

**“Owner” or “Shareholder”: the understanding of
the identity in the ownership reform of local state-owned enterprises**

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Abstract: Starting in the mid-1990s, the Chinese government launched an ownership reform for state-owned enterprises. This reform, also known as privatization, aimed to clarify property rights and turn these enterprises into market-oriented concerns. This process challenged workers' understanding of the concept of what it means “to own” via the introduction of the concept of “share” as an economic sign of ownership; the shift also signified their changing role as workers. “To own” was both an economic and a moral demand, yet complicated semiotic interactions existed between the understandings inherited from the Maoist Era and those introduced by the reform. This article will focus on a local state-owned enterprise in Southern Jiangsu where equivalent interactions between workers and managers could be observed. By illustrating the process of the reform and the change in word meaning and usage, I argue that, during the reform, where narratives from both communist and capitalist traditions interacted and were used by workers and managers, workers’ self-understanding gradually shifted from owners of labor and enterprise, to owners of shares, to holders of shares, and to holders of dividends brought by shares. This transformation indicates both new form of self-identification and a mixed understanding of “share” and “ownership”.

Keywords: ownership, shareholder, ownership reform, state-owned enterprise

1. Introduction: An interview¹

In the middle of the 1970s, China embarked on market-oriented economic reforms of its planned economy. Over the next two decades, enterprises from the era of the planned economy entered market competition. At the end of the 1990s, the government ordered state-owned enterprises across the country to shift to market-oriented enterprises. This reform of state-owned enterprises is an important historic moment when “old and new concepts” of property, relationships to ownership, hierarchy, and the community interacted, contributing to the transformation of people’s understanding of their everyday practice.

In the summer of 2018, I had the opportunity to interview an old worker in Enterprise C whose process of ownership reform attracted my interest. The worker asked me to call him Old Li. Calling someone “Old” in Mainland China expresses respect and affection, or familiarity and closeness (Steinmüller 2015), meaning that person is kind and experienced. If one asks others to call themselves “Old”, usually the reason is that person is older and does not occupy a higher position in the social hierarchy, or wants to appear that they do not. A common reply could be “Uncle Li has lots to tell me” to express my position that I am here to learn something from him, or “How dare I? You are Master Li” if he occupies a higher social position. For my designation, I could say “Then you can call me Young Chen” to show my respect and that I am both younger and inexperienced, or “You can just call me Tianhe” if we or our family had a close prior relationship. It is important to talk about the use of “Old” in oral Chinese because Director Ren, the director of Enterprise C during the reforms, was and is called “Old Ren”, as will be discussed in the last section.

¹ For the reason that Enterprise C is still a big enterprise and has great influence, I will use County Spring, City River, enterprise C, and Director Y, etc. to protect the participants.

Old Li looked to be in his 70s, with brown skin, wrinkles on his face, and graying hair. He wore a blue shirt, old but neat. When I entered his house, he took out three disposable paper cups, put a handful of tea leaves out of the jar into each cup, and added some hot water from a mottled red bottle. There were still muscles and bulging veins on his dark arm. His hands, however, were red and white intertwined. When we shook hands, I felt like I was holding a warm iron. He spoke Mandarin with a heavy accent at the beginning, and when he mentioned some official documents and specific concepts like “market-oriented”. He liked to talk in his native language and in his excitement, he would even use older words that I am too young to understand. When we talked about the reform, he said something that my later interviews would reveal as typical for workers:

“We contributed (*gongxian*) everything, everything, to the enterprise, yet there is nothing now.....Yes, some people lost their jobs, but although we had jobs, ah, we were one of the best enterprises in County Spring, but we lost our ownership, our shares. We were nobody after that, just an employee! Managers took them away. Old Ren, the director, was a good man. I mean he was kind at the beginning. He helped one of my colleagues’ daughter-in-law get a job. At that time, we were all good. The efficiency, the profits, were great because we had shares, because the enterprise was owned by us. He changed, and we have no idea why. For the money, maybe, ha-ha. He forgot us. He abandoned us, to live his own good life. New people came in and they were arrogant, and showed no respect for us old workers. They knew nothing! The whole enterprise was built by us! What a time and what a state,

not caring about and looking after us (*guan*).....We trusted Old Ren. He was such a good man. But he sold us.”²

Old Li was expressing his confusion about and resistance to the reform which had turned him into a “nobody”. It “was good” at the beginning, and he talked about how good the old times and the director had been. However, gradually, even though he believed he was a worker who had been contributing to the enterprise and the state, he felt “forgotten”, “abandoned”, and “betrayed” by the director, who symbolized the enterprise. The question here is who and how did Old Li regard himself before and after the reform, and by what could he confirm this understanding? As he said, he put “contribution”, “ownership”, and “share” together, while “share” and “ownership” are new concepts introduced by the reform. How did he understand them as the reform unfolded and how did that unfolding process influence his understanding of his identity?

This thesis aims to examine the process through which workers in state-owned enterprises in Southern Jiangsu Province³ interacted with the concept of “share” and “ownership” gradually over the reform of ownership in practice by illustrating how workers felt good at the beginning but then felt betrayed. I will discuss the image of Director Ren in how he understood himself, and also how workers understood him in conflicted ways. It would be helpful to briefly address the use of “ownership” here. “Share” could be viewed as a purely economic concept (as people do at present) yet it also, as a sign, has different semiotic meanings, as does “ownership”. “Ownership” as used in this article does not have a clear definition because it was and is understood differently by different actors. Basically, “ownership” refers to a position whereby

² Interview with Old Li, September 2018.

³ Some scholars have done research on Southern Jiang, yet they are mainly about institutional reform or mostly ethnography, see Ni 2011.

one thinks one “has” something. By “having”, I include “can have”, “being said to have”, and “should have”. It is not only a right, for example, brought by shares, nor only a power over the enterprise, but also a demand or a request from morality and a kinship-like relationship, which I will discuss in the last section. This instability of the boundary of “ownership” indicates an unstable relationship between workers and managers, and also their concomitantly unstable identities.

Another important role is state-owned enterprises. State-owned enterprises, which differed from township-village enterprises and private enterprises, maintained a partially stable work unit system and the identity of a glorious working class in the 1980s and early 1990s. The workers were identified by the official discourse as the owners of their own labor, or as in a state of alliance with peasants and workers, implying they were the owner of the state, or at least the of their products, or the enterprise that created them. Matters were not clear at that time and are not clear even now. For instance, Old Li used “we” to refer to himself, all workers, and the enterprise.

Yet in the late-1990s and early-2000s, “who is the owner and why” became a critical question, especially during privatization. “Owner” did not refer to a worker in Socialist China, where contribution and citizenship were and are closely connected, but rather to the economical concept of the “share”. Workers did not directly accept nor resist this change. They understood it in their use of new words to refer to conventional concepts and to reinterpret them. These understandings were dynamic. For example, workers would use ideas like “family”, “communism”, and “rule of law” to legitimate their actions against the reform.

The reform in my case started in 1997 and ended mostly in 2005. I argue that through the reform, workers’ understanding of themselves gradually shifted from

owners of labor and enterprise, to owners of shares, to holders of shares, and finally to holders of profits brought by shares. In this process, the reform aimed to clarify the ownership oriented to profit and efficiency, which were closer to accounting numbers than data for the market, while the workers and the managers wanted it to be morally acknowledged that their contributions to the enterprise should matter. The reform is both a failure and a success when we consider it now, it did not achieve clarification, yet it united the community in a new way and benefited from old connections.

To illustrate my argument, I will first provide the historical background of Enterprise C, which was the “production” of China’s foreign aid projects in Africa. Secondly, I will discuss what was happening to the welfare system, or the work unit system, and its influence on workers’ self-identities between 1978 and the ownership reform. At that time, the old glory of being a worker in Communist China had faded, and workers in Enterprise C were confused about the newfound acceptance of capitalism, which was regarded as “western”. Then, the reforms from 1997 to 2005 will be discussed in detail, including how workers bought shares, why they were convinced that by purchasing shares they could be de facto owners, and the process of the collection of shares by managers. In 2005, there was a strike where an intense conflict happened between workers and managers, and also between their different understandings of their actions and rights, which I will briefly discuss. In the final section, I will use the case of Director Ren, regarded by different workers as both an achiever and a cheater. The multiple understanding of the image of Director Ren metaphorically represents workers’ complicated understanding of their identities, the ownership reform, and the changing power relationships.

