an individual’s wage with his/her productivity within the firm. When being implemented, the wage-plus-bonus system was the most popular form (Meng and Kidd 1997).

When bonus system was brought back, it indicated a significant change in the composition of the national wage bill (Walder 1987), although it was usually only a few yuan a month at the beginning and often became an extra component of the wage and was distributed equally among all employees (Meng and Kidd 1997). According to Mr. Zhao RJ, the former Party Secretary of the company, the first time Peacock issued bonus was in 1979 under the name of bairihong (Red for 100 Days). Employees who had made a full attendance and hadn’t committed any mistakes in one hundred working days could receive an extra 3 yuan on their payrolls as an award – during the time when the wage difference between rank 1 and rank 2 was only 5 yuan, a bonus of 3 yuan was very significant. In the coming years after that, monthly bonus became normality. The nationwide implementation of CRS granted SOE directors greater autonomies on ‘submitting important proposals on provisions relating to wage revision, distribution of bonuses, employee welfare, etc. (OECF 1998:123)’. The differences in the profitability of SOEs started to have an impact on employees’ income. As a result, Peacock’s employees began to enjoy the benefits of their company’s good performance resulting from limited competition in a more direct way. Ms. Chen CJ, an accountant who used to work in the payroll office, remembered it as follows:

‘Before 1985, bonus was a rare thing. Let’s say if you were selected as the ‘advanced worker’ or something like that before 1985, you wouldn’t get any financial awards… normally it would be a certificate, and sometimes with a cooking pot…or a set of glasses, as souvenirs. It was normally moral encouragement… Don’t get me wrong, we were perfectly happy with that [laugh]. After 1985, bonus system started to play a greater role… [for employees] working for which SOE began to matter a lot. We Peacock was one of the most profitable ones, so by the end of 1980s, the bonus our employees were receiving far exceeded the basic rank wages… Many SOEs could only afford to pay the...
basic wages plus maybe a little bonus around festivals, but our bonus was a monthly thing, and it was fat… So I guess the concept of income gap started to emerge… Bonus was issued according to the production performance – whether the target was met or even exceeded – that was for workers in the workshops. Certain posts, such as our guards, warehousing personnel, and people working in canteen… they would receive a lower fixed bonus, as long as no incidents occurred. And for us, people in the offices, we would receive a monthly bonus which was the average value of the rest of the staff bonus multiplied by the post differentiation. For example, if the average value of staff bonus that month was 80 yuan, I would then receive 80 yuan, since I was just an accountant and my post differentiation was 1…but my senior colleagues, like the director of the Accounting Department, probably would receive 80 multiplied by 1.2… 96 yuan… That was how it was in offices. But generally speaking, workers in the workshops would receive more bonus than people working in administration. If the average value was 80 yuan that month, workers probably could receive 100 yuan… You see, there was no blue collar or white collar thinking… Workers were earning more, and office employees were having less intensive jobs. It’s quite fair if you ask me!

Another important function of China’s SOEs was to provide extensive welfare to the employees. This workplace-based welfare system was the backbone of China’s state socialist welfare system in the urban area. SOEs and all the other publicly owned organisations where people work, generally classified as ‘danwei’ (workplace units), were responsible to offer their formal employees a variety of benefits, including inexpensive housing, free medical care, and a range of subsidies for everything from transportation to nutrition, and retirement pensions (see Lv and Perry 1997: 3-12). With this system, the livelihoods of China’s urban workers and their families were heavily dependent upon their workplace and upon the state (Gu 2001).

5.4.2 ‘It was such a carefree system’ : The Welfare Peacock Provided

Speaking of the welfare provided by Peacock in the 1980s, most of the interviewees expressed their satisfaction. Apart from their wages and bonuses, they would receive various subsidies for life necessities from gas to towels and soaps. Female workers would receive sanitary products every month as well. As a local SOE, Peacock didn’t have schools, but the company would issue subsidies for the schooling cost of employees’ children. Moreover, the company kindergarten was free of charge. In a country where most of the urban families consisted of working couples, a free company kindergarten was the saviour for the busy couples since the parents could save the time, the effort, and indeed the cost, of sending their children to public
kindergartens. Although food needed to be prepared by the parents in advance and be handed in to the nursery teachers every morning, diapers and milk powders were free. All the female interviewees had used this service and many had the experience of sneaking out during work breaks to check their babies. But among all the welfare and benefits Peacock used to provide, the most talked about and the most missed welfare was the free medical care.

Free medical care was one of the essential elements of China’s socialist welfare system. The operation of it was based on a simple principle – that is, all medical expenditures, except, usually, for the registration fee, were paid by patients’ work units (Gu 2001). But in reality, it was not always the case. Many SOEs would have internal clinics in charge of employees’ health issues. If the doctor from the clinic decided that the illness of an employee needed to be treated at a larger hospital, then the patient would be allowed to have a sick leave to go to the hospital. For the companies with a poorer financial condition, employees needed to advance their own medical bills and claim for reimbursement later. Sometimes all they could get from their companies were some ‘baitiao’ (white notes) indicating the acknowledgement of debts. The risk of never getting the reimbursement was always there. But for the employees from companies with better profitability, like Peacock, a memo ticket issued by the company was handed to the hospital when patients were accepted, and all the costs would be registered on the memo ticket and later paid by the company directly to the hospital. Employees of Peacock recognised the privileged treatment they were receiving and were quite proud of it. Ms. Zhang GZ had a few vulnerable years in Peacock when she suffered from a certain chronic illness, so she was quite familiar with Peacock’s medical care:

‘Our clinic was huge…and well-equipped. If my memory didn’t betray me, there were altogether ten nurses and doctors serving us…They were real doctors! They could do prescriptions, health checks, blood tests, infusions…so basically you didn’t need to visit the hospital at all! I imagine it involved quite some costs to run it…you know, the wages of these nurses and doctors, plus everything was free for the employees. But it was socialist medical care…now all gone… I think from the company’s perspective, there were still some benefits [to keep a nice clinic]. If there was no clinic, the company had to allow every worker who claimed not feeling well to have a sick leave and to go to the hospital…and some workers knew doctors from the public hospitals, so they could get sick notes easily and the company had to pay them sick leave wages – it was hard to control and at the same time not fair for other workers… Sick notes issued by hospitals
needed to be verified by our doctors from the clinic… Yes our doctors were quite powerful, in the way that they could decide whether you were to go to the hospital, they could issue sick notes and verify the sick notes from other sources… But they were nice people. They knew the employees, especially the ones with chronic illnesses, who needed to get regular prescriptions – thanks to our own clinic, you wouldn’t need to go to the hospital every time, our doctors would prepare the medicine for you… it was time saving… but those days there wasn’t much fuss even you needed to go to the hospital. Our company would issue you a memo ticket, providing that the clinic agreed. Then you went [to the hospital], paid a very small amount of registration fee by yourself – that was the only cost on you – handed in your memo ticket, doctors would register all the costs on that ticket, then gave you the treatment and medicines you needed. That was it! Afterwards… I think the hospital would keep a copy of the memo ticket… I just needed to hand my ticket to the clinic. The cost was not my business! The company would settle that with the hospital later. It was such a carefree system…”

However, as for the other essential element of the socialist welfare, housing allocation, Peacock had difficulties satisfying all of its employees even during its best days. Public housing in China was assigned to tenants as a welfare benefit related to employment in a workplace unit rather than by specific state agencies according to procedures based on means test (Gu 2001). Therefore, workplace units could influence who would receive housing and often made the final decisions themselves. This participation gave workplace units considerable leverage over the lives of their workers (Bian et al 1997: 223). The rental levels of such state-subsidised public housing were extremely low, only accounted for about 1.5% of the living expenditure level of urban residents (Lee 1988: 406), but housing had always been a scarce resource in urban China (see Bian et al 1997: 225-227). As a local SOE with great profitability, Peacock did build up some apartments for employees, but demands far exceeded supplies. Workers’ living condition as a family needed to be evaluated, and only the ones with the most severe difficulties and were proved to have no other means (i.e. being allocated living space by another family member’s working place) to solve the problem were eligible to enter the queue of housing allocation. For many of the Peacock’s younger employees, the chance of getting a house from the company in a foreseeable future was so slim that many of them just gave up on it. Mr. Li B, who joined Peacock as a university graduate in 1987, made an interesting account on the housing issue:
‘I remember in 1986, Peacock, for the first time in years, recruited 6 university graduates. In my year [1987], they recruited 12. So I was one of the 18 university graduates in the company at the time... University graduates were rare those years, and we were quite ‘precious’ [laugh]! A lot of people in the company tried to do matchmaking for us... Peacock had quite a few nice-looking young girls, and for most of our people, marrying somebody from the same company was quite a good option: Peacock’s pay was excellent...so if both were working for Peacock, it would definitely make an enviable family...But I didn’t think like that... After only a few months’ time in Peacock, I had already made up my mind that I would marry someone working in the government in the future. Why? Because I realised it was not possible for me to get an apartment from the company at all! Even for university graduates... not possible at all! So many people were queuing before me, and some of them had been waiting for many years! ... I knew Peacock wouldn’t think of me in quite a while ... But for the ones working for the government, although their bonus was very limited, they had better chances to get housing allocations! So I decided that I definitely wouldn’t be involved with another worker from the company... I must marry someone from the government! And I did! My wife works for the Municipal Court... and after we got married, she sorted out our housing problem. You see, I was right! We wouldn’t be able to have our own place at that time if I bet on Peacock only!’

The different treatments described by Mr. Li in housing allocation received by local SOE employees and employees of non-producing public sectors, such as governmental work units, can be explained by the financing mechanism of the country’s workplace-based welfare system. One feature of this socialist welfare system was that its operation was financed neither by taxation nor by social insurance contributed by employers and/or employees. Rather, its different constituents were financed by different sources, and the financing mechanisms often changed over time. But what remained unchanged until the 1990s was the institutional framework, in which the construction of public housing was financed by workplace-based ‘capital construction funds’ while the provisions of other welfare were financed by workplace-based ‘employees’ welfare funds’ (Gu 2001). Under the planned economy when SOEs had to submit all profits to the state, both ‘capital construction funds’ and ‘employees’ welfare funds’ in all workplace units came from governmental fiscal appropriations. The amount of former was decided according to the state plan and the latter was depended upon the size and the total payroll of each workplace unit. In such a framework, the bargaining power of each workplace unit with the state mattered, in particular in terms of deciding the amount
of appropriations on housing investment. Local SOEs like Peacock had weaker bargaining power with the state compared with larger central SOEs and indeed with governmental work units. Moreover, the bias of the state’s investment policy against housing construction before the economic reform intensified urban China’s housing shortages (Bian et al. 1997). Since the economic reform, in particular after SOEs were granted more autonomy in management and operations, welfare expenditures in enterprises were drawn from their own profits. But for the governmental work units, their welfare spending still came from the state’s fiscal appropriations. Therefore, as a local SOE with good profitability, Peacock was able to provide its employees sufficient medical care and other subsidies. But in terms of housing allocation which involved a great amount of investment and governmental planning, local SOEs had a clear disadvantage to satisfy the demand.

5.4.3 ‘It was no longer the years of absolute fairness’: The TV Coupon

As a SOE employee working under the planned economy, it was quite easy to take the welfare benefits Peacock was offering for granted. After all, benefits such as free kindergarten, housing allocation, and free medical care were what the employees would be expecting when they joined a SOE. But the TV coupons Peacock issued to its employees were something that didn’t belong to the normal welfare package. The reason why this topic was singled out is because these coupons were the ‘grey welfare’ that confirmed the privileged status of Peacock’s workers as the employees of a profitable SOE. It is also because this topic was brought up by every single interviewee, even without being asked in the interviews sometimes.

Ration coupons, a term which most of China’s younger generation are no longer familiar with, have already become collectable items nowadays in the country. It is hard to believe that only a few decades ago, coupons were so indispensible in people’s daily life. After the beginning of the economic reform, supplies of living necessities were eased. However, coupons for ‘luxuries’ during that period of time, such as bicycles, refrigerators and televisions, became extremely popular. The coexistence of the traditional plan and the market channel for the distribution of goods – the so-called ‘dual-track system’ – empowered many SOEs to use their

---

5 In order to effectively control and plan the distribution of living goods, China started to issue ration coupons in 1955. Since then, coupons were needed when making almost every purchase. China is believed to be the country that issued the most types of ration coupons in history. Ration coupons were officially abolished in China in 1993 (Chen, 2009).
additional capacity to produce above the assigned compulsory plan. This system was significant to China’s economic reform. On one hand, SOEs were introduced to the market and started to cooperate with non-state firms, allowing valuable flexibility (Naughton, 1995). On the other hand, SOEs, especially the directors of them, started to have more power on the distribution of their products. Many firms with popular product lines even issued coupons of their own. Peacock was among them because of the popularity of its KV-1882 produced in the Sony project. Peacock’s coupons were issued in a small quantity and were given out to acquaintances as favours when needed and to employees as internal welfare as well. Coupons had no nominal value, but could guarantee the holders the chance to purchase a set of KV-1882 at the set price directly from Peacock’s sales department, normally without any queuing. Considering the fact that KV-1882, China’s first colour TV with a remote control, was such a hard-to-get commodity, it is understandable that Peacock’s TV coupons could be sold in the black market at a great price. During the interviews, everyone remembered that Peacock had rewarded its employees with coupons of KV-1882, but had contradictory memories on the fact of how many times. Some remembered receiving twice in two consecutive years, some, like Mr. Xu LY who worked on the product line for 12 years, were very certain that it was only a one-time thing:

‘It is true that we got TV coupons from the company, but only once… Only once, that everyone in the company got a coupon, and I remember it was around a Lunar New Year. I am very sure about it, because when my only sister decided to get married later, I purchased a coupon from a colleague – he and his wife were both working for Peacock so they had one extra – and it cost me 900 yuan… If I could get more than one coupon, why did I need to spend that much money? … The TV was about 1,800 yuan I think, and the coupon was almost 1,000… it would be even more expensive on the black market! [pause] I know why some others would tell you they got more than one… because they did! It was no longer the years of absolute fairness… There were people in the company who could get more than one coupon … and normal workers like me were just not among them…’

The people Mr. Xu was hinting at are the ones with better relationship with the senior management who had full autonomy on issuing TV coupons. Actually, some interviewees didn’t even try to hide the fact that there were other means of getting coupons in the company. When trying to prove that the company Director Mr. Sun ST was a caring leader, one line manager mentioned he signed a coupon for her when knowing her brother was getting married. Several other interviewees, who
were all in middle management roles at the time, also admitted that it was possible
to get coupons from either the Director or the Party Secretary. Although it was just a
tip of the iceberg, the coupon allocation softly suggested that Peacock’s complex
internal politics started to make its appearance. Moreover, on more than one
occasion, interviewees mentioned things like ‘the water was very deep in Peacock’
without any further explanations. The initial SOE reform in China aimed to achieve
the separation of Party from managerial functions, but realistically speaking, it was
nothing more than a division of labour among the top Party officials who ran the
enterprise. Although the factory director and his/her professional staff were
supposed to carry out the administrative functions, they still needed to consult Party
officials on ‘important’ matters. Since most of the management of a SOE would be
party members and members of the Party Committee, and in many cases the factory
director would be the Party vice-secretary of the company, the management would
meet with the company’s Party Committee frequently. Moreover, there were no
clear indications on what constitutes an ‘important’ matter that needed to be
consulted with the Party Committee as opposed to a ‘minor’ matter (Walder 1989).

The discord and secret competition for power between the senior management roles
in SOEs resulting from this paradox was not uncommon in China at the time. In
Peacock’s case, it was no secret that there were two clear clans in the company
formed by the power infightings between its director and its Party Secretary. Both of
them used many means, including their power in coupon allocation, to cultivate
popularity among the employees they considered important, mostly the ones
working for the departments possessing useful information, such as the Purchasing
Department and the Sales Department. Ordinary workers on the production lines
were likely to be neglected. The ‘blue-collar and white-collar’ mindset interviewees
claimed not to have in Peacock began to sprout. However, although employees had a
tacit understanding on the under-the-table coupon allocation, there was not much
severe complaint about it. Maybe the fact that each employee could at least purchase
one set of KV-1882 without any difficulties already constituted the better-than-
average welfare so that workers remained indifferent to the internal politics. But in
the later years, when organisational changes occurred in rapid succession, the power
infightings and the clans in Peacock would have more significant impacts on
individuals’ life.
5.5 The Role of Guanxi and Social Connections

‘Guanxi’, literally means ‘relation’ or ‘relationship’ as a noun, and ‘relate to’ as a verb in Chinese, also more commonly refers to ‘particular ties’ that are based on ascribed or primordial traits such as kinship, native place and ethnicity, and also on achieved characteristics such as attending the same school, serving together in the same military unit, having shared experiences, and doing business together (Gold et al. 2002: 6). All Chinese live in such a web of social relationships that form up social communities into which they grow and on which they depend. Individuals ‘cultivate and utilise their social connections in order to satisfy their personal interests, and as an exchange, they have an obligation to assist others who are connected to them (Bian 1994)’. Many believe in Mainland China, guanxi is absolutely essential to gain approval for or access to just about everything in social life (Tsang 1998).

Since China started its economic reform in the late 1970s, there has been an explosion of academic discussion, both in China and in the west, on the topic of guanxi and social connections (see Gold et al. 2002: Prologue for a review). It is a phenomenon that has both positive and negative connotations, with the latter being the more dominating view. Critics see it as a significant part of the country’s corruption problem and an obstacle to China’s becoming a modern society based on the rule of law. Those see it more positively suggest guanxi adds an element of humanity to the otherwise cold social conductions. At the same time, some people see it as a defining and unique element of Chinese culture that plays a crucial role in daily life, while others see it only as a Chinese word for ‘personal networks’ which exist to some extent in every human society (Tsang 1998). There is also considerable disagreement over the fate of guanxi in a more and more modernised China: some argue that the role of guanxi is declining in the era of economic reforms, and that eventually formal rational-legal systems would more or less define the Chinese economy just as in the Western market economies (Guthrie 1998). Others suggest since the economic reform, the role of guanxi has continued to expand, leading to an economic system that is substantially different from the Western market ones (Gold et al. 2002: 4). Among the latter group, Yang’s study on ‘the art of guanxi’ in China argues that ‘in the aftermath of the Cultural Revolution, guanxi practices and guanxi awareness have both increased at an accelerated rate
(Yang 1994: 147)’, and ‘in the 1980s, during the economic reform period, guanxi xue (the art of guanxi) took on new life and in many respects experienced a transformation as it intersected with a growing commodity economy with its attendant social mobility and consumer desires (Yang 1994: 172)’.

The study on Peacock’s operation during its prosperous period from the late 1970s to late 1980s adds evidence to the view that claims the role of guanxi has continued to expand since the economic reform. Interviewees admitted the role guanxi played in job allocation, and suggested a proportion as high as 10% of Peacock’s staff got recruited because of their social connections even with the formal recruitment exams being in place. As described before, a major method of job placement in China during those years was the assignment of jobs by government labour agencies directly to people waiting for such assignments. It was a complex procedure that involved central and municipal government to plan the labour quotas, municipal and district labour bureaus to distribute the labour quotas, school and residential authorities to conduct screen processes and to make recommendations, the recruiting organisations to accept the recommendations, and the labour bureaus to approve the recruitment (Bian 1994). At every stage of the recruitment process, there was room for guanxi to pervade. People affiliated with the government officials in the labour bureaus generally would be able to have a better chance to be assigned to their favoured organisations. Guanxi in a recruiting organisation which a person wanted to be assigned to was also useful, since the organisation could ‘suggest’ the particular name to be recommended by the school or residential authorities. Although only one of the nineteen interviewees who worked for Peacock in the 1980s admitted to have used his social connections to get employed by Peacock at the time, it is still undeniable that guanxi and social connections played a significant factor in the job allocation process.

Employees’ guanxi and social connections were also influential when it came to things like training opportunities, changing job posts, promotions, and allocation of certain welfare including housing and TV coupons. Using social connections to gain personal favours can be considered as corrupt, but sometimes such conductions don’t necessarily involve direct or immediate rent-seeking from the management. For example, factory director and company Party Secretary in Peacock would use their power in TV coupon allocation to cultivate popularity among the employees
they considered important. Yang (1994: 6) provided a comprehensive definition of the ‘art of guanxi’ in China by suggesting that ‘guanxi xue (the art of guanxi) involves the exchange of gifts, favours and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness’. Her description captured at least some essence of China’s guanxi phenomenon: elements of exchange, mutual dependence, obligation and indebtedness are fundamental. Guanxi is grounded in the interpersonal relationships and renqing (human sentiments) system that is based on the exchange of favours and accruing debt, which can be cashed in at a future time (Guthrie 1998). Therefore, many activities in Peacock that involved the utilisation of guanxi should be understood in this perspective if no direct and immediate rent-seeking was involved.

5.6 The Trade Union in Peacock

Membership of China’s official trade union – the All-China Federation of Trade Unions (ACFTU) – among Chinese SOE workers was the norm. Therefore company union often played a role that should not be neglected in SOE employees’ work life. However, unions are different from what have been more common outside the socialist world. China’s official trade union is organised under the leadership of the Party, representing the working class in the country. It is widely acknowledged that the union ‘have responsibilities towards management and the Party with regard to mobilizing workers for production as well as being responsible for protecting the rights and interests of their members, rather than being solely the representatives of workers and (usually) the adversaries of management, as has been more common outside the socialist world (Sheehan 1998: 7)’. Scholars had also described unions in communist states in terms of ‘classic dualism’, meaning that they had to perform a dual function of acting on behalf of the nation’s collective good while protecting workers’ rights and interests (Pravda and Ruble 1986: 1-22). Tensions between these two sets of functions started to arise only after the state began to pursue the market-driven economic reform, since in the old system, the representation function was actually absorbed by the paternalist state (Chen 2003). So, what were trade union’s tasks and responsibilities? What exactly were union officers doing when organising struggles against management was not in their job description?
Trade union at company level normally served as a transmitting function between the management and the workers that not only passed on the Party’s policies and instructions to workers but also communicated between the two sides. Since SOEs were supposed to be led by the working class, the additional feature of the company union was to act as the representation of workers’ participation in management. In Peacock, such participation was achieved by having regular meetings of Workers’ Congress organised by the company union to discuss and vote through important management decisions (Picture 5.8 – 5.11). This formality was kept even during the privatisation of Peacock as a means of communication and explanation of policies between the management and workers.

![Picture 5.8: Workers’ Congress Meeting, late 1970s](image1)

![Picture 5.9: Workers’ Congress Meeting, mid-1980s](image2)

![Picture 5.10: Workers Voting at Congress Meeting, mid-1980s](image3)

![Picture 5.11: Workers’ Congress Meeting, Mid-1990s](image4)

Company union’s expenditure mainly comes from workers’ membership fees and the firm contribution, the latter of which is usually the main resource\(^6\). After submitting a certain percentage to the superior level, the company union was still in charge of quite an amount every month to be spent with full autonomy. In Peacock’s prosperous years, these union fees would be spent on activities which aimed to make

---

\(^6\) A worker’s membership fee to the union is 0.5% of the monthly wage, while the law requires the company to submit 2% of its total monthly wage pool as union expenditure (People’s Republic of China’s Trade Union Law, [link](http://www.acftu.org/template/10004/file.jsp?cid=805&aid=42620)).
sure the well-being of the work force. Thus, interviewees’ impression of the company union in those years was quite simple: ‘organising activities’ and ‘distributing stuff’. Ms. Xu WH served as a union steward in the workshop in the 1980s. She was full of joy when talking about the union activities she organised for the employees in her workshop:

‘[We have] many union activities…very frequently! We would organise dancing balls in weekends… ballroom dancing was very popular among youths in those years… so quite frequently in weekends, I would book a ballroom, usually the one on the Wusai Road, for the workers of my workshop, using the union fee. All the young workers in my workshop would come. Sometimes people from other departments would come as well… We would prepare some snacks – costs were on the union too… There were not many entertaining activities for young people those years, so these dancing events were greatly welcoming! …And then there were those outings, we would organise outings twice a year – spring and autumn – like around the Mid-autumn Day, we would take the workers to the East Park for boating…[laugh]It was a bit childish, but again, very welcomed! Almost everyone would go, very lively! Union would pay for the admission fee and the moon cakes while workers would bring their own drinks and snacks… Union sometimes would also arrange producing competitions in workshops. Prizes for winners were never valuable: toothpastes, towels and things like that, but everyone was quite into it. Each workshop would arrange union activities differently, but there were always many activities around… Another major role of the union was to represent the company in those important occasions in an employee’s life: the birth of a new child, the death of a parent, and severe illness or accidents. Once such thing was informed to the union, we would be there immediately… with some subsidies or consolation money… These costs would add up to quite some money every year, but the union was entitled to do so… the company would support the union anyway, even if the union fee ran out. Peacock had the money!’

