Introduction

The Changing Chinese Workplace in Historical and Comparative Perspective

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China today is in the throes of momentous socioeconomic change. The post-Mao reforms have wreaked havoc on such socialist institutions as the household registration system that once enforced a strict separation between city and countryside. That division bespoke a gap between the standard of living in urban and rural China that favored city-dwellers by a ratio of at least three-to-one toward the end of the Maoist period.

The superior living standard found in Chinese cities was largely due to the danwei system, a hierarchy of state-owned workplace units (schools, factories, hospitals, government agencies, and the like) whose employees were guaranteed a variety of perquisites denied to peasants in the countryside: secure jobs, affordable housing, inexpensive medical care, a range of subsidies for everything from transportation to nutrition, and generous retirement pensions. Along with these economic benefits went political controls; the party branch at the work unit closely monitored its employees’ public and personal activities, wielding an assortment of rewards and sanctions to encourage politically acceptable behavior. Such incentives, in turn, contributed to a relatively high level of urban social order. Moreover, when popular protests did erupt, they were usually delimited by the confines of the danwei.

The work unit was once so essential to daily life in urban China that people would say one could be without a job, but not without a danwei. Unless one gained the approval of one’s danwei, a person could not freely transfer to a different unit. Until recently, one could not buy an airline ticket or check into a
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The danwei was the center of social activities. An individual belonged to a danwei, which was responsible for the political and social well-being of its members.

The significance of the Chinese work unit has attracted attention from journalists and scholars alike. Thus former New York Times correspondent Fox Butterfield as well as sociologists Martin Whyte and William Parish constructed their influential descriptions of urban China around a discussion of the danwei. Impressively, studies of industrial, medical, and technical units are also readily available.

Despite widespread recognition of the importance of the danwei system, however, there remain several unanswered questions. First is the issue of origins: Where did the danwei come from? Previous accounts assumed that the danwei was either the product of Soviet inspiration in the 1950s or a continuation of long-standing Chinese practice as exemplified in the baojia household registration system of imperial days. Yet until recently, little research was actually directed at tracing the roots of this key institution. Part I of this volume, based upon new explorations into the historical antecedents of the danwei, presents three different answers to the intriguing question of origins. Second is the matter of operations: What functions has the danwei actually served in China, and how do these replicate or differ from the role of work units in other socialist and East Asian countries? Part II of this volume puts the danwei in comparative perspective through explicit comparisons with the Soviet Union and Japan. Third is the question of change: How is the danwei faring under the contemporary reforms? Are we witnessing the decline, maintenance, or transformation of this critical institution? Part III addresses the issue of continuity and change with particular attention to economic functions, housing provisions, and labor mobility.

As an integral part of the state socialist system in China, the danwei is not merely a subject for scholarly inquiry; it is also the target of practical reforms. The state enterprise reform currently under way touches on a host of issues relating to the danwei system, for example, property rights, social welfare, unemployment insurance, and labor mobility. Reforming the socialist work unit is deemed, by general consensus among Chinese officials and scholars alike, one of the most pressing tasks of enterprise reform.

Another significant component of danwei reform is targeted at nontop enterprise, administrative units. This type of danwei has been largely overlooked in the literature on the Chinese workplace. It is by no means insignificant, however. The shiye (nonproduction) or xingzheng (administrative) danwei comprise a very large sector of China's political economy. Parallel to enterprise reform, but with less momentum and fanfare, an overhaul of these units has also been launched. Heated debates over whether nonproduction units should be allowed to engage in changing government policies. Following a wave of setting up profit-making firms by xingzheng danwei, such registered firms numbered 487,000 by the end of 1992, an increase of 88 percent over the previous year. Most of the new firms were established after an official call in June 1992 to downsize administrative agencies by channeling more personnel into business. In short, understanding the danwei is essential not only in analyzing the foundations of Chinese socialism but also in appraising the prospects for change. As Perry and Chan note in chapters 2 and 4, labor unrest has escalated since the announced industrial reforms of the mid-1980s. Workers have registered unhappiness over the threat to their "iron rice bowl" through covert resistance and overt protest alike. Whether the Chinese leadership proves able to implement its ambitious reforms will hinge upon a successful handling of labor's concerns. With economic production, social welfare, and political control so thoroughly intertwined in the institution of the danwei, change entails unusually complicated challenges.

