SOURCES OF LABOR DISPUTES
IN EAST ASIAN-INVESTED ENTERPRISES IN CHINA:
FROM AN INSTITUTIONAL AND ORGANIZATIONAL PERSPECTIVE

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By
Young-Jin Choi

Dissertation Committee:

Hagen Koo, Chairperson
Herbert Barringer
Ronald Heck
Yeanju Lee
Guobin Yang
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ABSTRACT

This study examines the nature and sources of worker resistance and critical factors that influence labor unrest in East Asian-invested enterprises in China, according to their national origins. Organizational characteristics, institutional arrangements, work conditions, workforce and managerial composition, and managerial styles are considered as major determining factors in labor disputes. The surveys and interviews were conducted at thirty-nine factories in coastal cities (including Dongguan, Shanghai, Kunshan, Qingdao, Tianjin, and others) from 2000 to 2001. Thirty-nine managers and 291 workers were interviewed and surveyed.

The findings demonstrate that long work hours and a less regulative managerial style have significant and positive effects on the number of labor disputes in Hong Kong-owned firms. Among Taiwanese-owned firms, authoritarian managerial style and long work hours have significant effects on the frequency of labor disputes, while the lack of unionization has a diminishing effect on labor disputes. Korean-owned firms, on the other hand, often encounter frequent collective actions organized by a homogeneous local workforce, supported by a relatively higher numbers of trade unions. Korean-owned firms, responding to the relatively stringent labor enforcement and institutional arrangements of local governments in northern China, tend to adopt less regulative and less authoritarian managerial styles. Lastly, Japanese-owned firms experience the lowest number of labor disputes compared to their counterparts. The observance of legal work hours and a regulative managerial style has a significantly diminishing effect on the number of labor disputes, although the higher institutionalization of labor relations somewhat positively contributes to the frequency of labor disputes.
Finally, comparative historical data also suggest that managerial style as a cultural factor has a differential effect on the frequency of labor disputes, as the market transition proceeds in China. It seems that managers adapt to local labor practices over time. Accordingly, the direct sources of labor disputes are attributed to institutional and economic factors, such as labor contract conditions, pay reduction, and pay held in arrears, and the like, are likely to have stronger influence than cultural factors have.
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<td>ACFTU</td>
<td>All-China Federation of Trade Unions</td>
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<td>CCP</td>
<td>Chinese Communist Party</td>
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<tr>
<td>CJV</td>
<td>Contractual joint venture</td>
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<tr>
<td>EJV</td>
<td>Equity joint venture</td>
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<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
</tr>
<tr>
<td>FIE</td>
<td>Foreign-invested enterprise</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>JV</td>
<td>Joint venture</td>
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<td>LME</td>
<td>Large and medium enterprise</td>
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<td>LAC</td>
<td>Labor Arbitration Committee</td>
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<td>MNC</td>
<td>Multinational corporation</td>
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<td>MOLSS</td>
<td>Ministry of Labor and Social Security</td>
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<td>NPC</td>
<td>National People’s Congress</td>
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<td>OEM</td>
<td>Original equipment manufacturing</td>
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<td>POE</td>
<td>Privately-owned enterprise</td>
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<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
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<tr>
<td>SASP</td>
<td>State Administration for State Properties</td>
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<tr>
<td>SEZ</td>
<td>Special Economic Zone</td>
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<tr>
<td>SOE</td>
<td>State-owned enterprise</td>
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<tr>
<td>SME</td>
<td>Small- and medium-sized enterprise</td>
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<tr>
<td>TNC</td>
<td>Transnational corporation</td>
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<td>TVE</td>
<td>Township-village enterprise</td>
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<td>Acronym</td>
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<tr>
<td>UCE</td>
<td>Urban collective enterprise</td>
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<td>WFOE</td>
<td>Wholly foreign-owned enterprise</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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CHAPTER 1

OVERVIEW OF THE STUDY

Introduction

This study examines the nature and sources of worker resistance and the critical factors that influence labor unrest in East Asian-invested enterprises run by Hong Kong, Taiwanese, Korean, and Japanese firms in China, using a sociological framework of organization and work. It investigates the frequency and sources of labor disputes among such firms operating in China. It is assumed that labor disputes are affected by multiple underlying factors: organizational characteristics, institutional arrangements, work conditions, workforce and expatriate manager composition, and managerial styles. The study also examines which factor – institutional, cultural, or economic - becomes more important as a source of labor dispute over time as Chinese economy is transformed into a market economy.

The present study builds on the important insights offered by previous descriptive works (Chan, Andy, 1999; Chan, Anita, 1998, 2001; Chan & Norlund, 1999; Gallager, 2001; Hsing, 1998; Huang, 1998, 1999; Lee, 1998, 1999; Perry, 1993; Pun, 2001; Shack 1997, 1999) and some analytic works (Guthrie, 1999; Tang and Parish, 2000). Due to a lack of consensus concerning the theoretical framework to be used in analyzing labor unrest in China, no significant empirical research exists as to how labor unrest is influenced by such crucial factors. Accordingly, this study should aims to help understand, “What explains labor disputes in foreign-invested enterprises in developing countries which are experiencing rapid economic liberalization and global transformation?”
As a result of the 1979 “reform and open policy,” China has attracted much foreign investment across a wide spectrum of manufacturing industries, making it the second largest recipient of foreign investment in the world. According to China Foreign Trade and Economy Department Cooperation (2001), foreign direct investment (FDI) in China had reached US$ 275 billion by 2000. Of this, the amount of investment from neighboring East Asian countries constituted 70.4 percent, with Hong Kong investing US$ 142 billion, Japan US$ 23 billion, Taiwan US$ 22 billion, and Korea US$ 7.9 billion. These investors are, by and large, small and medium enterprises (SMEs), and they operate simple and labor-intensive production and assembly processes. A significant proportion of FDI flows into China from investors of a very different stripe such as joint ventures, joint share holding firms, wholly foreign-owned enterprises, and the like (Huang, 2003). This, indeed, is a consequence of a fundamental restructuring of the economy and concerted efforts on the part of the government to attract FDI, as the socialist ideology in China has come to an end.

Since the implementation of economic reforms and the acceleration of globalization, labor protests in China have increased strikingly, but the nature of labor protest varies according to the ownership of the enterprises. In state-owned enterprises (SOEs), labor disputes have been mostly defensive in that workers generally demand only what they have already been promised. Strikes as a form of protest have been staged not to raise salaries, but to protest unpaid wages or late payment of retirement pensions. Of late, however, workers’ demands have expanded to address fundamental political problems such as corruption (Lee, 2002; Weston, 2002). In general, workers’ resistance strategies have taken the form of either strikes or collective petitions.
With the increase in foreign investment, conflicts between management and migrant workers in foreign-invested enterprises (FIEs) have also intensified. The frequency of labor disputes in foreign-invested enterprises and private firms drastically increased from 1,370 in 1991 to 6,298 in 1997 and then to 41,068 in 2000 (China Labor Statistical Yearbook, 1992, 1998, 2001). Over a period of ten years, the number of labor disputes in the non-state sector has increased by as much as thirty times. Workers in foreign-invested enterprises are more likely to be agitated by exploitative labor practices than workers in SOEs (Ogden, 2000). Aside from SOEs, however, the majority of strikes in foreign-invested enterprises were not the product of organized resistance but the result of spontaneous decisions reached at local network or work-floor levels.

This is noteworthy particularly among East Asian-owned firms. In general, workers in Western-invested firms that rely on capital and technology are treated better than workers in East Asian-invested firms, probably due to the introduction of human resource management (Chan, 1998; Whyte, 1999). In fact, European and U.S. multinational corporations offer better remuneration and benefits than do Japanese ones in China (Ma, 2000). Accordingly, the Western-invested firms tend to maintain stable labor relations. In contrast, Chinese trade union officials claim that the most abusive foreign bosses among East Asian-invested firms are the Koreans, followed by the Taiwanese, and lastly the Hong Kong Chinese (Chan & Norlund, 1999). Some scholars suggest that there are variations both in the managerial styles and in the consequent nature of labor disputes between firms operated by different countries, as well as between the northern and the southern regions of China (Chan, 1998). However, no systematic
comparative research has been undertaken on this issue in terms of the national origin of firms.

The influence of globalization on work and employment and on labor and the management processes is generally well understood but not carefully documented yet (Deborah & Smith, 2002). Some Chinese and Western scholars have argued that much of the labor unrest in Chinese enterprises is due to inhumane, abusive, and authoritarian managerial practices used by Korean-owned firms that are similar to managerial styles within Korea. However, there are two things that need to be clarified on this point. First, the extent of labor disputes among Korean-owned firms in China is not well documented, as no official data are available. Although, for instance, it is reported that workers in Korean-invested enterprises had the most labor disputes in the city of Tianjin in 1993 (Perry, 1995), there are no comparable nationally based data available for East Asian-invested enterprises. Second, although some scholars claim that the Korean authoritarian managerial style is most likely to arouse labor disputes, the institutional factors may be equally important in affecting labor disputes.

Moreover, previous studies have not discussed variations in formal institutions (i.e., the presence of trade unions, or internal mediation committees, or the signing of labor contracts) and their role in East Asian-owned enterprises facing labor disputes. If they are dysfunctional, are there any informal institutions which can be substituted for formal institutions? We also need to closely look into variations in the composition of the workforce among these firms to see whether it is homogeneous or heterogeneous. The large number of employees from the same locality working together has a significant cultural meaning which can lead to solidarity. In China, language can be either a
significant source of difference or the primary basis for a feeling of trust (Solinger, 2002; Guldin; 2001). Accordingly, the extent of workforce homogeneity has a large difference influence on labor dispute.

We need to closely look at the extent to which these crucial variables interact with several other variables in determining the frequency of labor disputes. A careful and systematic, comparative, and empirical research is thus required to examine this phenomenon. Since labor disputes often occur in small and medium-sized enterprises of East Asian origin, this research mainly focuses on such firms operating in coastal cities such as Dongguan, Kunshan, Shanghai, Qingdao, and Tianjin. Firms of East Asian origin are most heavily concentrated in these cities.

The Objective of the Study

This study aims to search for sources of labor dispute among East Asian-invested enterprises. There have been a few case studies on such topics as the factory production system in Hong Kong-owned firms in China (Lee, 1998; Pun, 2001), managerial styles in Taiwanese-owned firms in southern China (Hsing, 1998; Huang, 1998; Schak, 1997, 1999), interview surveys regarding the institutional arrangement of state-owned firms and joint ventures in Shanghai (Guthrie, 1999), as well as institutional differences between firms in southern and northern China (Gallagher, 2001). These studies have clearly enriched the literature and made inroads into building a solid empirical foundation in this area of research.

Drawing upon the insights provided by these studies, the objective of this dissertation is to propose a model that systematically incorporates the key factors
affecting labor disputes among East Asian-invested firms in China. If, as some researchers believe, managerial styles are important causes of labor dispute, we need to clarify the variations in managerial styles among East Asian-invested enterprises. We should examine which managerial practices are associated with a greater or lesser likelihood of labor dispute. This study thus intends to identify the extent to which managerial style contributes to both the frequency and intensity of such labor disputes. At the same time, the study explores how different local institutions arising from location choice affect the number of labor disputes. Given the path-dependent nature of social and economic development, each region has given rise to distinctive institutional contexts for firms in China (Boist & Child, 1999; North, 1990).

In addition, as China moves towards the market economy, it should be asked whether cultural, economic, or institutional factors influence labor disputes as significantly now as they did when the enterprises were just invested. It would have made significant differences if local governments had institutional arrangements and legal enforcement at the same time as foreign-invested enterprises were adapting to local practices.

Background of the Study

As mentioned above, previous studies of labor relations in China are on the whole descriptive and informative in nature. They help us understand the plight of alienated Chinese workers and exploitative workplace situations under globalization (Chan, 2001; Howell, 1998; Perry, 1995). Some comparative studies specify the concrete social processes and institutional mechanisms generating labor conflicts in the state and non-
state sectors (Lee, 2002). The need for a more systematic and thorough analysis that broadly explores organizational, institutional, cultural, economic, and workforce variables in the Chinese context has only been partially addressed before (Chan & Norlund, 1999; Gallager, 2001; Guthrie, 1999; Lee, 1998, 1999; Perry, 1993; Pun, 2001; Tang & Parish, 2000).

It is interesting to note that some researchers view the management styles of East Asian-owned firms in China to be almost identical with one another due to a shared cultural heritage. They are all recognized for their authoritarian management styles in that they are repressive towards their Chinese workers (Chan 1998; 2000). This may be because some scholars have merely examined East Asian-owned enterprises in a given region, particularly in southern China, without considering how these firms conduct business in northern China (Chan, 2001; Chan & Norlund 1999; Chiu & Frenkel 2000).

This study contends that there are some significant variations in management styles among East Asian-owned firms on the basis of country of origin. Given this, important questions to answer are whether Chinese workers perceive such differences in managerial styles among these East Asian-owned firms, and how these differences in managerial styles bear on the nature of labor relations and the frequency of labor disputes. Do these East Asian-invested firms maintain same managerial styles in the Chinese setting that they brought from their own countries, or do they adopt different managerial styles in China? In addition to answering these questions, this study concerns whether or not similar patterns of labor control and managerial style, in light of national and regional variations, can be identified. Above all, a question is raised concerning the extent to which the unique managerial styles amongst firms originating from different
countries are reflected, identified, and adjusted to in a Chinese setting (Child & Yan, 2001; Earley & Erez, 1997; Hofstede, 1991).

Factors Contributing to Labor Disputes

We highlight three major factors relating to labor disputes. First, prevailing institutional arrangements and political circumstances have significant effects on the installations of new production systems and employment relations. Embedded in social and political environments, foreign-invested enterprises tend to adopt decisions and practices that reflect the institutional environment, that is, the normative, legislative, and cultural pressures that they face. Indeed, there exists a markedly different institutional context in China; foreign-invested enterprises have to make a strategic choice about how to deal with it (Boist & Child, 1999).

From an institutional perspective, Guthrie (1999) argues that the existence of internal mediation committees in Shanghai firms makes labor disputes less likely to reach the Labor Disputes Arbitration Committee. On the other hand, Lee (1995, 1998) suggests that institutional arrangements in Hong Kong and Shenzhen differ significantly in terms of labor markets, recruitment, and labor law enforcement. Chan (1998) also pinpoints the distinctive styles of management between North China and South China, without taking into account different institutional influences. Gallagher (2001) closely examines institutional differences by contrasting corporatist and market labor practices between North and South China in terms of sanctioned institutions such as trade unions, labor contracts, and local governing of migrant labor. These differences affect the bargaining power of the workers. Although Guthrie (1999) recognizes the importance of institutional
influence on worker discontent and investigates internal mediation committees within the different kinds of firm ownership in Shanghai, he does not make regional comparisons. Other scholars seem to have only implicitly recognized the importance of regional differences in institutional arrangements.

In this respect, further research is required to investigate in what sense institutional arrangements are associated with labor relations among foreign-invested firms in different regions of China. Given the substantial discretion and rule-making power of local governments in the enforcement of Chinese labor laws, it is likely that the different institutional arrangements that prevail among East Asian-invested enterprises in China vary significantly in terms of the presence of trade unions, internal mediation committees, and labor contracts. It is important to note what elements contribute to these disparate institutional arrangements. More importantly, we hypothesize that relative autonomy of local governments in the institutional arrangements of labor relations differentially affects labor disputes, using the presence of trade unions, internal mediation committees, and the enforcement of labor contracts as explanatory variables.