Ms. Xu’s description was consistent with most of the interviewees’ view. But it would be biased to assess the role Peacock’s company union played in those years based on this view only. Company union made its impact on workers not only by spending money for their well-being, but also by providing various opportunities for ideological as well as technical and moral education (Picture 5.12).
Ms. Li JH, the chairwoman of Peacock’s company union, worked with and for the union almost since the beginning of her work life. Recalling her fruitful career, one accomplishment she achieved when she was only a steward was particularly impressive:

‘My finest achievement even till this day is the establishment of the ‘Youth Team’ in the early 1980s. I’m extremely proud of it… It was a repairing team to serve the people voluntarily… the union worked with the Youth League and organised a group of young repairmen from each workshop. At first we went on street every weekend and set up repairing stands on main streets. We would use large banners to publicise our ‘Youth Team’, letting people know that we were there to fix their televisions. We charged only for the spare parts, no extra costs… Soon we started to go to the residential areas almost every day after work. Neighbourhood committees welcomed us warmly… I was the one liaising with all these committees, asking them to notify the residents in advance that we were coming. People working for the neighbourhood committees are mostly senior residents, very warm-hearted… they would do great publicity for us [laugh]! I only asked for three things from them: desks, chairs, and electricity! We would bring in everything else! And we required our team member not to take even a cigarette from the residents or drink a tea! [a long pause] So moving… It was such a touching thing when I think about it now… Nowadays these things won’t happen again. It’s impossible to organise such things again… workers who took part in it had no benefits to gain. They sacrificed their after-work time without any financial incentives… no bonuses or subsidies of any kind… pure voluntary!… We always went to residential areas on weekdays after work, and went on street on weekends. We were very popular in the residential areas. People would bring televisions of all brands, and our people would fix them all, as long as we were able to… They even brought us broken radios! You can’t imagine how many televisions we would repair every year! … There was no extra bonus
for the ‘Youth Team’ at all… at most, around Spring Festival, the union would give me a little money… I would then purchase a few toolkits for them as souvenirs, but that’s it! Definitely not driven by money! It’s true that they were more likely to win the title of ‘advanced workers’ every year, but even the bonus of that was only a few yuan… Workers genuinely believed that they should serve the people when they could and the union would organise them to do so. This ‘Youth Team’ voluntarily did these things not for one year, but for six or seven years! In my memory, it was from 1982 to 1988… This is the achievement of my life!’

Peacock’s company union had won many municipal awards during those years, including the title of ‘annual advanced collective’ for more than a decade. It was set as an example among all the SOE company unions by the Municipal Trade Union because of its efforts in promoting ‘socialist cultural and ideological progresses’. But in the coming years when SOE reform changed the relations between the state, management and labour, Peacock’s company union would face the same dilemma and tension that challenged almost all the other SOE company unions: acting on behalf of the nation’s collective good at the same time protecting workers’ rights and interests.

5.7 Conclusion

One interviewee, Mr. Chen G, once suggested that Peacock’s history should be divided into ‘three thirteen years’: the first thirteen years (1970 to 1983) were bitter because the company was small and insignificant; the last thirteen years (1996 to 2009) were also bitter because things were always getting worse; thus only the second thirteen years (1983 to 1996) were memorable for the right reasons, at least for the workers, so he’s proud that the best years of his life was devoted to the best times of Peacock and he believed he was not the only one feeling so. Although the accuracy of his chronological separation is arguable, his comments at least have suggested an employee’s sincere feelings towards his company. In Peacock’s best years, the company to the workers was much more than a place where employees offer their labour in exchange of income. It was an organisation taking care of them, making decisions for them, providing services and solutions to them. It was a place where employees could recognise the sense of belonging and security, actively or passively. Employees were used to the relatively fair and equal treatment Peacock offered and genuinely trusted the company so much that they sometimes were willing to ignore many apparent disadvantages of state ownership. They had their
‘iron rice-bowls’ which would offer them permanent employment and socialist welfare system. They also had an employer with good economic performance thus guaranteed them some extra subsidies that were not enjoyed even by other SOE employees, including generous monthly bonuses and the precious TV coupons. They had every reason to believe that sticking with the company would be a wise decision when changes and reforms occurred. To certain extent, it was this distinguishing socialist company paternalism that strangled individual initiatives and spoiled employees’ ability to adapt to changes. In the coming years when the market was further liberalised and SOE reforming approaches started to shift to more profound issues, it was harder for many employees of Peacock to accept the fact that their socialist work life and privileged status that they used to take for granted was coming to an end. When Peacock decided to accept the investment of Philips and form up a joint venture in the early 1990s, Peacock’s employees reached a cross-road in their life. It was a life changing opportunity that was not welcomed unanimously. Workers resistance towards change was predictable especially when their sentimental attachment to the old ‘care-free’ work life described in this chapter was well understood. However, in the grand trend of social and economic changes, individuals had very limited choices apart from drifting with it.
CHAPTER SIX: THE LONG MARCH WITH PHILIPS

China’s economic reform since 1978 have experienced two broad periods. The first period, from 1978 to 1992, began with the reforms in agricultural sector and centred on the expansion of enterprise and peasants’ autonomy and profit retention. The dual-track market liberalisation and the promotion of CRS were the main themes of reform in urban industrial sectors. The second period, from 1993 to the present, refers to reform embracing a market system. State ownership was diversified with the implementation of corporatisation, shareholding and establishment of the MES (Hassard 2007: 55-59).

Although the reform encountered a retrenchment period from 1988 to 1992 as the economy became overheated, which will be discussed later in this chapter, renewed growth and reform accelerated to new peaks since 1993 (Naughton 1995: 273). At the same time, foreign direct investment (FDI) flow increased dramatically since the first half of the 1990s due to the systematic liberalisation of the country’s foreign investment regime. A growing number of open coastal cities, economic development areas and high technology development zones started to enjoy the special tax concessions, liberalised land leasing and other inducements which had only been available in the four special economic zones (SEZs) before, to attract foreign direct investment (Lardy 1995).

During this high-tide, Suzhou became an outstanding example of achieving industrialisation and modernisation in a relatively short period of time with the benefits of a large amount of foreign investments. Within two decades, Suzhou has become a famous FDI destination for Original Equipment Manufacturer (OEM) specialising in light industries such as electronics, pharmaceuticals and chemical industries. Its economic importance in the whole country cannot be underestimated. In fact, considering the fact that Suzhou is a city of prefecture level, it is somewhat surprising to see that Suzhou’s GDP has almost reached half of Shanghai’s value since 2007\(^1\). It is even more surprising to see that in 2005, Suzhou contracted more than $6 billion FDI, a figure the city is still improving every year, and surpassed Shanghai as the top one foreign investment destination in China. Although after years of reform and development, Suzhou’s economy has become more diversified

in more recent years, it is still fair to say its modern economy was initially held up by foreign investments. The so-called ‘Suzhou experience’ brought up so much media attention that, on one hand, attracted people from all over the country to this ancient city looking for opportunities; on the other hand, attracted more and more potential investors as well.

However, the success of the foreign investments is just one side of Suzhou’s development story. The other side, unfortunately, is probably less attractive. One important factor that contributed to Suzhou’s popularity as a FDI destination was the municipal government’s determination to attract and make good use of the foreign investments. In the past twenty-five years, Suzhou had nine Mayors and eight Municipal Party Secretaries, but these frequent personnel changes never affected the policy continuity of attracting FDI and building up a foreign-oriented local economy. A lot of attention and policy favours were provided to the foreign-related companies instead of to the SOEs as in the past. SOEs were no longer the priorities of Suzhou’s local economy and lost much of the governmental protection and support. Contrasting to the prosperity of the foreign-related industries, Suzhou’s state-owned industries were declining at a rapid pace. With the examples of successful foreign-related private companies, and with the confidence of the prosperity of the local economy holding up by foreign investments, Suzhou’s local authority seemed to have limited patience in its SOEs. Certain efforts were made to revive them, for example, companies like Peacock were encouraged or even forced to find foreign collaborations under the name of ‘exchanging market for technologies’, but the implementations of these SOE reforming approaches were always radical and rigid. Under the name of creating and supporting a competitive market economy, the authority requested and encouraged local SOEs to consider themselves as the same weighty players as the experienced foreign companies and compete in a much liberalised market, despite of the fact that SOEs had always had very different objectives in the past. Some may argue that ‘product competition increases efficiency and productivity, and the growth of productivity in the economy (World Bank 2002: 133)’, and evidence suggests that these effects can be extended to public firms (Vickers and Yarrow 1988). But if we look from another aspect, it also means individuals who were working for the SOEs at the time needed to accept the fact that the ‘secured and carefree’ work life they were used to, was hanging by a thread. In a
very short period of time, they had to somehow change their mindsets, leave behind their confusions, and adapt to the competitive market economy. All a sudden, what they were taught to believe – that their company took care of everything, that they didn’t need to worry about their jobs – no longer seemed to be true. There’s no doubt that Suzhou people’s living conditions, income level, and career perspectives have all improved greatly in the past years when the city was modernising itself, but it is worth remembering that all the financial benefits were achieved at the price of fundamental social changes. People may have more opportunities after the structural change, but during those years of transition, individuals seemed to have no opportunities to choose whether they wanted to change or not. They just had to drift with the flow.

This chapter focuses on the period when Peacock had its joint venture with Philips. It starts with a brief introduction on Suzhou’s experience of attracting FDI, aiming to build up an understanding on the government’s eagerness for getting foreign investment. This intense atmosphere Peacock was operating in determined this joint venture programme was ‘a deal must achieved’. Then the chapter moves to the details of this cooperation, including the contracted issues, and the disputes between the two parties over recruitment issues. Workers’ reactions to these organisational changes are the main subject of this research. Some employees’ accounts of their work life in the joint venture serve as a comparison to their old life style perfectly. Ultimately, the change of Peacock’s director in 1996 brought in more drama. This chapter records the first of the many organisational changes Peacock experienced which eventually lead to its decline. For the individuals who were working for Peacock at the time, the cooperation with Philips was also the first of the many crossroads they were going to face in the next one-decade of time. Their future very much depended on the choices they made. In the process of forming up a modern economy, SOEs like Peacock had to give up their old way of operation and try to embrace the changes and the market forces. However, there was, in any cases, no going back.

6.1 ‘We desperately tried to develop the New District’: Suzhou Attracting FDI in the Early 1990s

In February 1985, the Yangtze-river Delta, where Suzhou locates, officially became an ‘open economic zone’ after the establishment of four ‘special economic zones’ in
1979 and the open-up of fourteen coastal harbour cities in 1984\(^2\). Suzhou’s first joint venture is a manufactory with Japanese investment called Swany, producing gloves and mitts. In the next a few years, some more foreign businesses made tentative investments, but all of them were small collaborations with local TVEs in the countryside. By the end of 1987, only ten more joint ventures were set up (Suzhou Foreign Economic Relations Commission, 1991) and the local government was not satisfied with the progress. Mr. Feng DJ was the Vice Mayor in charge of Suzhou’s industry for more than a decade since 1985. As an expert in Suzhou’s local economy and one of the decision makers on foreign-related economic affairs, he was the best person to interview on Suzhou’s history of attracting FDI:

‘1985 was the year that Suzhou’s economy really started to boom, because the State Council finally agreed us to open up… We had already had some nice TVEs at the time, mainly in textile-related industries, and some other light industries… But once we opened-up, we realised that we had to advance one step further. How? By learning from foreign products…the problem was you rarely got the chance to see any foreign products those days. But that’s where Suzhou’s advantages lied. Suzhou’s locals had a lot of foreign connections – many people went abroad before the revolution. So some companies would try these foreign connections of their employees and ask them to send back some foreign products as samples… this helped, but we all knew this was not a long-term solution. So more importantly we tried to find foreign investments through these overseas Chinese, but that was difficult… I remember once Suzhou was announced as an open city, the municipal government immediately send a team of officers to Hong Kong, to do publicities for us, and to contact some famous overseas Chinese that were connected with Suzhou… At first we were really cautious, very afraid of being taken in… We’d love to have all the benefits without giving anything. We dared not to give away preferential policies or promises… afraid of making mistakes. So things progressed slowly… We soon realised considering too much on our interests only was not the proper way if we wanted to attract foreigners in. Of course we wanted to make more money, but you have to let the foreigners make money first. If you didn’t let them make enough money, they wouldn’t even come, and you couldn’t make even a penny! So later, we changed our strategy… we started to provide unbelievably favourite conditions to foreign investors… Let’s say we and the foreigners both invested 50%, we dared to give foreigners 70% of the profits and keep only 30% for ourselves… That’s

\(^2\) Yangtze-river Delta was opened up together with Zhujiang River Delta and Zhangquan Delta. The four ‘special economic zones’ were Shenzhen, Zhuhai, Shantou and Xiamen. The fourteen harbour cities were Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai. Each of these fourteen cities was permitted to set up its own ‘economic development zone’.

115
how brave we were… I have to admit we learned from Shanghai’s lesson… Shanghai’s great, but sometimes they were too arrogant. Shanghai turned down many projects that they thought as not profiting to them and we would always follow up. We even set up an office there focusing only on the foreign investors being turned down by Shanghai. We warmly invited them to Suzhou to have a look… Well, for many large projects, foreigners wouldn’t trust us… Shanghai has always been an industrial city and had great reputation among foreigners before the PRC was set up. Foreign investors trusted Shanghai but they probably had never heard of Suzhou… So we could merely get small projects, producing some clothes and shoes… not very profitable projects. But we were not discouraged, and continued to spend money on infrastructures, especially on roads connecting Suzhou to Shanghai… because the airport was there!’

After a few years of diligent work in attracting FDI without significant breakthroughs, Suzhou’s municipal government decided to try something new. Shenzhen’s success of setting up an economic zone inspired them. Mr. Feng was a firm supporter for the idea of establishing the so-called ‘new economic district’ outside the ancient Suzhou city. He suggested two potential benefits for doing so: firstly, Suzhou’s ancient city was too crowded and provided very little attraction for foreigners who wanted to set up a modern factory; secondly, a new economic district could gather up all the joint ventures and serve as an advertisement of the city’s attitudes of welcoming foreign investments. Other government cadres also believed that foreign investors would follow the trend as soon as one big project succeeded in Suzhou and large foreign companies were more likely to invest in a new zone than in a crowded ancient city. Therefore, after filing with the Jiangsu provincial government, Suzhou National New & Hi-Tech Industrial Development District (New District hereafter) was established in 1990. Although it was soon recognised by the central government as a national economic development zone in March 1991, it hadn’t received much investment from the central government at all. Mr. Feng recalled the difficult initial development of the New District:

‘We saw Shenzhen’s success and decided to learn from it, learn to develop an economic zone. But we didn’t have much money… We were small, so the central finance was quite unlikely to allocate us much fund, and our own fund was limited at the same time – according to the fiscal policy of the time, we needed to submit to the provincial government 94 fen for every 1 yuan we made and the provincial government would submit 36 fen of that to the central government… they took a lot from the cities in south Jiangsu, including Suzhou, Wuxi and Changzhou, to subsidy the poorer north part of the province… central planning… the fiscal policy now has changed and we now have much
more allowance… but at the time we didn’t have much money – Shenzhen was picked by Deng Xiaoping directly and had all the government support. They cleaned out a vast area in their countryside, remote from their old town centre, and built their economic zone from scratch. But doing this in the remote area… you needed to build many new roads to it, and you needed to connect electricity and water at least… Suzhou didn’t have the money to do so. So at last, we decided to do it close to the ancient city. In fact, we decided to try only one square kilometre of area at the west side of the canal, clinging to the city. We figured if this trial was successful, then we could expand it further to the west… The main advantage was instant money-saving – not very much needed to be spent on roads; electricity and water supply only needed to extend a further maybe 100 metres from the city; the disadvantage was the lack of overall planning, and later on many things needed to be redone again… not exactly cost-effective in the long run… but we had no other choices at the time… We provided every possible favourable policy that had been permitted by the central government, and later we even dared to provide local favours that had not been approved by provincial or central government. We desperately tried to develop the New District…”

Mr. Feng didn’t go into details about the favourable policies they provided to the foreign investors, but many unified ones can be found in the published policy collections. The most straightforward favour the government provided to foreign investors was of course the tax reductions. According to Suzhou Archive Bureau’s own policy collection, a foreign-invested establishment only needed to pay its income tax at the rate of 15%, a 50% reduction from the normal rate of 30%, as long as the project met one of the following three conditions: 1) a project in technology-intensive industries; 2) a project with foreign investment of more than $30 million; 3) a project in the energy industry, transportation or harbour development. Foreign-invested establishments which didn’t meet one of these conditions normally could enjoy a discounted tax rate of 24%. Moreover, a foreign-invested establishment, as long as the contracted operating term was longer than ten years, could also enjoy generous tax cuts on top of its already discounted tax rate: two years of tax exemption since it first turned profitable, and another three years of 50% tax reduction. There were also many policies encouraging foreign businesses to reinvest the profits into their joint ventures, and to extend their operating terms.

3 After these five years of tax cuts, if the company was considered as ‘technology advanced’, it could enjoy a 10% income tax rate for another three years. For the foreign-invested companies in harbour development, the initial tax exemption and reduction period could be as long as ten years.
Years later, when Suzhou’s local government officers were introducing the city’s successful experiences, they would proudly name their brave action of developing the economic zones with limited fund as ‘attracting the phoenix by building up the nest first (zhuchao yinfeng)’. Suzhou’s municipal government did indeed set up an exemplary role for the local businesses to take initiatives. It went so far that sometimes the local government would act on its own without asking for authorisation from or even notifying the central government. Mr. Feng mentioned in the interview that at that time, one of Suzhou’s main advantages compared with big ‘open’ cities like Shanghai was its flexibility resulting from its relative insignificance. For example, the central government had never authorised the development of Suzhou’s Kunshan economic zone. When the related authority found out that such a large area had been ‘independently developed’ as an economic zone and had been offering all the favourable policies, hundreds of foreign-related companies had started to operate there already. Punishment never came for that, partly because of Suzhou municipal government’s efforts in public relation activities in Beijing and Nanjing⁴, but in Mr. Feng’s opinion, the more important reason should be the fact that this ‘independently developed’ Kunshan economic zone was running better than many of the central planned ones. To a certain extent, the autonomy and negotiating power of municipal government reached an unprecedented level with the booming of the local economy.

However, these were things that all happened latter. In the first few years of the 1990s, when the New District was just in an early form, all that the Suzhou municipal government wanted was one heavy-weight project that would do good for the city’s reputation for attracting foreign direct investment and would create a follow-up effect for other investors. Philips’ cooperating intention with Peacock happened to arise at this crucial time.

6.2 Peacock before the Cooperation

In the late 1980s, China’s economy became overheated. The reforms which designed to liberalise the economy spurred demand and production and brought a concomitant economic product of rapidly rising inflation (Hassard et al. 2007: 57). Expansionary monetary policy led to a sharp acceleration in economic growth, particularly in industry. Between 1978 and 1983, China’s industrial GNP grew 7.6% annually, but

⁴ Nanjing is the provincial capital of Jiangsu, where Suzhou locates.
between 1983 and 1988, this figure accelerated to 14.2% (Naughton 1995: 245). Naughton (1995)’s study shows that such a rapid acceleration in industrial growth was widely spread in state industries, collective industries, private firms and various kinds of joint ventures. However, since the state sector accounted for such a large share of industry at the outset, the growth in this sector continued to be the primary component of industrial growth overall. Many SOEs enjoyed a vigorous output expansion and economic growth. Particularly striking was the emergence of a significant consumer durables industry, the output of which expanded from the negligible levels in 1978 to 25 million television sets, 45 million electric fans, 7.6 million refrigerators, and 10.5 million washing machines in 1988 (Statistic 1991:424). But this rapid growth was accompanied by a substantial increase in the inflation rate. Accumulating inflationary pressures erupted during 1988 in a burst of high inflation. The ill-timed announcement made by the central authority declaring the carry out of comprehensive price reform confirmed inflationary expectations among the population. Individuals began to engage in speculative buying and stocking. As a result, prices exploded during the summer of 1988 and were increasing at more than a 50% annual rate for three months. China’s political conservatives were alarmed by the eruption of inflation. Tough austerity policies were adopted at the end of 1988, which directly brought an abrupt end to this period of dynamic change and growth and indirectly led to the political crisis at Tiananmen Square (see Naughton 1995: 247-252).

After the Tiananmen Crisis, China’s political conservatives attempted to carry out a programme of re-control to roll back both economic reforms and political liberalisation. Macroeconomic austerity was given the highest priority because of the need to control inflation and the concern over China’s trade deficits. Governmental planning was strengthened while preferential policies were provided to state-owned firms at the price of increasing government interference. But the outcome of these conservative policies which aimed to lead the economy to renewed central control was not at all anticipated by the authority. The rapid decline in domestic demand pushed the economy into recession. Industrial output and employment were falling while the government was struggling to produce plans and policies to provide any kind of realistic guidance (Naughton 1995: 279-283). As failure became evident, the authority started to renew the search for practical reform
measures. At the beginning of 1992, Deng Xiaoping made his second ‘southern tour’ to the South China, and endorsed reform-created institutions and attacked conservative opposition. It was considered as a decisive push to China’s renewed reform. In October 1992, the Fourteenth Party Congress ratified the new reform agenda and declared that the objective of reform was to establish a ‘socialist market economy’ (Saich 1992). An entirely new period of reform began.

As for Peacock, late 1980s to early 1990s was a tough period of time. When the government was trying to stabilise the inflation rate, some ill-designed policies were imposed on the TV producing industry. On April 22nd 1985, the State Council published a notice, demanding the ‘strict control of the importing of colour TV production lines and colour picture tube production lines’\(^5\). When this prescript did not have the desired results, the State Council decided to impose a Special Consumption Tax on colour TVs since 1989, which hit China’s TV manufactures badly, including Peacock. The Notice of Imposing Special Consumption Tax was issued by the Tax Authorities in January 1989. Peacock’s Archival Department still kept a copy of that Notice, which some of the insiders considered as one of the most harmful legislations to China’s national TV industry. According to the Notice, since February 1st, a unit tax would be imposed on all colour TVs selling on the Chinese market: 100 yuan each for 14 inch and smaller ones; 300 yuan for 16 inch ones, 18 inch ones and 22 inch ones; 400 yuan for 20 inch ones; 550 yuan for 21 inch ones. The tax was added on the manufacturers’ price directly and would be borne by consumers, therefore, from the authority’s view as clearly listed in this Notice, this consumption tax was aimed to ‘restrict demand, adjust consumption, and won’t affect manufacturers’. Together with the impact of other austerity policies, the domestic demand for televisions was cooled down shortly. At the same time, foreign competitors started to focus on the Chinese market, and thanks to the consumption tax, they could provide more technologically advanced products at a similar price as the domestic producers. When this punitive consumption tax was lifted in 1992, the TV market was no longer dominated by domestic brands and all the domestic TV producers were facing serious competition. During this period, Peacock’s performance started to fall. Ordinary employees probably hadn’t felt the declining of

---

\(^5\) Full details can be found in “China Legislative Information Network System”: http://www.chinalaw.gov.cn/jsp/jalor/disptext.jsp?recno=11&&ttlrec=13
their company’s performance at the time just yet, but the management were quite aware that they reached a critical moment. Colour TVs were not that easy to sell as before, not to mention the hit led by the termination of the Sony project. So when Philips, the Dutch giant of consumer electronics, showed its interest of setting up a joint venture for TV production in China, Peacock as well as the Suzhou municipal government which was still eagerly looking for that influential foreign investment project, were both hugely tempted.

6.3 ‘The local government would like to push it to success’: The Setting-up of the Joint Venture

In the aftermath of Tiananmen Square crisis, many foreign invested projects were delayed, but a dramatic increase in FDI occurred in the early years of the 1990s when China decided to renew its economic reform (Table 6.1). The actual investment China attracted more than doubled in both 1992 and 1993, and reached to more than $27 billion. Lardy (1995) suggests such a great increase was the result of the country’s effort in systematically liberalising its foreign regime. Special provisions to attract FDI were made available in wider part of the country, while more sectors were opened up for foreign investors. At the same time, China’s seemingly political stability after the Tiananmen crisis and its renewed growth of the domestic economy attracted foreign firms to make a fundamental reassessment of the country’s economic and investment potential. Many multinationals decided they just could not afford not to invest in the world’s fastest growing emerging market.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contracted (millions of USD)</th>
<th>Actual (millions of USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-1982</td>
<td>6,999</td>
<td>1,767</td>
</tr>
<tr>
<td>1983</td>
<td>1,917</td>
<td>916</td>
</tr>
<tr>
<td>1984</td>
<td>2,875</td>
<td>1,419</td>
</tr>
<tr>
<td>1985</td>
<td>6,333</td>
<td>1,959</td>
</tr>
<tr>
<td>1986</td>
<td>3,330</td>
<td>2,244</td>
</tr>
<tr>
<td>1987</td>
<td>4,319</td>
<td>2,647</td>
</tr>
<tr>
<td>1988</td>
<td>6,191</td>
<td>3,739</td>
</tr>
<tr>
<td>1989</td>
<td>6,294</td>
<td>3,773</td>
</tr>
<tr>
<td>1990</td>
<td>6,987</td>
<td>3,755</td>
</tr>
<tr>
<td>1991</td>
<td>12,422</td>
<td>4,666</td>
</tr>
<tr>
<td>1992</td>
<td>58,736</td>
<td>11,292</td>
</tr>
<tr>
<td>1993</td>
<td>111,435</td>
<td>27,514</td>
</tr>
</tbody>
</table>

As one of these multinationals, Philips’s plan was to set up a joint venture in Yangtze-river Delta where workers’ skill level was relatively higher than the rest of the country. It started to contact several TV producers in Jiangsu province since 1990, but Peacock was not its first choice. It first contacted Panda in Nanjing, a central SOE operated in the capital of the province. But Philips’ investment plan had an unprecedented precondition: they must be the holding company of the joint venture. As a central SOE, Panda didn’t have the courage to accept the condition, probably because it was afraid of being accused as politically wrong if it was to ‘let the foreigners control’. Philips then contacted Hongmei in Wuxi, and failed for the same reason. The related department in the provincial government was eager to keep this big project in Jiangsu and introduced Peacock, a local SOE with a smaller size but better performance, to Philips at last. The company director at the time Mr. Sun ST clearly expressed his willingness to carry on the negotiation. Moreover, once the Suzhou municipal government was notified, the project brought up great attention in the city. The Vice Mayor Mr. Feng himself became the leader of the Chinese negotiation team, working together with the management of Peacock and the lawyers the government provided. The negotiation and preparation lasted for four long years.