What Is the Danwei?

Surprisingly, considering its everyday use, the concept of the danwei is not clearly defined in China. According to one of the most authoritative contemporary Chinese dictionaries, Cihai, the word "danwei" has two basic meanings: First, it refers to a measurement unit; second, "it refers to agencies, organizations, or departments within an agency or an organization." Other dictionaries offer similar definitions. In common parlance, however, the word "danwei" carries a much broader meaning. It refers not only to administrative units but also to other work units—including enterprises, retail shops, hospitals, and schools. Because of these broad connotations, a practical problem for analysis arises: When someone belongs to a factory with a hierarchy of shops and teams, which level constitutes his or her danwei? The factory? The shop? Or the team? Obviously size is not a good criterion, for danwei vary greatly in size. A large danwei can have several thousand employees, encompassing a number of smaller units. More promising is a functional definition. A danwei, we suggest, is a work unit that exhibits the following attributes:

1. Personnel power—usually including the right to hire, fire, and arrange transfers. A danwei controls the dosiers of its employees, which play a key role in personnel-related matters. Sometimes, however, even when a lower unit controls dossiers, important personnel decisions are made by its superior unit.

2. Communal facilities (often in the form of a compound with living quarters physically separated from the outside by walls)—including residential housing, dining hall, health clinic, fleet of cars, and other basic service facilities.

3. Independent accounts and budgets. Small units within a large danwei are not generally regarded as danwei if they do not (legally) maintain separate books.

4. Urban or nonagricultural purview. A rural commune or village was never regarded as a danwei. On the other hand, a state-owned industrial plant located in a rural area is considered a danwei.
5. Public sector: The original meaning of the danwei encompassed only work units that were government agencies or official organizations. Later the term was extended to all types of units in the public sector. Although the distinction became somewhat meaningless when private businesses virtually disappeared during the Maoist era, in the post-Mao reform period it is clear that some of the functions performed by traditional danwei are not fulfilled by private businesses.

Taxonomy of the Danwei

China’s workplaces are organized in a rather complex fashion. They form the most basic component of the often confusing tiaotiao (vertical) and hiaikuai (horizontal) relations for which the Chinese bureaucracy is famous. Their organizational fluidity (frequent mergers or elimination of units, creation of new units, etc.), has prevented the compilation of accurate official statistics on the number of work units in China. The government announced that it would conduct the first comprehensive national survey of basic work units on December 31, 1996.

The ambiguity surrounding the status of the danwei is heightened by sectoral variation. For example, a 1991 study found a significant correlation between ownership differences in work units and employees’ social status and material benefits. Resources varied substantially among state, collective, and private sectors, while higher status and benefits were enjoyed by employees at state administrative agencies.

Further confusing the position of the danwei is the fact that all work units are assigned certain administrative ranks by higher authorities. The ranking confers particular privileges and treatment. For example, access to government or party circles and internal directives is limited by such ranks. The factory manager of a lower-ranked enterprise is not permitted to read circulars that are available to upper levels of the administrative hierarchy. Under the reforms, this ranking also affects the ability of various danwei to compete successfully for markets, raw materials, and low-interest loans from the state. Units that enjoy higher administrative rank or are affiliated with a higher government bureau generally fare better than those of lower rank. To redress some of the problems associated with administrative rank designations, it was decided in 1995 temporarily to replace unit-based ranks with personal ranks assigned to the unit’s main leaders; eventually these are to be supplanted by functional classifications.