2. Literature Review: the changing identity of the worker

I had an interview with Old Wang, one of the earliest workers of Enterprise C. He retired in 1998, when he could still benefit from his shares, so he did not hold strong anger against the reform, but was full of confusion. During the interview, he emphasized that he could not understand why the government wanted to have such a reform:

“We were informed by the upper government that there would be an ownership reform. They said that we, the state-owned enterprises, were wasting resources and could not make profits at all, but we were doing really well. The northeast enterprises, you know, were not well operating, but everyone was happy here! It was not fair! I earned my living by working hard and we had a good reputation. You know, we were for the Tazara Railway. Asia-Africa-Latin America, as good friends against imperialism, and capitalism. We were doing something great. It was a great time, but it was gone. And anyway, Enterprise C was my family. We built the enterprise, and we built the state. I mean, I supported the government’s policy, but the question at that time was, why should we leave (the work unit system) and where should we go?”⁴

For Old Wang, the anger came from two aspects. The first is that he could no longer claim that he was doing something great either for the world or for China, and the second is the loss of a “family”, which could also be understood as an institutional welfare system and a sense of community. These two both arose due to the ownership reform starting in the late 1990s. There is lots of work on why and how the ownership reform occurred. Many researchers focus on the institutional reform of ownership (Cheng 2013). Political scientists argue that China was and is practicing State

⁴ Interview with Old Wang, March 2019.

Capitalism (Gallagher 2011; Steinfeld 2000; Liebman and Milhaupt 2015) which mixes socialism and the market. Some focus their attention on the law-making (Hung 2022) and propaganda, such as the moralization of the market (Gallagher 2004; Lau 1997; Hsu 2000; Lin 2017) and the inequality brought about by the market (Solinger 1999; Kuruvilla, Lee, and Gallagher 2011). Among these articles, the transformation of the position of workers is an important topic. To understand this, I will talk about the work unit system and the changes in identities after the reform.

Before 1978, the work unit system was conducted in every state-owned enterprise. Work unit, or “Danwei”, literally means a working place. The work unit served as multifunctional urban institutions that encompassed various aspects of urban livelihoods such as schools, housing, and an enterprise-owned hospital. The system could be regarded as the welfare provided by the state to compensate workers’ hard-work, as they could not get a high salary. The research on the work unit system began with Walder (Walder 1988). He presented the social structure and political relations of Chinese society by analyzing the power relations among units. Chinese scholars (Bian et al. 1996; Li and Li 1999; Sun et al. 1994; Feng 1997) considered the work unit system as a redistributionist system of administrative units, institutions, and state-owned enterprises, and distinguished the proportion of work unit systems in organizations of different natures (Lu 1989). They examined the political functions of the work unit system as both mechanism of social control and institution of social intergration (Zhou 1999). For these scholars, the system was combined with the central state structure, thus regulating the operation of the whole society. (Lu and Perry 1997) As both workers⁵ and Director Ren⁶ said, a worker could regard

⁵ Interview with worker 3, July 2019

⁶ *History of Enterprise C*, Chapter 3, Section 12 and 13

Enterprise C as their home. It offers a kindergarten, a day-care center, dormitories, and financial support for medication and surgery. Enterprise C would even recruit family members of the poorest workers as employees.

Andreas (2019) used “industrial citizenship” to describe the status of workers. In China, workers in factories were granted the status of industrial citizenship, which afforded them not only lifetime employment and various economic benefits, but also the right to be seen as legitimate stakeholders in their respective factories. They had the right to participate in decision-making and to hold factory leaders accountable, although they never had the actual power to do so. This status was established during the early years of the People’s Republic, as industrial enterprises were converted into work units and workers became work unit members instead of hired hands. Being permanent employees and receiving relatively equal distribution among work unit members allowed for party leaders to instill a strong sense of work unit identity, collectivist values, and high levels of responsibility and participation.

At the beginning of the reform period, this kind of resource allocation and social integration changed, and the emergence of the “market” led to the strengthening of economic functions and the weakening of state intervention. At the same time, enterprises were viewed as more accountable more to their workers in a paternalistic capacity rather than to the state (Sun et al. 1994) Individuals in this system, since they had not yet had the ability to enter the market independently, tended to be more dependent on the enterprise as a unit (Bian et al. 1996). In this case, some scholars observed that the work unit system was changing, and saw two ongoing paths: the disintegration of the system (Liu, Wang, and Zhang 2008), or that this system was under transformation with many characteristics preserved (Li 2008). While others paid attention to how the transformation influenced people’s lives. Zhang (Zhang

2001), Bian (Bian et al. 1996), and Walder (Oi and Walder 1999) argued the system could aggregate and transmit individual interests, thus reducing the possibility of collective action and dissipating social conflict pressures, which meant these enterprises as economic organizations could actually maintain social stability through resource allocation and political unification. That is why Old Wang regarded the enterprise as his family: for him, the enterprise or its director was the paternalistic leader, and the workers were all children of the enterprise. The legitimacy came from the fact that the enterprise was still protecting workers.

For the relationship between leaders and workers, institutionally, Walder (1996) argued for a neo-traditionalism understanding whereby the relationship of patronage-reward networks between leaders and a few workers, guaranteed by loyalty and impersonal morality, resulted in a leader-centered personalized reward system. Some scholars extended the network to a factional structure, both bottom-top and lacking parallel relationships (Li, Zhou, Li 1996). In this sense, the institution or the structure did not transition while under transformation, which also meant it was still under production and producing the agents inside. Lee transformed Walder's neo-traditionalism into de-organized authoritarianism (Lee 1999) because managers and workers occupied different positions. Promises, or social contracts, were broken or adjusted not only by the managers but also via interactions between different actors (Zhe and Chen 2005). These actors were all trying to obtain rights and benefits throughout the reform process. For instance, managers in Enterprise C seeking their own interests would utilize conventional discourses for legitimacy. However, since the former social relations under socialism had been destroyed, the social contracts themselves faced the danger of losing credit. At this very moment of the reform the identification of actors changed.

According to Andreas (2019), the economic and political reform in China has resulted in the forceful revocation of workers' citizenship rights in their factories, ultimately disenfranchising them. The once strong work unit communities, where workers had membership rights, have been transformed into profit-oriented enterprises, where workers are treated as hired labor. This transformation has had significant political consequences as well, as the dissolution of work unit communities and the opening up of labor markets has led to the loss of job security, economic entitlements, and the status of legitimate stakeholders for workers. This kind of change caused dissatisfaction among workers and made them feel lost. Workers in Enterprise C worried that not being workers anymore but not employees would break the equal relationship between them and managers; before the reform, at least nominally they were all "workers in Communist China" and just doing different jobs. Also, workers could no longer take themselves as contributing to the "Great Unity of the World's People" ("世界人民大团结"), the slogan hung on Tiananmen Square which workers identified as the symbol of Maoist Era. There is a long labor movement history in China which influenced workers (Chen 2003; Sheehan 1998), which brought them a sense of solidarity that they could unite as citizens of Communist China to fight outside enemies, and as citizens of the whole world to fight against imperialism and capitalism. This was especially true for workers in Enterprise C because their production directly helped "African People".

Workers shared a collective memory that they were creators of the state and their enterprises (Lee 2002). The working class had a great reputation. To fight privatization, some believed workers should unite as a class as they did from the 20s to 70s (Chen 2006; Cai 2002). However, they saw themselves as ordinary people who did not share the glory of contributing to the state anymore (Chan, Madsen, and Unger

2009); worse, they felt regarded as rude and unskilled (Gries and Rosen 2004). Workers could still be contributors but they were not heroes, and they were not important in the ways they once understood themselves to be. Some workers and peasants learned how to be “modern” workers (Chen 2000), yet some had no choice but to accept the new identity in order to feed their families and get adjusted to the judicial changes from the central (Li 2015; Hassard et al. 2007). These workers suffered from the reform and wanted to know what happened.