High-profiled negotiation team from the Chinese part might have shown Philips the sincerity and respect of Peacock and the Suzhou government, but did not make the complicated cooperation case any simpler. The original plan was aimed to go for a full-scale cooperation by setting up a joint venture managed by Philips on Peacock’s factory site which would admit all of its assets and employees. But as further talks went on, Philips found it impossible to build up a modern producing factory on this old factory site which was situated in the urban area of an ancient city with restricting transportation conditions and old-fashioned workshops. Moreover, the more than 2,000 employees Peacock had on its books were far too many for the highly mechanised joint venture Philips was wishing to build. Peacock’s former Party Secretary Mr. Zhao RJ was a key member of the Chinese negotiation team. He recalled the change of the proposal to a partial cooperation:

‘The total amount of investment for the JV according to the later agreed plan was 90.95 million USD, of which Peacock accounted for 49% of it. Our assets that could be invested to the JV were evaluated as 9 million USD, including 3.15 million USD of our brand value plus the whole of our sales channels. The local government gave us a
discounted price on some land in the newly set up New District, a remote area back then… Philips didn’t want our old factory site and the government wanted a big project in the New District… So, we promised Philips to build up the modern factory site for the JV conforming to Philips’ standard and requirements. That new factory site was evaluated as 128 million RMB [about 15 million USD at the time], but actually it cost us only 80 million RMB to build because of the low land price… Philips knew about it… and wasn’t happy… but the local government expressed clearly that the favourable land price was offered to Peacock, the SOE, not the JV, so evaluation should follow the market price… the rest 21 million USD of our investment was loans from national banks… The board of the JV had only six members, three from each side… but when there was a meeting, or during the negotiations, Philips would have a team of consultants sitting at their back while we only had a translator who at the same time was our attorney, plus a personal representative of the Vice Mayor in case he was occupied by other issues… It was a very astonishing experience to see how differently foreign companies and we were doing business at that time… Although Philips was the holding company, they left the chairman position for us, as a friendly gesture. So our Vice Mayor Feng became the Chairman of the Board and Philips got to send the CEO to manage the JV. The new factory site started its business on Aug. 20th 1994.’

However, apart from capital, there were two more important issues this partial cooperation needed to deal with: people and Peacock’s future. The latter issue was straightforward, at least according to the contract signed by both parties: Peacock could no longer produce any ‘video displaying products’ including TVs and monitors – although the two parties later claimed to have different understandings on this clause. It would be fine if Peacock was doing a full-scaled cooperation with Philips, with which all the employees could be transferred to the new joint venture. In that way, the only problem might be the criticism Peacock would face from the industry and the press by giving up a famous national brand. However, since Philips
decided that more than 2,000 employees were too many for the new factory, only 1,490 of them were contracted to be accepted by the joint venture. And when this clause was being carried out, Peacock gave Philips unlimited time for a selection process. As a result, when the joint venture officially started its business in 1994, only 800 of Peacock’s employees were actually working for Philips. More than 1,200 were left behind to a television manufactory that could no longer produce televisions. Philips only paid 24 million yuan as compensation. However, it would be unfair to say Peacock’s management team had not foreseen the risks of such a contract. Mr. Chen LM who was working for the purchasing department remembered the frustration of the director during that period of time:

‘I remember clearly that on the day the contract was formally signed, Mr. Sun called me at six o’clock in the morning. He asked me if I was confident to get 400,000 picture tubes for Peacock that year… I was astonished, because I knew we were not supposed to produce TVs anymore after the JV’s establishment. I said I could manage to do so, but for what? Mr. Sun told me they were about to close the deal, but he was going to ask Philips to agree that Peacock would continue the TV production of its own brand at the quantity of 500,000 sets a year. I said they probably wouldn’t agree. Sun raised his voice saying we still had so many people, what did they expect us to do? If they didn’t agree, then I wouldn’t sign the contract! That day everyone in Peacock was saying things would be done that afternoon, apart from me, because I thought the negotiation would go on when Sun popped out his condition. But later that afternoon, the deal was actually closed… and people saw Sun sitting still in his office, with tears… Rumours said when Sun popped out his idea that morning, Mayor Feng got into temper. He was not happy that Sun wanted to change things at last minute… should be said earlier… and he threatened Sun that if he didn’t want to sign the contract then Feng would find somebody else to sign! There was also a rumour saying after that meeting, Mayor Feng asked Zhao, our Party Secretary, to take care of the rest of the things. Director Sun was extremely sad for sure… that’s why he burst into tears in the office, not knowing what to do with this factory and the remaining 1,200 people any more… This JV project was such a huge thing in Suzhou at that time, one of the 54 ‘nationally prioritised projects’… the first JV in the TV industry in the whole country! The investment amount was so huge that it needed to be approved by the State Council! So it was understandable that the local government would like to push it to success… the sooner the better. It was all about face…’

In the interview with Vice Mayor Feng, this incident was mentioned casually as well. He blamed Mr. Sun, a graduate from one of the top universities in China, as ‘naïve
and acted as a bookworm’. He was not happy that such a condition was used by Mr. Sun as a master card without the permission from the government, and that Mr. Sun misjudged the situation – maybe Philips couldn’t afford to blow the deal at this stage but Peacock and Suzhou couldn’t afford that either. Another message from this incident was, no matter how much autonomy the company director of a SOE was promised from the government, he/she was never the ‘boss’ and had no real power when it came to certain decisions. A SOE’s interests could be sacrificed for ‘good reasons’. After all, SOEs were often established by governments for reasons quite different from, and often incompatible with, profit-maximisation (Hassard et al 2007: 19). They were operated as social and political as much as economic entities. Like it or not, with the local government’s support, the contract was initiated and the cooperation moved to the next stage: the selection of the employees.

6.4 ‘I would choose the same at that time no matter what’: The Selection of the Employees

While Mr. Sun was feeling the pressure on how to lead the large number of the remaining employees in the future, Philips was struggling with people issues too. Recalled by the interviewees who either chose to work for the joint venture or to stay, that period of ‘selection time’ was very chaotic, especially after they got the news that not everyone was required to go. Philips agreed to accept around 1,500 employees including the majority of the workers on the production line and about half of the administrative employees. However, even after Philips promised they wouldn’t terminate employment contracts with Peacock’s employees without mutual agreement, employees’ attitudes towards this opportunity were still dramatically different. There were different opinions and misunderstandings on how foreign companies were operated and managed. People believed they were the combinations of never-stopping production lines with unkind management teams who would fire workers for tiny mistakes. On the contrary, jobs in SOEs meant lifetime guarantees, and safe, slow-paced working time. Peacock had always provided above-average welfare in Suzhou, thus employees were used to and happy with their stable lives. Nobody would have foreseen the dramatic reforms SOEs were going to further experience in less than ten years time. Moreover, the new factory site of Philips’ joint venture was to be located more than an hour’s drive away from the city centre. Although shuttle buses were provided, most of the employees still thought it
unacceptably far, especially when bicycles were still the main means of people’s daily transportation. Therefore, many looked for all kinds of excuses and used all the influences in trying to stay. Mr. Zhao, Peacock’s Party Secretary at the time, recalled that workers came to him all the time:

‘The ones who didn’t want to go would have different excuses, but mostly health reasons or family issues, such as their children were too young and their families needed them to get home earlier in the evening… Workers in the JV would do shifts which would make some of the workers arrive home late…I used to have crying female workers in my office 8 o’clock in the morning and angry old fellows keeping me in the company at night during that period of time… very chaotic! Now they all know that it was not that scary to work for foreign companies… and I assume many of them would regret not having left, since the salaries paid by Philips a few years later started to grow heavily. But at that time, Philips didn’t offer a lot more money than people used to get from us, especially for ordinary workers on the producing lines. Philips had been using [a western] wage scale already back then, so the wage differentials between management roles and ordinary workers were huge. That was unacceptable to our workers because in SOEs wages were normally decided by the working longevity of individuals. So they were not happy that some young graduates who had just started working for three years would receive more than they do just because he was in the office and they were on the lines… Philips wanted workers… they didn’t want too many office employees of ours… But most of the production workers didn’t want to go, and we didn’t want to keep them with us since we would not have many producing jobs later. So we helped Philips to talk them over… but still only about 800 of our employees left in the end, some of them not willingly.’

The ‘talk over’ process Peacock carried out with the production workers was not exactly personal or patient. Production workers who insisted on not going would face only one option: early retirement. Peacock would continue to provide them welfare and pay them basic living expenses until they reached legal retirement ages. But since there were no official guidelines and very limited precedents to go on, the amount of basic living expense each early-retired worker would be receiving was a result of case-by-case negotiation, ranging from 200 yuan to 300 yuan a month. Ms. Li, the company union’s chairwoman, admitted that these ‘individualised deals’ caused some problems later during Peacock’s privatisation. She also mentioned that this ‘early retirement plan’ created quite some discussions in Suzhou that she once heard people chatting on a bus about ‘some of Peacock’s employees got retired in
their 30s while their parents were still working’. Ms. Jiang J was one of the early-retired workers. She was only 33 years old when it happened:

‘I didn’t have any choices… I married late, so when they asked us to go to the joint venture, my baby was still very young. My husband and I didn’t live with the parents, so nobody could take care of my baby… I didn’t have any other choices. Workers would do shifts in the joint venture, so if you went, you couldn’t look after your family any more. I didn’t want to do that. I wanted to be with my baby… otherwise he would blame me if he grew up without mum’s care… Before they came out with this early retirement plan, Peacock had another plan: workers who ought to go to Philips but refuse, would have six months’ paid time to look for another job by themselves, after that period Peacock would have nothing to do with them… That was even more shocking than early retirement! Thankfully that was not what they did in the end… Of course I was sad… everybody was sad I guess. We joined the company directly after graduation, as a 17 or 18 years old… after more than fifteen years, they just asked us to go out and look for other jobs! They forced us to go to the joint venture… I didn’t want to work there. They organised us to visit the new factory site under construction… I hated that, looked like a prison, nothing like the workshops we had in Peacock. I wouldn’t work there… Now probably you would say it was a regrettable decision that I didn’t go… maybe… but I would choose the same at that time no matter what!’

Among the management, things were even more complicated. Many of the important positions in the joint venture would be filled by people from Philips and many of Peacock’s office employees would agree to go if only a nice managerial position was guaranteed. This so-called ‘team building’ process consisted of endless individual negotiations, promises, compromises, and interest-sharing. Once the municipal government decided that neither the Party Secretary nor the company director of the time was going to be working in the joint venture, Peacock’s own ‘team building’ moved into top gear as well. Mr. Zhao and Mr. Sun were allegedly talking to key members of Peacock’s management team, trying to persuade them to stay. Mr. Chen LM said he stayed exactly because he believed Peacock needed him to revive:

‘Frankly I was OK if I was asked to leave. I worked for a Japanese joint venture for a short while before so I knew it wouldn’t be too bad… And I liked to work for Peacock at the same time. Peacock paid for my college and director Sun and I got along well… He had other plans for the future of Peacock before the joint venture deal was closed – to continue the TV production. He told me I had to stay, long before Philips started the selection, since I was the one in charge of purchasing picture tubes… that was the key of
TV production in China back then… and I knew all the people at the picture tube factories so I had to stay if Peacock was going to produce more TVs. When Philips came to talk to me, I was determined not to go. But they might have checked my background and were extremely interested in me. They kept on asking me what position I would like to take… I then said I was doing well in purchasing so I would only accept the position of Head of Purchasing Department in the new company. I knew it would be impossible because the Dutch would control the purchasing department themselves—foreign companies came to China at that time would at least control two things of their joint ventures: purchasing and finance… As expected, they were a bit baffled and said they hope we could have chance to work together another time… Later when it turned out Peacock couldn’t produce TVs anymore, Sun said he wrongly held me up… But actually I wouldn’t blame him for that…”

Another attitude towards this career opportunity would be pure excitement, usually among the younger generation in Peacock. For them, life-time job guarantees in a slow, old-fashioned SOE where rankings and seniorities really mattered were not as attractive as the challenges and possible great returns a joint venture could offer. Young people are always more adventurous, even the ones who grew up in a planned economy and from a traditional city like Suzhou. Mr. Zhang YQ, Peacock’s vice section chief of Sales Department at the time, described his determination to leave:

‘At that time people would bribe the ones in charge for not going… but I wanted to go… I made up my mind at the very beginning… no matter it was a full-scale cooperation or a partial one… I decided I would be leaving! Why? I think it was because I felt my personality didn’t get along with working in SOEs… You needed to be an apple polisher to get promoted in a SOE. The ones who stuck with the director or the Party Secretary always had more chances… I just wasn’t part of it. And I read a lot about management in my spare time. In those books, the western management style was so efficient and advanced that I just had to experience it by myself! But I was in the middle management… leaving or not, needed to be discussed and decided by the Party Committee. I remembered that day Secretary Zhao asked me and our Head of Sales Chen to go to his office and told us the Committee decided Chen was leaving and I would be staying and be promoted as the Head of Sales Department… Chen wasn’t happy, neither was I! Zhao kindly asked for our own opinions and I immediately told him I wanted to go to the JV… I didn’t care about the promotion. I just wanted to leave! Zhao had no choice but letting me go instead in the end, especially when Chen didn’t want to go.’
This recruitment chaos went on for some more time even after the grand opening ceremony of the joint venture in August 1994. Some employees insisted on returning to Peacock after working for only a few months’ time, claiming the pace of work in the joint venture was harming their health. They’d rather accept early retirement than continuing working there. But the majority of the employees stayed and started a new stage of their work life.

6.5 ‘We travelled different paths, but reached the same destination at last’:

Working in the Joint Venture

At the time when this research was conducted, the joint venture had been sold to TPV, an electronic manufacture from Taiwan, after more than ten years of successful operation by Philips. During these ten years, the two original cooperating parties, Peacock and Philips, had encountered many more conflicts and renegotiations, some of which will be mentioned later. At the same time, the original employees of the joint venture had experienced many more changes as well. After Philips purchased another 29% of the joint venture’s share from Peacock and achieved a controlling position, the joint venture introduced its own version of early retirement among production workers as well. Younger migrant workers were recruited to the producing lines at cheaper costs. Therefore, when these interviews were carried out, none of the original production workers from Peacock still works in the joint venture. With the help of Peacock’s union chairwoman, a few of them responded to my interview requests and described their lives in the joint venture. Ms. Xu WH accepted the joint venture’s early retirement deal at the age of 48, right before the company was sold to TPV. She worked for Peacock for 16 years and the joint venture for another 10 years, but she insisted that she had no feelings at all towards the joint venture and Philips:

‘I agreed to go to the joint venture purely because I believed one should follow the trend. Workers were asked to go, so I went! I was confident with my adaptive capability to a new environment. As long as others can live, I can as well… that was my thought at the time… well, I had no connections or backgrounds, so I obeyed the order. But once I started working there, I immediately realised why so many were not willing to come. It was really tough! We needed to spend four hours on the shuttle bus every day! If I was doing the early shift that day, I needed to get up at half past three in the morning! Even if it finished at three in the afternoon, one wouldn’t get home until half five or even six in the evening. You would certainly miss everything in your family… couldn’t get the child
to school, couldn’t cook for the family… it was really hard. And the shuttle bus wouldn’t wait for you… if you were a bit slower than the peers after work and missed the shuttle bus, it would be a disaster! No taxi those years and it was impossible to walk home… too far… And they didn’t pay us much in the first few years, especially for the workers… I remember my first-month’s wage was 444 yuan, less than I was receiving in Peacock! Later on we had a few pay raises and Peacock was doing poorly… so we started to realise, financially it was maybe a right decision to come… But people didn’t only live for money… the thing I hated the most about the joint venture was its impersonality and lack of human kindness. Workers were required to only care about their own businesses… you were not allowed to help your colleagues even if you finished your thing. Line managers treated workers badly… shouted at them all the time. I later was transferred to the training office so I dealt with both the basic-level managers and workers a lot. I knew many of them used to be friends in Peacock, but in the joint venture, because of financial initiatives, the managers became more and more opposite to the workers… I really hated that. We were not like that in Peacock… I knew the management style in SOEs was not going to work in a modern company, I knew… but I still don’t like the joint venture. You only got money from working for it, nothing else… So when they asked me to retire… and they offered good compensation… I was not sad at all. I had no feelings towards Philips and the joint venture… I didn’t care if they were to be sold to TPV or VPT… none of my business.’

As someone who clearly showed sympathy to workers during the whole process of the interview, Ms. Xu’s description was quite emotional. But not everyone has such a negative attitude towards the joint venture. Ms. Xie YH, a former line manager in the joint venture, pertinently compared the differences between working for Peacock and for the joint venture:

‘…The easiness you felt when you work, that was the biggest difference… How can I make this right? [pause] In Peacock, you were guaranteed to be off work on time, even during our busiest days with the Sony project. At three o’clock or four in the afternoon, everyone would have already finished their jobs so people could sit there chatting and waiting for the off-work bell… workers became friends, and you came to work happily and went home happily. Once you started to work for the joint venture, these were all gone. You couldn’t even have one minute of your own time. If you wasted even one minute, you were going to bear the consequences. It was the impersonality of the joint venture… Then the management style… at first our general manager was somebody from Europe and our section chiefs were all from Singapore. They were all very experienced managers. The things they said and required were all westernised. When you listened to them, you felt they had a point, but still it was not easy to follow. For
example, they would correct workers’ sitting positions. They would say wrong sitting positions would damage your health and affect productivities. Were they right? Probably they were! But would workers listen to them? Probably wouldn’t! At least it would take some while for workers to accept that even their sitting positions were no longer their own businesses any more. So when workers didn’t obey, line managers needed to intervene… because line managers had their own bosses watching them fiercely…

Talking on the line was strictly forbidden, even one sentence… but chatting on the line was common in Peacock. Workers were not happy, because they thought as long as they finished their jobs, why couldn’t they have a little chat? But the foreigners told us that chatting would affect productivity and cause mistakes on the line. Were they right? Again they were! But still, it was hard for workers to accept… And the training was another major difference. The joint venture provided sophisticated training for managers, even for low level ones… Managers were always having training courses. They take line managers very seriously… But in Peacock, we didn’t have formal training. There were opportunities to go to college, but very rare. Line managers in Peacock were no different from ordinary workers… The impersonality of the joint venture was shown from the attitudes towards mistakes as well. In Peacock, if you made a mistake, as long as it was not serious, your manager wouldn’t really punish you. Sometimes he or she would even cover up for you. But in the joint venture, they would criticise you in front of all the colleagues; and then you probably would lose your bonus too… and the manager in charge of you would be affected as well, which means your life wouldn’t be easy after that… a lot of pressure… So in a joint venture, nobody dared to make any mistakes… If you did make one, at least you needed to take the blame and try to make up for it… This was what I benefited most from my work experience in the joint venture – learning to take responsibilities.’

Judging from western management experience, what the joint venture required from the workers was actually nothing excessive. Under Philips’ management, the joint venture set up rules and regulations for workers to follow, trying to standardise workers’ actions for the improvement of productivity; financial initiatives were provided as individual motivation; the opposite relation between management and workers was tolerated and even encouraged for the better managing of people. If these happened in any of Suzhou’s companies nowadays, workers would probably accept them without any second thoughts. Fifteen years of ‘open-up’ has not only changed a lot about the economic structure of the city but also the mindsets of the people, especially the younger generation, including the hundreds of thousands of migrant workers who came to Suzhou for jobs. But in the mid-1990s when modern
companies were still quite rare, asking these few hundreds of workers transferred from Peacock to fully understand and accept Philips’ managing style was not easy.

Workers who took part in this research sent out a strong message during their interviews: they always considered themselves as employees of Peacock who were sent to work in the joint venture, so they would always have Peacock as their backup. Considering the fact that Philips did promise not to terminate contracts unilaterally with them, workers who came from Peacock were indeed different from the hundreds of late comers recruited openly later by the joint venture. Although they knew quite clearly that Peacock was declining and would not take care of them anymore, these workers still chose to hold up with some of their old mindsets. Their bottom line was to have a secured job.

Compared with the late comers, most of the production workers came from Peacock were relatively older. They had never been in the job market before, thus their greatest fear was to be forced to look for another job. From Philip’s standpoint, keeping jobs for this group of workers was an irrevocable condition to the success of setting up the joint venture – the only way of operating in China at the time. However, with the further open-up of the country, many of Philips’ global competitors were allowed to set up fully foreign-owned manufacturing plants. Therefore, this group of Peacock’s workers who couldn’t be easily laid off became the price Philips needed to pay for the sake of operating in China a few years earlier than its competitors. According to Mr. Li WL, a manager from Philips’ side, these workers were older, pricier and less productive than the migrant workers, and they were not that loyal to Philips either. Tensions between these workers and Philips management were always there. After Philips purchased another 29% of the joint venture’s share in 2002, it started to run the company with full autonomy.

Early retirement plan was introduced gradually. According to the plan, workers aged above 45 would receive basic monthly wage plus 250 yuan compensation per month until they reached legal retirement ages if they agreed to leave. The joint venture would still pay for their social welfare contributions as well. Interviewees admitted that for the workers this plan was well-conditioned, and some workers who could find another job left. When news of selling the joint venture to TPV broke out in the end of 2004, many feared redundancies were unavoidable. Hundreds of production workers who originally came from Peacock organised a sit-down demonstration
because they believed the new owner from Taiwan would no longer keep the promise of hiring them once the joint venture was sold. Since at the time Peacock was already privatised and would no longer intervene with issues of the joint venture, workers were hoping the pressure of their demonstration would force the government to step in. In the end, with the local government’s mediation, this dispute was solved with the speed-up of the well-compensated early retirement plan and a considerable amount of severance pay.

For most of the production workers transferred from Peacock, their work experience in a joint venture ended here. With Peacock already being privatised, they became no different from the hundreds of thousands of SOE employees being laid off during the reforms in Suzhou. Thankfully, their early retirement wages were better than most. Even without finding another job, they could survive with a simple life for a few years, although China’s high inflation made life harder when time passed by.

Ms. Xie expressed her feelings with a very slow and mild tone in the interview:

‘Although we seldom went back to Peacock in those years, we still cared about Peacock’s every movement… I remember when we heard about the early retirement thing in Peacock, several of us gathered together and exchanged information…We all hoped that Peacock could do well, you know… Things were so unpredictable in the joint venture. We all hoped that if Peacock was doing well… if one day we were asked to leave, at least we could go back to Peacock and Peacock could afford to accept us… But you see now… It seems ‘early retirement’ is the destiny of Peacock’s workers… We travelled different paths, but reached the same destination at last.’

Peacock’s privatisation is the topic of next chapter, but before that, some more changes needed to be mentioned. After the joint venture started its business in August 1994, Peacock’s future as an independent company responsible for more than 1,200 employees was not exactly optimistic.

6.6 ‘He probably was not prepared for such deep water’: Further Changes in Peacock

Since Peacock was contracted not to produce televisions after the joint venture started operation, its main challenge was to find a source of income to raise the remaining employees. For the first year, with Philips’ permission, Peacock continued to produce and sell televisions under a new brand called Uranus, using the remaining parts and accessories in the stock. This transition period ended in
December 1995 after Philips conducted a final auditing of Peacock. All of Peacock’s TV producing lines were moved to the joint venture. The once busy factory site finally fell silent. The best-case scenario for Peacock from now on was to receive enough dividends from the joint venture to hold the company during the period of looking for other projects. But it didn’t happen. After two years of operation, the joint venture not only failed to provide Peacock any dividends, but made a huge deficit of 200 million yuan. Since the Chinese partner had very limited say in the daily operation of the joint venture, suspicions were aroused. Philips tried to make their Chinese partner believe that the joint venture was just encountering some difficulties that were not expected and having deficits at the beginning of a company’s operation was normal, but Peacock had different opinions. Many senior managers in Peacock, together with some officers in the local government, all firmly believed Philips cooked the books and deliberately covered profits in those two years. According to Peacock’s Party Secretary at the time Mr. Zhao, Philips’ motives of doing so were very easy to see through:

‘Philips did have some difficulties at first, on the issue of getting enough quotas of importing picture tubes… it lasted for maybe six months… but they had connections up there… the government had always been supportive, so everything would be sorted out pretty quickly. The real reason was, since Philips imported almost all the accessories from their Singapore subsidiary, they deliberately increased the production cost of our joint venture thus transferred the profits to their subsidiary in Singapore, where they didn’t need to share profits with anybody… for example, Philips in Singapore charged our joint venture an extra of $70 per set of accessories imported from them, under the name of ‘processing fee’, and they priced the moulds ridiculously high too! And the other reason they covered profits was because the two-year tax exemption policy wouldn’t be applicable until the joint venture covered all its deficit and turned profitable, so Philips probably was waiting for a good chance which they could generate a huge amount of profit to enjoy the policy! But we had employees to feed… we couldn’t afford to wait anymore… and we could do nothing about it… The CEO, Head of Purchasing, and the CFO were all sent by Philips… We didn’t know the importance of the CFO when the negotiation was on… because that position was just a mid-management role in a Chinese company. Let’s say, being forced to face the huge deficits was a serious lesson Philips gave us… not easy to deal with multinationals!’