Second, previous research has identified different types of managerial styles among East Asian nations. Taiwanese management tends to adopt arbitrary regulatory authority, wherein organizational rules spell out workers' behaviors and impose sanctions, enabling expatriate managers to directly control their workers using a modified form of personal control (Edwards, 1979; Huang, 1997). Hong Kong-owned firms adopt hybrid managerial styles – regulative, paternalistic, and even rational (Chan. Andy, 1999). Unlike the reciprocal paternalistic authority employed at home, Japanese managers utilize institutionalized (or remote) paternalistic authority that leaves labor
management to their Chinese counterparts (Whitley, 1999). Korean managerial styles are found on two different forms of authority: one is paternalistic patriarchal authority and the other is directive authority which originated from legacies of colonial and military regimes. As seen in Korean-owned firms in China, if the management maintains their authoritarian and normative approach based on informal rules, they are more likely to come into conflict with Chinese workers.

In the absence of shared expectations and values, and lack of knowledge of labor practices in China, they are prone to arouse labor discontent. As a result of the failure to impose legitimate sanctions, Korean firms have been notorious for using inhuman and abusive managerial practices that humiliate Chinese workers (Chan, 2001). These managerial styles have a bearing on working conditions. That is, arbitrary regulatory or authoritarian managerial styles should lead to worse working conditions such as long working hours and low wages.

Third, another variable that has a mediating influence on labor unrest is the composition of the work force. Perry (1993) observes worker fragmentation and argues the fact that activism in China does not stem entirely from working class solidarity, as Marx asserts. In Shanghai, collective action has been based on the solidarity formed around skill and native-place, since artisan guilds are area-based. Perry (1997) consistently contends that the current upsurge in the number of temporary migrant workers in coastal cities is correlated with the resurgence of labor protests based on native-place identity and organization. Meng (2000) provides data that compares the proportion of migrants by place of origin in Jinan, Shandong and Dongguan, Guangdong. The data suggest a huge difference in terms of composition of migrants (non-locals).
between two cities. If they come from the same clan and village, they are more likely to share not only personal daily concerns, but also their predicaments and sentiments about the workplace. Therefore, it is likely that the more homogenous a workforce in a factory is in terms of skill level or place of origin, the more labor disputes are likely to occur.

There are also a few less crucial factors contributing to labor disputes, such as political circumstances, organizational characteristics, the proportion of expatriate managers, and the like. First, the political factor of local-state business relationship can affect work conditions and labor disputes. If the business association is strong, the local government tends to embrace looser labor standards and support foreign-owned firms in repressing labor mobilization.

Second, there is also an association between organizational characteristics and labor disputes. It is often mentioned that workers in small firms behave in ways more compatible with the goals and interests of their employers than do employees in large firms (Goss, 1988). Thus, industrial relations in small firms are presumed to be more harmonious. In support of this assertion, attention is usually drawn to the relative infrequency of labor disputes. However, an absence of explicit conflict does not necessarily mean a high level of identification between employer and employees, nor a state of ‘industrial harmony’. Such favorable conditions are actually less prevalent in small firms. Furthermore, unions are apt to be poorly organized and relatively meager, shift work uncommon, and overtime and productivity payments irregular. A handful of workers in a small firm have limited potential for organizing labor when their employers are able to explicitly connect compliance with the ultimate survival of the enterprise or the threat of job-loss (Goss, 1988). Moreover, the employer in small firms have a
tendency to undertake shop-floor work, occasionally of a menial character, as a means of observing work in progress and organizing 'indirect surveillance' and control. In larger firms, on the other hand, the employer tends to be excluded, preventing him/her from exercising 'direct control' (Edward, 1979). Accordingly, relatively large capital-intensive firms are more likely to confront labor disputes than small labor-intensive firms.

Third, a higher proportion of expatriate managers are likely to contribute to the occurrence of labor disputes due to lack of cultural understanding and language barriers. Adhering to foreign managerial styles and labor practices undoubtedly leads to worker grievances and discontent. Contrarily, a higher proportion of local managers and the localized labor practice lead to stable industrial relations in the workplace.

Theoretical Approach to the Study

This study opens up an analytic terrain for a synthetic inquiry into labor dispute issues by reconciling the three perspectives on the organization – rational, natural, and open system (Scott, 1997). Combining structuralist, institutionalist, culturalist, and rationalist approaches to examining labor unrest in China, this study aims to provide an integrative analysis of organizational structure and culture, institutional opportunities, and potential labor capacities as sources of labor dispute. In our schema, managerial styles interacting with institutional arrangements affect working conditions; the composition of the workforce in turn has a mediating influence on the occurrence of labor disputes (see Figure 1).

We introduce three major hypotheses here: First, institutional arrangements such as the presence of trade unions, internal mediation committees, or signed contracts affect
labor disputes. Second, labor disputes are influenced by different managerial styles, other objective conditions being equal. More specifically, the firms that employ authoritarian managerial styles are more likely to arouse labor disputes or high levels of labor discontent. Third, the composition of the labor force influences labor disputes. A homogeneous labor force (in terms of native origin) is more likely to organize collective resistance.

The details of each of the key variables are as follows. Organizational characteristics are represented by the capital investment per employee in each firm. Institutional arrangements refer to trade unions, internal mediation committees, and the enforcement of labor contracts. Working conditions are defined by monthly wages and weekly work hours. Workforce and management characteristics include the proportion of non-local workers and expatriate managers, respectively. Cultural factors include managerial styles described as the regulative, authoritarian (normative), or paternalistic styles. For time variation, we compare cultural, economic, and institutional factors, and see how they triggered labor disputes between the first and second half of the 1990s, using secondary data sources.
Figure 1: Conceptual Framework of Labor Disputes

Political Factor

Institutional Arrangements

Organizational Characteristics

Managerial Styles

Proportion of Expatriate Managers

Working Conditions

Workforce

Labor Dispute
The Empirical Approach

This research combines multiple research methods to utilize the available rich evidence to explain labor disputes among East Asian-invested enterprises in China. In order to tease out cultural, institutional, and economic variables, and to understand the factory situations holistically, it is necessary to combine quantitative and qualitative research methods as well as make use of comparative historical research. Methodologically, this research design incorporates three sets of systematic comparisons - the country of origin of firms, type of industry, and time-period, and integrates data from diverse sources, such as historical secondary data and survey data.

First, this study uses quantitative research methods to investigate various factors such as institutional, organizational, economic, cultural, and structural factors. It assumes that the managerial style of an organization is a perceptual manifestation amongst those members that are cognizant of managerial practices. Internal firm data represents organizational, institutional, economic, structural factors from the point of view of management and cultural factors based on investigating workers’ perceptions of the firm.

Second, we employ qualitative methods including non-participatory observation and unstructured interviews with officials, managers, workers, and former workers. This allows us to better comprehend situation in the workplace which the institutions are relevant to the Chinese labor situation in general.

Third, we conduct a historical comparison using secondary sources such as government documents and newspapers in order to enhance our understanding of social processes in other times and places (Schutt, 1999). This provides an effective examination of how the types and sources of labor disputes have changed over time.
among all kinds of enterprises (defined by level of ownership) and East Asian-owned enterprises. Systematic content analysis enables us to draw inferences from the historical documents. However, it should be noted that there are inherent limitations to these methodologies, such as inaccurate documentation, missing data, and inconsistency of data due to focus on single cases.

We will discuss these multiple research and data analysis methods in detail, including discriminant, multivariate analysis in Chapter Five and decomposition analysis in Chapter Six. We will explain how qualitative data from local newspapers was converted into quantitative data for the comparative historical approach in Chapter Seven. Combining quantitative, qualitative, and comparative historical research methods has been undertaken to better comprehend the underlying sources of labor unrest in China.

Significance of the Study

There have been a few attempts to investigate the effects of several significant variables influencing labor disputes and grievances in the state sector in China (Guthrie, 1999; Tang & Parish, 2000). However, the previous studies in the foreign sector by and large remain descriptive and informative, albeit some have been theoretical. Thus, we require a well-grounded analytical framework that relies upon empirical data.

This study seeks to make at least four contributions to the literature on globalization, organization, and labor relations in East Asia. First, as mentioned earlier, scholars have not yet addressed all the critical factors when they examine the major sources of labor disputes in East Asian-owned enterprises in China or anywhere else. A model which takes into consideration significant factors would help us not only better
understand these issues, but also predict to what extent these factors would contribute to
the frequency of labor disputes. Furthermore, a close investigation of the influence of
each individual factor on the frequency of labor disputes, according to which
decomposing factors can include country each firm originates from.

Second, this study examines how the political economy and the sociology of the
organization and workplace interface by demonstrating how institutions and
organizations can mediate labor disputes. The study not only aims to establish a link
between the macro-structure and micro-pattern behaviors of behaviors in the Chinese
workplace, but also intends to assess the role and process of institutions such as trade
unions, internal mediation committees, and labor contracts. In doing so, this study offers
a systematic and composite approach to understand how institutional factors affect labor
disputes.

Third, this dissertation will contribute to the understanding of working conditions
of Chinese workers that may promote class-consciousness and labor movements in the
state and non-state sector. It will help us to understand what the differences are in the
important sources of labor unrest between state-owned enterprises and foreign-invested
enterprises in the process of globalization. This study will predict which sector is more
likely to develop a labor movement in China. Accordingly, this study will help us
understand the potential labor movement in China.

Fourth, this study contributes to the study of labor relations in developing
societies from a comparative perspective. It has been reported that Korean investors have
encountered labor disputes in other Asian countries, such as Vietnam, Indonesia, and so
on (Chan, 2001). Some argue that Korean managers are ineffective in handling local
workers due to their lack of understanding of culture of the host country, their poor managerial skills, and their attitude of ethnic superiority. However, these reports remain merely impressionistic and are not backed up by solid empirical data. Therefore, this study will contribute to the comparison of labor unrest as in Korean-owned firms directly invested in other countries with those in China.

**Organization of the Remainder of the Dissertation**

The research problems, theoretical approach to the study, and research methods have been addressed in this chapter. The remainder of the dissertation is organized as follows. Chapter Two reviews the relevant literature on important factors underlying organizing capacities of labor among East Asian-owned enterprises in China. It identifies crucial factors such as organizational characteristics, institutional arrangements, work conditions, composition of workforce and proportion of expatriate managers, managerial styles, and time variations that account for the differences in labor disputes. Then, the specific hypotheses of this research project are outlined.

Chapter Three examines China’s economic reform and open-door policy, beginning with the establishment of four special economic zones (SEZs) and expanding into the coastal developmental strategy and how legal institutions or governmental regulations have subsequently transformed. It also investigates major institutional transformations, such as labor, wages, and social security reforms, alongside the prevalence of regional capitalism and migration. It then looks into the reforms in state-owned enterprises that are closely intertwined with the development of the private sector, including foreign-invested enterprises, and discusses how local governments cope with
the restructuring of state-owned enterprises. Finally, it concludes with a discussion of important issues raised by on-going reform.

Chapter Four investigates how different patterns of foreign investment undertaken by East Asian countries and the concomitant migration and resultant labor markets have emerged in the coastal cities of China. The data from Chinese Statistical Year Books suggest that over the last two decades, employment has increased rapidly in the non-state sector, including foreign-invested enterprises, in contrast to a decrease in employment in the state sector. More significantly, the extent to which labor markets and wage structures have emerged varies widely, resting on the amount of foreign investment in different coastal cities. This chapter subsequently examines labor unrest as it has developed across different types of ownership in the 1990s. It not only compares direct sources of labor dispute among different types of enterprises by ownership, but also looks into which cultural, economic, or institutional factors become most significant in triggering labor dispute as China has transited into a market economy. This descriptive analysis is based on secondary data sources, including Chinese Statistical Year Book (2001), China Labor and Wages Statistics Yearbook (1990, 1995, 1997), Chinese Trade Union Statistical Yearbooks (1992-1996) China Labor Statistical Yearbook (1993, 1995, 1998, 2001), and the China Pay Level Survey (1997).

Chapter Five uses quantitative analyses to demonstrate how labor disputes have been differentially influenced by the interplay of organizational characteristics, institutional arrangements, working conditions, composition of the labor force and expatriate management, and managerial styles. The unit of analysis in the survey is the organization. The research methodology is discussed. It describes the research sites and
design of the survey, including data sources, instruments, measurements, and data collection procedures. The main explanatory variables are introduced and the data analysis techniques are mentioned. Overall, it illustrates linkages between the hypotheses / research questions, data, methods, and data analyses.

Chapter Six investigates how the individual explanatory variables differ and how each influences labor disputes by country of origin among East Asian-owned firms in China, expanding on the multivariate analysis in Chapter Five. We thus recognize the contribution of each independent variable to the deviation of the predicted mean number of country-specific disputes from the predicted grand mean. First, we examine firm structure and employment relations, such as ownership structure, characteristics of the workers (education and age level, recruitment methods, training period, wage determination methods), and labor regulations in terms of the national origin of firm. This is based on data from thirty-nine managers and 291 workers.

Second, in order to conduct the decomposition analysis, the frequency of labor disputes is predicted by putting average scores of the independent variables of each country of origin of firms into the regression equation of labor disputes calculated in the previous chapter. We subsequently examine whether or not it matches the real data of the frequency of labor disputes for each firm country of origin. After breaking down each factor by identifying the differences between the mean of independent variables and the grand mean of each country, and then multiplying them by each predictor, we can distinguish to what extent the individual factors contribute to the frequency of labor disputes for each country of origin of firms.
Chapter Seven examines worker resistance and the direct sources of labor conflict on the basis of survey data, comparing light industry and electronics industry. Here we seek to identify whether labor disputes match up with other forms of worker resistance according to each country of origin category. We then examine historical trends of labor unrest in the 1990s, comparing the forms and sources of labor unrest among East Asian-invested enterprises. Prior to these analyses, we identify various types of worker resistance, such as organized collective action and individual forms of resistance (Toth, 1999: 48). We also take into consideration gender issues related to worker resistance in China. An examination of historical trends in labor dispute predicts which factors have a more significant affect on labor dispute compared to other factors. The second part of the descriptive analysis is mainly based on secondary source data, including article quotations from previous studies as well as local Chinese newspapers.

Lastly, Chapter Eight summarizes the main issues and findings of this dissertation and discusses implications for the labor movement in China. Here, factors that deter the labor movement, such as the passive status of migrant workers, the role of the mass media, independent monitoring and international labor standards, and repressive governments, particularly in the non-state sector, are investigated. Opportunities and constraints to the development of a labor movement in China are examined. Finally, an alternative approach to enhancing workplace situations in China is assessed.

NOTES

1. Of foreign direct investment in China, more than 50 percent is in the manufacturing industry, and over 30 percent is in the real estate sector. Other sectors share only a small proportion of total investment (China Yearbook, 1998).
2. The frequency of labor disputes in foreign-invested enterprises and private firms in 2000 was 20,930 and 20,128 (China Labor Statistical Yearbook, 2001).
CHAPTER 2

LITERATURE REVIEW

Labor disputes in East Asian-invested enterprises are influenced by organizational characteristics such as the nature of the business, size of the firm, and managerial style. Institutional arrangements and workforce composition are also important elements determining labor disputes. Given such complexity, we should cautiously explore the underlying factors promoting labor disputes. Building on previous studies, we develop specific hypotheses regarding which factors are primarily associated with labor unrest. This chapter begins by describing current labor unrest in China and then examines some of the critical factors contributing to labor dispute by reviewing the existing literature on the subject.

Labor Unrest in China

Economic reform has dramatically affected the workforce in state-owned enterprises (SOEs) (O’Leary, 1998). In general, reform has led to reduced tenure rights and wages for those employed in unprofitable enterprises. At the same time, employees face increasing wage disparities, workforce segmentation, stratification, unemployment, gender discrimination, work intensity, and the likelihood of worsening industrial relations. These new conditions have triggered strikes and demonstrations among laid off workers in state-owned enterprises in the northeastern provinces. They demand job security, better fringe benefits, and investigation of allegations of corruption. On a larger scale, a number of disputes throughout China, particularly in the newer non-state sectors of industry, have also escalated dramatically. However, a large proportion of these
“disputes” may be more correctly classified as individual grievances in which the trade unions have gotten involved. Although labor disputes that went to arbitration committees for resolution reached 19,000 in 1994, less than 1,500 of these involved collective disputes (O’Leary, 1998).