After reviewing the above discussion, it is apparent that previous scholars have engaged in extensive debate regarding the causes and development of the reform of China's state-owned enterprise system, as well as the changes in the identity of Chinese workers at the end of the 20th century. Prior to 1978, workers enjoyed a high level of prestige and abundant benefits, and were officially recognized as having the right to participate in factory decision-making. Consequently, a close connection was established between workers and managers within state-owned enterprises that centered on the "work unit" system. In the 1990s, numerous local state-owned enterprises in China underwent reforms under the name of market-oriented reforms, transitioning from being accountable to the state to being self-sufficient, which resulted in their workers being dependent on the enterprises. The emphasis on the "market" not only caused workers to lose their prior reputation, but also deprived them of their membership within the former community, rendering them as hired workers. As the reforms progressed, the original network of relationships was disrupted, allowing management to pursue personal interests, resulting in conflicts between workers and managers. The loss of "industrial citizenship" and the reform of the internal system of state-owned enterprises led to workers utilizing new terms to comprehend the ongoing reform. This thesis aims to present the mechanism of

ownership reform by studying a local state-owned enterprise, thereby contributing to understanding how workers interpreted their own identity changes during the dramatic social changes in China at the end of the 20th and early 21st centuries. Workers were not purely passive recipients of change but actively attempted to provide established meanings to new concepts. The contribution of this thesis lies in presenting the complex interactive process and mechanism of this process.

3. Method

Enterprise C, the object of this research, is located in County Spring. Geographically, County Spring has a subtropical monsoon climate and is located in the Yangtze River Delta hinterland, directly adjacent to the Yangtze River. The county has a dense network of waterways and well-developed water transportation. According to the earliest statistical yearbook in 1988, County Spring has an area of more than 1100 square kilometers, with 310,000 households and 1.02 million people. Economically, agriculture of County Spring accounted for 16.2 % of the GDP, light industry accounted for 55.4%, and construction accounted for 9.6%. Others like public service, education, and finance accounted for 18.8%⁷. In a nutshell, County Spring has a great environment for development, considering its water transport and weather. Also, it had rich human resources and an industrial base, which made it possible for County Spring to take an important role in industrialization after 1978. That is why the research focuses on Enterprise C, which was and is one of the most important enterprises in County Spring and which illuminates the process of ownership reform.

⁷ City River Statistical Yearbook 1988, City River, 1989

This research is based on interviews and documents. I conducted in-person interviews in 2018, 2019, and 2020. I interviewed about 20 former workers eight times, including group interviews, with two managers two times, and with two lawyers who were responsible for the judicial issue for Enterprise C during the reform three times. The interviews lasted from half an hour to five hours. For documents, I got permission to take photos of 228 original documents, ranging from meeting records to official regulations. The managers and workers both gave me a book named *History of Enterprise C*, written by a journalist invited by the local government and the director to write the history of the development of Enterprise C from 1974 to 2011. Both managers and workers believed that this book reliably described the process of the reform, especially in some details not recorded in documents, yet they disagreed about whether the comments following the description were neutral. To utilize this book without falling into the danger of strengthening or weakening voices from either side, I will use it as the “official” yet accurate description, which means it shows how the managers understood themselves and provides added details.

In the following writing, I will use footnotes to mark my sources including words directly from the interviewees and some anonymous sources. All quotes from workers come from interviews. I will also quote words from managers and lawyers, yet most of their words come from *History of Enterprise C*. Due to the pandemic, I did not interview Director Ren, who was the director of Enterprise C from 1991 to 2010, so all direct quotations of his words come from *History of Enterprise C*. Some of the interviewees insisted that they should stay anonymous because they were worried that Enterprise C, which remains a big enterprise in County Spring with great importance, might be annoyed by their words and have an impact on their lives through indirect networks. And they suggested that I should not interview workers engaged in the

strike in 2005 because “‘National Security Brigade’ is watching them” and “Some of them has lost their mind. If you talked to them, they would use your position to prove they were right, then you would get into trouble, not only for you but also for us and our friends.”⁸ Accordingly, no one was willing to introduce me to these workers. However, some of my interviewees believed it was safe to tell me what these workers were doing and to share some photos of their meetings. I take them as statements directly from the interviewees and will explain where they come from when using them.

4. The history of Enterprise C before the reform

It was a sunny day in 1973. Old Li turned on the radio as he did every day, and listened to a broadcast on the Central People's Broadcasting Station, or China National Radio. He liked to use his radio because few colleagues had one, and he was respected for sharing the radio with neighbors. On that specific day, he heard two actors playing “Xiangsheng”, or crosstalk, a traditional Chinese form of stand-up comedy. It had been a long time since the last crosstalk was allowed to broadcast so he was impressed. The crosstalk went as follows:

“A: I was following the teachings of the great leader Chairman Mao and honorably fulfilled my internationalist obligations by going abroad to help build railroads.

B: Oh, you were going to Tanzania and Zambia!”

The name of this crosstalk is “Ode to Friendship”, whose broadcast is to some extent considered the beginning of the art’s revival from the Culture Revolution. The content is about Chinese workers helping Tanzania and Zambia to build the Tazara

⁸ Interview worker 2, 5, 6, 8, 10, 16, 17, September 2018.

Railway, or Tanzania–Zambia Railway, and their solidarity with local people. When Old Li was listening, he could not imagine that his life would be changed shortly due to the Tazara Railway project.

That project was conducted in a complex situation in that Tanzania and Zambia were having trouble getting development help from both sides of the Cold War, while also facing the threat of white hegemony in South Africa and the Rhodesian government. As a reply to the help-seeking from Tanzania’s president in 1965, and later Zambia’s president in 1967, China committed to build a railway between Tanzania and Zambia, supplying an interest-free loan of 988 million yuan, or about 406 million dollars, to be repaid between 1973 and 2013. Chinese leaders assured that Tanzania and Zambia would have full ownership of the completed railway, along with transferred technology and equipment. (Altorfer-Ong 2009) The project of Tazara Railway is still considered one of China’s largest foreign aid projects.

To fulfill the requirement of Tazara Railway, the Chinese government asked qualified factories across China to contribute to the production, and this was the origin of Enterprise C. In September 1974, Enterprise C, a circuit manufacturing workshop and “technical research group of electrical products”, was separated from the original enterprise following the order of the government⁹. It mainly produced indicator lights and terminal blocks issued by the provincial and municipal governments for the Tazara Railway. At that time, the Enterprise C facility held 13,000 square meters, and had 667,500 yuan in assets. There were more than 120 employees, most from County Spring¹⁰. Enterprise C also produced items like switches, relays, signal lights, etc.

⁹ *History of Enterprise C*, Chapter 1, Section 1

¹⁰ “Director Y Audit Report”, Enterprise C, January 18, 2011

Generally speaking, state-owned enterprises (SOEs) are officially considered under the “ownership by the whole people” (“全民所有制”), which means that the means of production of the enterprises are jointly owned by all people. This kind of ownership is a form of embodiment of socialist relations of production, which manifested in the form of state ownership during the planned economy. This ownership system means that workers have two identities: the common owner of the means of production and the bearer of different production functions: literally they are both the producer and the owner of their own production. This dual identity is realized through the economic organization of the enterprises under this kind of ownership. Workers did not use these words but expressed a similar meaning by saying they “own the enterprise because they are Chinese citizens and they produced the enterprise”¹¹. By definition, local SOEs, as opposed to central SOEs, are under the supervision and management of the local government. The origin of the predecessor of Enterprise C was a state-owned enterprise that produced chemical products. Enterprise C was a circuit manufacturing workshop of this enterprise, and a local state-owned enterprise after the separation.

In 1979, as the planned economy gradually weakened, the operation of Enterprise C became difficult. From 1980 to 1990, annual production and sales targets could not be met or even fell sharply¹². In 1985, Enterprise C implemented the factory manager’s responsibility system, which aimed to decrease the influence of the political cadres, in an attempt to rectify its operation, but this did not seem to have a significant positive impact. In the same year, the welfare of employees increased, with more than 30 houses being distributed to workers between 1989 and 1990¹³. 30

¹¹ Interview with worker 7, July 2019

¹² *History of Enterprise C*, Chapter 1, Section 4

¹³ *History of Enterprise C*, Chapter 1, Section 3

houses were not a lot for 510 employees, yet it was an attempt to maintain the welfare system. However, the salary was low and did not seem to increase. Workers said in the 1980s, they simply had no willingness to work because they would not starve to death anyway and people around them were as poor as they were¹⁴.

In 1991, Enterprise C had 510 employees, but of these more than 20 janitors, and more than 30 were on permanent sick leave, with a large number of workers taking private jobs outside, and the rest of the workers mainly engaged in activities such as playing cards, chess, knitting wool, and sleeping during working hours. Some would produce the pieces during the day and hide them so that they could sleep during the night shift while getting the allowances¹⁵. Director Ren remembered when he as a technician visited Enterprise C, he saw some female workers knitting sweaters and they were shocked when he appeared. The woolen balls dropped on the ground and workers picked them up in a mad rush¹⁶.