Although Peacock could still afford to pay wages to its employees, including the early-retired ones, it became apparent that the company was in a very difficult
position with gloomy future perspectives. Company union’s Chairwoman Ms. Li recalled that:

‘Employees started to feel the uncertainty and a lot of them who had connections all left… Children of the cadres always left the soonest when their company was falling… things were getting really bad…’

At the same time, conflicts between Peacock and Philips were intensified because of company director Mr. Sun’s decision to introduce an OEM project of producing videotape recorders for Panasonic, a strong competitor of Philips’. Peacock thought they had every right to choose their client, especially when Philips failed to pay dividends, and it was not a breach of contract as long as they didn’t produce under the brand of Peacock. But Philips insisted that videotape recorders were included in the ‘video display products’ that Peacock was not allowed to produce according to the contract and this restriction should apply to all brands. The consequence of Philips’ tough attitude was the reallocation of Mr. Sun. The Electronic Bureau of Suzhou selected a younger director from another successful joint venture in the city, Mr. Ni SP, to be Sun’s successor in February 1996. Employees of Peacock accepted this change calmly. They understood that leaders of SOEs were just ‘bricks of the Party’ and could be removed or reallocated at government’s will. Most of them welcomed Mr. Ni’s appointment, since he had the reputation of having single-handedly set up a joint venture called Jiejia with a Hong Kong company, and it was profiting tens of millions 元 every year at that time. His supporters believed Peacock needed someone who was experienced in dealing with foreigners. But some doubted Mr. Ni’s capability to run such a complicated SOE. Using Mr. Chen LM’s words:

‘Mr. Ni came in with all the ambitions, but he had never led a SOE before. Although nominally he was a senior manager in Jiangnan… that was because back then only SOEs could set up joint ventures with foreigners, so Mr. Ni still needed Jiangnan’s name… Actually he started his joint venture with only a group of youths and some bank loans endorsed by Jiangnan, and succeeded, which was a great achievement… so you can imagine his management team obeyed him 100%… He was the only boss in his joint venture and could do almost whatever he wanted… and even his Hong Kong partner respected him very much, because thanks to him, that small company from Hong Kong made a lot of money… But running Peacock was a whole different story… I like him, and I really hoped he could succeed here as well… but he probably was not prepared for such deep water… no products, the people issues, the different interest groups, and all
that… Moreover, there were political issues with the government… We were dealing with Philips here!

Mr. Ni never admitted any regrets on being reallocated to Peacock, but he remembered everything contributed to the government’s decision. According to his memory, the first incident that connected him with Peacock was because during Peacock’s painful process of searching for projects, it showed interests to Jiejia’s car radio project with a Japanese company. Since Jiejia was planning to expand on other parts of its business anyway, with local government’s intervention, it gave up the project to Peacock. But the producing lines couldn’t operate well there. Mr. Wu WY, the newly-appointed director of Suzhou’s Electronic Bureau, was furious and decided to pay Jiejia a visit, trying to figure out why the same producing lines could work well in a joint venture but not in a SOE. In Mr. Ni’s opinion, that visit changed everything:

‘There was a story behind Mr. Wu’s visit… My Jiejia was doing really well at the time… just built up a new factory site in the New District… One day I was quite free in Jiejia’s new office and was reading a Bible just because I had nothing else to do. I bought it in Malaysia, just out of curiosity, because it was in both English and Chinese… The factory was running so smoothly and everything was being taken care of by mid-management… And the car radio section had been taken so I really didn’t have anything to do. The Board of Jiejia provided me good salary and bonus… I was in a period that I could finally enjoy the return of my hard works in previous years… Then that day, Wu, the director of the Electronic Bureau, came without any notice. He came alone and knocked at my office door… my secretary was on maternity leave those days and since there weren’t much office work to do I didn’t hire another one…He came and I stood up to make tea for him while he wandered around in my huge new office. He saw the book on my desk and asked me what I was reading… The Bible… I wasn’t supposed to do so… I’m a Party member! Then he said: ‘It looks you are too free. We should get you something to do.’ I took it as a joke and we chatted about the car radio project Peacock was doing. It appeared, later, he reported to the Mayor, saying there was this person in Jiejia who had the capability but was too free and Peacock was having problems with Philips… He suggested trying this young guy… The Mayor then discussed with the vice Mayor Feng, who was also Chairman of Peacock’s joint venture… Coincidentally, Feng had visited my factory once before, when I was still in the old place. I didn’t know why he came that time… actually I didn’t even know him at that time. He introduced himself that time and chatted with me then. We were renting an exhibition hall then, so the offices were divided by glass only. Everybody could see what other people were doing
and everybody was working hard. Feng liked that and thought it was impressive to have such a huge office but still so quiet. It was different from what he used to see in SOEs…

All in all, he liked me at that time. So when the Mayor mentioned Wu’s idea, they decided to come and pay me a visit. The two mayors came together to my new factory. I showed them the factory site… Our new factory-site was very beautiful…and modern…and the product lines were running smoothly with very few people. All the management roles in the workshops were using interphones… we built up our own transmitter on our roof… The mayors and I had a nice talk for quite a while on the future of Jiejia, on development of technology, and things like that… I thought that was it. However, within half a month, I received the reallocation letter from the municipal government which told me I was moved to Peacock!

Although the selection and appointment procedure seemed to be a little informal, once such a decision was made, the selected individual no longer had any negotiation power. When being asked if he had tried to insist on staying at Jiejia, Mr. Ni answered:

‘They used serious words… They said you were a representative of a SOE anyway… When Jiejia first started, according to the Joint Venture Law the foreign party sent out the chairman of the board and we sent out the general manager… So the government said you were sent by us and we could replace you with other people… Jiejia was nominally invested by Jiangnan, since only SOEs were allowed to set up joint ventures then, so the government could decide who to send there… Jiejia could have at least 10 million yuan net profit a year, who wouldn’t like to come? They could fight for coming! And Jiangnan was not doing well, they could switch me back to Jiangnan as the director, which would be a nominal promotion, and asked another person who knew nothing about our company and our products to be the general manager of Jiejia…. I had been in Jiejia for 10 years then, in the Chinese political system, it was time for somebody else to come. Under that circumstance, in order to keep the stability of Jiejia, I agreed to go to Peacock but I had one condition: I could go but the successor of Jiejia’s general manager had to be picked by me. The government agreed, so I left and picked one of the vice-general managers to be my successor.’

Once Mr. Ni was in position, he was instantly given a huge task by the municipal government: establishing the Group Company of Peacock. Since the mid-1990s, the key notion of SOE reform in China has been directed towards the ‘corporatisation’ and the establishment of MES as a guiding framework in terms of property rights, ownership divestiture, separation of government and enterprise operations, and the professionalization of internal management. Group Company System (GCS) was
experimented by the state in large and medium-sized state enterprises together with MES to achieve the ‘corporatisation’ of China’s SOEs. 56 large state enterprises piloted the GCS with the aim of developing a parent holding company and a large group of subsidiaries that would have a high degree of management autonomy from the parent company (Hassard et al. 2007: 130). When it became judged to be an effective strategy for reform, MES/GCS-type restructuring became adopted by companies that were selected by provincial and municipal governments. In 1996, Suzhou municipal government decided to carry out the GCS restructuring in the city’s electronic industry under the name of ‘grouping together to become bigger and stronger’. As a main player of the electronic industry of Suzhou, Peacock had no reason to stay away from it. Thus, within four months of Mr. Ni’s succession, Peacock took over 16 smaller SOEs, many of which were on the edge of bankruptcy, together with their more than 500 life-time employees. Mr. Ni knew perfectly well, even at the time, that this ‘grouping procedure’ was just an obeying of the administrative order rather than a true reform tackling Peacock’s problems:

‘I was officially in position on February 13th, 1996. Not long after that, the Mayor at that time asked me for a talk. He said we needed to set up a group. Then on June 18th, the Group Company of Peacock was set up. It was done in only four months’ time…the grouping idea was to combine all the other enterprises which were related to the production of TVs together, and formed a Peacock Group of Electronic Ltd., Co. And this Group is for sure 100% state-owned still… However, as we were no longer producing TVs, my understanding of this move to have so many assorting factories binding together was to set up a ‘sample project’… I didn’t think it as a reform that would help Peacock to revive… The reason I’m now saying so is because after I came to do this grouping thing, the burden of Peacock was increased! It was even heavier than before! …Soon after the economic reform started in the 1980s, Suzhou became an investment focus due to the good decisions made by the authorities… and 70% of the foreign companies in Suzhou were related with IT industry and electronic industry. Then the government might feel that as a world-famous base of electronics manufacture, if the SOEs did not have something in it… when people came to invest and wanted to visit some companies, you could not… the government officers could not lead them to foreign companies for a trip. Foreign companies would not let you do so. Then at least he could say, oh, we have a big SOE here as well… Politicians are all like this. They want face… ‘Face project’. Then he could come here to introduce our factory, our products, and talk about our group. The investors would think, well, you local government invested so much in electronic industry, maybe we could invest something
as well. It was a ‘sample effect’ the government needed. That was what this ‘strategic move’ was all about!

After the set up of the group company, Peacock was even more in urgent need of regular and stable dividends from the joint venture. Although the subsidiaries were supposed to be operating with autonomy, Peacock still needed to step in if they were not able to pay wages or repay bank loans. Under such circumstance, Mr. Ni suggested the idea of ‘fixed return’ to the local government and initiated the negotiation with Philips on the matter. With local government’s support, a deal between the two parties was reached in the end of 1996. The amount of the annual fixed return Peacock would receive from the joint venture was set at 34 million yuan and would be paid in two instalments every year for five years. Philips obtained further control over the joint venture’s daily operations, while Peacock would have enough funding to support the group company and raise the employees. In fact, many of Mr. Ni’s efforts since then were spent in making the best use of this fixed return. According to Mr. Ni, Peacock used most of the fixed return later on to repay the bank loans and its subsidiaries’ debts. In order to reduce the group company’s burdens, Peacock even invested money into these subsidiaries and helped them purchasing new producing lines, hoping that they could achieve self-sufficiency one
day. However, for the employees of Peacock, it seemed they haven’t directly benefited from this fixed return. Everyone in Peacock was aware of this seemingly large amount of regular income of the company, but workers’ wages and bonuses were not significantly increased. In more than one interview, people questioned the allocation of these fixed returns. Mr. Chen G thinks it regretful that Peacock didn’t manage to make good use of the money to revive the production and develop other popular products. Other interviewees, such as Mr. He GZ, were simply dissatisfied that they didn’t receive any income increases after Peacock ‘had the money’. SOE managers were responsible not only for production and financial performance, but also for enhancing employee income and for delivering a wide range of other benefits and services to their employees. Their subordinates and colleagues would judge them as providers and if they were not as good as the employees’ estimation, the resulting lack of harmony could curb the performance of the firm and affect the reputation of the managers (Walder 1989). Although the management roles I interviewed, including the chairwoman of the company union and the company Party Secretary, all suggested that the fixed return was only enough to maintain the daily operation of the group company, employees still held high expectations on the group company and were eventually disappointed.

Moreover, to the surprise of Peacock and the municipal government, in 1997 – the year this ‘fixed return plan’ was first applied – the joint venture generated an enormous profit of 420 million yuan. Impeaching letters against Mr. Ni were immediately sent to the municipal government, provincial government, and finally reached the central government. Accusations of causing huge loss of state assets were built upon the assumption that if without the fixed return plan Peacock would be eligible to more than 200 million yuan of the joint venture’s profit that year instead of the 34 million it actually received. Mr. Ni refused to make any guesses on by whom these anonymous impeaching letters were sent or whether there were any personal issues involved, but he still believed the ‘fixed return plan’ was a good decision:

‘It was definitely a right decision at the time, even the municipal government was with me on this one… Peacock could not afford to wait any longer. We needed the money urgently. Thousands of employees were waiting for wages and benefits… Raising the people was always the priority… Philips could choose to hide the profits for quite some time, it wouldn’t harm them… or maybe they could show a little profit to muddle us.'
The only way to make sure Peacock could receive dividends was to set up this fixed return plan. As for the later issues, it was out of my control… But I can bet with you, if without the fixed return plan, the profit figure of 1997 would not be 420 million.’

This incident was not settled until the Premier of the time Zhu Rongji took a personal interest in this matter in 1998. He listened to reports from Mr. Ni and the officers in the municipal government, and made his conclusion that this fixed return plan was an ‘experimental attempt in the process of economic reform’ and was not a form of ‘contracted cooperative intention with the foreign company’, and should be protected. Although no real damage was made to Mr. Ni’s position and future in Peacock, he admitted that this incident harmed his enthusiasm and warned him the difficulties and rigorousness of managing a SOE like Peacock.

![Picture 6.7: Premier Zhu (left) with Mr. Ni (right) when Visiting Peacock](image)

6.7 Conclusion

It has been two decades since the first set up of Suzhou’s New Economic District at the west side of the ancient city. With the establishment of Suzhou Industrial Park at the east side in 1994 and its more than fifteen years of development, nowadays Suzhou has achieved a so-called ‘one main body, two side wings (yiti liangyi)’ structure. It becomes a greatly promoted example of successfully balancing the protection of the ancient city (in the main body) and the development of foreign-oriented modern industries (in the side wings). There is no doubt that the majority of Suzhou locals have enjoyed the benefits of modernisation in one way or another. With time elapsing, the initial uncertainty and confusion towards the dramatic social and economic changes in the grand reform seems to be gradually fading away from people’s memory. However, during this optimistic economic progression, it is easy
to neglect that certain people’s life were unwillingly affected. Among them includes people like Mr. Ni, who were doing well in a westernised modern company but were requested to run a SOE that had different social, political as well as economic structures. Employees of such SOEs suffered quite a lot too. Their patriarchal company that once offered them stable and care-free jobs was trying to abandon them. Individuals suddenly needed to make serious decisions and plans for their future. Their once privileged status as employees of SOE was no longer envied or appreciated by the general public because of the alteration of social value caused by economic progression. Under these circumstances, many of them left the company and tried to be integrated into the new mainstream of the market economy. It was not an easy process but some of them found ways to distinguish. The more and more opened-up and westernised market did provide opportunities for the ones prepared to change. But some still chose to stay, although at this stage, there’s no doubt that Peacock was declining. For them, job security was something they could not give up. It is therefore fair to say, the employees who chose to stay with Peacock were the most conservative ones and believed in the socialist economic order the most. But up till now, they indeed had every reason to believe they could at least hold on to their life-time jobs: the government just changed Peacock’s director and enlarged it into a group company, thus with the 34 million annual fixed return from the joint venture and the government support, the remaining employees of Peacock should be able to feel a moment of relief. However, it turned out to be only a very short moment.

On the road of achieving modernisation, Suzhou was advancing at a pace that might be faster than the rest of the nation. Its people were expected to catch up with the changes and to become part of the modern society. Berman (1987: 13) has suggested that ‘to be modern is to live a life of paradox and contradiction’. It is always going to be both revolutionary and conservative: People embrace to new possibilities for experience and adventure, but are frightened by the uncertainty when communities, values and lives are altered. Some choose to hold on to something familiar when everything melts, just as Peacock’s employees did when they chose to stick with their SOE and the security they longed for. However, in such a vast economic transition, individuals were doomed not able to preserve their lives from the highly changeable structural situation. In the early 2000s, the wave of SOE privatisation
swept across Suzhou. The remaining employees of Peacock needed to deal with even more dramatic changes in the coming decade.
CHAPTER SEVEN: THE OWNERSHIP CHANGES

In November 2007, I was introduced to Mr. Dong B, the managing director of Suzhou Industrial Investment & Development Co., Ltd (IID hereafter), and had the privilege to interview him on the issues related to SOE reforms at his workplace a few days later. Without introduction, very few people would know that this famous company located in an insignificant three-floor building in the city centre of Suzhou had a registered capital of 1 billion yuan and used to be responsible for more than 360 local SOEs and COEs, with 16.8 billion yuan assets and 80 thousand employees. Since its establishment in 2002, IID had always kept a low profile, mainly because of its paradoxical nature: as an investment company directly under the orders of the municipal government, it not only needed to manage the assets and try to achieve profits just as any other modern companies do, but also needed to serve as a governing body and deal with various historical issues among the SOEs for the municipal government as well. The initial intention of setting up IID was to help the local SOEs with their difficult situation by way of unified management and planning. When ownership change, a more radical approach of SOE reform, became the dominant trend in Suzhou, IID started to play a more pivotal role. This chapter starts with an overview of the ownership change of Suzhou’s SOEs from IID’s viewpoint, which very much stands for the municipal government’s perspective. It then returns to Peacock’s case and describes the process of its privatisation. Employees’ reactions during and after the privatisation are again the main area of discussion. More and more intensified conflicts between the shareholders and between the management and the workers led to further changes in Peacock, which is the subject of the next chapter.

7.1 ‘Find the money and settle the people’: Ownership Change of Suzhou’s SOEs

SOEs’ inefficiency had become a widespread topic of discussion even among ordinary Chinese towards the end of the 1990s. Although various reforming attempts aiming directly at SOEs were carried out since the beginning of the transition, the overall situation of China’s SOEs gave few grounds for optimism. In 1996, China officially acknowledged that the state industrial sector as a whole had posted net losses for the year, which was the first time since 1949 (Steinfeld 1998: 18), while the country’s economy as a whole had been growing at an average annual rate of 9.9% since 1978 (Steinfeld 1998: 1).
In areas like Suzhou, where local economy advanced significantly since the city’s opening-up, the gap between the performance of public-owned companies and the performance of companies with other ownership was even more pronounced. In 2001, Suzhou had 148 State-run Enterprises and 538 Collective-owned Enterprises. They had a total asset of 51 billion yuan and hired 18% of the industrial labour force. Their industrial output value that year was 38.5 billion yuan. In comparison, the 1,222 foreign-invested companies Suzhou had that year had a total asset of 141.8 billion yuan and hired 37.6% of the industrial labour force. Their industrial output value was 140.6 billion yuan. Some simple calculation will show that, to achieve 1 billion yuan of industrial output value, a public-owned company needed 0.468% of the city’s industrial labour force and 1.325 billion yuan of asset, while a foreign-invested company only needed 0.267% and 1.009 respectively. Meanwhile, the importance of public ownership in Suzhou’s economic structure was further reduced because of the increasingly prosperous of private sector as well. By the end of 2001, Suzhou had 1,081 private enterprises which hired 17% of the city’s industrial labour force and had total assets of more than 16.3 billion yuan. Their industrial output value that year was 23.9 billion yuan. Suzhou’s private enterprises not only provided almost the same number of jobs as public ownership, but also had a far better asset/output ratio (0.682) than the latter (1.325)\(^1\). Therefore, although during those years, the local authority always claimed that in Suzhou’s economy, public ownership, foreign-invested companies and private ownership served as the ‘three legs of a stool (sanzu dingli)’, it was no secret that public ownership had the weakest performance in general.

During the interview, Mr. Dong B was unexpectedly frank about this. He described Suzhou’s SOEs as ‘the dark side of the local economy’ and ‘had been the municipal government’s secret trouble for many years’. In his opinion, local SOEs had at least four major disadvantages compared with the rest of the local industries: heavy debts, redundant employees, complicated historical burdens, and outdated technologies and product lines. Previous reforming attempts normally aimed to solve these problems by addressing directly the symptoms: policy loans were awarded to relieve SOEs’ debt pressure; foreign investors were introduced in for the innovation of technologies; smaller SOEs were combined to achieve economies of scale; even the

\(^1\) All the statistical data were extracted from various issues of Suzhou Statistical Yearbook, which can be downloaded from the website of Suzhou Municipal Statistics Bureau (www.sztjj.gov.cn).
setting up of IID was initially for the unified planning of the public-owned industries. But after these attempts failed to produce satisfactory outcomes over the years, Suzhou municipal government decided to make a radical move.

As discussed before, China’s SOE reform entered a new period since the mid-1990s. The MES and GCS experimental reform programmes were designed to achieve the ‘corporatisation’ of the SOEs (see Chapter 2). However, the main reforming efforts were mostly concentrated on some 1,000 of the biggest SOEs (Harvie and Naughton 2000: 53-58), although according to Gao and Yang (1999)’s study of 302,000 SOEs (accounting for over 99% of all SOEs in China in 1995), 94.8% of them were small SOEs (Table 7.1). Gao and Yang also found that most of these small local SOEs were in the red and drew the conclusion that it was such enterprises that hindered the development of the local economy. In September 1997, a new SOE reform policy was announced at the 15th CCP Congress: ‘grasping the large (SOEs), releasing the small’. This policy breakthrough allowed small and medium-sized SOEs to diversify their ownership structures and, in particular, to go to the private sector (Hassard et al. 2007: 58). In Suzhou, the municipal government chose to reorganise and privatise the public-owned industries as much as possible after its fruitless ‘grouping’ attempt of binding small SOEs together. However, it is worth mentioning that the effectiveness of privatisation in a transitional economy to revive SOEs had been questioned in the academic literature at this stage already (see Steinfeld 1998: 27-44). Still, this radical strategy was enforced vigorously in Suzhou.

| Table 7.1 The Share of Small SOEs in Chinese Economy 1995 (%) |
|---------------------------------|-----------------|-----------------|-----------------|
| SOEs | Employees | Total Assets | Total Debts |
| 94.8 | 36.86 | 28.1 | 29.4 |
| Source: Gao and Yang (1999) |

Within a few years, Suzhou’s economic structure was significantly changed. The number of State-run Enterprises and Collective-owned Enterprises fell from 148 and 538 in 2001 to 20 and 135 in 2007 respectively. The number of employees hired by public-owned industries dropped from the more than 170,000 in 2001 (18% of the industrial labour force) to the less than 27,000 in 2007 (a mere 1% of the industrial labour force). Such a change was unprecedented in the region and affected hundreds of thousands of families dramatically. Compared with some of the more devastated cases in other parts of the country, where the closing-down of SOEs left countless local residents in vulnerable jobless situation and caused labour unrests in certain
areas (Lee 2000; Hassard et al. 2007: 156-159), Suzhou’s SOE reorganisation and privatisation could be described as relatively smooth and peaceful. The municipal government had always been very proud of the fact that no major incidents took place during the period when hundreds of SOEs were closed down or reorganised and privatised. The government officers I interviewed all considered this as a great achievement. However, this only indicated that the local authorities put ‘maintaining stability’ as one of the top priorities and were well-prepared and provided sufficient policies and guidelines for companies to follow, and that the management teams of the affected SOEs worked hard and cautiously not to provoke problems with employees. This so-called ‘achievement’ may be applauded and considered as a piece of useful experience by other local governments if similar decisions were to be made, but it didn’t suggest the affected individuals were all supportive about the changes and satisfied about their futures or reallocations. On the contrary, since the reforms and changes took place in such a short period of time and without much consultation with the workforce, many employees didn’t even have the time to digest the news and to think through the impacts these changes would bring to their lives. This obviously was problematic in the longer term.

But before looking into the individuals’ responses to these reforms, it is necessary to build up a thorough understanding on the plans and efforts made by the Suzhou municipal government in regard to the reorganisation and privatisation of the local SOEs. The interview with Mr. Dong B, the managing director of IID, served just that. One of the distinctive opinions that Mr. Dong B shared in the interview about this stage of SOE reform was that he believed ‘to deal with SOEs’ problems, fundamentally, was to figure out two things: from where to find the money (to initiate the reforms) and how to settle the people (who were employed by the SOEs)’. Many efforts had been spent by the municipal government before the reforms on designing policies that would help to tackle these two problems. One of these policies gave companies like IID certain autonomy to integrate and manage the land assets of the SOEs it was responsible for, in order to clarify and break up the debt chains and prepare these SOEs for further reorganisation and privatisation. Mr. Dong B made some detailed explanations:

‘The policy we got from the municipal government allowed us to make use of the land assets of our SOEs and COEs… to change the land utilisation from industrial land to
commercial or residential land, then use the auction market to sell these land assets to initialise the reorganisation and privatisation – to pay for the debts first, otherwise nobody would want to buy these SOEs, and to prepare the funds for early retirement compensation and severance payment... But even before selling the land assets, there were a lot to do as well... IID needed to look into the total liabilities of these 360 companies – how much loans did they need to pay back and from which bank did they have their loans from. We needed to be aware of their mortgages – many of their land assets were used as guarantees to get loans from national banks in the past and couldn’t be managed by us... we needed to be aware of the priorities of these liabilities as well – if there were any lawsuits taking place... Once we got all this information, we started to negotiate with the national banks one by one, on behalf of all of the 360 companies... It worked like this: let’s say these 360 companies owed Industrial and Commercial Bank of China [ICBC] 50 million yuan all together, we IID would sit down with ICBC and negotiate a repayment rate. Because of our government background, ICBC would agree to let us be the new debtor and give us back the mortgaged land assets it held from the 360 companies in advance for us to sell. We would then sell the land and turn over 30% of the revenue to local finance... the remaining would be used to pay back ICBC at the agreed repayment rate, and to deal with SOEs other problems... It was an innovation [to deal with debts in this way], at least unprecedented in the Yangtze River Delta area... Of course it was because of the support of the government, otherwise banks wouldn’t trust IID. SOEs would normally only get loans from certain a few national banks... so it was efficient to integrate the debts and deal with them this way... The repayment rate, on average, was about 33%... It was low, I admit, but from the banks’ perspective, many of these debts were bad debts anyway. They’ve already extracted bad debt provision anyway... 33% as repayment was better than nothing... At last we sorted out 3.6 billion yuan of debts for these 360 companies, and then we could start to do something.1

At almost the same time when SOEs’ industrial land assets were being ‘supplied’ to the market after changing their utilisation permissions, Suzhou’s real estate market started to boom as well. The average property price paid in Suzhou was 2,280 yuan per m² in 2002. It grew to 3,100 yuan per m² in 2003 and 3,948 yuan per m² in 2004. One of the more recent surveys actually showed that this figure increased to 7,340 yuan per m² in 20092. It would take a very different research to prove the possible causal connection between municipal government’s action of supplying land to the auction market and the dramatic rise of Suzhou’s property price. However, even if relying only on the public information provided by Suzhou Land Reserve Centre, it

---

1 There were no available publications revealing the property prices in Suzhou, so all of the data were extracted from various news reports on the website of Suzhou Municipal Statistics Bureau.
would be easy to draw the conclusion that the municipal finance did manage to get a lot of capital from changing and selling the utilisation of many industrial lands which used to be certain SOEs’ assets\(^3\). Then, a question is raised: if the capital that was used to initialise SOEs’ further reform and to compensate their employees came from the auction of these old industrial lands, and if the developers passed on the costs to the customers as they were expected to do and in turn significantly increased the local property prices, who actually paid for the reforms? Or using a similar choice of words as Mr. Dong B did: in the end, where exactly did the money to initialise the reforms come from?