Perry (1995) examined labor conflicts in foreign-invested enterprises before 1995, using secondary sources such as newspapers and media reports. She noted that in Zhuhai and Shenzhen, a total of seventy-four strikes involving nearly 10,000 workers occurred in 1993, while in Tianjin ten major strikes occurred in the same year: nine in Korean-owned enterprises and one in a Japanese enterprise. Maltreatment of employees was the cause of labor disputes in two of the Korean-owned firms in Tianjin. Regional division on the factory floor triggered labor organizing in southern China. This implies that managerial style have given risen to labor disputes through the mediating factor, the characteristics of the work force. We must also examine whether maltreatment at firms originating from the same country persists over a given period.

If we take a closer look at worker resistance in foreign-invested enterprises, we find it varies substantially according to the national origin of the enterprise. First, Pun (2001) reveals that in a Hong Kong-invested electronics factory in southern China, resistance often targets the pace of factory work. Production machinery turns the human body into a laboring machine. Controlling the work pace is an effective strategy for countering the overwhelming disciplinary power of the workplace. For example, collective illness becomes common when the work pace is set too fast. Secondly, in the case of Japanese joint ventures in Hangzhou, outsiders (non-locals) express their discontent concerning pay discrimination vis-à-vis local workers by writing letters of
complaint and protest (Sargeson, 1999). Thirdly, the press periodically reports that despotism still reigns within foreign-invested factories; extreme cases are brought to the attention of the Labor Bureau by workers writing letters of complaint or refusing to work (Lee, 1998: 169). It is clear that cruel exploitation must lead to worker protest or strikes (Chan, 2001).

Chan (2001) collected diaries, correspondences of migrant workers, and articles published in Chinese newspapers and periodicals in the 1990s. She identifies several cases of worker maltreatment in foreign-invested enterprises in southern China. These reveal that the migrant worker is often trapped in an exploitative relationship, contracted to do forced labor. This often relates to violations of labor standards, punishment and physical assaults, occupational safety and health problems, and so forth. She contends that discrimination against migrant workers in China is comparable to the former apartheid system of South Africa (Alexander & Chan, 2002; Chan, 2001).

Chan (2001) further argues that the household system (hukou) provides the conditions for forced, bonded labor. Migrant workers are required to pay for temporary residence and work permits in a lump sum. More often than not, when the expense of the permit is too high for the migrant, the factory pays on behalf of the worker and then deducts it gradually from his/her monthly wages, ensnaring the worker in a bonded relationship. According to studies conducted by Hong Kong based labor NGOs on the toy and shoe factories in Shenzhen, worker conditions in these factories have not improved over time. The workers suffer from the same long working hours, low wages, fines for breaking arbitrary factory rules, and inhalation of toxic fumes as they did just after economic reform began.
Although Chan’s study provides vivid and descriptive information about the worker’s plight in southern China, it fails to present a systematic analysis of regional variations and any differences according to firm country of origin. As mentioned earlier, rapid growth in the level of conflict between management and migrant workers had accompanied the increase in foreign investments, particularly among East Asian-invested enterprises. Chan and Norlund (1999: 212) note that, “According to the Chinese trade union officials, the most abusive foreign boss(es) are the Koreans, the next are Taiwanese, then the Hong Kong Chinese and then, probably the Japanese.” They claim that the harsh work regimes in many Asian firms have led increased disturbances and strikes, indicating an adversarial pattern of industrial relations (Ibid.).

However, there has been little lack of systematic comparative research that could account for the frequency and different influences labor disputes according to a firm’s country of origin. In the following section, we illustrate some of the crucial factors influencing labor disputes and draw out hypotheses for our study.

**Research Hypotheses**

**Political Factors**

The Qingdao Korean Business Association acts a collection agent that negotiates with the municipal government in Shandong regarding labor disputes (Zhang, 2000). This is a phenomenon that has also been found in Hong Kong and Taiwanese business associations in southern China (Wank, 1995). In general, overseas Chinese take a much stronger stance than Korean or Japanese investors in negotiating labor matters with local governments in China. They are able to draw on a large number of business association
memberships, and their strong ethnic and regional ties. The stronger and more powerful the association, the less likely that labor disputes at the firms of the national origin will be publicized. Since there are far fewer Korean business associations in southern China, for example, Korean firms are in a weaker position than those originating in Hong Kong or Taiwan. Hong Kong business associations would be relatively weak if it were not for the fact that Hong Kong investors are the strongest in mobilizing ‘embedded networks’ to connect with local officials and make use of kin, regional, or even instrumental ties. Lee (2002) argues that local officials who benefit from management fees and taxes levied from non-state firms that have established such ties tend to be more lenient about labor relations. The necessity for investors to get local patrons to circumvent national regulations in their favor is called ‘commercial clientalism’ (Wank 1999). However, this relationship cannot be measured quantitatively.

**Organizational Characteristics**

Employers or managers of small firms tend to give their workers greater control over the workplace (Edward, 1989; Goss, 1988). After all, they are dealing with labor practices on a more intimate and personal level. Managers of small firms tend to be quite flexible and usually function without interference from unions. Even if a union is established, they often do not follow union rules. This is because strong solidarity on the part of the workers is usually absent. They are penalized or awarded according to managerial discretion. Industrial relations are thus presumed to be more harmonious in small firms. In support of this assertion, attention is usually drawn to the relative infrequency of conflict and labor disputes in such firms. The absence of militant trade
unionism is attributed to the small firm worker’s greater commitment on the part of the
workers to the goals of the enterprise and the interests of the employer (Ingham, 1970).

An absence of explicit conflict does not, however, necessarily indicate a high
level of identification between employer and employees, nor a state of ‘industrial
harmony’. It rather reflects the ability of small firm owners/managers to manipulate the
industrial relationship. The threat of job-loss restricts the capacity to organize labor. If
profits are too low or threatened by a labor disturbance, labor is the first commodity to be
dispensed with.

Large firms often pay basic wages well above the minimum set by unions or local
governments. Ma (2000) claims that workers are as a whole satisfied with labor relations
in large multi-national corporations invested by Japanese, Americans, and Europeans in
China. Such favorable conditions are less common in small firms, however. In such
firms, unions tend to be poorly organized and relatively meager, shift work is uncommon,
and overtime and productivity payments irregular. Despite the existence of a minimum
wage, employers retain considerable maneuvering room. A handful of workers in very
small firm have limited potential to organize when their employer is able to explicitly
connect compliance with job retention or the ultimate survival of the enterprise itself
(Goss, 1988).

The employer of a small firm also tends to undertake shop-floor work,
ocasionally of a menial character, as a means of observing work in progress and
organizing ‘indirect surveillance’ and control. In large firms, the exclusion of the
employer prevents him/her from exercising such ‘direct control’ (Edward, 1979).
Accordingly, medium-and large capital-intensive firms are more likely to undergo labor
disputes than small labor-intensive firms, although this does not mean labor relations are better in small firms.

Hypothesis 1: Other objective conditions being equal, labor disputes are influenced by the size of the firm and the degree of capital investment per employee. More specifically, large capital-intensive firms are more likely to face labor disputes than small labor-intensive firms.

Institutional Arrangements

Neo-institutionalists argue that similar business patterns are caused by the application of common organizational logic across and between societal sectors. The chaebol (conglomerate) in Korea, zaibatsu in Japan and the family-run firms in Hong Kong and Taiwan exemplify this (Biggart, 1991; Scott, 1995; Orru et al., 1997). In accordance with neo-institutionalist view, governance structures create similar mechanisms – coercive, mimetic, or normative. Institutional arrangements coordinate various actors involved in the market, various hierarchies, networks, and associations, the state, and local communities (Hollingsworth, 2003). A basic assumption is that people interact with others when they do business and are detached from others in the organizational sphere (Biggart, 1991).

It is assumed, however, that firms coming from different national origins have their own ways of legitimizing their authority and institutionalizing labor relations. The institutional environment regarding how local governments enforce labor laws unavoidably affects these processes. Although there are national labor laws and the central government encourages foreign investors to set up trade unions and social
insurance, compliance varies widely depending on how local governments and labor cadres interpret and apply them.

These days there is a tendency towards deregulation. The state is competing with rising neo-liberalism in spreading "flexible" production and employment systems that weaken trade union activities. Deregulation menaces the position of labor (Waddington, 1999). The location of industry and local governments differentially influence the institutionalization of labor relations in foreign-invested firms. The implementation of social insurance, the presence of trade unions, the stipulation and length of labor contracts, and the presence of internal dispute settlement committees are all affected. For example, officials and the managers in northern China view foreign-invested enterprises in the south as having different and exploitative managerial practices (Chan, 1998).

We in north China would not do the terrible things they do to workers in the south. I went to Shenzhen to see some of their shoe factories. After witnessing them I felt there was super-exploitation happening down there. That's how they burn people alive [reference to the Zhili toy factory fire of 1993].

Another problem is that migrant workers do not retain urban residential rights. As a result, incidences of labor law violations are more often found in the south than in the north. These include imposing excessive overtime, forcing employees to do the most unpleasant, dangerous, and grueling work, mandatory labor, and deducting mandatory medical insurance "deposits" from monthly wages (Chan, 1998).

According to Gallagher (2001), foreign-invested enterprises (FIEs) that ignore the regulation to set up unions are among the biggest problems for the Chinese state. They tend to have abusive managers, the worst working conditions, and the most confrontational disputes. Most foreign investors look upon trade unions with distrust (Ng and Warner, 1999). In particular, Hong Kong and Taiwanese-owned firms in south China
are very reluctant to set up trade unions because they could result in wage increases. They believe that trade unions will organize strikes and interfere with production, thereby yielding a negative effect on output and performance. The low rate of unionization in foreign-owned firms in China reflects the strong resistance of foreign employers to labor activity (Levine, 1997).

Added to this, the acute competition among localities to attract foreign investment compels local authorities to be lax on labor standards (Zhang-White, 1999). Overseas Chinese investors are often accused of evading labor laws in collaboration with local governments (Gao, 1993). Whenever foreign-invested enterprises are confronted with labor issues, they move their factories. If the government strictly enforces labor law, they threaten to move their factory sites inland to such places as Anhui province, where labor is cheaper than in the coastal cities and local authorities offer better tax breaks. In one case in 1996, when young workers went on strike at a Hong Kong-owned firm in Shenzhen due to unpaid wages, the management planned to move its factory inland (China Labor Bulletin, Jan.-Feb. 1997). In other cases, investors opt to relocate their enterprises to other developing countries such as Indonesia or Vietnam.

In southern China, government and party repression of migrant workers hinders the formation of labor unions amongst Hong Kong and Taiwan-owned factories (Solinger, 1999). The Guangdong provincial government manipulates ambiguous of national laws and policies to favor foreign investors. Local governments refuse to exercise their supervisory function as a compromise with firms with vested interests (Gallager, 1997). They adopt a nominally active but intrinsically lukewarm stance towards trade union organizing in joint ventures and foreign-invested enterprises (Ng and
Warner, 1998: 118). Since foreign-invested enterprises can hire or fire at will, they do not need long-term labor contracts. Many also adopt piece-rate pay systems to enhance cost efficiency. Finally, they have no incentive to recognize the authority of an internal mediation committee, since they can control vulnerable migrant labor themselves. Chiu and Levin (1999), however, argue that the political interests of the state determine the institutionalization of labor relations. They claim that party actors influence the decision process. Oi (1995) also asserts that following the economic reform, local state corporatism has had a greater affect on business enterprises than the supposedly predatory local governments. She stresses that the role of the bureaucratic state is the guardian of economic interests. Ding (1998), however, asserts that Party leader exert control over union branches that fails to protect the interests of employees. The local government plays a dominant role, while the local government manipulates the activities of local associations by for its own purpose. The local government protects the interests of members of the associations only when they coincide with its own interests.

Presence of Trade Unions

The role of trade unions in East Asian-owned firms in the resolution of labor disputes has been ambivalent. Sometimes they support management and other times uphold workers rights (Howell, 1998). While Japanese managers are amenable to having trade unions, Korean and Taiwanese managers stubbornly refuse to do so (Chan, 1998). Union officials try to persuade managers by presenting a best-case scenario of a docile, benign, pro-management union (Chan, 1998). For example, if managers decide on wage rates without negotiation or collective bargaining with the union, and company, union
officials often try to largely accommodate them (Cho, 1997). Some Chinese trade unions in foreign-invested enterprises are viewed as relatively ineffectual (White, 1996). One trade union formed at a Taiwanese-owned shoes factory, at the demand of the local authorities, just organizes social and sports event for the workers (Chiu & Frenkel, 2000). Workers are thus reluctant to join the union, even though membership fees are small.

Further research is needed to address the different roles of local governments in southern and northern China, particularly whether or not regional authorities strongly push unionization, social insurance, and the enforcement of labor laws, as well as how foreign-invested enterprises respond to governmental stipulations. Through a negotiation process with local governments, overseas Chinese investors tend to avoid the burden and costs of institutionalization. Non-unionization and non-membership in unions should not significantly influence labor unrest in foreign-owned firms in southern China. Once foreign-owned firms set up trade unions, at the behest of local governments strongly involved in institutionalizing labor relations, however, labor disputes are more likely to occur due to a higher consciousness of labor rights amongst workers.

_Hypothesis 2-1: Labor disputes are affected by the institutionalization of labor relations. More specifically, the presence of a trade union increases labor dispute._

**Presence of Internal Mediation Committees**

China has adopted three formal steps for resolving labor disputes: firm-level mediation, local-level arbitration, and civil court litigation (Gallager, 2001: 186). The 'mediation settlement committee' in a firm is expected to resolve labor disputes when they occur (Karmel, 1996). The mediation committee is comprised of representatives of
the staff and workers, the employing unit, and the trade union. A representative of the trade union holds the committee chair. In cases where a firm does not have an internal mediation committee, a worker is entitled to request arbitration from the Labor Disputes Mediation Committee (or Labor Arbitration Commission). Also, if there is no union, the local Labor Bureau is brought in to mediate disputes as are the tripartite system at provincial, city, and county levels (Zhu & Warner, 2000). Labor disputes can be resolved either through coordination or mediation between management and workers. As coordination has increased, workers have won more cases. In case a worker is still discontented with the results, he or she can bring the case to court.

On the basis of neo-institutional theory, Guthrie (1999) found that the presence of an internal mediation committee reduces the likelihood that individuals within firms will apply for dispute resolution through the Labor Arbitration Committee outside the firm. However, Gallager (2002) argues that workers in foreign-invested and private enterprises tend to seek out local level resolution or appeal a ruling to the arbitration committee in civil court, bypassing mediation. In order to clarify this contending argument, we test the following hypothesis.

Hypothesis 2-2: The presence of an internal mediation settlement committee reduces labor disputes.

Specification of Labor Contracts

The most critical labor reform at the enterprise level is the labor contract system introduced in 1983, which provides flexibility in hiring workers on contract (Ding & Warner, 1999; Liu, 1998). In order to attract foreign investment, this system was first
introduced in the Special Economic Zone and later expanded to state-owned enterprises (Howell, 1998). Contracts drawn up between workers and firms specify the duration of the agreement. This reform enhanced the powers of managers to determine the size of their workforce and their authority to dismiss workers. On the other hand, it also granted workers more leeway to resign their current jobs and seek other employment opportunities. This has undoubtedly facilitated the formation of a flexible external labor market in China.