The main profit in production came from OEM production for enterprises in Tianshui and Zunyi. Middle managers utilized their positions to make extra money by establishing networks everywhere, since their position as managers of a state-owned enterprise meant they could connect with people outside the system who had money to people inside the system who had power. In terms of product development, as Enterprise C was a local SOE, the development relied on the official institutions of different industry sectors, which was constrained and slow. Although there were 24 technicians in the enterprise, five were senior engineers who had graduated in the 1950s and were too old, and the rest had graduated from low-level colleges. The most important thing was that there were too many debts and deficits, and it was difficult to

¹⁴ Interview with worker 11, September 2019

¹⁵ *History of Enterprise C*, Chapter 2, Section 4, also interview in September 2018

¹⁶ *History of Enterprise C*, Chapter 2, Section 3

pay wages, which made people uneasy and reluctant to work. In 1991, Enterprise C had fixed assets of less than 6 million yuan, and its losses were 1.33 million yuan¹⁷.

In 1991, Director Ren was transferred from another enterprise to Enterprise C, and served until his retirement in 2010. From 1991 to 1994, Director Ren used his network to obtain a prototype machine from a Hong Kong businessman and recruited professional technicians on a large scale. At the end of 1993, CM1(a new kind of switch) was produced and became a national product project in 1994. The CM1 series was also the leading product for the next 20 years. In 1996, Enterprise C merged with another enterprise, accommodating nearly half of the employees, more than 300, while allowing the remaining 300 to be paid full wages and remain on the payroll, and accepting them as new employees during Enterprise C's expansion in 2000. This is important considering the situation that workers in north-eastern China lost their jobs on a large scale in the reform in the last few years of the 20th century.

5. Enterprise C in the reform

Before the reform, the state was the only owner of the enterprise, and workers could be regarded as “owners” only via the narrative that they were members of a communist country consisting of workers and farmers. Another important change was the official introduction of “share” or “joint stock system” into the state-owned enterprise system. “Joint stock system” was not a new concept. Since 1978, a joint-share system had been conducted. In 1985, the No. 1 Central Document noted that “Some cooperative economies have adopted the method of joint stock and dividends, in which capital can be invested as shares, productivity and labor invested can also be counted as shares, and a portion of the profits from the operation is distributed in

¹⁷ “Director Y Audit Report”, Enterprise C, January 18, 2011

dividends according to shares.” In 1992, along with Deng Xiaoping’s series speech, the joint stock system became popular and the first nine state-owned enterprises were transformed into joint stock companies. In September 1997, the 15th Congress of CPC announced that “Joint stock system is a form of capital organization of modern enterprises, which is conducive to the separation of ownership and management, and to the improvement of the efficiency of the operation of enterprises and capital...establishing a modern enterprise system is the direction of reform of state-owned enterprises.”

In November 1997, Enterprise C, like other state-owned enterprises, started the reform under the guidance of Jiangsu Province to County Spring¹⁸ For the first reform, the most important changes involved property, equity, and the establishment of the Employee Shareholding Board (ESB) (“产权、股权、职工持股会”) ¹⁹. For property, Enterprise C was separated from the planned economy system. For equity, the reform groups from the government encouraged that every enterprise should reorganize into a joint-stock cooperative enterprise, with the establishment of a Shareholders' Congress, a board of directors, and a supervisory board.

All employees held some shares²⁰, which made the officially-claimed “owner of the enterprise” economically real. After the reform, the state held 20% of the shares, and the employees held the remaining 80%. The workers contributed 7,200 yuan²¹,

¹⁸ “Notice on the activation of the province's state-owned, urban collective small enterprises (trial)”, Jiangsu Province, November 8, 1997. Also see “Opinions on further accelerating the reform of the property rights system of municipal industrial enterprises”, County Spring, November 27, 1997; “Implementation on further promotion of the reform of enterprise property rights system”, County Spring, September 26, 1996, “Modern Enterprise System Pilot in Jiangsu Province”, Jiangsu Province, February 27, 1996

¹⁹ “Opinions on improving the corporate governance structure of restructured enterprises (for trial implementation)”, Enterprise C, March 1997

²⁰ “Program of Reform of Enterprise C”, Enterprise C, April 8, 1998

²¹ The average salary of County Spring in 1997 is 8472 yuan, see “Notice on the Release of the Statistical Results of the Average Salary of Employees in the Cities and Counties of the Province”, Jiangsu Province, 1998, or 7992 yuan, see “Director Y Audit Report”, Enterprise C, January 18, 2011.

and the enterprise contributed (*rengou*) 3,600 yuan²². There was a total of 10,800 yuan for one share, and 1533 shares, or 21.3 million yuan in total. 10 shares were for the director, eight shares for the deputy director, five shares for the workshop director, three shares for the deputy workshop director, two or three shares for the technical workers, 1.5-2 shares for the sales workers, and 1.5 shares for the group leader. The amount and percentages were set by a restructuring leadership team consisting of Director Ren, middle managers, and workshop directors after the half-year discussion. This team worked under City River guideline that the main leaders of the enterprise should contribute five times more than common workers, cash from the employees should be no less than money from the enterprise, and the money coming from the salary pool should account for one-third²³. The county government also emphasized that shares coming from the enterprise should be eternal and the employees should have ownership²⁴.

Number of workers	Annual income	Average salary in County River
1,264	13,200 yuan	7,992 yuan
Money from workers	Money from Enterprise C	Per share
7200 yuan	3600 yuan	10,800 yuan
Share owned by workers and managers		Share owned by state
17,040,000 yuan		4,260,000 yuan

Table 1: 1997 reform

²² According to the document, only workers who worked in Enterprise C for more than 7 years could get 3600 yuan, others could get the money based on their working years. For example, if one worked work 1 years, one could get $3600/7=514.29$ yuan.

²³ "Notice on the activation of the province's state-owned, urban collective small enterprises (trial)", Jiangsu Province, November 8, 1997

²⁴ *History of Enterprise C*, Chapter 4, Section 18

This reform is, “like other Chinese reform, a reform that one cannot refuse to do”²⁵, yet it seemed no workers then opposed the reform²⁶. Workers²⁷ believed they were following the policies of the state, and meanwhile could get more profits because they believed what the propaganda told them to believe (Yao 2002; Landsberger 2020; Cui 1998): that the new institution was more efficient. Only six out of 1171 workers did not purchase shares, and the reason, according to the manager, was that they could not borrow enough money²⁸. If the workers left the enterprise or died, they could choose whether they wanted their shares to be bought back according to the net asset value of the previous year.

According to the County Spring-approved²⁹ notice from Enterprise C, the Employee Congress could merge with the Shareholder’s Congress, and the ESB, on behalf of both congresses, was then proposed as a new ownership model to manage the enterprise’s decision making. Thus, the enterprise was owned by “workers as employees holding shares.” At this time, the labor union, shareholders' congress, employees’ congress, and ESB were different, and shares and ownership were not yet merged³⁰. Managers had 66 shares, 710,000 yuan, or 4% of employees’ shares. Director Ren held only about 100,000 yuan more than a common employee.

In this reform, first of all, the withdrawal of state-owned assets and the establishment of the joint-stock cooperative system were not purely economic changes, but also modified the concept of “ownership”: some workers believed that “the enterprise was originally owned by the state and the whole people, but later the

²⁵ *History of Enterprise C*, Chapter 4, Section 18

²⁶ *History of Enterprise C*, Chapter 4, Section 18, also in interviews with workers, September 2019

²⁷ Interview worker 4, 5, 13, 16, 17, September 2019

²⁸ Interview with lawyer 1, 2, June 2020

²⁹ “Opinions on Improving the Corporate Governance Structure of Restructured Enterprises”, Enterprise C, March 1997, also see “Opinions on further development of the role of union in the reform of the property rights of enterprises”, December 10, 1997.

³⁰ *Ibid.* Section II, Section VIII, and Section IX.

state withdrew, and the workers bought it with their own money and became “owners and shareholders”³¹. Everyone holding shares meant everyone owned the enterprise. Secondly, employees had the dual identities of workers and contributors who paid the money, which blurred the property rights relationship that the reform attempted to clarify. Finally, even though the enterprise was no longer “owned by the whole people”, the welfare system continued and Enterprise C still ran the canteen, nursery, and kindergarten, so that the employees still had a strong sense of unity.