Once the capital was in place, it almost seemed the ‘people issue’ could be solved neatly and spontaneously. But could it? Mr. Dong B revealed the two ‘basic tasks’ set by the municipal government when dealing with SOEs’ employees. The first one was quite straight forward: to pay back all the debts SOEs owed to their employees. Mr. Dong B elaborated the situation as follows:

‘The debts owed to the employees… you wouldn’t believe it! The best example is the medical expense: when we took over, the 360 companies IID had… owed all together 136 million yuan of medical expense to their employees! It involved more than 60 thousand employees! In some extreme cases, even after some employees had passed away for five to six years, their companies still hadn’t paid off the medical expenses employees advanced to the hospitals! Can you believe in Suzhou, a so-called developed area, things were that bad?! …There were all sorts of debts owed by the companies to employees… single child benefits, gas benefits, etc. These were all paid off by IID in two years.’

The second task, in regard to the ‘people issue’, was named as ‘changing employees’ identities’. It was an area where most of the later conflicts arose from. During the process, a huge amount of work needed to be done by the management teams of the SOEs, and depending on different company situations, many sensitive issues emerged as well. But in the official introductions provided by government officers like Mr. Dong B, this complicated process that would change many thousands of people’s lives was somehow simplified as a process to allow SOE employees becoming ‘normal workers’ who would be employed by private companies on

---

\(^3\) Suzhou Land Reserve Centre’s website provides records of all lands sold by the government since 2001 (http://www.tdcb.suzhou.gov.cn/cjxx.asp).
contracted terms. Being able to finish this process speedily in IID was apparently a
great achievement to Mr. Dong B:

‘Since the beginning of the massive reorganisation and privatisation [in 2002], until now
[2007], I’m proud to say, among the 80 thousand employees of IID’s 360 companies, 76
thousand of them had finished their identity-changing! In other words, they are no longer
‘enterprises’ responsibilities’… they will be taken care of by the social welfare system
now… Even if their companies weren’t closed down during the reorganisation, and they
are still working on the same factory-sites as before, the nature of their employment
changed. Their companies are mostly privately-owned now.’

The local authority liked to emphasise the efforts it spent on designing and
implementing the comprehensive and equal compensation policies for all the SOE
employees. It also liked to introduce the various social welfare supports Suzhou
established which are more adequate than the national average. But what it probably
didn’t want to mention, was the fact that it played down some of the real meanings
of ‘changing employees’ identities’ when trying to terminate employees’ labour
relations with public ownership. By accepting the compensation and severance pay,
employees actually lost the job security once provided by their companies, despite
of the fact that many of them maintained to be employed by the same companies
when privatisation took place. This didn’t cause much concern as long as the new
owners kept renewing contracts with these employees. But later, once the new
owners for some reasons decided to terminate the employment, disputes would arise.

Another group of employees had to accept early retirement packages during the
reforms. Although their companies would still be responsible to pay them a basic
wage and their welfare contributions, their standard of living before they reached
legal retirement age would be considerably worsened if they failed to find another
job during that time. For these individuals who were in their forties and fifties and
without much knowledge in computing and foreign languages, finding a decent job
in Suzhou could be very difficult. Therefore, in a time when some of the living costs,
including property prices and children’s education costs, were soaring all the time,
these early-retired employees’ mid-age crisis could be harsher than expected.

But all in all, from the official’s view, sorting out the initiating capital and the
people issues represented half the battle of local SOEs’ reorganisation and
privatisation. The other half, the actual change of the ownership, needed to be
completed with some further help. Still taking IID as an example, after closing down
160 unprofitable enterprises, there were only two ways to deal with the remaining companies. One of them was to sell the companies to the original management teams. The local authority believed original management teams knew the companies better and would be more likely to feel a bonding with the companies and the employees, and therefore be more responsible to them. But the problem was it would be almost impossible for the original management, who were basically government cadres, to raise sufficient funds by themselves to carry out management-buy-outs. Further supports and assistance needed to be provided by the government. The other option was to make use of ‘external capital’ – in other words, to introduce other investors to purchase these state assets. This was not a common solution in Suzhou’s SOE reorganisation and privatisation, but all of the companies that took this option were relatively large ones. Mr. Dong B gave a few examples:

‘We tried to attract external investment during the process as well… Our No.1 Pharmaceutical Company was acquired by a Hong Kong based pharmaceutical group, and now it became a national certified R&D base for anticancer drugs… and it was reallocated from the ancient city to the New District… It was an excellent outcome! And Sugang [Suzhou Iron and Steel Company]… Sugang was acquired by the Founder Group from Beijing. The Founder Group took over all the liabilities and employees. These were all great outcomes! … We successfully invited some great domestic and foreign companies to participate in our SOE reorganisation and privatisation, and diversified the ownership structure. In return, reformed SOEs became more energetic and built up corporative systems, incentive systems, and responsibility systems… Should be admitted that the majority reformed SOEs are now better than before… more energetic… In the past, as local authorities, we needed to ask them to do this and that. Now these are no longer our responsibilities… Companies are now spontaneously motivated to seek for their better development by themselves… They are all… most of them are doing really well! Reorganisation and privatisation worked… we closed down all those that should be bankrupted; we dealt with the employees; we made sure the stability of the society… Companies that could develop sustainably would do so eventually!’

Mr. Dong B’s passion and optimism towards the results of the SOE reorganisation and privatisation was not shared by all. When interviewing Mr. Sun LJ, the former managing director of Sugang, he showed great concern about the future of this steel and iron company that was described by Mr. Dong B as ‘a great outcome’ of attracting external investment:
‘The Founder Group… The acquisition at that time [2003]… was quite messy… The authority aimed to diverse the ownerships as soon as possible… shareholder system, privatization, and so on. So they [the Founder] did get help from the government on this acquisition. The fixed asset of our company at that time was about 4 billion yuan. The net asset was 1.2 billion. Do you know how much did they pay for the company at last? Less than 300 million! They took the company at this price! … The government would like to get rid of the burden. They needed to change the employees’ employment relations in the quickest way… At that time, the most severe problem in our company was the people. We had nine thousand employees in the headquarters… we had another two… nearly three thousand people in the five enterprises we acquired along the years… In the end, 250 million out of Founder’s 300 million was spent on settling the people issue, so the net assets of Sugang were like free to the Founder! … Then after they got Sugang, they took away 700 million yuan of profits from it in the first year [2004]! And in three years after the acquisition, they made no investments to Sugang… no construction, no new equipment, no changes at all! That’s why this enterprise dropped from the third in Jiangsu Province to the eighth or ninth nowadays… At that time [of acquisition] they promised an investment of 1.7 billion yuan for technology upgrading, but even till now the equipments were still from my time! The steel production capacity is still on the same level as my time, 1.2 million tons. The iron production won’t grow much this year either… around 700 thousand tons… the same level as I handed over to them… They fully depended on the old equipment… developed a bit of the potential… no true improvement. They didn’t improve the capacity through updating technology or equipments… nothing! … They would just like to ‘cut the water and get the fish’… they just wanted to take away our profits… simple like that. Now they even changed their tone of speaking. If you asked Mr. Wei [director of the Founder Group] about what he was going to do at that time, he would say we were going to make more investments to Sugang and blah-blah-blah… But now he will say we’ve always had the intention to maintain the size of the company [laugh]… If you ask me to assess the reform, I would say, to some extent it’s successful, to some extent it’s not. The success is, nothing serious happened, no major unrests, no great conflicts between the old employees and the new management teams and so on… nothing like that happened, since we had great institutions and Party structure in the company… but that is it.’

Mr. Sun LJ first became the managing director of Sugang in 1983. Although as a mixed result of personal consideration and administrative order, he did not participate in the ownership change of the company, Mr. Sun still worked as a consultant of the reformed Sugang afterwards. His opinions on the reformed company might contain a lot of personal emotions, but in general should be
creditable and insightful. However, having successfully maintained stability during the process probably was just one of the quite a few successes of Sugang’s ownership change if it was judged by the local government. The fact that Sugang still continued to employ more than 5,000 producing workers in the headquarters three years after the ownership change has considerably relieved some pressure on the local social welfare system. After all, it is becoming more and more clear now that the local government valued ‘settling people issue well’ much more than the future of these former SOEs. This can be further proved by Peacock’s privatisation case, from which a feeling of local government’s intention of ‘getting rid of the burdens’ was more apparent.

7.2 ‘…an approval rate of 86%’: Peacock’s Privatisation Plan

When Suzhou’s SOE privatisation was first initiated on a large scale in 2002, the fixed return agreement between Peacock and its joint venture had already come to an end. Instead of renegotiating a renewal, Peacock started the negotiation of share reduction with Philips as requested by the local authority in 2001. On one hand, Philips wanted to have more autonomy in running this successful joint venture, on the other hand, selling these valuable shares to Philips made up for the fact that Peacock didn’t have much land assets that could be handed to the government to support SOE reforms. Therefore, although the official reason of share reduction was said to be because Philips was planning to make additional investments to the joint venture while the Chinese partner was unable to follow, Peacock’s management admitted in the interviews later that they knew at the time that fundamental reform was on the way. In the end, Peacock reduced its shares in the joint venture from 49% to 20% in 2002, and handed in 300 million yuan of premium to the local finance (Picture 7.1). Shortly after that, on 28th Feb 2003, after six months of preparation, Peacock announced its preliminary plan for ownership change.
The published plan was only 20 pages long and briefly covered all the related topics, including the auditing results, participating assets, employee reallocation plan, new ownership structure, and future development plan. Since the local authority decided Peacock’s shares in the joint venture with Philips were not going to be included in the participating assets of ownership change, Peacock’s asset value was actually at a moderate size for carrying out a management-buy-out without the need for new investors. However, the local authority’s decision of ‘peeling off’ high quality assets from Peacock before the ownership change was later considered by some of Peacock’s employees as a suggestion of ‘the government not genuinely considering the future of Peacock’, and in some occasions, some also criticized the managing director of the time, Mr. Ni SP, for ‘not fighting hard enough’ when negotiating conditions with the government. About this, Mr. Ni’s response was as follows:

‘If the shares of the joint venture were included… [laugh] there was no such possibility! OK, let’s say they were included… how much do you think these assets worth? The book value was only about 82 million yuan, but everybody knew they worth far more than that! Remember we just sold 29% to Philips at the price of 420 million with a premium of 300 million! And I was the main negotiator! The government knew I was capable of selling the remaining 20% even at a better price! They were not stupid! … Even if I negotiated with the government, and used the deal with Philips as a reference … How much would that be? 290 million? OK, even that was the case, don’t forget the incentive policy local government gave out for these SOE ownership changes at the time… net assets of the SOEs were sold at a 30% discounted price! Do you think they could still give me such a discount on these shares? That would equal to giving me… 87 million yuan of cash for free! [laugh] Nobody dared to do so! I dared not to

---

4 Peacock still held 20% of the joint venture’s share at the time, with a book value of 82.83 million yuan. However, if using the agreed price less than one year ago when Peacock sold 29% of the share to Philips as a reference, these 20% share of the joint venture would have an actual value of more than 290 million yuan.
accept either! Loss of state assets! It would easily turn to a serious crime with a few impeaching letters… Nobody wants to spend some jail time because of this! … Yes, the situation of Peacock would be much better now if we got these shares at the time… But what’s the use of dreaming impossible things? Don’t listen to those people’s complaints! I didn’t argue with the government because I always knew it was not going to happen!’

The ‘incentive policy’ Mr. Ni mentioned was an important part of Suzhou’s SOE privatisation plan. According to the ‘Notification on the Process of Local SOEs Ownership Changes (Suzhou Municipal Government: 2002 No. 81)’⁵, ‘…in order to encourage external corporations and individuals, and original management and other employees of the SOE to participate in the ownership change: 10% discount can be given when they take over the stocks of the SOE and pay in full by cash; an extra 10% discount can be given when they take over no less than 60% of stocks of the SOE and pay in full by cash; another 10% discount can be given when they take over 100% of the stocks of the SOE and pay in full by cash’. This policy was later simply summarised as ‘the 30% discount government offered to buyers’, from which the municipal government’s determination of fully withdrawing state control over local SOEs could be perceived. Under this policy, after deducting the cost of employee settlement and the closing down of three bankrupted subsidiaries, the total cost of taking over Peacock was set at 48.02 million yuan. When designing the new ownership structure, this cost was divided into 49 shares, setting at 0.98 million yuan per share. Instead of asking only the management to participate as done by most of the other SOEs, Peacock appealed to all its employees to subscribe for these shares. According to Ms. Li JH, the company union chairwoman, this rather surprising plan was suggested by Mr. Ni SP himself:

‘Mr. Ni always wanted to do this thing more democratically than the other companies. There were other options and examples at the time… many SOEs allocated the right to purchase, basing on employees’ positions in the company… managing director could purchase this amount, department director could purchase that amount, etc… Workers normally wouldn’t be considered… But Mr. Ni didn’t want to follow this. He refused to take this allocation style. He expressed his concerns on an internal meeting once: he said if we allocated shares to the management, and the company became really profitable later, the ones who were not allowed to purchase would feel it was unfair; and if the company didn’t do well and made a great loss, the ones got the shares would probably

⁵ Full context of this notification can be viewed on the website of Suzhou State-owned Assets Supervision and Administration Commission (http://www.gzw.suzhou.gov.cn/show.asp?id=2394).
blame us since they could say we forced them to purchase! He wanted all the employees to make their own decisions, buying or not buying, all up to them! That’s why we had such a messy and diversified ownership structure later… So our announcement of ownership change was posted on the notice-board, and within the given time, each one of our employees could submit a letter of intend to subscribe for shares. And after the deadline, all of them with the intention of becoming a shareholder would be gathered to discuss and coordinate the exact number of shares one would purchase – since there were only 49 shares after all… and because one needed to pay nearly 1 million in full for each share, many withdrew their intention in the end… At last, 22 of Peacock’s original employees became new shareholders, among them included some of our senior managers and quite a few ordinary workers… Most of us paid for our shares… with the help of personal loans… Our ownership change plan was approved by our Workers Congress the at an approval rate of 86%, highest in the whole city! … Our company union was commended by the government on this… and all the other SOEs saying they could not get an approval from their Workers Congress were sent to us for experiences and directions… By then, our ownership change was carried out really smoothly!”

What Mr. Ni and Ms. Li didn’t expect was this seemingly democratic ‘share subscribing’ was still being fiercely criticised when further conflicts arose later. Although Peacock spent efforts to consult with its employees with the help of the company union, its privatisation was still a radical change that was being enforced to carry out rather than an organisational change that took place spontaneously with internal needs. Therefore, when the economic performance was not revived quickly, employees would still be extremely discontent and in great doubts towards the management. But at this stage, all that was cared by the municipal government was to avoid unrests and settle the employees peacefully. On this task, Peacock followed close to the municipal government’s policy directions and designed comprehensive regulations to deal with different employment statuses.

7.3 ‘We were breaking their rice bowls’: Settling the People

After the new ownership structure was decided, the next challenging task faced by Peacock’s management team was to settle the employees. It was such a complicated and sensitive process that needed to be understood with the help of many interviews and document studies. As a group company, Peacock was still responsible for 1,184 employees before the ownership change, 458 of them were employed by the original TV factory and 726 of them belonged to its remaining 5 subsidiaries that were taken over by Peacock during the ‘grouping’ attempt under administrative orders in 1996.
Among these 1,184 employees, 106 of them had already been laid-off, 224 of them were contracted employees, and 854 of them were life-time employees. With respect to these different employment statuses, the local government issued different policies on employee settlement. The following table aimed to summarise the basic principles used during that stage in Suzhou:

**Table 7.2 Principal for Settling SOE Employees during Privatisation in Suzhou in Early-2000s**

<table>
<thead>
<tr>
<th>Employed Personnel</th>
<th>General Principal 1: Employees willing to continue employment with the privatised company will receive severance pay (in full or in instalments). The employment relations with the original SOE will be terminated automatically after that. The privatised company will sign new labour contracts with the employees without the restraints of original employment terms.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Principal 2: Employees not willing to continue employment with the privatised company will receive severance pay in full by cash. The employment relations with the original SOE will be terminated automatically after that. Employees are eligible to apply for unemployment benefits.</td>
</tr>
<tr>
<td>Life-time Employees Reaching Legal Retirement Ages in 10 Years or Less*</td>
<td>1. Employees willing to continue employment with the privatised company until reaching legal retirement ages should receive such a contract. Their severance pay will be managed by the company and will not be paid to the individuals unless the company is unable to fulfil the contract in the future.</td>
</tr>
<tr>
<td></td>
<td>2. Employees willing to continue employment with the privatised company but do not want to be contracted until retirement should receive such a contract. They will not receive severance pay when the contract is due, but are eligible to receive subsidiaries according to related laws and regulations at the time.</td>
</tr>
<tr>
<td></td>
<td>3. Employees not willing to continue employment with the privatised company will be settled using General Principal 2.</td>
</tr>
<tr>
<td>Early Retirement Policies</td>
<td>Early retirement policies are applied to: 1) Employees who are already on early retirement 2) Life-time employees who are reaching legal retirement ages in 5 years or less 3) Life-time employees who have a continuous seniority length of more than 30 years</td>
</tr>
<tr>
<td></td>
<td>The applicable employees can choose to accept the severance pay and terminate employment relations with the company, or not to accept the severance pay and be transferred to early retiring department of the company**.</td>
</tr>
</tbody>
</table>
### Employees on Long-term Sick Leaves

Illness needs to be inspected by an accrediting body.

1. Employees with level 1 – level 4 illness are eligible for early retirement.
2. Employees with less severe illness and are reaching legal retirement ages in 10 years or less can choose to accept the severance pay and terminate employment relations with the company, or not to accept the severance pay and be transferred to early retiring department of the company.
3. Employees with less severe illness and are reaching legal retirement ages in more than 10 years time will receive severance pay. Employment relations with the company will be terminated automatically.

### Laid-off Employees

#### Males younger than 48; Females younger than 40

Employees will receive severance pay. Employment relations with the company will be terminated automatically after that.

#### Life-time Employees Reaching Legal Retirement Ages in 5 years or less; or having a continuous seniority length of more than 30 years

Employees can choose to accept the severance pay and terminate employment relations with the company, or not to accept the severance pay and be transferred to early retiring department of the company.

#### Life-time Employees Reaching Legal Retirement Ages in more than 5 years; and males older than 48 (including 48), females older than 40 (including 40)

Employees can choose to accept the severance pay and terminate employment relations with the company, or not to accept the severance pay and negotiate an ‘Assisting Agreement’ with the company before being transferred to early retiring department of the company.

---

*Legal Retirement Ages for companies are set at 60 years old for males and 50 years old for females. Females in management roles can remain on-job until 55 years old. Therefore, employees under this category were older than 50 if male, older than 40 if female.

**When transferred to the early retiring department, employees’ positions will no longer be kept, unless decided otherwise by the company. The company is still responsible to pay employees a basic wage and their social welfare contributions, until they reached legal retirement ages and being taken over by the social welfare system. During the period, employees are free to work for other employers. Their new employers do not need to pay for their social welfare contributions anymore.

***This usually means the company is still going to pay for employees’ social welfare contributions, but the monthly basic wages these employees receive will be less than the early retired employees. Peacock offers these employees to be transferred to formal early retired employees and receive the same amount of basic wages once they reach the age line (48 for males, 40 for females).

An additional specification to this table is the calculation of severance pay. According to Suzhou municipal government’s No. 81 policy issued in 2002, severance pay should be deducted from the net assets of the company before
ownership change. Based on their continuous seniority length, life-time employees could receive one month of their individual average wage for every year they worked, with a limit of not exceeding three times of annual average wage of the whole society in the previous year. Contracted employees would receive one month of their individual average wage for every one year they worked for the company. The average monthly wage used here is the mean value of each individual’s past 12 month wage before the ownership change. If this value is lower than the average monthly wage of the whole company, the latter would be used instead. If company average monthly wage is lower than the local basic monthly wage, the latter would again be used instead. All in all, the total amount of severance pay Peacock had to make to its 1,184 employees was about 33.40 million yuan. This means, on average, each employee would receive about 28.21 thousand yuan for giving up their identities as SOE employees.

The above information did prove that the local authorities had spent a lot of efforts when designing policies and guidelines for companies to carry out employee settlement. They tried their best not to leave out any category of employees and were determined to sort out all the historical problems SOEs had relating to employment relations once and for all. But for ordinary employees in SOEs like Peacock, these policies were probably too complicated to understand. Although the settlement plan was posted publicly for employees to refer to, most of the employees still relied on the company union to explain the specific terms applicable to each individual. The company union chairwoman Ms. Li JH remembered those days as one of the busiest period of time in her entire work life:

‘… I had a team of about ten people. We talked to almost every single employee in the organisation about their settlement… no major incidents arose during the identity change, thanks to our careful persuading in advance. It was a very busy period of time for the company union. You cannot imagine how much time and effort we had to put into this… I trained all of my people very thoroughly. They were not allowed to show any arrogance or be bossy whenever they were talking to an employee… I asked them to put themselves in workers’ shoes. To be frank, this was not a task we wanted to do. It was the nation… the government forced us to do so! To the ordinary employees, we were breaking their rice bowls! It was of vital importance to the employees… So if they

---

6 Some figures may help to understand the value of 28.21 thousand yuan in China at the time. At the time, the local property price on average was about 3.5 thousand yuan per m²; the tuition fee for a normal university was 5 thousand yuan per year, excluding living expenses and residential costs; a return ticket from Shanghai to London cost around 10 thousand yuan in China.
wanted to revile us abusively, just let them! Never talk back! In any circumstances, never talk back! … It was perfectly normal for the employees to be angry, or became full of complaints. I told my people it was not acceptable to talk impatiently to the employees… I asked my people to do only one thing: to explain the settlement policy to each employee clearly! Tell them why we were doing this; what the policy basis was; what was going to happen… That’s it. If the employees still had questions that my team couldn’t answer, just leave them to me. Don’t try to give out vague answers… That was how we prepared our employees for these changes… The good thing was, many employees knew me very well in person. In the end some of the employees said to me they knew we are not bad person, they knew we had no other choices… It was really touching to hear these comments in the end… Mr. Ni set a principal before we carried out: stick strictly to the government policy! Give the employees the maximum benefits as long as the policy allowed, but make no exceptions if the policy didn’t say so. So when some employees insisted not to accept the conditions, we actually were able to give them contacts of the local authorities. When they came back from the authorities, they would sign the acceptance without a word, because they knew as a company, we’ve offered everything the government allowed us to… We didn’t want to make their life difficult at all! If they still believed there was unfairness… then it was the fault of the policy makers… not ours!’

Just as Ms. Li described, settling the employees was only another way of saying ‘breaking employees’ rice bowls’. Although with the company union’s help employees all accepted the ‘identity change’, their real feelings towards this ruthless procedure can only be understood after talking to them in person. What Ms. Zhang GZ shared in the interview was a typical representative of ordinary employees’ opinions:

‘… I couldn’t come around the idea of ownership change at the time… still can’t now… but what can I do? Things were changing all the time. The society changed, the company changed, individuals had to change as well… no other options. People had to be realistic… They said ownership change was for the better of the future. I just don’t understand how it can be better for the future of us as employees of SOEs… I don’t understand… But still, I was among the lucky ones. I was eligible for early retirement. I didn’t take the severance pay… For the ones had to take the severance pay, it would be really hard for them. They might receive about 30 thousand yuan in cash, but they had to take care of their own social welfare contributions ever since, if they ever became unemployed! It’s terrifying… Some of them still needed to wait for more than 10 years before retirement. If they were not employed during this period, the severance pay was far from enough even for paying their social welfare contributions alone… they can
claim unemployment benefits for two years, but it’s just not enough. People like us who are now early retired at least can receive a basic wage from the company and don’t need to worry about anything… The ones took severance pay all envied us…”

Ms. Shen WY was among those who had to take the severance pay. She was one of the youngest life-time employees Peacock had at the time. When the ownership change took place, she hadn’t even reached her 36th birthday yet, but since she had been working for the company since 1986, her feelings to Peacock was as deep and genuine as any other older employees:

‘I missed the opportunity of going to the joint venture since I was on maternity leave, and didn’t insist to go after I came back to work either… Since that, I had quite a few opportunities to work for other joint ventures in the Industrial Park… Many of my colleagues at my age all left in the late 1990s… but I never had the courage to make the final step. I always believe employment relations should be with SOEs like Peacock to be safe… It was definitely an ideological problem [laugh]. I was not willing to part with Peacock in any event… But when it came to the ownership change, I had to accept the severance pay… I was not eligible to be put in the ‘safe box’. Our understanding of the settlement policies was: as a female, you would be in the ‘safe box’ as long as you were older than 40! If you were older than 40, company had to continue the employment relation with you. And once you reached 45, you would be eligible for early retirement, and the company still would pay for your social welfare contributions until you reached 50 and became legally retired. The social welfare system would take over from there… all in all, as long as you were older than 40 when the ownership change took place, you would be safe! … But I was too young… so I had to accept the severance pay… I received 36 thousand… After that, I had a huge sense of loss. I felt the company wanted to make a final break with us… we were basically abandoned… even talking to you now I still feel very sad… worked for Peacock for nearly twenty years, and in the end the severance pay was only… and it was not just about the money… But it was the general trend of the society. We had no choice. It was our fate… It was very sad, but what can we say? I mean, why didn’t you leave Peacock before? Some of our old colleagues made a lot of money after they left Peacock,… why didn’t you join them at the time? It’s because you don’t have any skills or capabilities! People like me… we can only rely on Peacock, because we have no capabilities in the modern society! Ultimately it’s because of this that we became so dependent on Peacock… In the past years, Suzhou developed so well… hundreds of joint ventures provided so many opportunities… such a great stage… Why didn’t we leave? Because we didn’t dare… and we were too used to the easiness and comfort Peacock provided! … In private, we workers sometimes would say we actually couldn’t blame anyone else but ourselves for today’s situation… No skills,
no capabilities, no courage… then we could only rely on Peacock. Even if we felt so hurt after accepting the severance pay, we still had to hope the privatised company would keep employing us.’