All employees are hired, whether on a non-contractual or contractual basis, from one to four (and occasionally up to six) years. According to one French source (Agence France Presse, Feb. 20, 1994), 40 percent of workers in joint venture firms begin work without signing any contract. A Chinese official refute this figure, claiming that more than 90 percent of laborers in Taiwanese-invested firms in Xiamen, and 70 to 80 percent of those in Shandong, had signed labor contracts. Without contracts, the short-term hire policy means that employee job security is in constant jeopardy and is likely to result in sudden and forced dismissals (Chiu & Frenkel, 2000; Solinger, 1998). In many cases, even where a contract exists, the duration of hire is deliberately omitted (Cho, 1997). Illegal changes to contracts and missing of specifications, such as terms of expiration, dismissal, resignation, and wage rates were the primary causes of grievance and petition from the workers.

Starting in 1995, China’s Ministry of Labor began promoting optional collective contracts. At present, there are about 100,000 collective contracts, but only a small number of joint ventures have elected to use them (Warner and Goodall, 1998). Collective contracts are agreements between employees and management (on matters
such as remuneration, working hours, rest and holidays, occupational health and safety, and insurance and welfare) negotiated either by the trade union or - in enterprises without a union - representatives elected by the employees (Zhu and Campbell, 2002). According to research amongst SOEs and JVs, Zhu and Campbell (2002) argue that the labor contract is of little help in resolving any disputes. The details of pay rarely made explicit in the labor contract. At the same time, labor contracts provide opportunities for management to eliminate trouble-making workers and redefine labor relations. However, Chinese officials expect the labor contract as legal institution to protect workers and managers in the emerging market economic system (Guthrie, 1997).

*Hypothesis 2-3: The presence of signed labor contracts reduces labor disputes.*

**Managerial Styles**

We need to take a careful look at how managerial styles bear on labor disputes by reviewing previous studies that focus firms originating from specific countries outside of China. Scholars have different perspectives on the managerial styles in Taiwanese-owned firms operating in China. For example, after interviewing managers from forty firms in the Pearl River delta of Guangdong Province in 1996, Schak (1997) views the Taiwanese managerial styles as rather paternalistic. Most managers provide a pleasant environment, including gardens and the provision of special food at festivals. By contrast, the majority of the employers interviewed by Huang (1998, 1999) agreed that strict and punitive labor policies were an efficient way to manage migrant workers in China. This suggests a more authoritarian managerial style. Given this lack of consensus about managerial style, as reported by Taiwanese managers, we need to collect data from the factory floor.
In her ethnographic study, Hsing (1998) identifies the managerial styles at Taiwanese shoe factories in the delta area of southern China as paternalistic, hierarchical, and militaristic. The factories are considered ‘paternalistic’ because they provide free dormitory accommodations to migrant workers and stress that the factories are their “homes”. They are also regulative or authoritarian because “the loud bells used to wake them up and control their lunch breaks are reminiscent of military camp” (Hsing, 1998). The obligatory two-year military service imposed on Taiwanese men facilitates the adoption of military-style training techniques by male Taiwanese managers. They use these techniques to discipline their Chinese workers. Workers have to line up when walking from the factories to the dining halls and they are not allowed to chat in the dining hall.

Some Taiwanese footwear investors have openly stated that promoting production efficiency inevitably means violating China’s labor laws and resorting to inhumane treatment of workers. They claim that direct, punitive methods of management are more effective in handling workers (Huang, 1999; 1998). This is called a militaristic style of management. This kind of management implies that the freedom and rights of employees are restricted. Secondary sources reveal that cruel exploitation leads to worker resistance (Chan, 2001: 36). For instance, when a woman worker in a Taiwanese-owned firm in Fuzhou was locked in a dog case for stealing shoes, more than three hundred migrant women workers staged a protest.

Managerial Styles at Hong Kong firms are described in somewhat different terms. C.K. Lee’s (1995) ethnographic study examines two distinct factory regimes in Hong Kong factories based in Hong Kong and Shenzhen: the despotic and the hegemonic. In
the *despotic regime*, wage employment is tied to performance under coercive and strict regulations such as those found in the Hong Kong-owned factory in Shenzhen. Workers resort to local ties for survival, while the management exploits workers by forcing them to work long hours. Local factories in Shenzhen tend to be *localistic despotic* in that they enjoy a high degree of autonomy in raising production and controlling labor. Pun (2001) also observed a Hong Kong electronics factory in Shenzhen adopting a despotic and punitive managerial style. She indicates that a timetable was used to manage and then change everyday life practices. In a factory in Hong Kong, on the other hand, state interventions prevent coercion, creating a *familial hegemonic factory regime* that is based on consent developed through discourse (Lee, 1995). This indicates that different managerial styles are at work in the two different institutional and labor contexts.

C.K. Lee (2002) later state that private enterprises in China are usually *disorganized despotic*, taking into consideration institutional arrangement, managerial style, and labor organizing. This perspective seems to oversimplify the variations on managerial style among different firms depending on country of origin, however, without having conducted sufficient comparative investigation. Gallager's (2001) interviews in Tianjin illustrate that there is a consensus among managers of foreign-invested enterprises concerning differences in their labor relations. Western firms were rated the highest, Japanese next, overseas Chinese second to last, and Korean last. They were comments on the barbarism or militarism of Korean managers. Koo (2001) also asserts that the dominant character of industrial authority in South Korea is more despotic and personal than technical or bureaucratic. While Gallager's argument is consistent with that of Koo, it is not cogent or representative because her data is based only on interviews
with expatriate managers in foreign-invested enterprises in Tianjin, without direct worker contact. Although Tianjin was the first Chinese investment area for Koreans after diplomatic relations were normalized with China in 1992, it has not been the most popular locale for Korean investors. Rather, Qingdao in Shandong has become the most representative region for Korean investment in China.

As C.K. Lee (1995) has indicated, different managerial styles for dealing with workers are employed by different East Asian-owned firms. Taiwanese managers seem to adopt *arbitrary regulatory* authority wherein organizational rules spell out all relevant procedures. This allows expatriate managers to exert direct control over workers using a modified form of *personal control* by foremen (Edwards, 1979). Given a laissez-faire local government and a cultural affinity with southern China, Taiwanese-owned firms tend to favor coercive rules enforced through surveillance and sanctions (Chan and Senser, 1997). “Rule of law” – the firm’s law – substitutes for “rule by supervisory command” and determines work duties, procedures for evaluating worker performance, and sanctions and rewards (Edwards, 1979). Whenever workers violate these internal regulations, management imposes fines, even though such fines are not established by the trade unions and contravene labor laws. One worker handbook stipulates 143 rules and fines (Huang, 1998). In this context, the organizational structure apparently rests on the institutional environment.

Hong Kong-owned firms adopt *hybrid* managerial styles – regulative, paternalistic, and even rational (Andy Chan, 1999). Since Hong Kong firms display relatively little trust and commitment to their employees, they impose rational regulations on their workers. Thus, they have less institutionalized seniority-based promotion and
rely more on individual decision-making and favors (Redding, 1990). However, they are sometimes paternalistic and appeal to emotional attachments. Through personnel managers, they arrange a variety of social activities such as the publication of factory newsletters and recreational events for the workers.  

According to an earlier large-scale survey of Japanese joint ventures, Chinese employees respond positively to job security and the attitude of their bosses (Ling et al, 1994). In this regard, we see the paternalistic aspect of their management styles similar to that in use in Japan. Studies indicate that not all Japanese managerial practices used in Japan are adopted in the Chinese context (Chiu & Frenkel, 2000). For instance, Chinese workers consider morning drills impractical. They also feel that shouting company slogans is rather ridiculous. Furthermore, compared to American- and European-owned firms, Japanese joint ventures are inferior in terms of the “transfer of technology and knowledge to natives,” “chances for promotion for natives,” and in “giving consideration to employer-employee relations” (Ling et al, 1994). These findings are quite consistent with a more recent survey concerning the Chinese worker satisfaction (Ma, 2000). Japanese managers utilize institutionalized (or remote) paternalistic authority by leaving labor management to their Chinese counterparts (Whitley, 1999). Accordingly, a high degree of social and moral distance between Japanese management and Chinese workers is found.  

Since Japanese firms in China prefer joint ventures involving relatively larger capital and high technology so as to minimize risks, they tend to abide by Chinese labor laws and provide social insurance for their workers. Japanese-owned firms also tend to provide safety education, technical training, and social welfare so as to infuse a familial
spirit and harmonious relations with workers, eventually generating commitment and loyalty. This motivational mechanism stresses the importance of social identities constructed through the common understanding of discipline, teamwork, and professional ethics (Deng, 1997). Japanese managers solicit Chinese worker opinions on the work process and encourage an enterprise-oriented work ethic (Chan, 1997).

The Korean management style, by contrast, is viewed as authoritative (Whitely, 1992). Whitely considers Korean management styles to be found on two different forms of authority. The authority of patriarchal family has brought about distant paternalistic in management, while legacies of colonial and military regimes have led to directive and authoritative managerial styles. Kearney (1991) stresses that the pervasive influence of the military on Korean industrial relations can be discerned from the dominant patterns of authority relationships and organizational culture. This approach is vastly different from the Chinese norm. China is considered to have the lowest power distance between manager and workers among forty countries investigated (Hofstede, 1991). It is therefore likely that Chinese employees will have more conflict with managers that come from countries where wide power differentials are the norm, as is the case of Korean firm. This increases the probability of worker discontent.

As seen in Korean-owned firms in China, if management maintains an authoritarian and normative approach based on informal rules to control labor, they will come into conflict with Chinese workers accustomed to a more paternalistic approach. In the absence of shared expectations and values, normative managerial styles and lack of knowledge of labor practices in China, they are prone to arouse labor discontent. This is likely to get even worse because of the lack of formal procedures for delimiting
obligations and job characteristics (Whitley, 1999). Korean firms have frequently been blamed for using inhuman and abusive managerial practices that humiliate Chinese as well as Vietnamese and Indonesian workers (Chan, 2001).

**Hypothesis 3:** Other objective conditions being equal, managerial style has a direct effect on the level of labor disputes. More specifically, firms that employ authoritarian managerial styles are more likely to have a higher level of labor disputes and labor discontent.

**Proportion of Expatriate Managers**

Dispatching a sufficient number of expatriate managers to China, at the incipient stages of operation, seems to be necessary for facilitating organizational learning among Chinese managers (Tsang, 2001). However, if the perceived social distance is high, the transfer is likely to be hindered. The strict work standards of expatriate managers pose problems in the workplace. Language barriers and cultural differences increase perceived social distances between expatriate managers and workers and negatively influence labor relations. According to a recent survey in north China (Kang, 2002), only 15 percent of Korean managers have a fluent command of Chinese. The vast majority of them would have undergone difficulty adjusting to local culture and communicating with Chinese workers.

Another issue raised is the substantial wage differentials between expatriate managers and local managers and workers. The alienation or labor discontent caused by a huge wage gap makes it more difficult for expatriate managers to perform well with local managers and workers.
Hypothesis 4: The proportion of expatriate managers affects labor disputes differentially. More specifically, a higher proportion of expatriate managers are associated with a higher level of labor disputes.

Work Conditions

Various forms of ‘payment-by-results’ are introduced as rational and strategic choices for controlling labor. On the basis of piecework, hourly or daily pay systems, starting and finishing times are strictly enforced (Edwards & Scullion, 1984). From the early days after the industrial revolution, mill owners in both Germany and Britain preferred to pay weavers by the piece (Biernacki, 1995). This method of reward endowed weavers with an incentive to work without close supervision and thus minimize the cost of supervision for long work hours. Workers’ freedom to move around on the shop-floor was simultaneously constrained.

According to a recent report, numerous Chinese workers hired by Hong Kong-owned firms in south China are working under appalling conditions in the toy industry due to fierce competition between plants to obtain contracts from international brands such as McDonald’s and Disney. The managers of these toy factories accept low prices or lose the business. In the face of intensive pressure from Western buyers that factories comply with labor standards, managers usually falsify their records and ask workers to give model answers to auditors. The report found that employees were working more than sixteen hours a day without weekends off, but earning as little as 300 yuan (US $37) per month (Lai, South China Morning Post. Feb. 17, 2003).
Workers are as a whole prone to be obedient towards management and willing to fill rush orders. However, if intolerably low pay and long work hours reach extreme conditions, they are likely to express discontent.

Hypothesis 5-1: Work conditions such as wages and work hours affect the extent of labor dispute. More specifically, longer work hours are likely to produce more labor disputes.

Hypothesis 5-2: Low wages are likely to produce more labor disputes.

Composition of the Labor Force

Perry (1993) underscores the positive link between the regional identity of workers and activism in China, rather than supporting the existence of working class solidarity, as Marx asserts. Divisions among Shanghai laborers induce systematic and long-standing solidarities: immigrants from the same native place and gender engage in similar work, thereby creating a potent basis for collective action. In Shanghai, skill and regional identity are closely associated, due to artisan guilds being based on place of origin (Perry, 1993). The pervasive racism in many of Shanghai’s foreign-owned factories has also fueled worker resistance. Widespread participation by women textile workers in the “patriotic” May Fourth Movement of 1919 revealed resentment of maltreatment at the hands of Japanese and British supervisors. As Perry (1993) indicates, there was a distinct division between artisans and unskilled workers by locality. Pun (2001) also finds that local and ethnic differences and job hierarchies still persist in a Hong Kong electronic factory in southern China.

In the case of Shanghai, inflation precipitates many large-scale strikes. Such economic issues appeal to participants as consumer citizens, rather than as members of
The mobilization that leads to massive struggles is usually based on pre-existing, small-scale groupings. C. K. Lee (1999) also points out the importance of native-place ties amongst strikes in the Xiamen Special Economic Zone (SEZ) in Fujian province. Eight of the fourteen strikes she discusses occurred in factories in which a high proportion of workers came from the same locality, forming regional cliques. As relatives or native place locals, they shared strong exclusionary sentiments and solidarity that easily generated collective action. Only when fictive kinship networks, native-place gangs, secret societies, and the like are drawn into cooperation is a major upheaval possible.

This explains why the current upsurge in migrant workers taking up temporary residence in coastal cities has been accompanied by a corresponding resurgence of labor protest based on native-place identity and organization (Perry, 1993, 1997). Perry argues that the workers from the same region are more likely to undertake collective action than from different regions even if workers engaged in similar work. Workers from the same native place may start small-scale strikes, but the divisiveness of the workforce as a whole can disturb labor mobilization. Because contemporary China has such a rich tradition of urban sojourning, one may say that it tends to facilitate migrant worker mobilization (in the forms of regional gangs, native-place associations, and the like). Likewise, the Chinese foremen tend to give special favors to “the workers who come from the same region” (laoxiang). Thus, more than one Chinese manager/foreman has to be involved in evaluating workers to ensure fair appraisals. Regionalism also provokes distrust of those from other places. Taiwanese factory owners take advantage of this by
deliberately recruiting workers from many different provinces as a way to prevent workers from organizing (Schak, 1999).

Meng (2000) provides very interesting data that compares migrant places of origin in Jinan, Shandong and Dongguan, Guangdong. She presents a huge difference in the composition of migrants (non-locals) between the two cities. In Jinan, only 7 percent of the total population comes from other provinces. In Dongguan, almost 80 percent of the population is migrants. Dongguan and Qingdao are more similar to each other since they are both major export-oriented coastal cities, whereas Jinan focuses on domestic products.

The “factory consciousness” concept assumes that the labor force is homogeneous and thus easily undertakes collective action (Chung, 1994). In general, the higher number of migrant workers or non-local (outsiders) the firm has, the less likely labor disputes will arise, because fragmentation of the workforce is low. I argue, that different types of migration (such as long or short distance, inter-provincial, or intra-provincial) lead to various regional identities forming in the workplace. This ultimately affects the capacity to organize and generate labor resistance.