We can understand the dynamic better with an instance. I use “contribute” here which is translated from “gongxian” or “rengou”. “Gongxian” is a spirit close to self-sacrifice that one will dedicate oneself to others and promote social progress and development. “Rengou” means “agree or commit to purchase”. “Rengou” is the exact word used by documents and workers, yet when workers talked about “rengou”, they said “I regarded it as ‘gongxian’ to the development of the enterprise because otherwise the enterprise would lose competitiveness and be eliminated from the market.”³² The way they understand “rengou” and “gongxian” is interesting in that purchasing shares was an economic behavior yet they understood promoting the progress of the enterprise as their duty. Purchasing shares or “contribution” is not a neo-liberal idea but refers to a collective commitment or even obligation. Based on the discussion in the third and fourth sections, the workers actions can be understood as the contribution to the “family”; the workers, as members of the big family Enterprise C, were investing in the family. By doing so they could maintain their identities as members in a somewhat “Maoist-era-like” collective.

³¹ Interviews with worker 14, July 2020

³² Interview workers 4, 5, 13, 16, 17, September 2019

Furthermore, here began the different understandings between managers and workers. The reform was conducted based on law and official regulations. Director Ren, although still respectfully called “Old” by the workers, was both “a director of the enterprise” and “a leader of the collective”. He could not rely on workers to gain legitimacy anymore, but on the government, which was interested in the standardization of administration and creating a market-oriented economy in the late 1990s. And for workers, they were convinced of being de facto owners by buying shares for the following reasons. The first was that Director Ren would not do harm to them because he had saved Enterprise C and everyone from destruction, and the second was that they were told that China required a liberal market to develop its economy, and what they gave to and got from the reform was part of that development. Accordingly, workers had another opportunity to contribute to China as they did before, and they believed they would be protected by the government as usual because they had been on the same side. As Old Li said, “We thought the central government wouldn’t betray us.”³³

In April 1999, the County Spring government encouraged the sale of state shares to the enterprise's managers³⁴. Five months later, Enterprise C announced the plan and made the following decisions based on the audit of the state-owned shares³⁵: the state-owned shares were purchased by the managers, who quit the ESB and became the natural person shareholders. The employee shareholding, which was 10,800 yuan before, was expanded to 20,000 yuan, funded by the current year's dividends (4675 yuan) and the enterprise. All employees were entitled to only one quota (3600+9200),

³³ Interview with Old Li, September 2018.

³⁴ “Opinions on Further Accelerating and Improving the Restructuring of Municipal and Township Enterprises”, County Spring, April 9, 1999

³⁵ “Report on the application for the transfer of ‘public shares’”, Enterprise C, February 22, 2000 and “Approval of the capital increase and share transfer of all public shares of Enterprise C”, County Spring, June 19, 2000

and holders, including all managers, who had more than one share needed to “repurchase”³⁶ the share in full amount. The author of *History of Enterprise C* claimed that Director Ren insisted that “as an enterprise cadre, one should not take more benefits than employees”³⁷. The interviewees did not know the reason, yet they came up with another explanation: since the managers needed to borrow money from the bank to purchase shares from the state, and the borrower was Director Ren, they had no position to refuse; otherwise they might not get enough shares which would bring much more money than they paid.

After the reform, the ESB had 43.6 million yuan, accounting for 79.27% of the registered capital, while other shareholders (managers), eight in total, held 11.3 million yuan ³⁸, accounting for 20.73%, of which Director Ren held five million yuan, accounting for 9.09%; one executive vice president held one million yuan and six vice presidents held 900,000 yuan each, accounting for 11.63%. Among the shares held by the ESB, middle management is divided into five classes, accounting for 17.09%; technical and sales workers held 9.05 million yuan, accounting for 16.45%. There are 55 middle and technical workers. The rest of the common employees accounted for 46.82%³⁹. The total amount is 55 million yuan.

Number of workers	Annual income	Average salary in County River
1,295	21,550 yuan	9,324 yuan

³⁶ It means although people can hold more than one share, they need to make the full payment for shares more than one.

³⁷ *History of Enterprise C*, Chapter 4, Section 19

³⁸ They borrowed this from the bank. Rumors are the director used his own personal relationship, and he partly acknowledged this in the *History of Enterprise*. The last time he borrowed money from the bank for workers' salary in 1991.

³⁹ “Resolution of the first three shareholders' meetings of Enterprise C”, *Enterprise C*, July 12, 2000.

Money from dividends	Money from Enterprise C	Share before	Per share
4,675 yuan	4,525 yuan	10,800 yuan	20,000 yuan
Share owned by workers		Share owned by managers	
4,360,000 yuan		1,140,000 yuan	

Table 2: 1999 reform

This time the changes were the nature of the enterprise and the definition of shareholding: Enterprise C changed from a “socialist commodity producer” to a “competitive market player”, from a mixed ownership enterprise with state assets to a pure shareholding market-oriented enterprise. At the same time, the regulation changed that if an employee left the enterprise, they had to sell their shares to the enterprise instead of keeping them. Thus, on the one hand, the shares were tied to the enterprise instead of the shareholder; on the other hand, the share capital was held, managed, and transferred by the ESB, which blurred the concept of "ownership"⁴⁰. In addition, managers became shareholders in a parallel position as the ESB, and the difference between managers and common employees became very large: Director Ren held 4.98 million yuan more than an employee.

In 2001, the third allocation of shares to the employee was made, and the registered capital was increased to 82.5 million yuan, with each employee being allocated 10,000 yuan from undistributed profit and provident fund⁴¹. In April 2003, County Spring asked managers of enterprises to hold more shares⁴², and Enterprise C

⁴⁰ “Implementing Rules of ESB”, Enterprise C, July 2000

⁴¹ “Resolution of the Board of Directors of Enterprise C on the Allotment and Capital Increase of Employee Shares for the Year 2001”, Enterprise C, March 7, 2002

⁴² “Supplementary Opinions of County Spring on Certain Issues Concerning the Reform of the Property Rights System of State-owned (Collective) Enterprises”, County Spring, April 11, 2003

changed the nature of the enterprise from a joint-stock cooperative to a limited liability enterprise, and established a “Union Shareholding Board” (USB, or “工会持股会”) on the basis of the labor union as a legal organization to exercise shareholders' rights on behalf of employees. After the establishment of the USB, it replaced the vague ESB⁴³. In this restructuring, the USB cost the ESB its legitimacy, making property rights clear so that employees could no longer be recognized as shareholders. The union held the shares and employees were just members of the USB.

Number of workers	Annual income	Average salary in County River	
1,328	33,667 yuan	10,932 yuan	
Money from dividends	Money from Enterprise C	Share before	Per share
0	10,000 yuan	20,000 yuan	30,000 yuan
Share owned by workers		Share owned by managers	
6,540,000 yuan		1,710,000 yuan	

Table 3: 2001 reform

In the 2003 reform, the equity certificate the employees had before was replaced by share cards. According to the interview, the workers were “notified that they were going to receive their dividends, and they handed in their equity certificates as before, and were issued with dividends and share cards, and when they saw that the money was correct, they didn't care and went straight away at that time”⁴⁴. One of the

⁴³ “Charter of Enterprise C Union Shareholding Association” “Certain Implementation Plan of Enterprise C Corporate Governance Structure”, Enterprise C, June 19, 2003

⁴⁴ Interview with worker 2, August 2019

interviewees claimed that the dividends enabled them to confirm their status as shareholders⁴⁵.