In an effort to cut through some of these ambiguities, we propose a cross-cutting taxonomy of Chinese work units classified along lines of operation and status in the administrative hierarchy.

Operations

1. Qiye danwei, or enterprise units. This category covers all units engaged in production or profit-making. Factories, retail shops, trading firms, and so on belong to this category. According to one set of official figures, there were 316,875 units of this sort in 1990. At the end of 1994, the enterprise units employed 113.7 million people.

2. Shiye danwei, or nonproduction, nonprofit units. This designation includes scientific research institutes, educational institutions, as well as government-sanctioned social and professional organizations (e.g., the Consumer Rights Association), health services, cultural organizations, and athletic organizations. By official figures, as of 1995 there were more than 1.3 million units in this category. This remains the largest of all three main types of units, employing more than 24 million people. Before the fiscal reforms of the 1980s, the budgets of these units were allocated by the state (Ministry of Finance). Since the reforms, however, the Ministry of Finance no longer provides budgetary funds to local shiye danwei. This is thus a sector in flux. It has been shrinking because of the conversion of many shiye danwei into self-supporting, profit-generating entities no longer dependent upon the state budget or subsidies. Many banks, post offices, and some research institutions have been converted to qiye danwei in this process. Such reforms have achieved mixed results, however. While some nonproduction units were able to convert fully to qiye danwei, others have either shed their previous service wing entirely or have been relegated to “tertiary production” (disan chanye) still affiliated with the mother unit in one way or another. Despite these developments, the size of shiye danwei functionaries has outpaced the growth in other types of units. In Henan province, for example, between 1986 and 1991 the number of staff in the shiye danwei increased 21.1 percent while staff in administrative units grew by 17.7 percent and nonproduction staff in enterprise units increased by only 3.2 percent.

3. Xingzheng danwei, or administrative units. In 1990, there were 253,587 such units. At the end of 1994, 10 million people were employees of administrative units.

Hierarchical Status

1. Zhongyang danwei, or central units. These units may be located in Beijing or in any province. What distinguishes them from local units is that their initial investment came from the central government (hence their revenues were remitted to the central government), and their operations are usually under the supervision of a certain ministry (or ministries) in Beijing. Although the reforms have
changed some previously existing arrangements, there were 52,058 such units in 1990.

2. Difang danwei, or local units. Unlike the centrally controlled units, these units were set up by and controlled by local governments. Before the reforms, the fiscal and financial treatment of local and central units were quite different. There were 276,758 local production units, 820,752 nonproduction units, and 251,293 administrative units in 1990.20

3. Jiceng danwei, or basic units. This is a generic term applied to all units at the bottom end of the command chain in the Chinese political hierarchy. Grass-roots policy implementation and political mobilization were carried out by these lower-level units (referred to in the literature on the Soviet Union as “cells”).

Functions and Characteristics of the Danwei

The danwei is not merely a type of workplace, but a long-standing and multifaceted institution that has served many purposes for the regime. Because it is so embedded in the larger sociopolitical system, any change in its operations inevitably affects other aspects of the system. The functions of the danwei can be divided into two main areas: political and social. These two functions may be characterized as “paternalistic” and “maternalistic” respectively. As in a traditional family, the danwei acts as a patriarch who disciplines and sanctions his children, while at the same time serving as a maternal provider of care and daily necessities.21

Political Functions

The danwei operates as a tool of the state for organizing and controlling urban society. It was through the danwei that the state mobilized the working population for political participation. With the notable exception of the Cultural Revolution, urban political campaigns have generally been organized and carried out at the unit level. Other public policies are also implemented through work units. For example, the family planning program has operated most effectively at the unit level. Among people without a regular danwei, by contrast, the program has proved difficult to enforce.