Ms. Shen WY’s self-condemning tone was a common theme. It seemed many of Peacock’s employees in similar situation shared the same feelings and opinions: because they were incapable of catching up with the modernised society and economy, they somehow had to suffer the consequences. This made me wonder: is it really true that these individuals had nobody or nothing else to blame apart from themselves for being left behind or even ‘abandoned’ by the fast advancing structural changes?

Most of these individuals grew up before China started its vast economic reform. Their world views and values were built up during the planned economy, and most of them would have seen their parents working and retiring as employees of public ownership. When they were young, they lived in a society that didn’t require individuals to make many choices. Where they lived were decided by their parents’ companies; where they went to school were decided by where they lived; where they went to work after graduation were decided by the related authorities; and what type of work they would do were mostly decided by their companies… Some may argue in the planned economy, individuals still would have certain autonomy to make some choices that in turn would change their lives. For example, some of my interviewees managed to avoid being sent to the countryside as educated urban youths during the Cultural Revolution; some of them made their own choices on which industry they would like to work for after demobilised from the army, etc. These all demonstrated that even the strictest structure couldn’t fully control individuals’ activities – almost all the interviewees admitted that they at least had some preferred jobs in mind before the job allocation. But at the same time, one had to admit, even if these individuals didn’t make any efforts for themselves, they still could expect to lead a normal life not much worse than others by drifting with the flow, not to mention the fact that they were employees of Peacock, a company that was able to provide them better welfare and more privileged status than most of the other local SOE employees in Suzhou. Compared with the younger generation, these employees had very different perceptions and expectations to their work lives. They valued job security much more seriously, and they were more conservative or even
reluctant towards changes. Most of them expected and prepared to work for just one organisation in their life, and as return they expected the organisation to take care of them until the end. This probably was what happened to their parents. More importantly, this was what they thought the country had promised them. So, is it really so ‘wrong’ to have chosen to stick with their company? Do they really need to blame themselves for having not developed new skills for the modern society when they are still capable of doing their jobs in the SOE without any intention to leave? Suzhou’s economic development did provide a lot of opportunities for individuals. But how could one expect individuals like employees of Peacock who rarely had the experience of making serious decisions for themselves to choose the ‘right direction’ when facing crossroads like whether to go work for the joint venture with Philips? After all, nobody had ever told them public-ownership was going to fade away in Suzhou in a decade’s time. And then came the ownership change. Employees like Ms. Shen WY, who over the years always chose to stay with Peacock, had already experienced the bitter feelings of changing from the most envied group of employees in the city to the workers with below-average incomes and limited career progression. To certain extent, they might have already accepted these as the prices they needed to pay for receiving job security. But the ownership change was the last straw.

7.4 ‘Employment is a very different concept nowadays’: The Challenges of Getting Reemployed

It is certainly noticeable that during the reform era the government has made efforts to help the former SOE employees to find new employment. In 1995, the State Council launched a nationwide project to resettle laid-off SOE workers. The following year, the council issued regulations regarding workers’ welfare insurance and a circular on how to handle the reemployment of workers from bankrupt enterprises was issued in the year after that. In 1998, the CCP Central Committee and the State Council issue a joint circular on ensuring the smooth reemployment of laid-off workers, while four ministries – Labour and Social Welfare, Economics and Commerce, Finance, and Education – and the Federation of Workers Unions issued their own joint circular promoting the establishment of reemployment services centres (Hu 2000). These centres offer a variety of services such as providing employment information and vocational training to promote reemployment.
Suzhou’s reemployment services centre operates under the Municipal Vocational & Technical Training Centre and offers free vocational training to laid-off SOE workers and other local unemployed residents. Most of the classes last about two months and are practical, technical and service-oriented, covering topics including basic accounting, typing, motorcycle repairing, air-conditioner maintenance, household service training and many more. By the time I interviewed Mr. Wang LS, one of the officers in charge of the centre, in November 2007, such training programmes had been carried out for more than six years and a total number of more than 10,000 former SOE employees – only a small percentage of the laid-off population though – had participated in these training programmes. But when I asked Mr. Wang about the percentage of them who were successfully reemployed after being retrained, he only gave me a vague and reluctant answer:

‘Our training programmes definitely helped the laid-off employees… That’s for sure. Most of them were not well-educated and didn’t have the skills to find jobs in the labour market nowadays. Our training at least taught them some basic skills and issued them certificates… They could learn something from the programmes… They are all in their 30s and 40s… they need to do something to occupy their time after being laid off… at least they can come to us and learn something for free… In terms of reemployment, some of them are successful, some of them are not… Employment is a very different concept nowadays. It’s not like in the past when only being employed by a proper factory would be considered as ‘being employed’… Nowadays, as long as you could earn a quite regular income, with your labour and skills, you are employed… I think it is important for the former SOE employees to change their ideas about employment… and change their expectations about the types of job they would be doing… Many female workers can find jobs in household service. It is a more and more popular industry now. Families in Suzhou need mid-aged females to do housework and take care of maternity women and their babies, and they would prefer local residents to do so. So if female SOE workers agree, they can easily find such jobs after being trained by us… the monthly wage will be around 1,000 yuan in many cases and the working time is shorter than in factories most of the time… Male workers are more difficult if without proper skills… They need to learn some real skills like repairing refrigerators, air-conditioners, etc… All in all, it is very difficult for former SOE workers to find jobs similar to what they had, but they still can earn money if they really want to work.’

---

7 Such free training courses are not provided to employees on early retirement and other unemployed personnel in Suzhou but without registered Suzhou residence.
Dudley (1994)’s research on Kenosha suggests, after the decline of the rubber, steel, and automobile industries in the ‘rust belt’ of America, it is virtually impossible for the relatively young employees who lose jobs in manufacturing to find comparable replacements since ‘high-paying industrial jobs have been drying up all over the region for years (Dudley 1994: 32)’. In Suzhou, former SOE workers face a very similar difficult situation for different reasons. Although jobs in manufacturing that will pay decent wages are still available in Suzhou, especially in foreign-related companies, former SOE workers need to compete with a large number of university graduates who have the knowledge in English and computing (Table 7.3) and the even larger number of migrant workers who are younger and willing to work for lower wages.

Table 7.3 The Number of Students Enrolled for Undergraduate Education in China, 1998-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (million)</td>
<td>1.08</td>
<td>1.60</td>
<td>2.21</td>
<td>2.68</td>
<td>3.21</td>
<td>3.82</td>
</tr>
<tr>
<td>Year</td>
<td>2004</td>
<td>2005</td>
<td>2006</td>
<td>2007</td>
<td>2008</td>
<td>2009</td>
</tr>
<tr>
<td>Number (million)</td>
<td>4.47</td>
<td>5.04</td>
<td>5.46</td>
<td>5.65</td>
<td>6.08</td>
<td>6.39</td>
</tr>
</tbody>
</table>

Source: Bulletins issued by Ministry of Education of PRC

Most of the former SOE workers missed their chances of being well-educated during the Cultural Revolution and do not possess valuable skills and technologies, but they were in a very comfortable position that would provide them secured jobs and sufficient income and welfare. But with the reorganisation and privatisation of the SOEs, many had to leave their jobs, together with their previous social and political status, involuntarily. Among them, the ones being laid-off desperately needed to be re-employed and the ones on early retirement also needed to find other sources of income. But Mr. Wang’s comments clearly suggested that the re-employment perspective of these former SOE employees had been significantly reduced. Therefore, it is understandable that, as long as the policy allowed, the majority of employees would choose to stay with the SOEs when ownership took place. In Peacock’s case, apart from the early retired ones and the already laid-off ones, almost all of the employees signed labour contracts with the privatised company and continue to serve the same company as contracted employees rather than life-time

---

8 The National Bureau of Statistics didn’t issue any official report on China’s migrant workers until the year of 2008. According to the reports in 2008 and 2009, there are more than 140 million and 145 million migrant workers working away from their hometown respectively. The 2009 report (in Chinese: http://www.stats.gov.cn/was40/gjtjj_detail.jsp?searchword=%C3%F1%B9%A4&channelid=6697&record=8) also suggest there are 28.16 million migrant workers working in the Yangtze River Delta where Suzhou locates.
workers. But in a transitional economy that changes all the time, their work-life is destined to encounter more changes as well.

7.5 Conclusion

Local SOEs in Suzhou experienced dramatic changes in the early 2000s. With the policy direction of ‘grasping the large, releasing the small’, the municipal authority decided to reorganise and privatise the small and medium-sized SOEs in the city. Peacock was among the first batch of local SOEs to become private after 22 of its employees purchased the company. Peacock’s ownership change plan was approved by its Workers Congress with a high approval rate, but workers were still confused and dissatisfied. Although employees’ settlement was set as the priority, many workers still lost their jobs or were forced into early retirement. For them, getting re-employed in Suzhou’s highly competitive labour market was very difficult. They were very likely to face real hardship if they didn’t change their expectations on employment. For the ones continued to be employed by the privatised Peacock, they also need to change their ideas on their work-life, since they were no longer guaranteed a life-time employment. In the next chapter, we will see such a change of mind was apparently hard to make and when the economic performance of the new Peacock did not improve soon enough, internal conflicts were intensified.
CHAPTER EIGHT: CONFLICTS AFTER PRIVATISATION

By the end of June 2003, Peacock’s privatisation, from an official point of view, was completed: 22 new owners had paid for the shares they subscribed; more than 1,000 employees’ employment relations had been changed; the joint venture with Philips had been taken over by the related authority; bankrupted subsidiaries had been closed down. With the registration of a new private company: Suzhou Peacock Electronic Co., Ltd, it seemed the old Peacock, which had been owned and run by public ownership since the early 1960s and was once the pride of the local industries, ceased its existence. However, has the change of the ownership really made Peacock become a different company, especially when most of the personnel were still carried over? Can Peacock act like a normal private company that is able to compete efficiently in the market economy? Or maybe, fundamentally Peacock was still the same company that continued to have all the historical responsibilities despite all the efforts spent to make it change.

The local government seemed to wish the change of the ownership has made Peacock one of the private companies that would compete and survive in the prosperous local economy. But there were still two conditions imposed on the new company’s operation by the local authority: firstly, the new owners had to offer all the original employees a one-year contract as long as the employees were willing to stay; secondly, any attempt to sell the land assets of Peacock to make a profit needed to be reported to the Municipal State Asset Supervision and Administration Commission and would not be approved except for special reasons. The first
condition was obviously for the purpose of maintaining stability. Employees would at least get a transition period to look for new jobs if they believed their employment would be terminated by the new owners. The second condition was to make sure the new owners would have a sustainable development plan on the future of the company, rather than selling the land assets of the company to make cash. After all, the government offered discounts to the new owners in the first place, and it would be a loss of state assets if new owners were allowed to take ill advantage of that policy. However, these two seemingly rational conditions actually differentiated Peacock from all the other private companies. The reality was, after the privatisation, the new Peacock was still hiring the same group of employees only in a relatively smaller size because of the early retirement plan. There was still no clear source of main income for the company particularly after losing the joint venture and the option to liquidate the land assets even in emergency. Therefore, it was somehow not surprising to see that the new Peacock did not manage to shine as wished after the change of ownership. In fact, some unexpected conflicts arose continually in the next a few years.

As a study aiming to provide a new prospective to understand China’s economic reform by looking into the changes local SOE employees had experienced, it is still necessary to follow up with these employees’ lives even their company was no longer owned by the state. How did they make sense of the privatisation? What were their lives like after that? And more importantly, why did they take certain actions and make certain choices? After all, it is from the answers of these questions that the true legacy of the SOE ownership changes can be judged.

8.1 ‘There would always be an unwelcomed occasion’: Conflicts during Job Re-allocation

As introduced in the last chapter, passing the ownership change plan in the Workers Congress was considered one of the main tasks and challenges faced by the management of the privatising SOEs. As the person in charge of this task in Peacock, the company union chairwoman Ms. Li JH, who at the same time was going to be one of the major shareholders of the new company, worked very hard with her team to persuade and pacify the employees with the acceptance of the ownership change plan. During the interview, she clearly expressed her gratefulness to Peacock’s employees for passing the ownership change plan with a very high approval rate of
86%. In her opinion, it indicated the thoroughness of the company union’s work and the understanding of Peacock’s employees. What she had not expected was this seemingly harmonious supporting atmosphere would change dramatically once the new company started to negotiate and reallocate jobs and positions when offering new contracts to the original employees in the autumn of 2003. A few angry employees who were removed from their original posts even forced into the managing director Mr. Ni SP’s office and vandalised some property. The police had to step in and the chaos did not calm down until February 2004.

In Ms. Li’s opinion, the incident that directly induced these conflicts was the appointment of certain new management roles, including a new chief of the security department who was one of the 22 shareholders. Employees who were against this appointment claimed it was an ‘unreasonable’ decision, since the candidate was only a driver in the old company and had no previous management experience. They claimed the only reason he got this job, which would offer him much better income than working as a driver, was because he was now a shareholder of the new company. The fact that this driver used to drive for Mr. Ni added fuel to the flame. When being interviewed in late 2007, one interviewee actually expressed his discontent quite frankly after being promised to remain anonymous:

‘When they asked us whether we would like to buy the shares, they didn’t say shareholders could get better jobs later! In fact, we didn’t know the banks would provide loans for the potential buyers either! But well, he was the driver of the managing director… you bet he would’ve known!’

Picture 8.2: Some of new Peacock’s shareholders at the ceremony of the formal registration of 22 privatized local SOEs, June 28th, 2003
Ms. Li admitted that most of the shareholders wouldn’t have the financial ability to pay for the subscribed shares without the help of bank loans, but she denied any deliberate concealing of information to the employees during the share subscription. In fact, she found it ‘unbelievable’ that employees had such thoughts and suspicions:

‘… I don’t understand why they think in that way. It’s just unbelievable! … Everything was public during the share subscription. Peacock probably was the company with the most open policy on this! They could take part in it, why didn’t they? … Of course we would need loans from the bank. Every one of the 22 new shareholders paid in millions! I paid nearly seven million for my 12.5% of share. One million was from the whole family’s savings while the remaining six million was from bank loans! We worked as SOE employees anyway! How would I afford the shares without loans? … There was no way any of us could pay for our shares in full in cash! Some of the employees might have some odd understandings about bank loans… they probably thought because we purchased the shares with bank money, shares were like free for us! It’s ridiculous! I need to repay that in the future! I mortgaged my house and my parents’ house and I had to find a third party to guarantee my loans as well! … It was again part of the government’s incentive policy. The Bank of China actually came to our company to talk to each of the potential buyers. They would talk to you and find out how much they would lend to you. So for those who were later picking on us on this issue, I only have one comment: why didn’t you dare to mortgage your house and buy a share of the company?! … I honestly don’t think Mr. Ni, or any of us had any wrong doings in this! But… at the same time, I had to admit some of the shareholders did get better jobs than before during the job re-allocation… I couldn’t say if it was wrong… but if you really ask for my opinion, I would say it was… a shame that we didn’t separate management with ownership…’

However, when interviewing Mr. Ni in late 2007, he insisted there was nothing wrong about the appointments of those new management roles. In his opinion, the conflicts purely demonstrated employees’ lack of preparation to the true meanings of ownership change at the time:

‘I don’t blame those employees for acting irrationally when facing those changes brought by the re-allocation. They didn’t understand what it meant to be employees of a private company yet… now, after nearly four years, they probably can have some new understandings on that issue, if they would like to admit… As the managing director at the time, I believe I had the power to build up my management team, and I had discussed with other shareholders on the appointments before the announcement… Am I right? … The workers were still thinking in the old way, as if they were still working for a SOE… as if promotions needed to be made step by step! But I was not promoting anybody in
the old structure! It was a new company now, and I was selecting a new management team! … They just didn’t understand… and frankly it took me some time to realise that they didn’t understand as well… Everyone had issues about the appointment of that driver… let me explain to you: that driver operated a kindergarten with his wife in his spare time, and he had the courage to invest his money earned from the kindergarten to our company! He didn’t even take any bank loans! He paid one million yuan in full! So, he was entrepreneurial and adventurous … and why couldn’t he be in the management team? It’s not enough to say: because he was not part of the management before… I think the conflicts happened then were inevitable… It happened in other SOEs as well… during the job re-allocations, a vice director of Suzhou’s largest department store was actually attacked and harmed by the workers… if nothing happened during the job re-allocation, then there would be other occasions… There would always be an unwelcomed occasion, when we had to disturb the old rules and the old structures of Peacock. Employees would always need to face the fact that rules changed, whether they accepted that or not was a personal choice… Some of the uncomfortable incidents happened then were simply some extreme reactions after people’s personal interests were affected.’

What Mr. Ni suggested in this interview can actually be considered as a proof of a broader statement: when structural changes took place, individuals who were working in this structure would experience great difficulties to adapt to them. Peacock’s case clearly suggested people’s mindsets couldn’t be changed easily in a short time, not even with the thorough explaining works done in advance by the company union. It seemed gradual approaches were more likely to be effective when dealing with the personnel issues in these privatised SOEs if maintaining stability was one of the priorities. Unfortunately, any gradual approaches would delay the progress of completing ownership changes to the local SOEs at such a grand scale. After all, many of the ownership changes were achieved within less than a year – 22 local SOEs were organised to be officially registered as private companies on the same day of June 28th, 2003 might be the proof of how urging the local government was at the time on this approach. The officials who took part in this research didn’t conceal their support to this seemingly radical reforming measure. They shared a very similar tone when claiming the ownership change would provide companies more motivation to seek for development spontaneously. But probably there were some unspoken subtexts here as well. After having looked into the difficult situations some of the local SOEs like Peacock faced even with its own employees
in the aftermath of privatisation, it became easier to understand the other side of government officials’ attitude: the ownership change would at least make sure the reformed SOEs no longer the government’s burdens. In other words, it would be great if the reformed companies perform well and satisfied the employees, but if they failed to do so, at least it would be the new owners to take the blame and the responsibility, not the government any more. In this sense, ownership change was truly a reforming measure which can ‘let go the small SOEs’ once and for all.

For the ones who took over these former SOEs, it was undeniable that they had seen great financial benefits in these deals when doing so. Above all, the ‘30% discount’ alone offered by the government was a great incentive already. But it was still questionable whether they had sufficient appreciation to the complexity of running former SOEs when they decided to take over. In the interview, Mr. Ni suggested Peacock’s employees didn’t understand the differences between working for a SOE and for a private company, thus it was difficult for the new management to even make any personnel changes. But on the other hand, this also suggested the new owners of Peacock hadn’t spent much effort to think on behalf of the employees in order to predict their reactions. Even having led the company for more than seven years until then, managing director Mr. Ni still failed to understand the employees’ mindsets. The wish of running Peacock as a ‘normal’ private company was pursued too eagerly and anxiously once the privatisation was completed.

Moreover, it was likely that at the time there was a false presumption among the new management, believing employees would obey the managerial orders just as they always did in the SOE. But what happened in the due course actually showed despite of the fact that employees hadn’t attuned to the new rules as much as the management or the authority expected, some of their mindsets still changed. After losing their life-time job securities, it seemed many employees suddenly realised it was much important than before to make sure they take care of their personal interests by themselves. The friendly relationship between the colleagues and the mild working atmosphere changed dramatically. For many, this was an unpleasant experience. Ms. Zhang GZ, a worker who had reached early retirement age but was reemployed by one of Peacock’s subsidiaries after the privatisation recalled her feelings at the time:
‘I remember I was very puzzled at that time. It was a very uncomfortable period of
time… somehow people’s relation seemed to be different overnight! Some of my
colleagues had been working together for more than twenty years, and all a sudden,
because of one word or one incident, we were no longer friends! It’s unbelievable…
When the new management was trying to persuade people accepting the new job
allocations, one of my colleagues was determined not to accept. Chairwoman Ms. Li
talked to her as well, but she just refused to sign… I think it was because she thought she
could get a better position… At the time I had already accepted the early retirement
package so I was grateful that one of the subsidiaries still wanted me… it meant some
extra income at least… so in my opinion, it was good enough to have a job… and
because I worked with her since we were both teenagers, I thought it would be OK for
me to talk to her, as a friend. I really thought we were friends… and actually I just said
one sentence! I said it seemed to be the trend to accept the re-allocation since there was
nothing we could do… just that… She became really angry with me. She accused me of
trying to persuade her for the management. She told many other workers that I was
working for the management’s side! I was really confused and hurt… What did she
mean by ‘the management’s side”? I thought I was talking to a friend! And besides,
everyone knew Ms. Li quite well. Managers and workers used to hang out together a
lot… there were no ‘sides’ before! How could it suddenly be ‘two sides’ in the company?
And how could she put me in the other side? I was really puzzled and unhappy… I was
just trying to show some care to her. We were friends, and friends do that, don’t they? …
Later I started to understand, people are just different now…’

Apparently, opposition between the management and the workers was accumulating
speedily after the privatisation. Peacock’s new management might have made some
controversial decisions that contributed to this accumulation, but the changes
happened in the environment, including the society and the company, might have
had a far-reaching impact on the employees. The ownership change not only took
away employees’ life-time job security, at the same time it also sabotaged
employees’ trust in the company as well. One can agree with the management of
Peacock like Mr. Ni that the employees didn’t understand the difference between
working for a SOE and for a private company yet, but the interviews with the
employees showed otherwise. Employees all had a general feeling that they could no
longer rely on their company because things had changed. The question was, if the
management who used to represent the company and in turn the government was no
longer on the workers’ side, who should the employees turn to when problems
emerged? The relaxation of centralised control over a more open economy has not
been matched in the area of labour representation by a greater tolerance of autonomous organisation. Labour representation was still contained within the state-controlled unionism in China, even though the working class was subject to a high level of employment insecurity (Hassard et al. 2007: 161). But in Peacock’s case, when the company union chairwoman herself became one of the shareholders, labour representation by the official union existed in name only. This problem was more apparent in the later years when the relations between labour and management were intensified because of more unpleasant organisational changes.

8.2 ‘…For the sustainable development of Peacock, nothing can be rushed’: Conflicts during Operation

If the conflicts between employees and management during the job re-allocation were inevitable as understood by Mr. Ni, it was also just a matter of time before conflicts between the new owners started to emerge, considering the unsatisfying business situation the new Peacock was facing. But unlike the sudden burst out of the former, conflicts between the new owners were less aggressive at first, although they affected the daily operation of the company in an even more severe way. Not many interviewees mentioned these conflicts in the research: some of the interviewees, like most of the workers, seemed to be unaware of the details; some simply didn’t want to talk about this topic. However, from the descriptions of a few insiders, including Mr. Ni and the company union chairwoman Ms. Li, a picture still could be drawn on what the problems really were.

As the largest shareholder of the new company at the time, Mr. Ni had 30% of the company share and kept on working as the managing director. Since he had been leading the company since 1996, Mr. Ni continued to be the main decision maker after the privatisation. Therefore, his vision and plan on Peacock’s strategic development was essential for the future of the company. When interviewing him in April 2007, he clearly expressed his opinion:

‘To talk about the future, you need to understand Peacock’s present first… Our situation is: we had a lot of employees to feed, and we don’t have any main products which will give people things to do and make profits! Sounds depressing, but we do have some positive sides as well… There are a few subsidiaries of ours, like Jianghai and Intour… they were doing alright. They just need more investments and younger technicians. And we have more than 200 thousand m² of industrial land in the New District that hasn’t been developed yet… local government offered that to Peacock at a very low price a few
years ago, asking Peacock to prepare for relocation… we haven’t been ordered to move yet, but the new land is there, and we definitely won’t need so much space if it’s only for us… No, we can’t sell the land, but we can develop it and rent out the factory site! So, that land is definitely the most valuable asset of Peacock… things are very clear now: we need to develop the land… start building… the rent we can make can be invested in the subsidiaries. At the same time, we need to help the subsidiaries to get loans from the bank. If things go on well, the expansion of our subsidiaries can provide more jobs for our workers to do… After all, taking over a company like Peacock, making money is secondary… the most important thing is to raise the people! I need to make sure all the original employees have a job before they reach early retirement age… make sure they get paid monthly on time and preferably still have something to do at work to settle them… I know Peacock doesn’t need so many people now. But you just cannot consider Peacock as a normal private company… we have historical issues… As the manager before and now, it is my obligation to see all the employees off to their early retirement… I believe the government hoped me to do so as well… it is an obligation of my generation… It will involve a lot of costs, but what else can I do? … Many things need time to realise… for the sustainable development of Peacock, nothing can be rushed…’

Mr. Ni’s account represented his personal plan of how Peacock should be run. His understanding on ‘the obligation’ of continuing the employment of the original employees was a good example of the continuing legacy of paternalist management. In fact, the new company did manage not to initialise any termination of employment relations when Mr. Ni stayed as the largest shareholder, despite of the fact that the compulsory term of contracts local government required from privatised SOEs was only one year. But for some of the other shareholders, his plan involved too many long-term commitments. The development of the land in the New District needed capital and time, which means all the shareholders not only wouldn’t receive profits in the short term but also likely to be further debt-ridden since bank loans would be needed. The plan to invest in product developing in the subsidiaries was considered as risky and not promising either. The dissent might be trivial at first, but it soon became an issue which needed to be reckoned with. Ms. Li recalled the worst of the things when being interviewed in the end of 2007:

‘My position was subtly awkward at the time… I sort of agreed with Mr. Ni. I agreed with his vision to the company. I agreed we should still take care of the employees since it’s the noble thing to do… His plan involved a lot of investments and was all about the future, which probably would be working, in the long term… But at the same time, I
understood why the other shareholders were not so supportive… Especially the ones
borrowed money from the banks during the privatisation… I knew where they were
coming from, because I was one of them. We borrowed a lot of money, with interests,
and we mortgaged our homes… There was a lot of pressure on us… I’m not saying that
Mr. Ni didn’t feel the pressure. He definitely had the worst, because he borrowed the
most! But let’s be frank, he was always entrepreneurial! He was a successful
businessman before being sent to Peacock… but most of our other shareholders weren’t
like him… They were typical SOE employees who always favoured a stable life! For all
sorts of reasons, they decided to take part in the ownership change. But they probably all
wanted the same thing: fast return on their money! At least they wanted to pay back their
debts first, and fast! I understood that! I was one of them! … This anxiety really got to
some shareholders, who at the same time were in important management positions too.
In the end, they didn’t even cooperate with Mr. Ni. They didn’t obey his decisions. The
worst part was, most of the time they do it behind his back… since nobody would
challenge the boss in face – another SOE custom! … It was very damaging to the
company’s operation… and to the morale as well.’