Number of workers	Annual income (2003)	Average salary in County River (2003)	
1,435	51,002 yuan	17,214 yuan	
Money from dividends	Money from Enterprise C	Share before	Money per share
0	10,000 yuan	30,000 yuan	40,000 yuan
Share owned by workers		Share owned by managers	
8,570,000 yuan		2,430,000 yuan	

Table 4: 2004 reform in March

In April and May 2004, nine meetings were held and workers were encouraged to speak for their own interests.⁴⁶ Most expressed support for the reform and emphasized the importance of getting adjusted to the market. However, almost all indirectly expressed the wish that they wanted to keep their shares via coded statements, such as “Yes, we agree that a reform is needed, for modernization we cannot tolerate any stepping back, and we also believe the right of workers should be protected in a society ruled of law and a state of people”. The employees’ attitude can be summarized into three aspects. First, shares were related to income which could be directly felt. That is why they made demands for other guarantees after the collection

⁴⁵ Interview with lawyer 1, 2, August 2019

⁴⁶ From April 22-May 18, 2004, there were nine meetings, divided into the ages of 25, 35, 45, and 55; and the status of common workers and technicians. Among them, 25 and 55 years old talked more about the idea of workers and centripetal issues, while 35 and 45 years old were demanding more dividends, see “Meeting records”, Enterprise C, 2004.

and expressed fears that they might be cheated out of their shares by the managers who would become rich overnight. Second, shares were also related to fairness. After the first reform, the difference between the dividend income of managers and employees was not obvious, but the second reform made the difference expand hundreds of times. At that time, the employees' complaints were covered up by the increase in dividends. If the shares were taken back, their income increase would lag far behind the increase of managers'. This "fairness" was not "equivalence" in the market economy, but based on the understanding of contribution and ownership from the former ownership system in which workers and managers were claimed to be equal. Finally, for the employees, "shareholder" was still combined with "owner". "Take the old employees as an example, after making contributions to the enterprise for so many years, their shares are taken away, which means they are no longer the owners of the enterprise"⁴⁷. It was inevitable that they would feel aggrieved and uncomfortable when all their previous contributions were denied. It is clear that these arguments were a mixture of expectations of both a collective family and a market-oriented economy. Workers were asking for equality but also after their interests.

However, workers' demands were not fully fulfilled. Although the welfare system continued, in May 2004, the managers collected all shares because the local government asked them to "speed the reform and do it thoroughly...operators must hold most of shares"⁴⁸. The shareholding system was changed so that managers would subscribe to a total of 110 million yuan⁴⁹. Director Ren got more than 30%, and the

⁴⁷ Interview with the worker, September 2019. The example comes from "Meeting records", Enterprise C, 2004.

⁴⁸ "Create the environment that is good for development, and make bigger and stronger enterprises", County Daily, May 7, 2004. The reason why the newspaper was later than the reform in Enterprise C, which started before April, is that Enterprise C was an experiment, according to several interviewees.

⁴⁹ "On Further Deepening the Reform Program of Enterprise Property Rights System", Enterprise C, May 22, 2004

number of shareholders was less than 30⁵⁰. Director Ren kept 5-10% of the annual income as an employee incentive fund, and 5-10% as a special incentive fund, to ensure that the original welfare benefits remained unchanged. If one had held shares since the first reform in 1998, one would receive 134,984.95 yuan, or 124184.95 yuan⁵¹ or 107,987.96 yuan⁵² after 20% income tax is counted, which is about 4-5 years of dividend income calculated based on the 2003 dividend. Ironically, this meeting ended with everyone singing the Chinese version of “L’Internationale,” just like other meetings⁵³.

Number of workers	Annual income (2004)	Average salary in County River (2004)
1,501	34,840 yuan	19,509 yuan

Table 5: 2004 after the reform

This reform was considered to be supported by judicial documents⁵⁴, which means the law and standardized processes were stronger than conventional relationships in collectives. But Director Ren still saw the potential danger⁵⁵ and made some arrangements based on the old norms. He set 30 shareholders instead of the lower limit of five, and 30 percent of the shares for management instead of more than 50 percent as directors of other enterprises did, because he thought that the concentration of shares would lead to discontent among workers, and too few

⁵⁰ They bought these shares without borrowing money because they got lots of dividends from their shares. For instance, if one had 5 million yuan as shares in 2000, they can get about 30-40 million yuan as dividends in the past 3 years.

⁵¹ The average salary in 2003 is 17214 yuan in County Spring and 51002 yuan in Enterprise C, see “Director Y Audit Report”, Enterprise C, January 18, 2011.

⁵² In 2004, 100,000 yuan could buy a private car or half of an apartment in County Spring.

⁵³ For example, The Agenda of the Second Employee Congress, March 2001.

⁵⁴ *History of Enterprise C*, Chapter 4, Section 20.

⁵⁵ *History of Enterprise C*, Chapter 4, Section 20, also in interview with the lawyer, August 2019

managers holding shares would leave no one to help relieve those discontents. At the same time, Enterprise C offered the highest incentive fund compared to surrounding enterprises, and its benefits package included services such as insurance, paid training, and childcare, almost like a weakened version of a former SOE. On the other hand, employees' salary in 2004 was 34,000 yuan, still equivalent to 1.79 times the average salary in County Spring and about 117% of last year's salary. According to this growth rate, the net salary income in the second year was nearly 40,000 yuan, plus 5-10% of the annual income of the incentive fund, the final income would be around 50,000 yuan.

There were some disgruntled workers who turned to the government for help. In July 2004, the government announced that the reform was in line with the regulations after sending groups for investigation⁵⁶. These groups said although there were one or two things that were not fully legal, Director Ren and the managers should not be punished because the reform went too quickly and these mistakes were understandable. Enterprise C was asked to submit the taxes it had not submitted previously and got some warnings of punishment, which meant nothing was serious. Some of the workers were not satisfied with the government's reports. As a result, a strike broke out in 2005.

6. Strike⁵⁷

On April 25, 2005, a crowd of workers gathered outside the factory canteen. Rumors were circulating among workers that the enterprise would be sold to a foreign company for 300 million yuan and that 700 workers would be laid off. The rumors

⁵⁶ "Reply and the investigation on the reflection of Enterprise C's equity concentration process", County Spring, July 20, 2004

⁵⁷ *History of Enterprise C*, Chapter 4, Section 21

were sparked after Director Ren returned from an inspection trip abroad. On the last Monday of April, the rumors finally led to a riot: a large number of workers rushed out of the canteen, handing out flyers to other workers. on the front of the flyer was written in bold letters: “Defend Democracy, Respect the Rule of Law, Uphold Our Rights, Otherwise Our Rights and Interests Will Be Lost to Us”, and “Unite to Fight for Our Rights that Belonged to Us”⁵⁸. The main part of the flyer accused the enterprise’s managers and Director Ren of having used illegal means to carry out the ownership reform since 1998, of using the reforms to take over workers’ ownership of shares, and of preparing to sell the enterprise to make a large amount of money and then run away. These distributors demanded that Director Ren give a clear response to these accusations and reconfirm their ownership of shares.

In the evening, as there was no response, more than one hundred workers went to the county government to ask for a thorough investigation and strict accountability for problems in the reform. Officials in the county government promised to take action the next day. On the 26th, a deputy county mayor, along with members of the government office and the National Development and Reform Commission, came to hold an Employee Congress. However, as workers did not trust the Employee Congress anymore because it was through decisions made in the Employee Congress that shares were collected by managers, they were full of rage when they heard that the government only intended to resolve the issue through this method. After the congress, the deputy mayor was surrounded by angry workers who did not intend to allow him to leave, but they failed. On the 27th, more than 150 workers continued to go to the county government to demand an investigation, and they still did not receive a satisfactory response.

⁵⁸ *History of Enterprise C*, Chapter 4, Section 22, also Interview with the worker, August 2019

On April 28th, a scorching hot day, the workers' long-suppressed anger erupted. In the morning, rumors were circulating in the enterprise that Director Ren had fled abroad with his money, sparking a strike in several workshops. Dozens of workers roamed the factory, looking for Director Ren and other managers. They blocked several managers who came to hold a meeting at the staircase of the office building and brought them into a nearby office, forcing them to tell the workers whether they were in favor of the managers' illegal reforms or not. Some other workers surrounded the managers who had seen what was happening but had not yet left the plaza near the workshop. Most of them were trapped in the blazing sun until noon, and they were followed even if they went to the bathroom. They only promised that a solution would be found soon but did not explain how they would resolve the issue. As a result, a strike across the entire factory began in the afternoon. The leaders of the strike entered workshops for propaganda and mobilization, and other workers patrolled between the workshops all night to prevent managers from entering and weakening workers' will to strike.

On the 29th, the "Looking Back" ("回头看") work team of County Spring announced its entry into the factory, and the group requested that workers immediately resume production through the broadcast, but to no avail. At this time, the striking workers had expanded the control area to the finished goods warehouse, completely cutting off the production and sales of Enterprise C. On the same day, managers and Director Ren held a shareholders' meeting and clarified that there was no plan to sell the enterprise. The meeting promised, as at the current shareholders' meeting, that the enterprise would not be sold. At the request of the workers, they also agreed that workers who were currently employed would hold shares and asked that all workers immediately resume production.