The danwei allowed the Maoist state to monitor the political loyalty of its citizens, particularly party members. Each unit was responsible for its members; the activities of members when outside their units were also reported back to the unit. In this way, the regime was able to inhibit (albeit not entirely) large-scale organized opposition. Protests in China during the Maoist period were mainly what David Strand has termed “cellular protests,” because of the limited contact across unit boundaries.22 Only at a few critical junctures (e.g., the Hundred Flowers campaign, the chuanlian phase of the Cultural Revolution, the “Campaign to Criticize Lin Biao and Confucius”) did cross-danwei collective actions pose a serious threat to the regime. For the most part, “cellular protests” demonstrated the key role of the danwei system in structuring and restraining mass mobilization.23 However, it is clear that recent market reforms have greatly reduced the effectiveness of such political controls by the danwei.24

Work units have also limited the mobility of their employees. Without proper permission daily noted in their dossiers (dang’an), employees could only dream about a job transfer. The importance of the personal dossier can hardly be underestimated. One report suggests that there are at least forty different kinds of activities—ranging from quitting a job to opening one’s own business to taking part in an examination—that require reference to one’s dossier.25 Even after the market reforms began to take hold, one still needed “proof of resignation” from one’s previous employer to obtain a license to operate a private business. Personnel power remains one of the most potent weapons in the danwei’s arsenal of political controls.

Social Functions

The danwei also serves important socioeconomic needs by offering permanent employment and attendant benefits. The welfare provisions of the danwei have become so comprehensive over the years that work units operate as self-sufficient and multifunctional social communities. Each danwei came to constitute a “small society” (xiao shehui) with little need for interunit exchanges. The danwei was instrumental in reducing the pressure of urban unemployment by absorbing the new working population internally. It also provided welfare and entitlement provisions.

Xiaobo Lü and Wen-hsin Yeh in chapters 1 and 3 in this volume trace the development of communal welfare functions back to the wartime period, explaining it as a response to economic exigencies. Others, like Elizabeth Perry, stress the political considerations behind the Chinese Communist Party’s (CCP’s) effort in the 1950s to assume the welfare and insurance functions of traditional labor organizations and thereby displace their authority.26 Whatever the origins, it is clear that the welfare functions became increasingly systematized after the establishment of the People’s Republic of China (PRC) in 1949, as social services were gradually extricated from market forces.

The welfare functions of work units are not unique to China. As Anita Chan, Rudra Sil, and Kenneth Straus point out in chapters 4, 5, and 6, analogues can be found in Japanese and Soviet enterprises. Barry Naughton in chapter 7 proposes that the provision of welfare should be seen as a defining feature of socialist firms, which engage in a horizontal “bundle of activities,” in contrast to market-oriented firms, which operate on the premise of a vertical chain of activities. In the socialist firm, a production organization is transformed into a social community. But comparison to the Soviet industrial units, which many Chinese enter-
prizes were modeled after, also reveals some major differences. One area of divergence is in real-estate property rights. Unlike in the Soviet Union, where urban housing was controlled by municipal governments, Chinese work units controlled 90 percent of urban public housing—despite the fact that before 1978 most investment in urban housing came from the state. In the Chinese case, only 10 percent of urban public housing was managed by local governments. After the reforms began, the pressure for units to allocate funds to build new housing actually increased because of a reduction in direct state appropriations for this purpose. Between 1979 and 1986, self-raised funds by units to build housing accounted for 60 percent of the total investment in new housing. Since the mid-1980s, units have been even more pressed to come up with their own housing funds.

The housing issue touches on a long-standing problem in socialist China—the muddled distinction between the state and the danwei. In Chinese society, "public" (gong) is regarded as anything that is outside the private domain (si) of the individual or family. The state is not distinguished from the public: It is the public. However, the "minor public" of the danwei constituted a different kind of gong, which was in some ways at odds with the state, or "greater public." The "minor public" is not simply an abstract concept. It is possessed of both a superstructure—a "minor public mentality" (at times referred to as "small groupian," "departmentalism," "unitism," or "dispersionism")—and an infrastructure—assets and retained revenues.