Hypothesis 6: The composition of the labor force affects labor disputes differentially. More specifically, a homogeneous labor force in terms of native place of origin is more likely to organize collective resistance.
Table 2-1: Country Characteristics of Foreign-Invested Enterprises by Managerial Style and Origin of Labor Force

<table>
<thead>
<tr>
<th>Origin of Labor Force</th>
<th>Authoritative</th>
<th>Personal (Regulatory)</th>
<th>Remote Paternalistic (Institutionalized)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inter-provincial migrants</td>
<td></td>
<td></td>
<td>Taiwanese Hong Kong (Hybrid)</td>
</tr>
<tr>
<td>Neighboring provincial</td>
<td></td>
<td></td>
<td>Japanese</td>
</tr>
<tr>
<td>Intra-provincial migrants</td>
<td>Korean</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Time Factor

As China has transited into a market economy, institutional arrangements such as the signed labor contracts, the presence of trade unions, and internal mediation committees have strengthened labor relations. As workers become more conscious of institutional and economic conditions, they become more capable of giving voice to dissent. Meanwhile, foreign management adapts to local labor practices over time, altering the managerial styles they brought in, and recognizing and learning about cultural barriers. These barriers are not completely surmountable socio-cultural factors such as attitudes, values, and norms however. They may include unavoidable historical and political factors. Therefore, institutional arrangements and economic conditions reveal themselves to be crucial sources of labor disputes as China transits into the market economy.

Hypothesis 7: As the market economy proceeds, institutional and economic factors become more important than cultural factors in affecting labor dispute.
Conclusion

In this chapter, we reviewed the relevant literature and developed hypotheses on crucial sources of labor dispute. Institutional, organizational, economic, structural, and cultural factors are closely entangled with labor unrest. This study will look at how these factors have influenced worker resistance strategies among East Asian-owned enterprises following economic reform in China. Managerial style in interaction with different local institutions is expected to have a significant influence on working conditions. Unbearable working conditions lead workers to organize against the management. The composition of the workforce plays a mediating role in mobilizing labor. These factors vary markedly according to factory site location.

NOTES

1. Incidents of physical abuse of employees were reported in both companies. South Korean executives at the shoe factory forced women who worked too slowly to kneel down before them and kicked those who refused. At the garments factory, a South Korean manager also kicked a worker (FBIS, September 28, 1993, 36-37).
2. A Korean business representative in Shenzhen recalls with regret the time a collective petition was made against at a Korean wig-producing firm. After discovering that workers were stealing, the managers conducted humiliating body searches of female Chinese forepersons. After the workers appealed to the Labor Bureau, the media started to publicize the incident nationally. The Korean representative said if this kind of incident had happened in a firm owned by overseas Chinese, it would not have been publicized. Although the workers demanded 32,000 yuan (US$ 3,855), the Korean management paid only 4,000 yuan (US$ 482) to fifty-two female employees as compensation (China Daily August 25, 2001).
3. Contracts also specify the responsibilities, powers, and benefits of each party, including wages, fringe benefits, labor insurance, nature of work and required productivity standards as well as the terms for renewal or termination.
4. There are also some differences how workers are controlled across industries. Medium-sized electronic firms based in Hong Kong employ key expatriate managers to oversee their plants in China, while Hong Kong garment factories hire local Chinese managers who are relatives or friends of workers and come from the same villages (yuanji).
5. This survey was conducted from June 1991 to March 1992 at Japanese owned enterprises in eleven cities. 6,478 cases were collected.

7. This can be distinguished from the neo-authoritarian paternalistic management styles in state-owned enterprises, which Walder (1986) called 'organized dependence' on the state.


9. Compiled by the Hong Kong Christian Industrial Committee, which specializes in labor investigations in southern China (Lai, South China Morning Post, Feb. 17, 2003).

10. The Chinese labor laws allow for eight hour work-days and no more than three hours of overtime a day.
CHAPTER 3

POST-MAO INSTITUTIONAL TRANSFORMATION

After implementing economic reform and adopting an open-door policy, China carried out a wide range of institutional reformation (Ikegami, 1994). Indeed, institutional change is unavoidable as China transforms from a socialist to a market economy. This means the reestablishment of relationships between the state and the enterprises, as well as between the enterprises and employees. One of the critical institutional changes after 1978 was to eliminate both the so-called “iron rice bowl” and “one big pot” systems, which referred to lifelong job tenure and egalitarian wages. A gradual, experimental approach to economic reform was then adopted. The foreign sector was intended to serve as a laboratory for sensitive labor reform (Gallagher, 2001).

In the current era of globalization, new legal regimes and practices relating to labor have been created (Sassen, 1998). In fact, employment and labor law in China has developed rapidly alongside economic reform. Some examples of post-reform structural change relating to labor include the introduction of a labor contract system in 1986, the promulgation of labor laws in 1992 and 1994, wage reform, the establishment of a new social security system, and the amendment of the Trade Union Law in 2001. In particular, the 1986 Four Regulations Regarding Labor and the 1988 Enterprise Law opened the way for an array of reforms pertaining to state-owned enterprises (Freund, 1998).

This chapter examines how economic reform and the open-door policy allowed for a smooth transition to the coastal development strategy and how institutions related to enterprise laws have changed. Second, major institutional transformation is illustrated by looking at labor, wage and social security reforms, all of which have been
contemporaneous with regionalization and migration. Third, a close look is taken at state-owned enterprise reforms, including how local governments have coped with the restructuring of state-owned enterprises. Finally, this chapter concludes by summarizing critical issues that China confronts as it continues to reform its economy.

**Economic Reform: From Open-door Policy to Coastal Development Strategy**

The 1978 economic reforms and open-door policy led to an increase in foreign investment and the development of Special Economic Zones (SEZs) and other special districts designed to attract foreign investment. The most conspicuous feature of the open door policy was its geographical focus. That is to control the spread of capitalist market ideas and to make the policy effective, foreign investment was directed to specific locations. Initially, four Special Economic Zones were set up in 1979, in Shenzhen, Zhuhai, Shantou, and Xiamen. The open-door policy aimed to attract large-scale and high-tech capital investment from American, European and Japanese transnational corporations (So, 2001). These zones were not only strategically located to mobilize the resources of the Chinese Diaspora, but also served to hasten the reunification of Taiwan, Hong Kong and Macau with the mainland in the late 1980s (Smart, 2000; So, 2001).

The four original zones were located with a view to maximizing their attractions to investment from ethnic Chinese living outside China. Shenzhen, the largest, was located in Guangdong province immediately adjacent to Hong Kong. Zhuhai was set up beside the Portuguese enclave of Macau, also in Guangdong. Shantou, in the north-east of Guangdong province was established in an area with many links with South-east Asian Chinese communities and Xiamen SEZ in Fujian province was intended to attract Taiwanese investors (Thoburn and Howell, 1995, p.173).

Joint venture projects were the preferred form of enterprise with large transnational corporations. Through joint ventures, Chinese managers acquired advanced
technology, management know-how, information and capital. However, foreign investors faced red tape, barriers to entering the local market, obstacles relating to local workers, foreign currency remittance problems, and lack of access to raw materials (Yeung, 2001). Needless to say, these conditions failed to impress Western transnational corporations. In order to solve this problem, fourteen open coastal cities in the eastern coastal region were selected in addition to the original four SEZs to serve as conduits for capital and technological inflow and catalysts for economic development (Shen, 2000; Yeh, 2000).

The Chinese SEZs shared some features in common with the Export Processing Zones in terms of targeting exports, which are generally much larger, containing 14 open coastal cities and open development regions. With the successful evaluation of the SEZs, in 1984, fourteen other coastal cities namely, Shenzhen, Dalian, Qinghuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Zhangjiang, and Bohai were opened for investment in 1984. Besides the SEZs and the coastal cities, three ‘open economic regions’ were designated – the Yangtze River Delta (around Shanghai), the Pearl River Delta (around Guangzhou), and the Minnan Delta (around Xiamen). The coastal developmental strategy, which opened additional coastal cities between 1987 and 1988, eventually contributed to expanding overseas Chinese investment. It in turn brought about an increase in investment from neighboring countries, particularly from Japan and Korea. These economic zones were exempt from some of the regulations and taxes usually imposed on export production (Naughton, 1999). The strategy targeted small and medium-sized that were likely to invest in labor-intensive industries that relied on raw material imports (So, 2001). Local state
governments were allowed greater flexibility in attracting foreign investors (Breslin, 1999). For instance, in Shenzhen (one of the original SEZs), the local state initially attempted to restructure the local economy by imposing disincentives for processing and components industries in 1995. However, the hoped-for high-tech and financial investments merely failed to appear. Consequently, the local authorities reversed the policy, and reintroduced a number of incentives to attract the processing and components assembly investments. In fact, local governments have intensively bargained with the central state to obtain favorable policies (Wei, 2000). In turn, they have competitively endorsed packages of incentives, including tax concessions, duty-free import arrangements and serviced infrastructure.

The initial objective of setting up the SEZs was to manufacture goods for export in order to earn foreign exchange (Dicken, 2000). In 1986, the Wholly Foreign-Owned Enterprises Law was promulgated, which became an institutional breakthrough in China’s foreign direct investment (FDI) regulatory framework (Fu, 2000). At the same time, a preferential tax policy applied, so that domestic enterprises pay 33 percent income tax, while foreign-invested enterprises only pay 17 percent. The government makes up for lost tax revenues by setting up non-tariff barriers, such as high customs duties and import quotas. In one measure following the open door policy, the Chinese government began to practice a labor contract system.
Figure 2: Spatial Expression of China’s ‘Open Policy’

- Priority development areas
- Special economic zones
- 14 open coastal cities

Source: Based on Phillips and Yeh (1990, Figure 9.4)
Labor Reform

The Introduction of the 1986 Labor Contract System

In 1983, the Ministry of Labor issued a circular and a set of “Temporary Regulations Regarding the Recruitment, Testing, and Selection of Workers”, calling for the universal introduction of a labor contract system (Howard, 1991). A few years later, in 1986, the most radical reform of Chinese employment regulations, the new labor contract system, was formalized. It enabled employers to hire employees on fixed-term contracts rather than on a permanent employment basis. It provides individual firms with the autonomy to decide on the number of workers to hire.

In the past, workplace-funded welfare and social benefits tended to make permanent employees stick to their work units. For instance, housing is often at a premium due to a critical shortage, so most employees are unwilling to leave due to the certainty of long waiting periods for housing in a new workplace. Managers, meanwhile, offer highly-trained personnel and longer contracts with social benefits than other employees (Howard, 1991).

Although temporary workers were also required to sign contracts in the past, their status was not converted into “contract system workers” (Zhu, 1995). They have remained temporary workers with benefits different from contract workers. Employment varies from one type of firm to another, however. In state-owned enterprises (SOEs) and collective ownership enterprises (COEs), there are a mix of permanent workers, contract workers, and temporary workers. In foreign-invested enterprises (FIEs), there are contract workers and temporary workers. In private-owned enterprises (POEs), there were only temporary workers. In privatized enterprises, where the workforce is young
and relatively unskilled, managers prefer greater flexibility, which permits them to lay off redundant or less productive personnel (Howard, 1991). Table 3-1 shows the proportion of contract workers to total employees in different types of enterprises. The growth of labor contracts has been slow in collective-owned enterprises (COEs) and other types of ownership, including foreign-invested enterprises (FIEs), but its growth in SOEs has been relatively fast. By the late 1990s, after massive lay-offs, nearly all former permanent workers in the state sector signed labor contract with their employers.³

Table 3-1: Contract Workers by Enterprise Ownership Type

<table>
<thead>
<tr>
<th>Year</th>
<th>SOEs</th>
<th>COEs</th>
<th>Other^</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number (million)</td>
<td>%</td>
<td>Number (million)</td>
</tr>
<tr>
<td>1989</td>
<td>11.90</td>
<td>12</td>
<td>2.36</td>
</tr>
<tr>
<td>1992</td>
<td>20.58</td>
<td>19</td>
<td>3.99</td>
</tr>
<tr>
<td>1996</td>
<td>55.49</td>
<td>51</td>
<td>13.94</td>
</tr>
<tr>
<td>1997</td>
<td>55.57</td>
<td>52</td>
<td>14.24</td>
</tr>
</tbody>
</table>

Note: ^ Other ownership includes the private sector such as joint ventures, shareholding units, wholly foreign owned units, overseas Chinese from Hong Kong, Macao and Taiwanese-funded units etc.
* includes joint ventures and enterprises owned by overseas Chinese or by other foreigners


Remnants of Old Institutions

Throughout the 1980s, rural to urban migration was strongly discouraged by the ‘resident permit’ or ‘household registration’ (hukou) system (Naughton, 1999). There has been, by Western standards, a remarkable lack of labor mobility in China due to restrictions on rural-urban migration (O’Leary, 1994). Just as in Latin American cities, a closed class structure thwarts social mobility for newcomers in China (Solinger, 1995).

The class order of China, however, is clearly a function of government policy, as it is still
determined by the state-imposed *hukou* system. Indeed, Chinese people are subject to a finely graded ranking order, which classifies those with a *hukou* in the metropolitan areas at the top, and those from small, isolated rural-township *hukou* at the bottom. The urban *hukou* provides the basis for all the housing, educational and medical benefits that urbanites - and only urbanites - enjoy in their work unit (*danwei*). The discriminatory practice of household registration (*hukou*) continues to operate. If an employee leaves his or her residential area, he or she loses social benefits. Only Guangdong province has recently (in 2001) abolished the discriminatory dual residential registration system (Ye, 2002).

**Amendment of the Labor Law (1994)**

On July 5, 1994, China promulgated its labor code, the Labor Law (Kinglun, 2000). Before the enactment of the Labor Law in 1994, there was a lack of uniformity in labor regulations for new forms of enterprises (Lin, 2001). Three versions of the labor law reflect the period of reform during which they were produced. The 1983 version confirmed the privileged status of workers and staff in the state sector. Under the 1983 version, they continued to enjoy job security, guaranteed wages, social insurance and welfare benefits. The 1991 version abandoned the 1983 paradigm that categorized labor according to work units. Instead, it tried to establish a set of basic labor standards and norms for workers and staff in all enterprises and state organizations. For instance, it upheld the worker’s right to participate in the arbitration of labor disputes (Ikegami, 1994). In 1993, the government issued the “Regulations on the Handling of Labor Disputes”, revitalizing national labor arbitration and stipulating the legal procedures for
local and civil court litigation (Lee, 2002). This permitted workers to circumvent informal mediation at the firm level, if desired.

The 1994 Labor Law was proposed to unify managerial, technical or political bureaucrats and workers in enterprises, while simultaneously breaking down the boundaries between enterprises. One of the unique features of the final version was the introduction of the new concept of 'a labor market'. There were also provisions on minimum wages, and welfare support for workers at risk of occupational hazards, child labor restrictions, and so on. However, it did not contain provisions regarding lockouts (Kinglun, 2000). The numbers of employees on contract expanded rapidly the implementation of the new Labor Law on January 1, 1995. The 1994 version required all employees to have a contract that sets the terms, compensations, job description, work conditions, regulations, termination conditions and liabilities of their jobs.

Let us examine the major revisions. First, this version refers to the labor contract as the fundamental labor system in China, replacing the 'iron-rice-bowl' system. Second, it stipulates that staff and workers in an enterprise can conclude a collective contract with the enterprise. Third, the regulations for the firing of workers are relaxed since lay-offs for economic reasons are now justified (Article 27). This provision gives employers greater permission to dismiss unsatisfactory workers. Fourth, this version codifies the eight-hour working day and forty-four hour working week. Overtime is limited to one hour a day in special situations, with no more than three hours a day or thirty-six hours of overtime a month permitted (Article 41). Overtime pay is required to be paid at 150 percent of normal pay, with a higher rate of 200 percent on rest days and 300 percent on holidays (Article 44). The new labor law also stipulates maternity leave of at least 90
days. Apparently, it was designed to protect young workers who were in danger of being abused, which could have had a significant effect on the labor market and labor relations (Wang and Ballot, 1995).