Director Ren brought the resolution to the workers, trying to end the strike, but he failed because the striking leaders refused to listen to him. On the 30th, the county mayor went to the factory to deploy work, while more than 150 strikers continued to stay in the warehouse. At 2:30 pm, the County Public Security Bureau sent an “open letter” to the warehouse, requesting workers to “evacuate within a limited time, otherwise action will be taken”, and about 200 police coming from City River to County Spring arrived at the factory gate. At 3:00 pm, Director Ren and more than 170 party members, which, according to workers, were actually 170 police, went to the warehouse to remove the strikers, and the strike ended then.

The next day was May 1st, which should have been the Labor Day holiday. In order to make up for the loss of work stoppage, workers got triple overtime pay for overtime work, and the strikers returned to work one after another. On May 8th, the second day after the end of overtime, the strike started again, but the managers did not tolerate it as they had previously: that evening, the police administratively detained four workers. On May 12th, the factory officially resumed production⁵⁹.

This strike made it clear that workers were also using standardized narratives. It is important that they were emphasizing “democracy”, “rule of law”, “right”, and “interest”, instead of talking about the communist utopia and the idea of the “great unity” and “fight against imperialism and capitalism”. Although they were using expressions different from communist convention, the meanings of these expressions contained their expectations of both conventional solidarity and introduced ideas of interest. There was a process of changing terms. Furthermore, a strike, or a labor movement, could be regarded as something opposing Socialist China, which indicated China might not be a state of workers. At the same time, the law became an important

⁵⁹ *History of Enterprise C*, Chapter 4, Section 22

element before and during the strike. The claim that strikes were legal and protected by law was important to create a new narrative against the conventional understanding of legitimacy (Gallagher 2006). However, this new narrative was still based on the old understandings. Actually, some of the strikers believe it was all Director Ren and the local courts' fault, and they would be protected by the central government⁶⁰.

As a result of this strike, on May 10, the shareholders' congress decided to accept the workers' contribution to shares⁶¹. There were 10,000 yuan per share, 5,000 yuan from the enterprise, and 5,000 yuan from the employees, and each employee could subscribe to a maximum of three shares, enjoying the right to dividends and ownership. The registered capital was 190.65 million yuan after the change. However, this shareholding was not carried out by returning to the ESB mode. The workers were attached to the shareholders of the sections and workshops where they were working, which was actually to entrust the shareholders as an agent to own the share. The workers are just "nominal shareholders", or literally, "the employee who pays the money" ("出资职工"). Actually, the process was that firstly, the workers gave money to the manager or the director who should be responsible for them, and then the manager or the director bought the share from the enterprise. As a result, shares were owned by the manager or the director, and the profit and the ownership of profit were owned by the workers, but they did not directly enjoy the shareholders' right to make decisions. If they wanted to express some opinions, they had to first communicate with the manager or the director who held their shares. According to both interviewees and *History of Enterprise C*⁶², the idea of "nominal shareholders" was

⁶⁰ Interview lawyer 1, July 2021.

⁶¹ "Implementation plan for Enterprise C's capital increase", Enterprise C, May 11, 2005.

⁶² *History of Enterprise C*, Chapter 4, Section 22

raised by Director Ren. His aim was to “benefit as many employees as possible...and bring the enterprise back to stability.”⁶³

7. The image of Director Ren: achiever and cheater

The image of Director Ren is complex. As the man who led Enterprise C for 20 years, different groups share different memories of him. On the one hand, he was praised for being a great model of an entrepreneur for the market and a good “father” of the workers; on the other hand, he was condemned as a betrayer and a cheater during the reform. In this part, I will first introduce how Director Ren got two “faces”, and then make a brief comparison to the privatization in East Europe.

Director Ren was born in County Spring in 1941. In 1960, he went to Nanjing, the capital of Jiangsu Province, and became a student at Nanjing Radio Engineering College (“南京无线电专科学校”), and at Nanjing Power Technical College (“南京动力专科学校”) in 1962 after the Nanjing Radio Engineering College was withdrawn. After his graduation in 1965, he was assigned to the Sixth Chemical Construction Company under the Ministry of Chemical Industry and spent four years in Qinghai Province working on the infrastructure of factories and research institutes. In 1974, he was transferred to Hubei Province to help with the Third Front Construction in the mountainous region of western Hubei. In 1974, he was transferred back to the Sixth Chemical Construction Company of the Ministry of Chemical Industry in Shanghai, where he worked on infrastructure and technical renovation for petrochemical enterprises. In 1985, County Spring was recruiting talent. Director Ren

⁶³ After the expiration of the contracts of the striking employees, a large number of them were not given the opportunity to renew their contracts. However, it is worth noting that in 2006, when the Labor Contract Law was not yet enacted, these people were compensated with nearly 1.5 times their salary. Their children received priority entry into Enterprise C.

claimed that he wanted to return to his roots so he submitted the application to be transferred to County Spring. On March 13, 1985, his application was approved. According to his administrative position in Shanghai, he should have a position equal to a director of the bureau, such as a director of Public Security in County Spring. However, since there was no vacant position and his local network was not rich at that time, he ended up as a technician in a collective-owned enterprise under the Ministry of Chemical Industry. In 1987, he was promoted to deputy director, perhaps because he did a great job or he utilized the network outside County Spring. In 1991, he was transferred to Enterprise C as the director, but this was not a promotion in the normal sense. As is discussed above, Enterprise C was in such bad condition in 1991 that no one wanted to be the director. “It was only because I came from the outside. It was so difficult and almost no possibility to get Enterprise C back to its peak again. I was alone and with no connection with anyone. If I was the director, and the enterprise was doomed, I would be the only one to be blamed.”⁶⁴

7.1 Achiever, Authority, and “Good man”

Director Ren is without any doubt an achiever, which even the strike workers could not deny. As described above, in 1991, workers in Enterprise C were unwilling to work due to low salaries. Managers made extra money by taking jobs outside the enterprise. And technicians were too old to develop new products. In order to solve these problems, Director Ren first borrowed more than 100000 yuan from other enterprises to pay their salary. Then he set some incentives for workers. Using his network and the name of the enterprise, he borrowed money from the finance department, the tax department, the labor insurance department, and the social security fund, and utilized his network to buy 50 sets of houses, preparing to be used

⁶⁴ *History of Enterprise C*, Chapter 2, Section 4

as welfare together with 300 houses left by the previous director. Also, he implemented incentive contracts that stipulated that if the workers produce more, they earn more. As the director of a state-owned enterprise, he continued the welfare system inherited from the old system before 1978. Under the slogan “Running the society by the enterprise”, he set up nursery schools, kindergartens, care classes, single dormitories for young workers, affordable canteens, etc.

After the salary, incentive, and welfare, Director Ren increasingly gained the trust of workers, and focused on the institutions. He first balanced the position and power between the director and the secretary of the enterprise, leaving party, production, and logistics to the secretary, and kept technique, finance, and sales responsibilities. To make the communication clear and efficient, and to reduce the conflict, he used the same office as the secretary. For mid-level management, he fired the redundant staff, rectified discipline, and reorganized departments. Based on his experience in infrastructure projects, he adopted a more efficient management model as schedule-based, and set up temporary technical and production teams outside the original department to complete additional and urgent work. Also, like what was encouraged by the Chinese government at that time, he was brave enough to take a risk, and emphasized the importance of innovation and market. After his visit to Japan in 1991, he spent 5.6 million, which was almost the total fixed assets of the enterprise, on a prototype of the computer-aided design system, which contributed to the success of CM1 in 1993. In 1991, there was a severe flood in Eastern China, he took advantage of the shortage brought by the flood, and seized the market for the replacement of electricity-using equipment in Jiangsu and Anhui Province. At the end of 1991, Enterprise C turned from loss to profit, and after 1991, it got increasingly successful.

Other than being a good entrepreneur, Director Ren was also a good “father” or “brother” of the enterprise. Director Ren’s authority was built not only on his success, but also on his close connection to workers. As a director, he himself along with other salesmen went to other provinces to find clients. When there was a busy period, he stayed up late to arrange the work, and ate with common workers in the canteen, which is an important sign of egalitarian relations. Director Ren was willing to help anyone who needed help⁶⁵. “If you are in trouble, go find Old Ren” was popular from the 90s to even after he retired. He got a good reputation primarily because he reestablished the welfare system and did not diminish it in the reform. Some workers still remember when they need help, such as extra vacation or medical support, they could go straight to Director Ren’s office and Director Ren would definitely offer help or at least give some suggestions. Another reason he got respected was that, when Enterprise C was in bad condition in 1991, he borrowed money for worker’s salaries using his own network. And in the reform in 2003, he voluntarily gave up the dividend from the remaining share attached to the enterprise, and put it into the incentive fund for bonuses and training. Workers believed he was responsible for them and did a great job⁶⁶.