Ever since the 1950s, the state has launched a continuing series of inspections and investigations of the revenues retained by work units. "Small coffers," as they are called, continue to flourish, however. The actual control of assets and revenues by the danwei is so extensive that one might argue that the main form of property rights in China has long been "work unit ownership," rather than state ownership. According to official statistics from the Bureau of State Property Management, the assets controlled by administrative and nonproduction units that should actually belong to the state amounted to 892 billion yuan by the end of 1993. Currently the government is pushing for a clear accounting and systematic registration of work unit assets. If successful, this effort would mark the first time in PRC history that a legally defined distinction between state and danwei assets in a public unit has been enforced.

Because of its reliance on work units for both political control and welfare, the state has to date been unable to control the finances of work units. The state's delegation of public goods provision to the units has proved both facilitative and obstructive in the transition to a market economy. The relative autonomy of the danwei encouraged units to take the initiative in adapting to new market conditions and allowed the state to reduce drastically its budgetary support for many projects. At the same time, the lack of a centralized welfare system and dwindling state financial support created bottlenecks, forcing the state to delay its much-publicized state-owned enterprise reform program and inclining work units to seek additional extrabudgetary revenues. Caught in between diminishing state funding and pressure from an increasingly mobile labor population (including people leaving their danwei and nonurban residents coming to the city to search for work), municipal authorities find themselves unable to provide needed social services. This has generated new tensions between urban dwellers and the so-called floating population, as Dorothy Solinger indicates in chapter 8.

Perhaps the most distinctive feature of the danwei is its encapsulation as a community and social cell. In some cases, the physical separation by brick walls is matched by an invisible segregation as well. As one geographer has noted, "When a new danwei is started, wall-building is the first step in construction, not the last as is common in North America. Buildings relating to it are faced inward rather than outward, either by making a separate wall or by arranging the individual parts to achieve the same effect. Such spatial arrangements create a protected area within, a boundary effect, and a means of excluding outsiders. From the Chinese point of view, the enclosure of place makes it proper and secure—conducive to effective social interaction and to organization of activities within... It excludes those who are not members, while at the same time it provides a basis for integrating those within it into an effective social, economic, and political unit." The consequences of such cellularization of Chinese society are both internal and external. Inside, as Andrew Walder noted in his study of urban industrial units, members become dependent on the unit for both political and economic resources. Externally, urban units are separated from one another and from rural communities. Because these enclosed entities resemble traditional agricultural communities, urban danwei are sometimes referred to as "villages within a city"—the title of a popular movie in the early 1980s.

In the "Third Front" effort to relocate defense industry to the interior during the Cultural Revolution, the basic character of the danwei was not altered by the rural setting. Nor did these transplanted enterprises make much of an impact on their new environment. Consider the case of a large state-owned weapons factory with some five thousand employees, which was first established in the remote mountains of Shaanxi province in 1968. The factory was situated in a poor agricultural area surrounded by three villages. Under normal circumstances, a large industrial establishment of this sort would stimulate the local economy. However, in this case the factory was entirely self-sufficient. Not only did it operate its own entertainment facilities for employees, but it also ran its own dairy, retail shop, and vegetable and pig farms. Local peasants were given no access to these services, and any contact between the two separate communities was confined to conflict.

The encysted character of the danwei has become an accepted feature of the system. People speak of events as occurring "out in society" (zai shehui shang), as if their own danwei were entirely separate from the wider social environment. To
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The working population, the danwei is seen more as a self-regenerating communal and welfare entity than as an organization that provides products and services for society at large. It is this somewhat unique situation—with the danwei holding independent interests that sometimes conflict with those of the state, yet remaining outside “unorganized” society—that prompts us to emphasize the ambiguous status of the work unit vis-à-vis both state and society.