Ms. Li didn’t want to go into further details about the disagreement between the
shareholders, but during the interviews with other employees about the changes of
their work environment before and after the privatisation, a vivid example of this
troublesome situation was described. Ms. Chen CJ worked in the finance department.
One of the shareholders Mr. Su WD was the chief of the finance department and had
been working in that position for more than five years prior to the ownership change
already. Ms. Chen noticed significant changes in Mr. Su’s working attitude and
method:

‘After the privatisation, when people were applying for reimbursement, their receipts
and related documents would be scrutinised much more carefully… it was an
improvement I suppose… but… things were not that simple. Sometimes, the chief of our
department, Mr. Su… he’s one of the shareholders you know… he would refuse to
reimburse some expenses, even if the receipts were all there, even if the managing
director had authorised them… That made lives hard for us. We didn’t know what to
do… follow the procedure or follow Mr. Su? Both seemed to be offending somebody…
I remember there was one time, a technician came to our department asking us to issue a
cheque to purchase some equipments for Intour [one of Peacock’s subsidiaries]. He had
the written authorisation of Mr. Ni, and… it was not particularly a large amount of
money. However Mr. Su still refused to issue the cheque! That technician was quite
young and started to complain, then Mr. Su started to argue with him quite angrily! That
made a scene in the company… I remember in the end Ms. Li came and criticised Mr.
Su. I didn’t hear much but I think she said it was not for Mr. Su to tell whether certain money should be spent or not… and he shouldn’t argue with a normal employee. The technician had all the paperwork and did nothing wrong… well, personally I think Ms. Li got the point. We finance people shouldn’t be making decisions like that. We should be doing our own work… making reimbursements, issuing cheques… as long as the procedures are right… Chief Su definitely knew that. He was an experienced finance officer. He was always quite professional before the privatisation… But after he became one of the shareholders, I guess his feelings changed. I guess he was always calculating among every one yuan Mr. Ni authorised to spend, a few fen belonged to him, that sort of things… I know he had issues with Mr. Ni’s strategy although he dared not to confront with him in face… eventually this disagreement affected work… but well, these were issues between the shareholders, not for us to judge [laugh]!

In a newly privatised SOE like Peacock, it seemed the leader needed to re-establish his/her authority even if he/she had been in that position before the privatisation and would continue to lead a same group of colleagues. To certain extent, the Weberian notion of legitimate authority would fit quite well in SOEs (Weber, 1947). The power and authority of a SOE’s leader, who was appointed by the government, came with the position he/she held. In other words, employees of a SOE followed and cooperated with their leader not necessarily because of the distinguish management abilities their leader held, but because of the fact that their leader was assigned to them by the government and therefore had the legitimate authority to lead them. However, after the privatisation, the original power and authority structure would face some tests. Employees, especially the ones who newly became the shareholders, needed other reasons to trust their leader. In Peacock’s case, there was an obvious difference in the expectation of the company’s development among the shareholders.
Mr. Ni wanted to focus on the long-term development and took profit-making as ‘secondary’. However, the other opinion held strongly by shareholders including Mr. Su was to seek for short-term return in order to help the debt-ridden shareholders to repay the bank loans. Under such circumstances, Mr. Ni was very unlikely to maintain his authority in the company since he was not going to satisfy the shareholders who at the same time were still working in important management positions. The lack of trust and harmony between the management team would in turn affect the working environment of the company. Once the employees had sensed the problem, their trust in the company’s future would be jeopardised as well.

Having analysed the root of the conflicts between the shareholders during the operation of the new company, it is somehow hard to make a judgement on either side’s standing point. Shareholders who would like to make money from their investment quickly had every right to hope so, although Mr. Ni’s vision was probably more sustainable and more realistic. After all, the company had very limited opportunities to make any quick profits, apart from selling the industrial land Peacock had in the New District, which was not going to be permitted by the government in a near future anyway. Peacock’s development had entered a deadlock. At this stage, it was very hard to believe the local government had not foreseen this dismal result when ownership change was introduced aggressively. It was equally hard to believe experienced managers like Mr. Ni had not at least suspected that either. Like many local SOEs, Peacock was not generating much profit before the privatisation. What motivated people to take part in the ownership change of a not so promising company even at the cost of bearing huge debts? As a retired vice-mayor of Suzhou who was not involved in the decision-making of introducing this radical SOE reform, Mr. Feng DJ briefly shared his personal thoughts on this topic:

‘It was not difficult to foresee the great uncertainties in these reformed SOEs’ future… I wouldn’t say the government hadn’t foreseen that. My personal understanding on the decision of pushing ownership change, especially pushing original management to buy their SOEs was… two benefits: First, casting off the burden… we all understand that. Second, it could save the trouble to deal with the management personnel. We can take Peacock as an example: in a not so big local SOE like Peacock, there were maybe around six to eight people who were appointed by the government directly, including the managing director, the Party secretary, and so on. If they were not involved in the privatisation and had to leave their company afterwards, the government had to deal with
their future. They were like public servants or government officers… The government probably needed to create some virtual posts for them in the end… Peacock alone had six to eight of them, so imagine how many of them there were in the city in total! It would be quite a problem to deal with all these people… and frankly, I believe these people knew this as well… they knew they probably would be ending up in some governmental posts that had no real power if they were not involved in the privatisation of their own companies… Of course, this is my own opinion… they just had to take part even the future was gloomy.’

Mr. Ni once said his vision ‘needed time to realise’ and ‘nothing can be rushed’ in a SOE like Peacock. Unfortunately, time seemed to be running out when shareholders’ anxiety to see quick returns continued to accumulate, despite of the fact that the completion of the initial development of Peacock’s New District factory site had already started to bring in rental income. In June 2007, when a local businessman Mr. Zhang JY expressed his interest in the company, 20 out of 22 of Peacock’s shareholders sold all their shares to Mr. Zhang. Most of these original shareholders left Peacock after that, while the remaining few stayed until they reached early retirement age. In this process, Ms. Li JH also reduced her shareholding from 12.5% to only 1.8% and became the only remaining original shareholder apart from Mr. Ni, who still held 30% of the company’s share. According to Ms. Li, the premium Mr. Zhang paid to each of the original shareholders was very limited, but the ordinary employees of Peacock still thought the original shareholders cashed in on the company. More ironically, within less than six months after they sold the shares, the land of one subsidiary of Peacock’s was requisitioned by the government. The total compensation exceeded 60 million yuan. The bank loans all the shareholders had could have been repaid by themselves without selling the shares if they chose to hold on for a little bit longer. After that, the new comer Mr. Zhang was generally considered by the employees to be the one who benefited the most from Peacock’s ownership change in the end. This feeling worsened the opposition between the new owner and the original employees.

Meanwhile, Mr. Zhang brought in his own managing director Mr. Wang ZQ, and gave him 9.2% of the company’s share as incentive. It soon turned out Mr. Zhang and Mr. Wang’s interests to the company were purely in the further development of the industrial land Peacock held in the New District, and had no plan to make further investments in the subsidiaries. This difference in opinions urged Mr. Ni to step
down from his position in the beginning of 2008 and exchanged some of his shares with Mr. Zhang for the full ownership of two manufacturing subsidiaries to himself. To certain extent, Mr. Ni’s stepping down should have symbolised the failure of the original reforming attempt. After all, as claimed by Suzhou local government, one of the major advantages of Suzhou’s SOE ownership change was the involvement of the original management, who would understand the company better and continue to take care of the employees even after they became owners. Unfortunately, less than five years after Peacock completed its ownership change, the main decision maker of the company was no longer from the original management. But the significance of this change didn’t sink in among Peacock’s employees, since shortly after that, a more dramatic conflict was triggered by the government’s relocation order. To all of the interviewees who took part in this research, it was only the tearing down of the old factory site that symbolised the total failure of the reforming attempt, and the end of Peacock’s forty years of history.

8.3 ‘They were not arguing from legal grounds, but from emotive grounds’: Labour Unrest during Relocation

Peacock’s relocation had been rumoured for quite a few years even before the ownership change took place, especially after the government had provided cheap industrial land for the company in the New District. The location of its old factory site was too centred in the ancient city, and the government had been working on moving all the local industrial manufactories away from the ancient city ever since the beginning of the new Millennium. Peacock’s low pollution nature might have excluded it from local government’s priority list of this task, but with the surge of the property price in its neighbourhood, everyone in the company knew the relocation was inevitable. Therefore, when the order was finally issued by the municipal government in October 2008, nobody was really surprised. Employees started to prepare for the move while waiting for the issuing of the formal relocation arrangements from the senior management. Since the initial development of Peacock’s New District factory site had been completed, many believed all the employees would be transferred there, thus, everyone, including Ms. Li, was expecting a detailed explanation from the new owners about the plan. Some were even discussing about the compensation in private, since working in the new factory site which was no longer in the ancient city would at least involve more
transportation costs. But to Ms. Li’s surprise, such explanation or arrangement were never announced to the employees. The atmosphere in Peacock became really unsettling as Ms. Li recalled:

“The original deadline given by the government for us to move out was Dec. 25\textsuperscript{th} 2008. On that day, the electricity and water supply would be cut off in our factory site. So that was the day all of us and all of the company assets should be moved out from the old factory site, according to the government… everyone knew that since maybe October… So when there were still no directions from the senior management by the beginning of November, everyone started to be asking around… Employees’ main concern was of course the relocation of the people who were working in the main factory site. Around one hundred employees would be affected, and among them, more than forty were contracted employees. During the privatisation, they accepted severance pay and became contracted employees… since they were younger at the time… I was one of them as well… Their fear was there wouldn’t be enough jobs in the new factory site, since the main business there was leasing factory buildings. So they wanted to know what the plan was… After privatisation, the employment contract was renewed annually in July. So they thought they were going to be informed about the new terms pretty soon… I thought so as well. As the vice managing director, I was astonished that Mr. Zhang and Mr. Wang hadn’t announced a date to hold the Workers Congress. In fact, they seldom turned up! I was worried and asked Mr. Ni quite a few times about it. Mr. Ni was no longer the managing director but he still had an office in the old factory site. He was busy with those subsidiaries he owned, but he said Mr. Zhang and Mr. Wang surely would take care of this issue… I became more and more worried as time went by. Employees still considered me as the chairwoman of the company union and came to me all the time to ask about the plan… and I was reassuring them all the time that the senior management would announce the plan very soon, but frankly, even I didn’t know where the plan was!”

December 24\textsuperscript{th} 2008 was a memorable date in Peacock’s history. One day before that, on Mr. Ni’s request, Peacock’s major shareholder Mr. Zhang JY and the new managing director Mr. Wang ZQ finally came to the old factory site to deal with the relocation. But instead of meeting the employees to explain the arrangements in person, they just asked the administrative office to issue a notice, stating that firstly, all of the employees would be transferred to the New District factory site after the New Year holiday of 2009, and secondly, Peacock was not going to renew the employment contracts with more than forty of its contracted employees after this contracted term was due next July and compensation would be issued. After this
notice was published on the company notice board on the 24th, employees’ reaction got out of the management’s control. Within hours, employees started to gather in the office building. Having failed to find Mr. Zhang and Mr. Wang, they unleashed their fury on Mr. Ni and Ms. Li instead. After blocking Mr. Ni’s office for more than four hours, the angry workers who just found out they were going to be unemployed within months’ time expelled the management and the neutrals, and locked up the gates of the factory site with iron chains. The remaining company assets and the four lorry trucks rented for the relocation were detained by the workers. For the first time, and very likely the last time, in Peacock’s history, a mass disturbance broke out. Ms. Li was still in shock even when being interviewed again in the end of March 2009, more than two months after the incident was settled:

‘At first, workers just blocked Mr. Ni’s office… I didn’t know what happened in there then. At around 12 o’clock, after they blocked his office for more than two hours, I went in to mediate, worrying Mr. Ni’s safety… I said it’s about lunch time, shall we continue the discussion after lunch? I remember they shouted back: ‘Lunch? We would lose our rice bowls soon and you still want to have lunch? No way!’… They blocked my exit then, claiming that as the leader of the company union I failed to prevent the company harming their benefits… I started to argue with them, asking them to name which law had the company broken… They couldn’t say… the fact was: the company had the right to terminate employment relations with them! They were contracted employees already! They had been given notice and they would be compensated! Even according to the new Labour Law, there was nothing illegal about it… But the workers wouldn’t listen… They blocked Mr. Ni’s office for another two hours… Mr. Ni talked very little that day… I think he felt powerless too… I was the one trying to persuade the workers that day. I warned them it was against the law to detain Mr. Ni and me like that in the office… when they calmed down a bit, they decided to let Mr. Ni leave first, since they knew one of Mr. Ni’s uncles just passed away and he was needed in the funeral… So when Mr. Ni left, the atmosphere was actually quite mild. Mr. Ni promised to discuss with Mr. Zhang on the workers’ behalf and would arrange further meetings with them after the completion of the move… However, minutes after Mr. Ni left the company, another group of workers broke into the office. They were outraged that Mr. Ni had been freed! They used very strong words and pushed me out of the office and then the factory… some male workers then locked up the factory gates with their own iron chains… from this minute on, the nature of this incident changed… it was no longer an internal conflict in a company. It became a mass labour unrest that had to be reported to the authority…’
In the next a few days, the Municipal Labour Arbitration Department tried to arrange meetings between the workers and the major shareholder Mr. Zhang. But the workers refused to talk to him, claiming as a newcomer, he had no compassion towards the workers and didn’t understand the history of the company. According to Ms. Li, Mr. Zhang and Mr. Wang turned up at the locked factory site and tried to talk to the workers twice in less than a week’s time, but were refused and even threatened by the angry workers. In the end, Mr. Zhang had no choice but to authorise Mr. Ni to carry out negotiations with the workers. In a later interview, instead of describing the settlement of this disturbance, Mr. Ni shared some of his feelings on the incident:

‘When Peacock was still a SOE, employees used to call me ‘Boss’ as well… After the privatisation, they still called me that… but this labour unrest made me realise, when they called me ‘Boss’ after the privatisation, they really had put me to the opposite side… In their eyes, I probably became the ‘evil capitalist’, just as those ones described in the textbooks for our generation when we were young! [laugh]… This feeling never occurred to me until then, not until they locked up the factory and pointed at me angrily… Sometimes I laugh at myself now… how ironic! A Party member like me… A son of an old Party member… A son of an old Red Army soldier like me… became the ‘evil capitalist who stands against the people’! [laugh] It was not what I wished, or planned…’

Mr. Ni’s tone was unexpectedly sanguine when speaking of this labour unrest three months after it was settled, as if it hadn’t had much impact on him. But some further communications would suggest otherwise. Unlike the ‘newcomers’ like Mr. Zhang JY and Mr. Wang ZQ, Mr. Ni was never a typical private entrepreneur. Even in his early career when he was in charge of a successful joint venture Jiejia, he had never
detached himself completely from public ownership. In fact, considering himself as a ‘cadre of a SOE’ was the main reason why Mr. Ni agreed to be transferred to Peacock in the first place in 1996. Since then to the close down of Peacock’s old factory site, Mr. Ni had been working there for more than twelve years. Just as many of the other employees, he had also devoted some of his best years to the company. As the managing director of Peacock for more than a decade, there was no doubt that he always wanted to lead the company to a better future. If in the end the employees all felt they were abandoned and started to blame the management like Mr. Ni, it is only fair to recognise that, to some extent Mr. Ni was abandoned by the system as well, despite of all those years of hard working as a cadre of the public ownership. Therefore, such a chaotic ending was particularly bitter for him, not to mention the fact he received quite serious hostility from many employees in the end. His refusal to talk about the details of the settlement of this disturbance should be understood as a sort of self-preservation to protect his pride. Fortunately, the details of the settlement can still be nicely restored with Mr. Li JH’s description and some photos provided by Mr. Ni’s secretary Mr. Tang Y.

After the step-in of the Municipal Labour Arbitration Department, Ms. Li established contacts with some of the employees and collected their appeals and requests. With the full authorisation of Mr. Zhang, she then worked with Mr. Ni on a belated employee relocation plan. The main context of this plan was to restore the lifetime employment relation between Peacock and the employees who had served the company (including the subsidiaries that had been merged to Peacock) for no less than twenty years time. After that, these employees would receive early retirement package, which contained different monthly living subsidies according to different length of seniorities, until they reach legal retirement age. The monthly living subsidies were lower than the ones provided to other early-retired employees during the privatisation, since the latter ones didn’t receive severance pay back then. For the very few employees who served Peacock for less than twenty years, two options were provided: terminate their employment relations with Peacock voluntarily and receive better than usual compensation, or being transferred to the New District factory site as lifetime employees and accept any posts allocated to them until they reached their early retirement ages. Ms. Li believed this plan showed
great concession from the owners’ side and employees should bear in mind there was no law required the owners to act so. One statement of hers was rather incisive:

‘They [the employees] were not arguing from legal grounds, but from emotive grounds… They knew owners wouldn’t lose the case if they went to court, so they only talked about the emotions they had on the company. They knew it would work on Mr. Ni and me, more or less...’

On December 30th, with local police’s help, Ms. Li entered the factory site for the first time after the unrest. She gathered the employees in the hallway for a very brief meeting and posted the relocation plan, which had been counselled by attorneys, on the company notice board. A notification period of five days was given and she announced from January 5th to 8th 2009 Ms. Li and Mr. Ni would be collecting feedback from employees in a rented meeting room of a nearby hotel since the employees still refused to let the owners into the factory. Many of the employees who would be affected by the closing down of the old factory site turned up that day.

*Picture 8.5: Ms. Li (lady with beige coat) posting the belated employee relocation plan on the company notice board with the help of local police, Dec.30th 2008*

*Picture 8.6: Some of the employees gathered to read the relocation plan, Dec.30th 2008*
In the next a few days, more notices were posted urging the employees to arrange meetings with the management, namely Ms. Li and Mr. Ni, if they had any personal difficulties and situations which would prevent them from accepting the relocation terms. Individual negotiations were conducted to persuade the employees to cooperate and to collect their reactions to the terms. On January 14th, a final communication meeting arranged by the authority was held in a nearby hotel. Although many of the employees who acted impulsively in the lock-down didn’t turn up, the final resolution was still issued and handed to the employees. In this document, some of the terms in the original relocation plan were further explained and modified, but the main principal remained unchanged. Employees had until January 20th to hand back written notice to accept the relocation plan or they would be considered as terminating employment relations with Peacock by themselves. Two days after that, the factory site was reopened for the final preparation of the move of the remaining assets. On January 20th, all written notices were collected and Peacock’s old factory site, 20# Pingjia Xiang, was handed to the government.
8.4 Conclusion: A Bitter Ending

Since the completion of the ownership change in the mid 2003, Peacock had experienced continuous internal conflicts. Employees were not satisfied with the job reallocation almost immediately after the company was privatised. Later on, conflicts between the shareholders were intensified by the seemingly uncertain future of the company, and finally led to the de facto resale of the company to external investors in 2007. The atmosphere in Peacock those years was probably not the best for any meaningful development. Employees were always in a state of uncertainty and perplexity, and began to lose faith in the company and its management pretty quickly. They were still promised a job and a monthly wage, but the income almost remained the same as before the privatisation. Some younger employees who could find better jobs elsewhere all left, including a few doctoral students a subsidiary employed for its R&D with very high salaries. The remaining employees all shared some common situations: some of them had worked in Peacock or its subsidiaries for more than twenty years and found it difficult to even imagine looking for jobs elsewhere; some of them were approaching early retirement ages and were simply waiting for that day when the company continue to pay for the welfare contributions and monthly living subsidies while they could try to find another job and earn some extra income. Nevertheless, they were all trying to rely on the company just as they always did when Peacock was still a SOE. But it will be unfair to criticise them for their lack of initiatives, although some of them even showed a feeling of shame during the interviews themselves.

In an economic transition that supposed to have brought so many improvements and developments to the country, attentions were not always given to the ones who
benefited less from economic growth. In a relatively developed area like Suzhou, the case was even more so. The prosperity of the foreign related businesses and the private sector in the local economy encouraged the local government to be more aggressive when designing SOE reforms. Very limited supports were given to the sustainable development of the privatised local SOEs and to the well being of their employees in the longer term. Instead, local SOEs like Peacock were ‘let go’ completely, leaving their employees and management to their own devices. It was such an irresponsible approach to get the load off the government’s back. For Peacock, the disturbance during its relocation was the last straw, but the failure of its ownership change was inevitable long before that. The dozens of employees who acted impulsively during the disturbance probably considered it as the last chance to argue for their own benefits and get what they thought they were entitled to – lifetime job security – from Peacock, although the financial costs would be endured by the new owners and the once friendly relation between Peacock and its employees would be well consumed. For the thousands of people who had worked there as proud SOE employees in Peacock’s forty years of history, it was also a bitter ending for them.
CHAPTER NINE: EPILOGUE

The last time I visited Suzhou and Peacock was in September 2009. By then, Peacock’s old factory site had been torn down completely. Officially speaking, Peacock was still in operation – the construction of its New District factory site was still progressing and some revenues were generated by the leasing of its workshops there – but for the former employees, ‘the company there’ had nothing to do with them. Their Peacock ceased its existence when the old factory site was closed in that January and fell into ruins shortly after.

Following up with the life of Peacock’s last employees was not easy. Most of them had to find other jobs despite having received early retirement packages during the settlement of the labour unrest. There weren’t any official institutions or associations that would organise them together again. With the demolition of the factory site, they lost their last bit of connection with this company and seemed to be disappearing in their own personal lives. But the ones I managed to get in touch in the end all responded to me friendly. Among them, Ms. Shen WY even invited me to her new work place when she was on duty in the watch room on a Sunday. At the age of 42, Ms. Shen was then working for a neighbourhood committee located forty minutes bicycle ride away from where she was living. In the past, jobs like that were mostly taken by healthy elderly people living in the neighbourhood, but in recent years, more and more former SOE employees who were laid-off in their 40s turned up and competed for these jobs. Although it only offered a basic wage and involved a lot of trivial but complex tasks, Ms. Shen seemed to be very grateful:

‘I never knew there will be so much work to do in a neighbourhood committee… you won’t believe how busy it can be! I have to be familiar with all the residents’ situation here and need to visit the disabled and the older people regularly to see if they are OK. We distribute social benefits to the difficult families too. During summer vacation, we need to make sure the young pupils have people to look after if their parents both need to work. A lot of trivial things need to be done every day! … Very busy and tiring every day… I’ve never imagined working for a neighbourhood committee at this age [laugh]… I believe you also think this should be a job for a grandma [laugh]! I thought so too! But it’s actually quite complicated… and I’m glad that I have this job now…’

Ms. Shen had to arrive in the neighbourhood at eight o’clock every morning and wouldn’t leave until six in the evening most of the time. Twice a month she needed to came to the watch room for a whole day in a weekend. During this interview of
less than two hours’ time in a Sunday afternoon, we were interrupted twice by local residents asking for Ms. Shen’s help. It was definitely busier than working in Peacock, but Ms. Shen treasured this job very much since it was not easy to get it in the first place. She recalled the first a few months after Peacock’s old factory site was closed. Clear sorrow can still be felt in her words:

‘When Peacock closed down, I didn’t know what to do. Although they continue to give us monthly living subsidies, it’s just not enough… My husband was laid-off years earlier than me and doesn’t have a regular income even till now. My son is in high school now and will be in need of a lot of money when he goes to college later… I really didn’t know what to do… really worried during that period of time… My hair went grey within weeks… Someone from the government came to me and asked me to register in the re-employment centre, and I did so. But jobs didn’t come soon enough… I was prepared to go to some household services to see if there were any jobs available then. A lot of women in my situation had to do so in the end… Mr. Ni heard of my situation and asked me to come to work in Intour [the subsidiary owned by Mr. Ni]. I went, and he offered me 1,000 yuan a month to be a clerk. I worked there for about a month, realising I was just taking the money and having nothing to offer… Intour was a small private company. Mr. Ni only employed about thirty people there. Quite a few of them were from Peacock and were working as clerks… but there wasn’t much office work for us to do… I just sat there every day and was earning the wage… It felt weird… Oddly, when working for a SOE, the ideal job was like that: sit there and do nothing… but when it was in a private company, it just felt wrong… So I left as soon as the re-employment centre contacted me to see if I was interested to work in a neighbourhood committee… But I didn’t know even this kind of job can be so competitive. I waited for… another nearly two months to finally be allocated to this neighbourhood committee. It is far from my home, but I can handle it… In those two months, I didn’t have much to do in the day time. So I walked back to Peacock’s factory site quite frequently, and watched them tearing down the factory building by building… It’s all gone now, you know? Nothing left… it’s such a shame… nothing left you know? … Sometimes it just felt unreal… maybe you can say I’m really reminiscent… I am! Can’t handle the scenes of those ruins…’

Ms. Shen WY was definitely not the only one who had deep feelings to the factory even after leaving it. When word spread that I was interviewing former employees of Peacock, Ms. Jiang J contacted me through Ms. Li JH and met with me at the office of Intour. She said it would be a good opportunity to catch up with her former colleagues since some of them were now working for Intour, and she wished she could get to know more about people’s current situation by participating in the
research. Ms. Jiang retired in 2005 at the age of 45. After that, she started to ‘work part-time here and there’ for a few years, but had never found a stable job. She told me she had been coming back to Peacock almost every month for a few hours to see how everything was going, but after the factory site was closed and torn down, she could only meet a few close friends in private. She said she knew some people were working for Intour but she had never had a right reason to visit them at this former subsidiary of Peacock, since ‘after all it’s not Peacock even with many of the original people’. When recalling her feelings in the first a few months after accepting early retirement package, she sat silent for a few minutes before starting to talk in a very low voice:

‘I guess I was afraid… full of uncertainty… didn’t know how to deal with all those spare time. I’d been working for all my life, for Peacock… I could walk from my home to Peacock with my eyes closed… all a sudden, I didn’t need to go there anymore… Thinking back now, I was still young at the time… 45… but at that time, I felt I was old and useless… and you know, we Chinese think retirement as the beginning of the end of life… so I felt like I was waiting to die… at the age of 45… very depressed at that time… I stayed at home for two months and felt I was going mad, so I started to look for jobs… Financial pressure was one of the reasons as well… the early retirement wage was less than normal wage… But there weren’t many jobs for females over 40. I knew many of the early retired female workers also had this problem. We couldn’t find any real jobs. So those whose husbands were doing well just gave up, and stayed at home, continued to feel useless. Those with difficult family situations were the worst. They simply had to do whatever job they could find.’