Director Ren was a great model for entrepreneurs, full of adventurous spirit and a good user of his personal network. He understood the importance of the market and introduced highly efficient and scientific management to adapt to the market economy. The innovation, which would bring comparative advantages was encouraged by him against other managers’ opinions. In that case, he broke some of the old conventions of state-owned enterprise and won, yet he preserved the other

⁶⁵ *History of Enterprise C*, Chapter 3, Section 12 and 13

⁶⁶ *History of Enterprise C*, Chapter 2, Section 7

part, which, was the relationship pattern under neo-traditionalism. If we accept Oi's argument that officials in local government were more like entrepreneurs than bureaucratic (Oi et al. 2018; Oi and Walder 1999), then it might be said that Director Ren was to some extent like the father of the family, arranging the whole movement of the big house: Enterprise C.

7.2 Cheater, Betrayer, and Villain

However, for the workers who thought they were humiliated during the reform, Director Ren had the other "face". Director Ren borrowed money two times. For the first time in 1991, he borrowed money for a state-owned enterprise, which is claimed to be owned by the whole people in China. In that case, it was not inappropriate to borrow from another enterprise or bank owned by the whole people since they were in the same system. Yet in 2000, he borrowed money, according to his argument, which was asked by the local government to comply with the reform, to buy shares from the state. It is not a sort of expedient measure at all, but an act made by an individual for economic reasons. In other words, at least nominally, the borrowing in 1991 was for the running of the enterprise, and it had a strong legitimacy to borrow from "the whole people" for "the whole people", but the borrowing in 2000 only increased the wealth of individuals. The way the 2005 history of the enterprise presents this episode is interesting. The authors argue that the borrowing was legitimate because making share concentrated made the enterprise more competitive and efficient. The workers believed this chapter was the evidence that Director Ren was a cheater.

As is discussed above, before 2003, the reform did not attract much attention from the workers because their income was increasing. However, a few months after

Director Ren's speech in May 2004⁶⁷, informing workers of the long history of Enterprise C and their work contributing to China and the whole Chinese people, in 2005, Director Ren and other officials went to a foreign company to seek opportunities to be acquired, which directly resulted in the strike in May 2005. It was an American company, and they visited the branch of this company in Netherland, Caribbean, and New York. And in July 2005, a brief introduction of that company was published in the internal newspaper. In the same month, Enterprise C signed a letter of intent to be acquired by that company. There were petitions in July and August, and a strike in September. Finally, the acquisition failed. Director Ren argued he was cheated by the government that he did not even know they were going to talk about the acquisition in May, and he was forced by the government to sell the factories because the government believed that the company would build more factories in County Spring as long as this contract was signed⁶⁸. But workers did not believe him and called him "money-grubbing vampires who suck the blood of workers"⁶⁹.

Director Ren was also condemned for the treatment of striking workers. In June 2006, 30 leading striking workers were not able to renew their contracts with the enterprise, and the other 20 who were active in the strike were transferred to other positions and required to take some "education classes", which was a traditional political education in Communist China. From 2006 to 2008, almost one hundred workers who were active strikers did not get a new contract after the old one expired. According to some managers, these workers did not want to work and went to petition every month, so that they had no choice but to ask them to leave. Yet one manager

⁶⁷ The speech of the Director in the morning of May 2004, Enterprise C, May 2004.

⁶⁸ *History of Enterprise C*, Chapter 4, Section 21

⁶⁹ Interview with worker 9, June 2019

said it was all because some managers were so angry that they were insulted in the strike. However, since the decision was made nominally by Director Ren, he was accused of being a villain that made “retaliation against workers who have rightfully exercised their rights given by the constitution”⁷⁰.

It requires to be careful to compare the reform in China to the privatization in East Europe. Generally speaking, privatization in East Europe was a kind of neoliberal reform (Appel and Orenstein 2018; Verdery 2003), which introduced liberalization and privatization. There were policies encouraging efficiency, independence, and market. China also had the discussion on whether or not a neoliberal reform is needed (Weber 2021; Zhang and Ong 2008), although many scholars studying China called it “state capitalism” (Gallagher 2011; Steinfeld 2000; Liebman and Milhaupt 2015) which mixed socialism and the market. However, based on what is discussed above, it seems the difference between the two reforms is that there were stronger old conventions in China. These conventions did not stop Chinese enterprises from being influenced by the privatization, rather, they made the reform conducted at a slower pace that allowed us to identify the mechanisms of this transformation. By old conventions, it does not merely refer to Communism but also the analogy of a big family. There were, of course, similarities in East Europe. For instance, in Poland, workers in can food factories wanted to get help from the understanding of their identity as “the mother” of the state and the enterprise (Dunn 2004), yet managers were solely focused on financial gain, which undermined this traditional understanding. If we take this analogy, the workers in Dunn’s book were mothers of Poland and the enterprise, and the managers were outsiders, meanwhile in

⁷⁰ Interview with worker 10, September 2019

Enterprise C, Director Ren as one of the managers was introducing the (neoliberal) reform to his family, the enterprise, acting as “the father” who protected “children”, the workers. We can also see this in the word: “guan” in the introduction part, when Old Li said “not caring about and looking after us”. “Guan” can be translated as looking after, caring about, and even regulating. The relationship of “guan” is similar to the relationship between parents and children, the relations of obligation, of debt and reciprocity. Workers wanted to be “guan”, because it meant they would have someone responsible for them. In that case, it is reasonable why workers felt betrayed: the “father” disappointed the “children”.

8. Conclusion

I have traced the whole process of reform. In this process, the reform aimed to clarify the ownership oriented to efficiency, while the workers and the director wanted it to be morally acceptable. In 1974, Enterprise C was established as a local SOE. Under the ownership of the whole people, all the employees, from the management to the common workers, were owners of Enterprise C, just working in different productive sections. Officially speaking, the state/enterprise is for the whole people, and the whole people are for the state/enterprise, so if they work for the state as the owner of the state, they are working for the enterprise as the owner of the enterprise. In 1998, the intertwined concepts of "owner" and "shareholder" were introduced to the employees, and they did not need to use the state as an intermediary to claim they own the enterprise. From this time on, the concept of “ownership” was added to the concept of “equity”, or “share”. In 2000, ESB replaced the employees themselves as the exercisers of equity, which led to the separation of “equity” and “ownership” in practice (which were still fused in the eyes of the employees). In

2003, the shareholding body was changed from the ESB to the USB, so that the employees could no longer legally “own” the “share”. In 2004, a process of complete separation began, and the employees’ shares were taken away, so that they no longer had “ownership” of Enterprise C in the legal sense. The confusion caused by this change was well reflected in the forum in 2004 and the strike in 2005. Workers noticed that “Once their shares were collected, their contribution to the enterprise, which built the enterprise, would be denied, and they would no longer be the owner of the enterprise”⁷¹. In 2005, the anger among the employees was that Director Ren might sell the enterprise. Behind this anger were both discontent with the director and resentment that what belonged to them was betrayed and taken away by their hitherto beloved peers. In other words, at this time, for the workers, “share” meant the recognition of their simple perception of “owner/master”, which was inherited from the ownership of the whole people. After the strike, workers received the share, but they owned only the profits of the shares. They were neither owners nor shareholders anymore. This was not a pure process where workers lost power and wealth, but also the transformation of workers’ understanding of their identity in a complicated interaction among neoliberal concepts, the work unit system, and the older concept of family, which provides a lens to understand Chinese society after the ownership reform.

⁷¹ Interview with lawyer 1, September 2020

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Appendix: interviewees

Number	Gender	Age
Worker 1	Male	80s
Worker 2	Male	70s
Worker 3	Male	70s
Worker 4	Male	70s
Worker 5	Male	60s
Worker 6	Male	60s
Worker 7	Male	60s
Worker 8	Male	60s
Worker 9	Male	60s
Worker 10	Male	50s
Worker 11	Male	50s
Worker 12	Female	70s
Worker 13	Female	70s
Worker 14	Female	70s
Worker 15	Female	60s
Worker 16	Female	60s
Worker 17	Female	60s
Lawyer 1	Male	60s
Lawyer 2	Male	60s
Manager 1	Male	70s
Manager 2	Male	60s