Historical and Comparative Perspectives

The chapters that follow examine the Chinese work unit in historical and comparative context. Part I, focusing on the question of origins, provides three quite different—yet complementary—explanations for the derivation of the danwei system.

Xiaobo Lu locates historical antecedents of the danwei in the free supply system and related practices of economic self-reliance that emerged in the Communist base areas during the revolutionary war years. To provide for the livelihood of their members, administrative and military units were encouraged to engage in production and permitted to retain a proportion of their revenues as collective assets. This development created a realm of the “small public” that Lu sees as the “institutional foundation for units to pursue their own tangible interests, legitimately or illicitly.” Lu traces the continuation of these practices into the post-1949 period, when, especially during times of economic duress, danwei assumed major economic and welfare responsibilities.

Wen-hsin Yeh, by contrast, highlights the urban, non-Communist forerunners of the danwei. Through a case study of Shanghai’s Bank of China, Yeh details the development in the 1930s of a communal corporate culture in which “most boundaries between the private and the public, the personal and the professional, were erased.” At the bank, work routines were supplemented by a heavy schedule of social activities, including reading clubs, group dinners, study societies, and sports. A moribundo philosophy that stressed paternal authority and emphasized the character and behavior of employees, in lieu of material incentives, pervaded the banking organization. Unlike the free supply system of the Communists studied by Xiaobo Lu, the Republican banking communities were concerned less with the provision of basic livelihood than with the creation of a new community culture. Although the wartime experience politicized this process and discredited the authority of the corporate patriarchs, it did not undermine the basic moralism that had come to infuse corporate life. This, according to Yeh, “eased the transition into a sort of personalized Chinese communism that combined collective leadership with institutionalized familialism.”

A third interpretation is offered by Elizabeth Perry. Like Lu, Perry associates the origins of the danwei with pre-1949 Communist activities. Like Yeh, however, she searches for these practices not in the rural base areas but in the cities. And unlike both Lu and Yeh, she highlights the labor movement—specifically that wing of the Shanghai labor movement dominated by skilled artisans and closely linked to the Communist Party—in giving rise to the danwei system. Leaders of this labor movement from the 1920s on, most notably Li Lisan and Chen Yun, played a key role in putting together defining components of the danwei system after 1949. Yet, according to Perry, the institution of the danwei—like the labor movement itself—was divisive, creating “a gulf between the haves and have-nots of Chinese socialism that has fueled major strike waves in every decade of China’s history since 1949.”

Dissimilar as their explanations are, the chapters dealing with origins highlight specifically Chinese roots of the danwei. By contrast, the contributions in Part II of this volume provide a comparative context. The chapter by Anita Chan examines the Japanese experience, while the chapters by Rudra Sil and Kenneth Strauss look at the Soviet exemplar.

As Sil notes, certain aspects of the danwei (e.g., the attempt to combine production functions with a paternalistic form of community) are commonly found in the factory systems of other late-industrializing countries. Moreover, among Communist countries—where the state enterprise was made responsible for both welfare provision and political control—additional similarities can be detected. Nevertheless, it is clear that such affinities have evolved from the exigencies of industrial development rather than from Communist theory. The writings of Marx, Lenin, Stalin, and Mao offer few guides to the organization of urban society. Both Soviet and Chinese practice emerged in improvised fashion, with similarities and differences reflecting the interaction of long-standing traditions and changing socioeconomic conditions in the two countries.

Kenneth Strauss stresses the carryover of rural collectivist and egalitarian values in the factory social relations of prerevolutionary Russia. Initially, according to Sil, Bolshevik leaders built upon these norms in setting up factory councils and calling for an egalitarian wage policy. Before long, however, economic difficulties convinced both Lenin and Trotsky of the need to stress factory discipline at the expense of “worker’s control” and wage egalitarianism. Under Stalin, Soviet practice departed even further from communal norms as power became concentrated in the hands of factory directors and differential wage rates encouraged intraworker competition. Such developments, Sil argues, led to growing alienation among the work force. The lesson he draws for China is that “before replacing the entire danwei system with firms modeled after those in the West, Chinese reformers should pay careful attention to the legacies they inherited, that is, the attitudes, values, and behavioral norms exhibited by workers and their supervisors.”