During the interview, Ms. Jiang seldom complained about her own situation. Instead, she was very keen on sharing information with me on the current situation of some other workers. I could feel from her words and tone that she truly cared about her colleagues and was worried about some of them. One worker who she later introduced me to was Mr. He GZ. Mr. He joined Peacock in 1980 when he was 18 years old. In 1983, when he was operating a punch press, an accident happened and he lost three of his fingers in the right hand. When he came back to work in 1984, Peacock set him as an example for his ‘striving and unremitting spirit’. He attended many commendatory meetings and made many speeches in both the city and the province. But behind all these honours, more practical problems companied him for the whole life. Since suffering from work injury, he was always in a ‘special category’. He couldn’t go to the joint venture and didn’t have many chances to be
promoted. He had to obey the company allocation and worked in many different administrative posts. After the unrest of closing the old factory site, he got early retired from Peacock hoping to find another job. In the interview, Mr. He admitted that the work injury changed his whole life and the decline of Peacock had a more serious impact on him:

‘That accident affected my whole life. I was always confident about myself. Even when the accident first happened, I believed I could live as well as others… I trusted my own abilities… Sadly this belief was just a young man’s own good wish… Others didn’t think that way. One example will be enough: during the setting up of the joint venture, I talked to the management for a few times that I wanted to go – I believe foreign related companies were the future of the economy, and I was right – but when the list was announced, I wasn’t in… because not even one department there wanted me… I had to stay with Peacock. But I was still optimistic when I was in Peacock… I could finish every task the management allocated to me nicely… Later, when I had to leave, I was prepared that it would be hard to find another job for people in my situation… but I didn’t expect it to be so hard… I married late because of the injury, so my child was very young now… My family needs me to find another job… I’m still confident about my abilities, but the injury changed my whole life…’

Mr. He shed tears during the interview when talking about the day when the accident changed his life happened. But just as most of the other interviewees, he didn’t complain. The job he held when the interview took place was working as a warehouseman in a private company and could only provide him a wage to cover basic living expense of the family. For a determined middle-age man who could learn to write with left hand within six months after the injury and received a lot of awards for his calligraphies afterwards, he probably was aiming higher. Unfortunately in a transitional society like China where the sufficient supporting for disabled people’s development was still not in place, there wasn’t much opportunity to find better jobs than working for a SOE like Peacock. I believe this was the reason why Mr. He was even sadder when talking of Peacock’s decline. He was very sceptical about the ownership change, and didn’t want to hide it:

‘In 2003, a lot of SOEs were forced to privatise. Authorities accused the public ownership as the crux of all the problems, as if there was nothing right about SOEs… I didn’t agree. I still don’t understand now… We Peacock started producing televisions in 1970… we built the first semi-automatic production line [in TV industry] in the nation… we exported the first television in the country… the first colour TV… Peacock was a SOE back then as well, with all these achievements… how could things turn so bad later?
Accusing the public ownership only was not fair… I think many people were weaselling out their responsibilities by accusing the public ownership… I don’t understand: all those problems they said about public ownership, is it really true that private companies won’t have? I simply don’t understand.’

Another employee, Mr. Chen G, had the same scepticism about the ownership change. He believed the reason why Peacock declined so rapidly was a direct result of failing to develop another marketable product after the establishment of the joint venture which prohibited Peacock to continue producing televisions. He also doubted some of the decisions made by the management, but he never believed the ownership change could revive the company. Still proud of Peacock even after the closing up of the factory, he firmly believed even the brand of ‘Peacock’ was a very valuable asset alone and the company shouldn’t have diverted its production to its subsidiaries:

‘The brand of Peacock is so well-known… we should have continued to use it! Why spending money on all those subsidiaries? Like Intour, they had some products that might have a market. Why didn’t we produce and market them under the brand of Peacock? It would be much easier for the sales person to introduce them! Consumers would’ve recognised Peacock… Peacock from Suzhou… they would’ve known! What a shame! We should be able to do something with this brand… All in all, it was because we no longer had a product after setting up that joint venture… otherwise things would have been different. People would’ve worked harder… and we wouldn’t have carried out that ownership change… That didn’t help!’

I didn’t want to hurt Mr. Chen’s feelings, but I couldn’t see much competitiveness of the brand ‘Peacock’ in China’s fast changing electronic consuming market anymore, especially after so many world-known brands rushed into China and after Peacock ceased its market activities since the mid 1990s. However, his feelings to the company – a genuine proud mixing with disappointment and sadness – were really representative. All the employees I talked to were more or less confused about the real reason why Peacock ended up with such a situation. Some of them simply felt powerless, some tried to make their own explanations. Like many of his colleagues, Mr. Chen didn’t want to talk much about his current situation, but he was full of passion when talking about the glorious days Peacock had and what could’ve been done differently if time went back. Towards the end of the interview, Mr. Chen opened up more and shared his thoughts during the labour unrest when the old factory site was about to close. Among all the employees who took part directly in the lock down of the factory site at the time, Mr. Chen was the only one still agreed
to be interviewed later. His thoughts obviously were valuable in order to understand the position and mindset of the employees when the disturbance occurred:

‘I admit I lost my temper on Mr. Ni… I admit that. Actually I apologised to him after things were settled. He was always quite nice to me, you know… I know he’s a nice person, although he can be very strict to people… Many people think him as too rigorous and difficult, but I don’t. I know he’s actually a nice person, and smart… I didn’t have any personal problems with him… I apologised to him later, hoping him to understand…

[loud laugh] I think we are OK now… I don’t know what he really thinks of me now, but I think we are alright… at least he still greets me with a nod when we happen to meet [laugh]… We pressured Mr. Ni at the time, trying to get into the early retirement scheme. All of us had accepted severance pay in the privatisation… I admit that… but did Mr. Ni really think it was OK to let us be unemployed when all Mr. Zhang wanted was to close Peacock and get rid of us? Did he really think it was fair? We had been working for Peacock for our whole life… if that didn’t mean much, then at least we had followed Mr. Ni for more than a decade as well… Was he going to step out and leave us in that vulnerable situation just like that? … Moreover, it wouldn’t be too much a cost for him… It was not like he needed to settle thousands of workers! There were only about fifty of us and the cost would be about 3 million yuan in total… Well, it was a sum of money, but remember, Mr. Ni was not the major shareholder anymore! That Mr. Zhang was going to pay for most of it! … I still believe, deep down Mr. Ni sort of wanted us to raise an issue on this… He couldn’t suggest Mr. Zhang to give us early-retirement or anything. Mr. Zhang would think him a fool. But I think deep down Mr. Ni wanted us to have a settlement… We deserved this… To be frank, it was for Mr. Ni’s own good as well… Do you really think he could easily get away with this if so many employees were not settled at the time? Do you really think he could sleep tight knowing many unsettled employees were out there? How could he even sleep at night?’

This was not the first time in this research that I found myself not able to tell a simple right or wrong when listening to an interviewee’s position. All of my previous policy studies shown that employees of Peacock like Mr. Chen had no legal ground to demand for early retirement from the already privatised company, and that the company made no legal mistakes by informing the employees well in advance about the termination of the employment relations and by providing compensation. The new owners had no obligation to bear these extra costs. However, when sitting face to face with employees like Mr. Chen G, listening to them talking so proudly about their Peacock in the 1980s and early 1990s, it was simply impossible to criticise them of being unreasonable. I knew Mr. Chen was working for a neighbourhood
community when the interview was carried out, just as Ms. Shen WY was. I could imagine if he didn’t manage to get into the early retirement scheme, his life would be much more difficult if relying on the income of this job only. I did not want to ask him how he felt about taking a job which usually was considered as ‘an elderly people’s job’. Something told me this proud middle-aged man who worked for Peacock ever since he was demobilised in 1980 was still trying to hold his pride as a former SOE employee by not mentioning his current job. His passionate description of the past, his own views on Peacock’s problems, and his disappointment to the management all suggested he was not done with Peacock yet. Chances are, he never will. Employees like Mr. Chen will always considered themselves as ‘Peacock’s people’, and because of this, they deserve a proper settlement by the company. The question is, should the new owners be the only ones responsible to provide that?

Before the old factory site was closed down, former chairwoman of the company union Ms. Li JH took a few pictures of the almost empty company. It was already sad to see those quiet scenes when knowing its prosperity in the past. But having visited the ruins in person, I began to understand a little bit more about how Peacock’s employees felt when the buildings of the only place they had worked for in their life went down in front of their eyes.
Even as an outsider, I felt some pain when facing these ruins. The close attention I paid to this company before this research started and the various field trips I carried out to this factory site in the past four years had tied me up with Peacock, although I had never worked a single day for it. I could only imagine the sorrow of its former employees; it would obviously be far greater than mine. When the factory site of Peacock was demolished, for the thousands of Peacock’s former employees who had worked there in different times, it was more than the end of a once prosperous company. After all, this was the place that once provided them identity and pride,
together with security and comfort. This was the place they thought they would never leave, and underneath the bricks and tiles buried their faith, their hopes and their youth that they devoted full-heartedly without any second thoughts. The later changes of the company might have made many felt lost or hurt and forced many to leave, and the final closing down was chaotic and undignified. But for many of Peacock’s former employees, this place would still live in their minds in its best form. The impacts of working for Peacock had on them would never fade out.
CHAPTER TEN: CONCLUSIONS

When this thesis was being finalised in November 2010, I was informed that Suzhou’s municipal authority has at last loosen the regulations on the resale of the land assets of the privatised SOEs. As a result, Peacock’s newly built factory site and the remaining more than 120 thousand m$^2$ of undeveloped industrial land in the New District has been sold to a developer in Shanghai. The last piece of physical evidence of the ever existence of a once prosperous local SOE vanished in a more and more liberalised economy. But the employees who had devoted their best years to this company might have already accepted their powerlessness towards the changing nature of the restructuring during the transition. They simply have to live on.

As a SOE, Peacock’s success in the past was not a pure result of its competitiveness in production. During its initial establishment and the later development, the state supported the company both financially and politically. In return, Peacock operated not only with economic objectives but with social obligations too. In the pre-reform era and indeed many years after China’s economic reform began, employees of Peacock were compensated for their low wage-levels by the benefits of the lifetime job security and the company provision of social welfare. They even enjoyed a few years of work life with generous bonuses, which made them greatly envied even by other SOE workers in the city at the time. However, with the deepening and widening of China’s reform and the increasingly prosperous of Suzhou’s local economy which relied greatly on foreign-related businesses, the decline of Peacock was inevitable.

China’s state industry as a whole was accused of being inefficient throughout the reform period. Reforming measures including Contract Responsibility System (CRS), which aimed to provide enterprises more autonomy and change the revenue distribution and profit sharing system, and Modern Enterprise System (MES), which aimed to corporatize the SOEs and to prevent the state from making direct intervention in SOEs’ management, were adopted at different restructuring stages. Under the MES, ownership diversification was promoted since the late 1990s under the policy of ‘grasping the large and releasing the small’. Large ‘strategically important’ SOEs were restructured into group companies and kept in with long-term state ownership, while most of the small and medium SOEs like Peacock were allowed to go bankrupt or to go to the private sector. In accordance with the
characteristic of China’s economic reform, all of the SOE restructuring measures had been experimented with in small pilot projects before being promoted on a large scale. But when these restructuring measures were implemented widely in SOEs, the efforts spent on experimental projects did not make them any less radical when being judged from firm-level and from the perspective of individual workers. SOEs, together with their employees, lost their privileged social and political status in a relatively short period of time. The unprecedented large-scale lay-offs from SOEs that have taken place since the late 1990s made many SOE workers firmly believe that they have become the main losers in the reform process to date. The discontent and labour unrest over job losses and compensations reached such a level that an official response to head off outright rebellion had to be made (Hassard et al. 2007: 156-158). In small and medium-sized SOEs, the situation was even more serious. On one hand, many of these local SOEs had long been running at a loss and lacked the financial ability to cushion the blow of redundancy if the authority didn’t step in with support; on the other hand, they were more likely to become the subject of restructuring, i.e. being declared bankrupt, privatised or taken over, at very short notice and often with limited consultation with the workforce, leading to an enormous amount of discontent and confusion among workers. As a result, even in developed areas like Suzhou, where the local social welfare system was relatively more adequate than the national average, the labour tension in local SOEs could easily be intensified to a labour unrest with one careless managerial decision even after the privatisation. Peacock’s chaotic relocation which led to its undignified closure in 2009 could serve as an example.

However, it is important to point out that workers of these SOEs were not simply complaining about their comfortable life becoming less comfortable, and their loss of previous social and political status. They were facing real hardship in finding the money to support their families. The majority of these employees were in their forties or fifties when fundamental restructuring took place. They needed to take care of a lot of things in life: medical costs of the family, children’s schooling, housing costs, and prepare some money for their older age as well. But their income and job perspective after the SOE restructuring was very gloomy indeed. Take the former SOE employees in Suzhou as an example: they generally faced three types of situation after the restructuring and privatisation of the local SOEs. One group of
employees were forced to be early retired and would receive partial pension until they reached the legal retiring age. Their employers would continue to cover for their social welfare contribution. Another group of them continued to be employed as long as the SOEs could afford to, but would be retiring as soon as they reached early retirement age. Their treatment afterwards was exactly the same as the first group. These two groups of employees were not instantly cut-off from public ownership and were considered as ‘being in the safe box’, since a basic income was guaranteed for the rest of their life. To certain extent, they managed to keep some job security. But they received greatly reduced incomes compared to what they were supposed to receive in regular employment. The remaining employees received severance pay and terminated their employment relations with the SOEs. Whether they could continue to work for their original employers after the restructuring depended on the companies’ individual situation. They were the workers who entirely lost their life-time job security. If they failed to maintain their employment with the former SOEs, they would be on their own. Unemployment benefits were provided for a maximum of two years, but if they did not manage to find another job within that period of time, they needed to pay for their social welfare contribution by themselves if they still hoped to receive pensions after they reached retirement age. In many cases, this cost alone would dry up the severance pay they received when giving up their life-time job security. All in all, many of the former SOE employees were in great need of other income sources, but as discussed in Chapter Seven, their chance of finding another regular employment in the industrial sector of Suzhou was very limited. Despite the local authority’s efforts on settling these former SOE employees, including designing compensating policies and setting up reemployment centres, many of them still became the ‘new poor’ in the city who not only for the first time in their life experienced such a level of insecurity, but also being left behind by the economic advancement of the rest of the city and its people. Comparing with the position they held in the society before the economic reform and SOE restructuring, these former SOE workers have every reason to feel discontent and even agony.

It has been the best of times. It has been the worst of times. China’s more than thirty years of economic reform has brought the country onto the track of fast modernisation. During this period of time, the country’s economic growth has been more rapid in a relatively sustained fashion than that of any other country in the
world. No research on China’s recent modernisation could deny the positive benefits such substantial growth has brought to the people. The average living standard improved significantly: most of the Chinese population now have higher incomes, consume more and better goods, and have better housing conditions than ever before. Life expectancy has increased together with a continuous rise in education level. Studies have shown that, between 1998 and 2002, household income per capita on average nearly tripled in real terms (Gustafsson et al. 2008: Chapter Two). However, growth has been uneven and a significant level of disparity has surfaced. According to some researchers from the World Bank, China’s overall Gini coefficient has increased sharply from 0.354 in 1989 to 0.482 in 2004 (Luo and Zhu 2008). There is also a rich literature on inequality between rural and urban areas in China (see for example Knight and Song 1999; Gustafsson and Li 2002; Lu 2002). Despite the 5% to 6% annual growth in farm sector, many analysts estimate that rural incomes have stagnated, and some argue that they have even declined since the mid-1990s (Nolan 2003: 12). In 2002, urban residents held total wealth 3.65 times that of rural residents (Gustafsson et al. 2008: 130). Scholars therefore suggest the sharp increase in inequality in rural and urban areas during China’s economic reform led to the substantial increase in overall Gini coefficient in the country (Luo and Zhu 2008). But it has to be pointed out that the problem of excessive inequality is as serious in urban China as that in rural areas. In fact, since the policy of ‘iron rice bowl’, which aimed to provide full employment and relatively equal incomes, used to play a central role in China’s urban employment, the level of inequality actually increased more sharply in urban China in the past 15 years. Luo and Zhu’s research (2008) shows that the Gini coefficient in urban China increased from 0.251 in 1989 to 0.452 in 2004, while during the same period of time, the coefficient increased from 0.396 to 0.487 in rural areas respectively.

When the urban full employment and the ‘iron rice bowl’ policy came to an end as the restructuring of SOEs was deepened and widened since the 1990s, poverty started to become more of an urban issue (Wu 2004). China’s urban poverty emerged in a period of rapid economic growth. This is in contrast not only to the situation of developed countries like United States in the 1980s during its deindustrialisation, but also to transitional economies like the Eastern European countries after the adoption of ‘shock therapy’. But fundamentally, China’s new urban poverty was still a product
of economic and social transition. A large proportion of these ‘urban new poor’ were former SOE employees who used to enjoy life-time job security and ‘cradle to grave welfare’. Xu’s research in 1999 suggested that the SOEs’ and COEs’ employees plus the retired accounted for about 60% of the lowest 20% income group in urban China. The dismantling of state enterprises forced many redundant employees who were previously hidden in the state ownership to be released into the more and more competitive labour market, but the non-state sector failed to generate sufficient regular employment opportunities to absorb such a large number of redundant workers with relatively low skill level. Many of them would fall in very vulnerable positions once they were cut off from state ownership. But in economically developed areas like Suzhou, this social group became even more marginalised.

As shown in this research, the shadow caused by the decline of the local state industries was well made up by the prosperity of foreign-related businesses and private sectors in Suzhou. Therefore, a group of former SOE employees who were less well-connected and had to depend on their SOEs for job security, who subsequently lost their once privileged social and political status in the economic restructuring, who were no longer the ‘loyal pioneers of building socialism’ (Hassard et al. 2007: 158) and became the ‘urban new poor’, seemed to be insignificant. But they belonged to a generation who experienced the modernising process of China but still could remember what it was like to live, materially and spiritually, in a totally different society. They lived through change.

The decline of state ownership communicated to us a sense that China has changed in a significant way. The rapid modernisation has greatly altered the country’s social context. We may have different opinions about the consequences of such rapid modernisation, and not all of us may believe those changes are all good things. But few of us will dispute that, in order to survive or even prosper in China’s modernisation, people who experience the changes must abandon their past ways of life. For employees of former SOEs like Peacock, this kind of adaptation means giving up traditional values, assimilating to a new expectation to employment, and learning to live as the members of the most competitive market economies do. After all, modernisation is not always connected with ‘advancement’, ‘progresses’ or ‘growth’, it at the same time threatens to destroy everything we know, everything we were used to. Unfortunately, such a change of mind cannot always be achieved.
Moreover, other factors including skill-level, age, China’s excessive labour supply all constrained the future of former SOE employees in the modernising economy. As described by Sun (2002), many of the former SOE employees have no hope of returning to the major economic activities of the society, and the new economic sectors do not provide job opportunities for them. When the country is celebrating its economic achievements in the past thirty years, many of these former SOE employees are left to face a ‘jobless prosperity’ in reality. Although many of them seek to retain a sense of pride in the face of the difficult realities SOE reforms created, they are in fact excluded from the society and become a group outside the social structure. From this research, it is clear that they feel helpless and confused, and sometimes angry and resentful towards this change of social structure. They are the group of people who are lost in China’s grand economic transition.

This retrospective research aims to provide another angle to examine China’s SOE reform by looking into the changes which engulfed a small local SOE during the past a few decades. It also aims to present the impacts of the reform measures on a company and, more importantly, on its employees, by allowing them to make their own interpretation on the SOE reform and the changes. By doing so, it brings recognition to the employees of China’s local SOEs who seemed to be ignored in past studies and connects the macroeconomic policies and reform measures in China’s transitional period to a more concrete discussion of the actual individuals involved. Just as in many similar studies that explored the impacts of America’s deindustrialisation on individuals, families and entire communities (see for example: Dudley 1994, Dandaneau 1996, Bluestone and Stevenson 2002, Cowie and Heathcott 2003, Fine 2004), this study provides a rich source of first-person data regarding work and life experiences that can be placed in the broader social context. China’s economic transition and modernisation is no longer documented by relying heavily on policy studies, survey researches, and statistical analysis. Instead, a more people-centred account of the impact of reform and transition is established. If China’s economic transition is to be studied in a way that fully accounts for its social and political outcomes, it is necessary to incorporate how people experienced it directly explain it. At its most basic level, China’s economic transition has left the former SOE workers questioning about their beliefs and values about work and self identity. It should also make us, as a society, to consider how we should redefine, in our
public policies, the opportunities and responsibilities to the millions of workers who lost their jobs because of economic transition. I hope this study makes a fair contribution to this purpose.

In September 2010, Suzhou municipal government published the planning map of urban renewal of the northeast part of the ancient city\(^1\). The land used to be Peacock’s old factory site is in the plan (see Picture 10.1 and 10.2). Not surprisingly, the whole area is going to be reconstructed into residential area. Considering the location and the neighbourhood property price, it is expected that this area is going to be another extremely expensive residence in Suzhou, even though the construction has not started yet. I’m not planning to contact any of Peacock’s former workers for a response on this news. It is already a shame that none of them may have the financial ability to afford a property that is built on where they worked for their whole life. But if situation permits, I will visit the residential area after it is completed, as a ritual to acknowledge and remember a local SOE’s history that reflected the reality of China’s modernisation.

---

\(^1\) The plan can be viewed in Chinese on: http://plan.map512.cn/bzgsFindbyID.do?objid=1f121e34-b947-4ce9-837a-673bb42220e1
Picture 10.1: The current landscape, with Peacock located in the mid-left.

Picture 10.2: The planning map of urban renewal of the northeast part of the ancient city.
REFERENCES


206


Ho, Peter and Vermeer Eduard B (2006) China’s Limits to Growth, Oxford: John Wiley and Sons Ltd


*K laodong Gongzi Wenjian Xuanbian (Selected Documents on Labour Wages)* (1973) Internal Documents of Suzhou Archive Bureau


*People’s Daily*, Various Issues


*Policy Collections*, Various Issues, Suzhou Archive Bureau’s Own Collection


*Resolutions of the Second Plenary Session of CCP’s Seventh Committee* (1949) Subei: Xinhua Press


*Suzhou Education Chorography*, own collection from the Suzhou Archive Bureau


Wang, Rong, Han, Jun and Xu, Jianming (2007) *The 30 Years of Suzhou Rural Reform (Suzhou Nongcun Gaige Sanshi Nian)*, Shanghai: Far-east Publishing House


Wen, Jiabao (March 5, 2005) ‘Report of the State Council’, Presented at the Third Plenum of the Tenth National People’s Congress in Beijing


Xu, Xinxin (1999) ‘The Trend of Inequality between Urban Residents in China (Zhongguo Chengzhen Jumin Pinfu Chaju Yanbian Qushi)’, *Sociological Research (Shehuixue Yanjiu)*, 5: 66-74

Xue, Muqiao (1989) ‘From New Democracy to the Primary Stage of Socialism’, *Journal of Qiushi*, No.1