Labor dispute resolution was also stipulated in the National Labor Law of 1995. The dispute resolution process contains three steps: enterprise-level mediation, local mediation, and finally adjudication (Zhu and Campbell, 2002). Labor disputes are initially handled at the level of the enterprise. Enterprise management, the enterprise trade union leaders, and employee representatives are expected to work together towards resolution of the dispute. Union leaders are chairs of such committees and play the most important role in the mediation process. In association with the complaint process, union leaders have a leading communication role between management and workers (Zhu and Fahey, 2000). Local level arbitration can be resolved through arbitrated mediation, arbitration lawsuit or others, which entails the enterprise management, the local trade union leadership, and the representative employee, as well as the local Labor Arbitration Committee. If mediation fails at the local level, one of the parties may apply for arbitration (Zhu, 2000). After arbitration, civil litigation in a court is allowed when either party may appeal the arbitration decision. The court may support or reverse the arbitration decision. In the past few years, the number of labor disputes in the courts has risen sharply (Gallagher, 2002).  

Following implementation of the new labor law, some 80 percent of the workforce was expected to be contracted by the end of 1995, with almost all employees using contracts by the end of 1996 (Lu, 1994). However, this did not work out, partly due to resistance by both foreign investors and domestic private business owners. They
have pushed hard for workplace flexibility and competitiveness, given increased globalization and developing market competition (Zhu, 2002). Despite of increased collective contracts, China has not established collective bargaining mechanism. They have also been favored by the striking omission in the new Labor Law of any mention to a “right to strike” (Zhu and Campbell, 1996). “The right to strike” was removed from the PRC Constitution during the 1982 constitutional revision.

Wage Reform

Formerly, wages were based on a nationally standardized wage system made up of eight grades for manual workers, fifteen grades for technical workers and twenty-five grades for cadre officials (Zhu and Campbell, 1996). On top of the basic wage system was an array of supplements and allowances and incentive and bonus payments. The wage policy favored seniority and narrow differences between the highest- and lowest-paid workers (Frazier, 2002). Most important, the work unit (danwei) provided many non-wage benefits, including subsidized housing, subsidized meals, free kindergarten and day care, medical care, retirement payments, funeral expenses, and other subsidized activities (Zhu, 2000).

The key feature of the new wage system is ‘flexibility’ (Zhao and Nichols, 1998). Piece-rates and bonuses were reintroduced in the early reforms of 1978. However, the bonus was not associated with enterprise efficiency until 1984. In 1983, reformation of the tax payment system was also implemented. In 1984, in the second stage, limitations on enterprise bonus payments were eliminated and a tax was applied on excessive bonus payments. Thus, enterprises were granted full sovereignty in the method of allocating
bonuses, and accommodations were made for strictly performance-based and piecework compensation systems.

Wage reform has permitted enterprises to link wages more closely with productivity (Sensenbrenner, 1996). Enterprise management can restructure wages to incorporate job position and skill-based wage components. Enterprises are permitted to develop their own scales for measuring the skill, difficulty, responsibility, and conditions of particular positions and determine appropriate differential rewards. Bonuses are more closely linked to individual effort and productivity is determined not just by worker productivity, but also by the financial robustness of the enterprise (Freund, 1998).

In 1994, thirty provinces, autonomous regions, self-governing cities, and cities with provincial level rights (central economic cities: jihua danli chengshi) like Qingdao introduced flexible wage plans. Moreover, many enterprises have introduced systems of distributing wages linked with skill, responsibility, and performance, giving workers more incentive to work. As of June 1994, about 18,000 enterprises throughout China had initiated new wage systems based on position and skill (Zhang, 1995). The ratio of bonuses and other incentives to total wages also continue to rise.

Some of the most crucial reforms introduced in 1994 addressed minimum wage and personal income tax (Zhang, 1995). The former was intended to aid low-income earners, whereas the latter was designed to keep a tight reign on high-income earners. The minimum wage was aimed at raising the wages of migrant workers who work for foreign-invested enterprises or private enterprises. In 1994, the minimum wage in Guangzhou was at average 250 yuan monthly for workers of state-owned enterprises and private enterprises working more than five hours a day and 25.5 hours a week. In Beijing,
the monthly minimum wage was set at 210 yuan. The minimum in the Special Economic Zones such as Shenzhen and Zhuhai was 350 yuan a month for all workers, but those in the outskirts received much lower wages (Zhang, 1995).

Despite this, cases of intensive work with low pay can easily be found in southern China. At times, local governments’ minimum wage guidelines go unobserved. In 1999, although some workers in the light industry were forced to work fourteen to sixteen hours a day, over ninety hours weekly, they did not receive the monthly minimum wage of 350 yuan.\(^5\) Likewise, in a Korean-owned bag factory in Shenzhen, workers were forced to work more than one month without a day off, but were paid no more than 500-600 yuan, including overtime pay.\(^6\) In a Korean-invested album factory in a village of Shenzhen, the hourly wage was 1 yuan, while the overtime pay was 1.5 yuan. They received 300-400 yuan a month, a rate that barely complied with the minimum wage of 330 yuan in the economic development zone in Shenzhen.\(^7\)

### Table 3-2: Monthly Minimum Wages (2000)

<table>
<thead>
<tr>
<th></th>
<th>Shenzhen</th>
<th>Dongguan</th>
<th>Kunshan</th>
<th>Shanghai</th>
<th>Qingdao</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Monthly Wage</td>
<td>450 (330)</td>
<td>400</td>
<td>350 (E)</td>
<td>545</td>
<td>320</td>
</tr>
</tbody>
</table>

**Notes:** ( ) Development Economic Zone: Baoan, Longgang District, (E) Estimation


### Emergence of a New Social Security System (1995)

There were three steps taken to institutionalize a new social security system. First, by the time foreign-invested enterprises came in, Chinese local governments were compelled to analyze the complicated wage and benefits structure of state-owned
enterprises to make sure that the FIEs would pay the full labor costs (Stevenson-Yang, 1996). During the mid-1980s, the Chinese government issued regulations designed to shift the management of pensions and unemployment insurance to the municipal level. In 1986, the Regulations of the PRC on Labor Management in Joint Ventures compelled firms within a given jurisdiction to pool their retirement and unemployment funds under the city administration. Pensions were the second benefit included in the limited pooling. Shenzhen started a pilot pension program in 1987, followed by Shanghai. By 1995, most of the major localities had set up some form of municipal pension scheme. More often than not, the provincial governments formulate detailed rules in accordance with general principles and local circumstances (Vohra, 2001). In Shenzhen, however, the pension system was more favorable for foreign investors, so that employees without a Shenzhen residency card (hukou) were only required to contribute 3 percent, and their employers 7 percent, of their average wages (Stevenson-Yang and Shi, 1998).

Second, to support changes in the workforce caused by labor reform, the government took steps to move the management of unemployment, retirement, and health insurance systems out of the work units. Due to an increasingly mobile labor force, more comprehensive systems of social insurance were required to connect these programs to individuals rather than their places of work. This would allow people to change jobs without giving up benefits. This reform attempted to make state-owned enterprises more competitive by removing the extra burden that some older enterprises encountered in providing pensions for a large number of retired workers. Psychologically, the new system also contributed to a decrease of employee ties to particular work units, since
social insurance benefits would follow them when they changed jobs and locales (Sensenbrenner, 1996)

Third, all employers and employees were eventually required by the 1994 Labor Law to make contributions to five separate funds: pension, accident and injury, maternity, unemployment, and medical. The reform of pension and unemployment funds was the Chinese central government's top priority. Local governments have been active in experimenting with these new measures. Pension disbursement starts at age 55 for female blue-collar workers and 60 for males (Stevenson-Yang and Shi, 1998). The difference in pensionable ages between men and women raises an issue of gender inequality (Zhu, 2002). After a vesting period of fifteen years, the individual account is entitled to be paid out in 120 monthly installments over ten years, according to the years of service.

The new social security system has been very unevenly institutionalized. Contribution rates vary from one province to another (Lee, 2002; Zhu, 2002), as seen in Table 3-3. Social insurance in Shanghai and Tianjin is higher than in other regions. In Qingdao, pensions were still under negotiation in 2000; provisionally, 380 yuan is paid, which is equivalent to 60 percent of the monthly average wage of Qingdao, which stood at 760 yuan in 1999. While the firm's share of the contribution was equivalent to 20 percent of wages, the worker's share was 8 percent. Table 3-3 indicates that pension levels dropped in northern cities during the second half of the 1990s, whereas in Guangdong, pensions have increased from 19 percent in 1994 to 25 percent in 1999. The firm is burdened by a pension rate of 20 percent of wage, while employees pay 5 percent. However, we were told that the nationally standard would become 30 percent paid by firm and employee in 2001.10
### Table 3-3: Comparison of Social Insurance Imposed by Local Government

<table>
<thead>
<tr>
<th></th>
<th>Shenzhen Dongguan</th>
<th>Nanjing Kunshan</th>
<th>Shanghai</th>
<th>Qingdao</th>
<th>Tianjin TEDA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension</strong></td>
<td>16% (5%) 200 yuan (50 yuan)</td>
<td>20% (3%) 18% (5%)</td>
<td>30% (4%) 25.5% (6%)</td>
<td>25.5% (3%) 20% (8%)</td>
<td>30% (4%)</td>
</tr>
<tr>
<td>**Unemploy-</td>
<td>1% 3%(1%)</td>
<td>NA 10 yuan</td>
<td>5% 1%</td>
<td>NA 2%</td>
<td>3% 1.5%</td>
</tr>
<tr>
<td><strong>Ment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>0.8-2.5% 0.1%</td>
<td>NA 0.7%</td>
<td>U 2%</td>
<td>1.2% 1%</td>
<td>7.5Y^ 100 Y*</td>
</tr>
<tr>
<td><strong>Maternity</strong></td>
<td>NA</td>
<td>NA 0.9%</td>
<td>U</td>
<td>NA 0.9%</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td>4%</td>
<td>NA</td>
<td>7.5% &lt;10-14%</td>
<td>3%</td>
<td>U</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td>NA</td>
<td>NA</td>
<td>5%(5%) 15%</td>
<td>NA</td>
<td>28%</td>
</tr>
<tr>
<td><strong>Welfare</strong></td>
<td>NA</td>
<td>NA</td>
<td>5%</td>
<td>U</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>21.8-25%</td>
<td>U 24.6%</td>
<td>62.5-35%</td>
<td>29.7-31.9%</td>
<td>61-22.5%+</td>
</tr>
</tbody>
</table>

**Sources:** US-China Business Council for 1995 data and survey for 2000 data

**Notes:**
1) ( ) individual worker's burden for his or her wage
2) < > firm's beneficiary
3) ^ per month; * optional for industry hazard per year.
4) NA = Not applicable; U = Information currently unavailable
5) TEDA = Tianjin Economic Development Area

According to our survey conducted in southern China in 2000, only three of seventeen Hong Kong and Taiwanese-owned firms provide social insurance. Even their insurance rates remain relatively low (the Hong Kong-owned firm pay a pension of 5 percent of worker wages, while the Taiwanese contribute about 20 percent). In fact, employers are required to pay 200 yuan towards pensions, while employees are made to pay 50 yuan. In northern China, the vast majority of Korean and Japanese-owned firms provide their workers with social insurance, abiding by local government regulations.
Shanghai, the social insurance rate is very high, reaching 50 percent or more of wages paid. Some Japanese-owned firms even include medical insurance.

In reality, the amount paid for social insurance by foreign-invested enterprises is negotiable and varies geographically (Yeung, 2001). This is partly because local governments recognize the negative impact a strict implementation of the law has on attracting foreign investment. It was noticed that some Hong Kong, Taiwanese, and Korean-owned firms in Dongguan were unwilling to pay for social insurance. They establish a *guanxi* network in the local government by hiring only local people as factory managers and accountants. Foreign-invested enterprises also intentionally underreport the number of workers hired to the local government to avoid paying taxes. It is estimated that most foreign-invested enterprises report only 50 to 70 percent of the actual number of workers in Dongguan (Yeung, 2001).

The overall social security system is not well implemented and does not operate consistently. In 2000, Shanghai’s pension system required firms to contribute 25.5 percent of the previous year’s average salary to the social insurance fund, while individuals contributed 6 percent of their wages. On the other hand, Korean-owned firms in Qingdao were postponing payments until local governments demanded implementation of their regulations. Workers also feel burdened when rates are increased, so, they request the firms to guarantee that pensions will be paid back. In the case of Guangdong province, there is a contradiction in the social insurance policy. Only if personal payments have been vested for more than fifteen years in the same firm will the pension be paid to retired workers. Realistically it is not possible to work for one firm for more than fifteen years in Guangdong province because of very high turnover and lay-off.
rates. Even when a company guarantees that the workers will be paid a pension, workers still complain about financial burden placed on them, even if it is only 5 percent of their wages. In fact, individual workers are able to withdraw the pension amount in their individual accounts only if they leave the city. According to a recent survey, 64 percent of workers in Qingdao expressed dissatisfaction regarding social welfare in Korean-owned factories (Lee, 2000).11

Provincial governments plan to use pension money accumulated by workers when they are employed only for a short term in foreign-invested enterprises to pay for workers in state-owned enterprises. The Guangdong provincial government wants to collect pension funds from industrial cities such as Shenzhen and Dongguan to support to numerous retirees in Guangzhou. Municipal governments strongly resist these attempts to remove pension funds from their control (Frazier, 2003).

As of 2000, the enterprise burden of unemployment insurance ranged from 1 percent to 3 percent of worker wages (usually 2 percent of the payroll paid by the employer and 1 percent by the employee). Unemployment payments are available for all those who have their labor contracts terminated or are forced to leave their jobs in the factories due to bankruptcy or other serious circumstances. Previously connected to wages during employment, unemployment benefits are currently a flat-rate amount ranging from 60 to 70 percent of the minimum wage, as determined by the local government (Zhu, 2002). However, unemployment benefits do not treat all laid-off workers equally: many do not receive unemployment benefits, while others continue to receive them although they have found other sources of income (Pan, March 24, 2002).
Disability insurance has risen from 0.1 percent to 2 percent. A Korean-owned firm in Tianjin opted to enroll for industrial hazard insurance by paying 100 yuan a year. It compensates for work-related injuries or occupational disease. In 2000, the premium paid by employers was 0.9 percent of local wages. However, payment is lax in southern China. In 2001, a young Chinese male worker in a Taiwanese bicycle factory suffered a work-related burn on his leg. He made a petition for compensation. In his semi-crippled state, he had to make several visits to the Labor Bureau in southern China, a journey taking about two hours by bus from his factory. As of June, 2001, he had not received any response.

Maternity insurance is supposed to provide a nutrition allowance for three months, at least ninety days of paid maternity leave, as well as abortion coverage. However, it hardly seems to apply to female workers at foreign-owned labor-intensive factories in the coastal cities. White-collar workers, however, benefit from maternity leave in Shanghai, where labor contracts are well stipulated and observed.

Both enterprises and workers share the burden and risks of medical treatment funds in government enterprises. Table 3-3 shows that only the city government of Shanghai manages a pool fund to help cover medical expenses. Chinese workers in Japanese-owned firms enjoy employment security and preferential medical benefits. However, workers without a Shanghai residency card (hukou) are excluded from this arrangement. Medical insurance rates are set at 12 percent in Shanghai, 3.5 percent in Beijing, and 10 percent in Guangzhou.

Apart from contributing to the above mandatory funds, two more employee benefits are required of employers. One is the housing fund. There again exist wide
regional disparities as to how housing is provided and its actual rates. In Shanghai, foreign-invested enterprises are required to allocate 15 to 20 percent of the total wages of their Chinese employees to a housing fund for them. The other major contribution is to the social welfare program, which consists of subsidies and emergency relief. Subsidies include a transportation allowance, a heating subsidy for employees living north of the Huai River, a food-price adjustment, and a special food allowance. Emergency relief includes payments for employee funeral expenses and provides payments to relatives of the deceased employees, as well as retirees.