Kenneth Strauss paints a somewhat different portrait of the Soviet factory, emphasizing its role as provider of food, housing, recreational facilities, health care, education, transportation, and so forth. Like Sil, Strauss notes that the Stalinist factory wielded considerable disciplinary power over its work force. As a functionally specialized institution, it was a world apart from the traditional
peasant commune. But Straus also notes that when managers succeeded in fulfilling the basic socioeconomic needs of their workers, "the factory realized its potential as a powerful unifying social force, a 'community organizer.'" As in the Chinese danwei, a clear distinction developed between "insiders" (who enjoyed the privileges available only to regular workers) and "outsiders" (e.g., temporary laborers who were denied access to quality housing, food, and other provisions). Straus concludes that among those workers who benefited from factory welfare we find not anomie but "the creation of new social solidarities."

The difference in emphasis between Sil and Straus is surely attributable in part to the particular features of the Soviet factory system on which they focus their central attention. Whereas Sil emphasizes the failure of Soviet managerial elites to "capture" the work force through hierarchical control and differential rewards, Straus seeks to provide a more nuanced appreciation of the Soviet factory by highlighting the role of welfare provision in recreating solidarity at the workplace. Whether we prefer Sil's stress on managerial hierarchy and worker alienation or Straus's somewhat more positive assessment of the Soviet factory as "community organizer," we still do not find in the Soviet case the degree of either control or community that is characteristic of the Chinese danwei. The differences, as Barry Naughton suggests in chapter 7, have much to do with the distinctive economic foundations of work units in the two countries.

Anita Chan points out that the Chinese danwei departs in important respects from both the "market-oriented" system of most Western economies (in which skill is seen as a demand-driven asset adhering to individual workers who are potentially mobile) and the "organization-oriented" Japanese model (in which firms compensate their workers according to criteria other than skill, expecting in return a high degree of permanency and loyalty). As in Japan, Chinese work unit is marked by job security, low turnover, and wages rates pegged to the personal attributes of the worker rather than to skill levels per se. But, as Chan notes, in China the system was intended to facilitate identification with the state rather than with the enterprise. This state-oriented employment system, she argues, had deleterious social and economic consequences that helped set the stage for recent reform efforts. As the reforms work to extricate Chinese enterprises from the constraints of the command economy and the restraints of party control, Chan detects the possibility of a growing convergence between the Chinese and Japanese models.

Where is the danwei system heading under the impact of the current industrial reforms? Part III explores this question from several different, yet overlapping, angles. While Barry Naughton provides a general overview of the changing economic functions of the danwei, Yanjie Bian and his coauthors focus on the critical problem of urban housing, and Dorothy Solinger highlights the equally important issue of labor mobility and control. Despite the similarities between the danwei and aspects of enterprise systems in the former Soviet Union and Japan, Barry Naughton emphasizes the unique-ness of the Chinese situation. In explaining the distinctive features of China's danwei system, as it emerged full blown in the mid-1960s, Naughton points to three factors: the virtual absence of labor mobility, substantial surpluses at the enterprise level, and a streamlined administrative command in which many types of decisions were made by the danwei leadership. When the post-Mao economic reforms were first implemented starting in the 1980s, the danwei system was actually strengthened—as retirees were replaced by their own children and work units assumed greater responsibility for housing construction. Over time, however, increased labor mobility and pressure from competing industrial firms has been forcing state-owned enterprises to reconfigure their activities. The central leadership is reluctant to abandon the danwei altogether because of the difficulties in imposing political control, the problems in implementing a national pension system, and the like. Yet, concludes Naughton, "the most powerful, more fundamental, and most long-lasting forces are those that tend to undermine the danwei and push the system toward greater marketization."

Dorothy Solinger, in examining the question of labor mobility and control, presents a complex picture in which bureaucratic, market, and personalistic forces interact to create a "transitional hybridization of the firm." In the matter of job recruitment, the market still plays little role in determining who is selected for employment in either the state or nonstate sector. Instead, bureaucratic regulations and personal connections remain the determining factors. In the matter of worker welfare, however, Solinger detects an important difference between state-owned firms, which continue to provide major benefits to their workers and township and village or foreign-owned enterprises that represent a "throwback to the totally unregulated laissez-faire capitalism of the mid-nineteenth century." Solinger does not see the decline of the danwei as ushering in a benevolent form of welfare state capitalism. Instead, she suggests that the floating population may be contributing to the development of an informal economy of the sort delineated by Manuel Castells and Alejandro Portes for other areas of the world: "A new society based on the relationship between unrestricted capital and primary social networks."

As Naughton acknowledges, one of the areas in which the reforms have made little headway is housing allocation. That issue is explored in detail in the paper by Yanjie Bian and his coauthors. Based on surveys of the housing situation in two major Chinese cities (Shanghai and Tianjin), Bian et al. argue that work units continue to reward their employees through the provision of housing and that "there is little reason to expect the commodification of housing to disrupt this aspect of the system's operation." Despite differences between the two cities, Bian and coauthors find that the housing reforms have not reduced the overall authority of the danwei. On the contrary, "work units necessarily intervene decisively in determining who has access to what kind of housing, and at what price."

In short, China's industrial reforms may be creating a situation in which
unbridled capitalism and personal connections come to fill the gaps left by a retreating danwei system. As a recent study of the Chinese work unit under reform concludes.

Reform has clearly brought with it a metastasis of informal connections of every type, for both legitimate and sub rosa (or outright criminal) activities. Among contradictory trends we are struck by the contrast between the commercialization of guanxi on the one hand, and the resurgence of primordial (mostly kinship-based) ties on the other. The question is whether the existing framework will be sufficient to contain this cancerous proliferation.36

Will the Chinese situation evolve into something resembling the Japanese prototype, as Anita Chan suggests? Or will it devolve into the "disenfranchise- ment" of labor characteristic of many third world economies, as Dorothy Solinger implies? It is too early to predict with confidence the outcome of the danwei reform effort. Whatever the end result, however, there is little doubt that the distinctive features of the Chinese socialist work unit will shape this historic transition.

Notes
4. There have been some discussion on reforming the operation and functions of those units in the media and academic journals. See, for example, Jingji ribao [Economic daily], January–May 1993.
5. See Shehu [Society], no. 1 (1994).
11. See Zhao Chenfu, "Jiejue qiye shengzheng jibiehua wenti de gouxiang" (Ideas on solving the problem of administrative ranking of enterprises), Dangjian yanjiu neican [Internal references on party building], no. 6 (1993).
13. Zhongguo laodong tongji nianjian (1991) [Chinese labor statistics yearbook] (Beijing: Zhongguo laodong chubanshe, 1991); figures are from 1990 and all units belong to the public sector.
17. Zhao Chenfu, "Ideas on solving the problem of administrative ranking of enterprises), Dangjian yanjiu neican [Internal references on party building], no. 6 (1993).
18. Ibid.
20. Ibid.
21. See Dittmer and Li, "Personal Politics in the Chinese Danwei."
23. See, for example, an interesting study by Sebastian Heilmann, "The Social Context of Mobilization in China: Factions, Work Units, and Activists During the 1976 April Fifth Movement," China Information, 8, no. 3 (winter 1993–94).
24. See Dittmer and Li, "Personal Politics in the Chinese Danwei."
28. Ibid.
30. Ibid.
32. Walder, Communist Neo-Traditionalism.
34. Dittmer and Lü, "Personal Politics in the Chinese Danwei."