The current social security system creates contradictory fringe benefits with respect to migrant workers (UNDP, 2000). Since employers do not contribute to pension and welfare funds for them so, they are cheaper to hire than urban residents. Even if they contribute identical percentages for all workers, migrant workers face a relatively long period before he or she is vested with full pension rights. Until becoming fully vested, a migrant worker should be able to transfer or withdraw funds accumulated when moving to a different firm or returning to a native village.

Trade Union Law (2001)

Trade unions at the local (city and enterprise) level have been experiencing a gradual and unprecedented change during the reform years. Zhang (1997) views this change as a shift from state corporatism to social representation. Formerly, trade unions represented state interests in society. Now, trade unions have come to represent the interests of a particular component of society by acting as mediators and suppliers of services. Although Zhang sees the role of trade unions as positive and autonomous to a
certain degree, in fact, a number of surveys reveal that workers increasingly find unions to be unrepresentative and ineffective in resolving workplace conflicts (Chen & Sì, 2001).

In 2001, the Chinese government announced revisions to China’s Trade Union Law, last amended in 1992 (China Labor Bulletin, Feb. 28, 2002). The revisions do contain several improvements (Amnesty, April 30, 2002). Two new sections reinforce the role of trade unions in consultation, mediation, and labor contracts, putting them on an equal footing with employers. Other revision guarantee the representation of women in workplaces with a majority female population (Article 10) and allow for higher level unions to instruct and assist workers in the formation of new trade unions, and protect trade union officers from dismissal.

Despite these improvements, the revised law still severely limits workers’ rights of association and expression and some revisions represent a step backward in the promotion of workers rights. The law maintains the ACFTU as a monopoly and subordinates the Chinese Trade Unions to the Chinese Communist Party (CCP), whose role should be led by the government.

State-Owned Enterprises on Sale

China, in effect, expects to grow its way out of the old-state-dominated economy. Its new policies have, however, led to unintended consequences (Steinfeld, 1998). The inefficiency of state-owned enterprises was based on the ‘soft budget’ constraints they confronted (Liu, 2000). The deteriorating performance of the SOEs was accompanied by an alarming rise in debt (Huang, 2003). The ‘state-dependent mentality’ was the
primary source of the soft budget constraint. For instance, the managers of SOEs enjoy a
certain "moral hazard advantage" (Steinfeld, 1998). In many corporatist regions,
officials enjoyed preferential access to public finance and local banks (Walder & Oi,
1999). The banks keep bailing out and their own books become irreversibly swamped
with nonperforming loans. Notwithstanding political risks such as social unrest arising
from massive job losses, this is the reason that the Chinese Communist Party (CCP) has
undertaken privatization and SOE reform.

**Strengthening of Director Responsibility**

In the 1980s, China's central government embarked on a series of reforms
designed to privatize state-owned enterprises (Freund, 1998). The 1988 Enterprise Law
made directors responsible for major decisions influencing their enterprises. The
Enterprise Law was facilitated by the Four Major Regulations promulgated by the State
Council in 1986, which had a significant influence on labor, as already described. These
four regulations reinforced managerial control in handling personnel matters, while
weakening worker rights. At the same time, subsidies for SOEs have been reduced and
the profit responsibility system initiated. Managers have had to take major responsibility
for the profits and losses in their organizations (Lai, 2001). According to research on
SOEs in the steel industry, Boards of Directors are now being held accountable to
shareholders, and are less subject to the political authority of the CCP (Hassard et al.
2002).
Transferring Property Rights of SOEs

In the past, the government was unwilling to enforce bankruptcies due to the negative socioeconomic effect of large-scale redundancies (Smyth, 1998). In 1996, the number of SOE bankruptcies was still small (6,332). The CCP has made it a state policy to utilize foreign investment to save state firms suffering from soft budget constraints (You, 1998; Kornai, 1992). The result is a quasi-privatization or hybrid enterprise forms (McMillan & Naughton, 1996). Many state firms have hopes that foreign investors will be “grafting” on to their enterprises, which further promote a mixed property structure in the state sector.

In the mid-1990s, Beijing began pushing local officials to either eliminate small, debt-ridden state firms or make them profitable. One of the main approaches to reforming small-scale SOEs is converting them into shareholding cooperatives. The Company Law, promulgated on July 1, 1994, legalizing the shareholding system. In Shandong, 75 percent of small-scale SOEs were reorganized into shareholding cooperatives. What ensued was an irregular process in which the local government frequently sold stock in factories to the workers, but retained control as the majority shareholder (caizhuanguo). However, many SOEs were insolvent; some even defaulting on company bond payments. When workers resisted buying shares in these debt-ridden factories, because they would not be able to resell them, local officials exaggerated their profit potential. If this did not work, they threatened to fire workers who would not obey. When the enterprises turned out unprofitable, workers organized protests (Pan, Jan. 20, 2002).

The 15th National Congress of the Communist Party of China in 1997 officially endorsed the formation of large enterprise groups across regions, sectors, and ownership,
announcing the “grasp the large and free the small (zhuada, fangxiao)” policy (Gallagher, 2002). This provided new impetus for the transfer of property rights among different enterprises (FBIS, 30 Jan. 1998). To cope with the worsening financial situation in the state sector, one of the most crucial decisions taken was to restructure the SOEs (Smyth, 1998). Large and medium enterprises (LMEs) continue to be turned into joint stock companies, but China’s Communist rulers had not yet accommodated full privatization (Pan, Jan. 20, 2002).

The central state has created additional large enterprise groups in strategic pillar industries such as telecommunications, electronics, and so on. Guangdong restructured seventy SOEs into enterprise groups. Liaoning wants to establish twenty enterprise groups. Enterprises in mainland China exhibit some features resembling those conglomerates (chaebol in Korea and keiretsu in Japan). For instance, a “main bank” system similar to that used in Japanese system was developed for three hundred major LMEs. The new policy also allows provincial and local authorities to interpret flexible guidelines for establishing joint ventures. Competition with other localities for foreign investment has also given local cadres an incentive to collude with foreign agencies in evading taxes (Shirk, 1994).

Administrative Structure: Property Control

Over the past four decades, each industrial ministry, and agency at every level of local government has invested in state-owned enterprises. This has created a multi-level sector and local property control system which divides the national economy along central branches (tiaotiao) and regional areas (kuaikuai) lines (You, 1998). Through this
system, industrial bureaus have become both factory administrators and owners. There are currently over 200 provincial, prefectural, or municipal levels within the State Administration for State Properties (SASP) (FBIS, 11 Feb. 1998). In fact, there are potentially as many owners of public enterprises as there are government jurisdictions (Walder, 1995). The most important way in which government ownership rights in the state and collective sectors differ is the extent to which higher levels of government regulates them.

Until the mid-1990s, most SOEs continued directly under the authority of governmental supervisory agencies, such as line ministries at the central level and sectoral bureaus at the provincial level. This led to serious problems. First, SOE management autonomy remained insufficient. The party and the state continued to meddle with operations and personnel appointments. Second, continuous state control hindered the development of markets for capital, technology, labor, and managerial skills. Third, the close ties of SOEs to the state administrative apparatus supported a broad range of regulatory and policy distortions (McNally, 2002).

Overall, China’s state property administration system, which was set up a decade ago, has had a significant impact on the reform of China’s economic structure (FBIS, 18 Feb. 1998). The present system guarantees a distinct separation of property ownership and the operating rights of all state-owned enterprises. This has already served to greatly enhance operational efficiency with debt-equity swaps, as Chinese policy-makers have wrestled with unprecedented problems (Steinfeld, 1998).
Selling State-Owned Enterprises

There are at least four ways of sales of crippling state-owned enterprises which are sold to foreign investors (Hong, 1998). The first is a “joint venture through property rights transfer.” It requires that the assets of a state-owned enterprise be assessed, and then a portion of those assets is transferred to the foreign investor to establish the joint venture. The second is “exclusive foreign capital enterprise through property rights.” In this case, property rights are given over entirely to the foreign investor, who then organizes a sole foreign capital enterprise. The Chinese staff of the original enterprise is re-employed by the foreign investor. The third type is a “limited liability company under joint Sino-foreign management.” By this method, the foreign investor forms a joint venture with its Chinese partner by taking a specific amount of shares of the Chinese enterprise. The last type is a “contractual joint-stock enterprise, also referred to as cooperative joint ventures are established through international tender call.” Under the law of the PRC on Chinese-Foreign Contractual Joint Ventures was promulgated on October 31, 2000. Usually these types of joint ventures undertake a shorter-term project where the foreign partner contracts with the Chinese Party (Gamble, 2002). Efforts indeed are made to establish state holding corporations, corporateize SOEs, and diversify their ownership (McNally, 2002).

Provincial Autonomy and the Acquisition of Foreign Capital

Before foreign investors can actively participate in the Chinese market, they first have to negotiate with local authorities on how to determine their assets. In this privatization process, the local state sells significant ownership rights to foreign
investors. The extent liberalization reveals the way in which local governments in China compete against each other for FDI (Gallagher, 2002).

Guangdong and Fujian

Guangdong and Fujian leaders have established local initiatives to circumvent central policies (Cheung, 1998; Shieh, 1998). They instituted the “comprehensive responsibility system” (da baogan) that endows Fujian and Guangdong with greater decision-making authority than other provinces in virtually all areas of the economy. For instance, “loan payment before tax payment” has been widely taken up in Guangdong and some other provinces since 1979. This means that enterprises pay less tax because tax regulations are “softened” and greater discretionary power is given to local authorities. Enterprises are also granted greater authority in areas of planning, investment, material allocation, wage, and policies.

In the beginning, many Hong Kong and Taiwanese went back to their ancestral hometowns to seek business opportunities. They then established contacts and networks with local authorities to negotiate investment conditions and contracts. The kinship and clan consciousness survive to today and provide a foundation for the expansion of the local economy (Chen, 1999). In sum, central preferential policies have enabled Guangdong and Fujian to forge extensive links with Hong Kong and Taiwan far ahead of other areas and fully utilize overseas financial opportunities in the reform era.
Shandong

Due to a close and favorable relationship with the central state, Shandong managed to obtain its share of the new preferential policy when Qingdao was authorized to set up a zone in 1992. Shandong has established extensive linkages over the years. By the end of 1995, all of Shandong’s seventeen prefectures and prefecture-level cities, as well as sixty-two counties, obtained import-export authority. Meanwhile, Japan’s significance in terms of amount of investment has continued to decline. The reason is that they started to invest in Jiangsu than before. The significance of Korea in terms of rank of national investment in Shandong has risen from fifth in 1991 to second in 1995 (Chung, 1998). The local government continues to weed out a number of uncompetitive state-owned enterprises in the light machinery, chemical, construction material, and mining industries.

Liaoning

Because of outdated industrial facilities, Liaoning is lagging behind attracting foreign investment and promoting international trade. During the clean-up campaign in 1998-89, 62 percent of provincial government agencies have engaged in profit-making activities through economic entities sponsored by the state (Lin & Zhang, 1999). In the past foreign investors were not allowed to have a majority stake in any joint ventures with an SOE; however in 1998 this restriction was abolished except a few sectors relating to the national interest (Smyth and Zhai, 2003). Liaoning’s example, accordingly, shows that as far as large state-owned enterprises are concerned, the state can control the process by selecting who should be the partner and what level of funds should be injected
into what industries (You, 1998). Even for most large and medium-sized state owned enterprises in strategic sectors, one form of quasi-privatization has become popular in making great efforts to bring in technology and capital from foreign or private investors, as the Liaoning experience proves. This will accelerate with the progress of corporatization. In reforming its industrial structure, Liaoning practices a strategy of exercising tight control over crucial state-owned enterprises while loosening its grip on small firms. The open bids to sell small and medium SOEs reveal fixed assets, as well as assets-to-debt ratios, products, and markets.

Absence of State Capacity to Monitor SOEs

It is acknowledged that many directors misuse state assets through lavish personal entertainment or embezzlement. Some managers deliberately sell SOE ownership rights at undervalued prices to their friends, relatives, or even themselves using aliases. This is commonly practiced through such techniques as half-selling-half bestowing, nominal selling-de facto giving, undervaluing assets for kickbacks, underestimating earning potential for bribes, underreporting financial records, corrupt deals for payment, and designating buyers favored by the authority in lieu of competitive bidding (Shen, 2000). It is imperative that the central government should bring more thorough monitoring to bear upon internal accounting procedures and make the sell-off of SOEs more transparent and effective.
Conclusion

A series of institutional reforms related to labor were implemented in China in the mid-1990s. Although more and more attention has been drawn to the protection of legal rights and interests of laborers, in reality labor relations have become more complicated and generally worsened. Some workers have begun to realize that the laws are good but that the legal system is dysfunctional (Pan, June 28, 2002).

There are several reasons that the new labor laws have often failed to protect workers. First, despite of increased collective contracts, China has not implemented collective bargaining mechanism. Second, the role of trade unions is not independent from the government, yet. Third, local governments fall short of exerting their supervisory functions on the grounds that they are often not only under-funded and under-staffed, but also are merely keen to attract foreign investment. The evidence for this is that the structure of economic and political power at the local level and within enterprises makes managerial autonomy and legal loopholes pervasive (Gallagher, 1997). Fourth, practices widely vary even within a given municipality due to contradictory regulations, regulation that have not been applied, and special favorable arrangements worked out between enterprises and labor authorities. Transparency is also deficient in the social insurance system. Hopefully, after China’s successful entrance into the WTO, it will gradually treat all enterprises more equally and fairly.

As a market economy and privatization have become more established, SOEs have become less competitive and financially troubled. Restructuring inevitably led to sell off SOEs to private businessmen or foreign investors. Local cadres have taken advantage of deregulation to seek profit for them. Managers have cheated or coerced
workers into purchasing non-performing SOE bonds. Moreover, the present social
security system fails to provide unemployment benefits for the massive numbers of laid-
off workers. This has given rise to disgruntled social forces or urban unrest, as seen in
Shenyang, where more than 400,000 of the city’s 1.2 million state workers were recently
laid-off (Turner, 1999). Accordingly, unless the state implements a uniform and impartial
set of rules to monitor power elites, increases revenues for job training and placement,
and improves lending capacities in the private sector, it will severely undermine social
stability as well as economic development in China. Indeed, the most important factor is
the response of the party/state towards the reality of global and internal economic
transformation and its effects on the Chinese labor markets. Internal pressures arising
from the laying off of workers from SOEs, the floating population of internal migration
from rural to urban areas, and the external pressures of globalization (e.g. China’s joining
the WTO) must be faced (Zhu, 2002). In the following chapter, we will analyze the
emerging external labor market and ensuing labor unrest in China.

NOTES

1. This developmental strategy is different from the Korean model, which consists of
licensing Japanese technology, but discourages direct equity investment (McNamara,
2002).
2. Local governments have leeway to apply foreign investors for a lower income tax rate
of 10 percent, depending on the amount of exports production reaching upwards of 70
percent in high tech industries (Beijingjournal, Jan., 2002). Qingdao, for instance,
manufacturing firms are exempt from income tax until they make profits for two years in
a row. Their taxes after that are still reduced by half from the third to the fifth years.
3. See the 2002 White Paper on Labor Relations issued by the Ministry of Labor and
4. In 2001 Chinese courts heard over 100,000 cases involving labor dispute, a 33 percent
increase over the previous year.
6. Interview with a Korean manager in Shenzhen (Feb., 2000).
7. Interview with a Korean manager in Shenzhen (Feb., 2000).
8. Interview with a Korean manager in Qingdao (May, 2000).
10. Interview with a Korean boss in Tianjin (July, 2001). The individual contribution rate would rise one percentage point per year until it reached 8 percent in 2001 (Zhongguo Caizheng, 2001: 848-49).
16. In 1997, the debt/equity ratio for industrial SOEs was 1.87, as compared with 0.75 in 1993.
17. The government resists using the word “privatization” (siyinghua) (Gallagher, 2002).
CHAPTER 4

EMERGING LABOR MARKETS AND LABOR UNREST

Unlike the labor market liberalization in Eastern Europe, where labor market reform was applied as 'shock therapy', the Chinese government has moved cautiously to deregulate the labor market and wage structure (O'Leary, 1999). China is also different from South Asian economies, in which structural adjustment programs and privatization have been accompanied by rising numbers of women working in rapidly growing, unregulated informal sectors (Cook and Murphy, 2002). Developing Chinese cities look quite different from cities in such places as India, Brazil, or the Philippines, where the rural poor can drift freely into a city, find or build a crude dwelling, find what work they can, and enroll their children in a local school (Bowring, 2001). Although the Chinese government makes occasional attempts to dismantle slums or shantytowns as "ethnic or native place enclaves", and restrict access to services such as education, medical care, and food subsidies, migrants always turn up again (Zhang, 2001).¹

There are contending arguments concerning the emergence of a Chinese labor market. Matthews (1998) asserts that China had already established a bona fide labor market – with mobility and predictable matching schemes, work conditions, and contract guarantees – in major cities such as Shanghai and Guangzhou just a short period after reform began. Lee (2001) also sees that the reform has enabled foreign-invested enterprises and private enterprises to hire workers without submitting to the control of labor bureaus.

O’Leary (1998) on the other hand, argues that the development of a genuine labor market requires an apparatus which permits independent management and employee
representatives to negotiate wages and working conditions. The institutional, attitudinal, and political problems in China remain immense. These create preexisting barriers by for example, limiting retirement pensions to workers of state-owned enterprises (O’Leary, 1999). In the similar vein, Lambert (1999) contends that institutions coerce the labor markets in China, first, by strengthening through a bonded labor system in China’s SEZ labor markets; second, by denying freedom of association and collective bargaining rights; by working through direct repression of independent union activity.

In this context, we need to scrutinize why different perspectives have arisen regarding the emergence of a labor market in China. We not only have to take into consideration regional variations closely associated with the extent of foreign investment and ensuing migration, but also the degree to which these factors impinge on relationships in the workplace and wage structures in different major cities and coastal provinces.

Alongside the development of market socialism, or a market economy with Chinese characteristics, the types of ownership of industrial firms have substantially diversified in China. Over the last two decades, the number of foreign-invested enterprises (FIEs) and private enterprises has risen rapidly to absorb a large amount of surplus labor from rural areas. Originally, pre-reform China had only two types of enterprises, namely, state-owned enterprises (SOEs) and urban collective enterprises (UCEs). Labor unrest has been an inevitable byproduct of abrupt lay-offs following restructuring of SOEs. This chapter analyzes not only which factors have become the most significant ones in labor disputes as China transits into a market economy, but also
compares the forms and sources of labor unrest among different types of enterprises by ownership.

A few questions are raised regarding the issue of labor unrest: How has the economic environment and institutional change contributed to labor unrest in China? How have differences in ownership of enterprises affected the rise of labor unrest? In what ways have Chinese workers expressed their grievances? In other words, what types of resistance strategies have they employed? Are there similar patterns to worker protests between sectors, i.e., the state sector vs. the non-state sector?

The first part of this chapter examines overall patterns of investment, including those of East Asian-invested enterprises, which contribute to forming the labor market and wage structure in China. Second, it explores emerging local capitalism in China that involves regionalization, mainly led by East Asian investment. In turn, it investigates in which industries these enterprises have invested, where they are geographically located, what procedures are used to enter China, and whether their businesses have been successful or not. Migration processes and government policies in China are then discussed, as well as emerging external and internal labor markets. The changing wage structures among different types of enterprises ownership in various regions are examined.

The second part of this chapter discusses sources of labor unrest, mainly in the 1990s, comparing the different types of firm ownership. Secondary data from sources such as the Chinese Trade Union Statistical Yearbook (1992-1996), China Labor Statistical Yearbook (1998, 2001), and the China Pay Level Survey (1997) are utilized. It
concludes with the major issues raised regarding the emerging labor market and rising labor unrest in China.

**Regionalization – Emerging Local Capitalism**

As a result of the Chinese government's 1979 'reform and open policy', China has attracted foreign manufacturing firms across a wide spectrum of manufacturing industries. Japanese investment came in the early 1980s when China adopted an open-door policy. Since 1985, Japanese investment has undergone steady growth (Deng, 1997). Once Taiwan began to permit visits to China in 1987 and lifted foreign exchange restrictions in 1988, Taiwanese investment in China has increased, although there has already been considerable informal Taiwanese investment in China through third parties in Hong Kong. Taiwanese investment in China was legalized in 1990 (Schak, 1999). The favorable political climate reflected in the normalization of the official diplomatic link between China and the Republic of Korea in 1992 also led to an increase in the entry of Korean firms' into China.

By 1998, the incidence of foreign investment in China totaled approximately 325,000 (see Table 4-1). Hong Kong stands out as the most significant foreign direct investor, accounting for 51.8 percent of total investment. This is down from 1992, when it accounted for 68.2 percent of total foreign investment. Japanese is the second largest investor in China, accounting for 8.2 percent by the end of 1998, followed by the U.S. and Taiwanese. Given that Japan and Taiwan have roughly the same share of the market, but that Taiwan has nearly twice as many investment enterprises, we can see that Japan tends to invest larger projects funded by multi-national firms. Taiwanese investment, by
contrast, includes many more small- to medium-sized enterprises (Lin, 1998). Among late investors, Korean firms constituted 2.8 percent of total foreign investment, amounting to US $7.6 billion. In total, East Asian investment in China represented three quarters of total accumulated investment in China. This far exceeds investments by western firms, totaling only about 12 percent.

One of the major features of foreign investment in China is that many countries, including East Asian ones have made use of corporations in Hong Kong to invest in mainland China (Lin, 1998). Investment by Hong Kong firms therefore has been overestimated. Another important feature of foreign investment in China is its uneven distribution (Smart, 2000). Since the open-door policy began, the SOEs’ share of China’s industrial output has fallen from 65 percent in 1985 to about 30 percent in 1995 (The Economist, 14 Dec. 1996).
Table 4-1: Top 10 Foreign Investors in China (by end of 1998)

<table>
<thead>
<tr>
<th>Country</th>
<th>Cases</th>
<th>Contracted Amount</th>
<th>Actual Investment Amount</th>
<th>Shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Hong Kong</td>
<td>178,922</td>
<td>2,976</td>
<td>1,384</td>
<td>51.8</td>
</tr>
<tr>
<td>2. Japan</td>
<td>17,602</td>
<td>325</td>
<td>219</td>
<td>8.2</td>
</tr>
<tr>
<td>3. U.S.</td>
<td>26,674</td>
<td>466</td>
<td>214</td>
<td>8.0</td>
</tr>
<tr>
<td>4. Taiwan</td>
<td>41,017</td>
<td>404</td>
<td>213</td>
<td>8.0</td>
</tr>
<tr>
<td>5. Singapore</td>
<td>7,997</td>
<td>311</td>
<td>122</td>
<td>4.6</td>
</tr>
<tr>
<td>6. Korea</td>
<td>11,179</td>
<td>148</td>
<td>76</td>
<td>2.8</td>
</tr>
<tr>
<td>7. Virgin Island</td>
<td>1,536</td>
<td>169</td>
<td>67</td>
<td>2.5</td>
</tr>
<tr>
<td>8. U.K.</td>
<td>2,324</td>
<td>151</td>
<td>65</td>
<td>2.4</td>
</tr>
<tr>
<td>9. Germany</td>
<td>1,932</td>
<td>84</td>
<td>34</td>
<td>1.3</td>
</tr>
<tr>
<td>10. Macao</td>
<td>6,164</td>
<td>89</td>
<td>33</td>
<td>1.2</td>
</tr>
<tr>
<td>11. Others</td>
<td>29,273</td>
<td>602</td>
<td>246</td>
<td>9.2</td>
</tr>
<tr>
<td>Total</td>
<td>324,620</td>
<td>5,725</td>
<td>2,673</td>
<td>100.0</td>
</tr>
</tbody>
</table>


Industry

Over the last two decades, significant coastal development in China has been processed through extending subcontract and global commodity chains across straits or through the emergence of international subcontracting (Frenkel, 2001). Gereffi (1995) distinguished between producer-driven and buyer-driven commodity chains. The former represent more traditional, vertically integrated production streams, relying on rents from technology and organization, best exemplified by the automotive and electronic industries. Buyer-driven commodity chains represent more recent, decentralized networks producing consumer goods for export, coordinated by large retailers, branded marketers, and trading companies. The latter serve as 'strategic brokers', linking overseas traders and manufacturers with leading consumer markets for apparel, footwear, toys and so on.
In general, East Asian-owned firms from Hong Kong, Taiwan, Korea, and Japan mainly target labor-intensive, export-oriented manufacturing industries frequently monitored by global firms (Frenkel., 2001; Sun, 1998: 38-39).

Hong Kong mainly invests in textiles, garments, toys, and electronics, including telecommunication and sound recording equipment, office machines, watches and clocks. With the expansion of export in Guangdong, Hong Kong has moved smoothly into a variety of business services, such as shipping, insurance, finances, marketing, and accounting (Naughton, 1997). After Deng’s tour of southern China in early 1992, major Hong Kong investors began actively in investing in China.

Taiwanese small and medium-sized manufacturing firms concentrate on textiles, clothing, footwear, leather products, electronics and electronic equipment, parts assembly, and so on. These sectors accounted for 70 percent of the Taiwanese manufacturing industry in the mainland (Naughton, 1997). Taiwanese investments are somewhat more diversified those that of Hong Kong in that plastic, rubber, and miscellaneous products are also important.

Taiwan has recently become a world-class supplier of different electronics hardware products (Ernest, 1997). Consequently, the Taiwanese government is reexamining restrictions on investment in such strategic sectors as semiconductors and petrochemicals (Sutter, 2002). Taiwanese firms have increasingly been relocating information technology (IT) components businesses to China (Sutter, 2002). These include computer monitors, motherboards, switching power supplies, mouse devices, keyboards, scanners, and various add-on cards. At the same time, the Taiwanese have become the world’s largest manufacturer of notebook PCs (Personal Computers).
Taiwanese firms have designed most of the computers sold to the U.S. and Japan under the OEM (Original Equipment Manufacturing) arrangements. Subsidiaries or components firms in China supply most of the computer parts.

In the early 1990s, Koreans mainly invested in textiles and apparel, footwear and leather. The average investment scale per enterprise was about US$ 0.85 million (Kim, 1995: 203-204). Since the mid-1990s, Koreans have been investing in the electronics processing industry. Most of Korean firms are OEM suppliers in the overseas market or Korean multi-national firms. Both Korean and Japanese investors also produce durable domestic electronic goods such as washing machines, televisions, air conditioners and so on, but are reluctant to transfer high technology to China.

Japanese manufacturing investments are most significant in the textile, electronics, machinery, and transport industries. Most Japanese electronics firms, such as Konica, Toshiba, Sony, and so forth, are moving into Shanghai and northern China. Japanese import trade tends to be dominated by intra-firm trade for vertical integration across the straits; much of the recent rapid growth in Japanese imports has come from subsidiaries of Japanese firms in China or Southeast Asian countries. The principal firm specifies product details, while the subcontractor is relied on for the process and product development.

In short, common industries of textiles, sewing and light manufacturing, electronics, and machine constitute more than 20 percent of East Asian investment in China (MOFTEC, 1993). China provides a new export production base for low-end consumer goods and simple electronics manufacturing by East Asian firms.
Location

As seen in Table 4-2, five coastal provinces (Guangdong, Fujian, Zhejing, Jinagsu, and Shandong) and two major coastal cities (Shanghai and Tianjin) have captured the lion’s share of foreign direct investment in China, including that of East Asian countries (Wei, 2000). The spatial patterns of East Asian investment are closely associated to geographic and cultural proximity (Sun, 1998). Consequently, interior provinces attract much less foreign investment.

In fact, investment by East Asian countries is location-specific, mostly occurring in coastal areas. Hong Kong investments are concentrated in the southeast coastal region – mainly Guangdong and Fujian. The Guangdong province has been the leading province for foreign direct investment, as seen in Table 4-2. The reason that Hong Kong invests such large amounts in Guangdong is because the local people share the same language (Cantonese) and have close ethnic links with the Chinese in Hong Kong.

Taiwanese firms concentrate their investments in southern China’s Guangdong (Guangzhou, Shenzhen, and Dongguan) and Fujian (Xiamen) provinces. Taiwan and the Fujian province are not only geographically adjacent to each other, but most of their residents also speak the same dialect, Minnan (Sun, 1998). However, since direct transportation by sea has been prohibited for political reasons, the Taiwanese prefer Guangdong to Fujian. The collaboration has flourished across the Strait. Some 250,000 Taiwanese firms are responsible for 12 percent of China’s exports, pouring $40 billion into the mainland (Dexters et al., 2000). They thus avoid such barriers as high wages and estate costs in their homeland. Currently, they are shifting from small to large firms and are gravitating toward Jiangsu, Zhejing, and Shanghai.
The Chinese government has adopted a carrot-and-whip policy toward Taiwanese investors. In December 1999, it made it easier for them to obtain local loans and strengthened their legal protections. Local governments cut taxes and land-use-fees. Guangdong’s government even opened special information offices for Taiwanese investors. However, it seems clear that those Taiwanese firms in China most closely associated with the current Taiwanese government are more likely to be victimized by cross-Strait politics (Dexters et al., 2000). Chinese officials could penalize Taiwanese firms for ignoring labor standards and customs.

Korean firms are mostly located in two major regions, the Bohai Rim region and the Northeast region, consisting of Shandong (Qingdao) and Liaoning (Shenyang and Dalian) provinces. Shandong coastal cities such as Qingdao, Yantai, and Weihai were preferred due to their proximity to Korea by sea transportation routes. Two out of the total US $5 billion Korean investment to China had gone to those cities. Another reason Koreans prefer investing in Liaoning is because it is relatively close to northeastern China, which is home to nearly two million ethnic Koreans. Koreans have also preferred investing in Beijing and Tianjin (a port city near Beijing) (Lee & Kim, 1997: 227-228). About one thousand Korean firms have invested in Dalian, a port city of Liaoning, but after the financial crisis of 1997, only five or six hundred small or medium-sized Korean firms, mostly producing shoes or clothing remained operating.

Korean firms have not only attempted to avoid wage hikes and currency appreciation since the great strikes of 1987 in Korea (Guillen, 1998). They have also sought to benefit from similar cultural backgrounds, market potentials, and proximity to Korea. As Johnny-come-latelies, Korean firms have found it difficult to invest in
southern China and the Shanghai delta, because other foreign investors have been in those areas for nearly ten years. Most Korean firms cannot afford the higher labor costs and real estate prices in those regions. Moreover, with little managerial and technological know-how, most Korean firms cannot compete in Shanghai and Shenzhen with multinational corporations. Shandong and Liaoning, however, have offered preferential policies and proven the best export processing zones for Korean firms.

Japanese investment in China followed significant relaxation of the Japanese government's control over foreign exchange and capital outflow in the 1980s. This facilitated investment in southern China (Shanghai, Jiangsu and Fujian). It is interesting to note that after the mid-1990s, foreign direct investment in Jiangsu surpassed that of Fujian, as seen Table 4-2. This is partly due to the advantage of its geographical proximity to Shanghai. The huge surge of Japanese investment in the Northeast (Dalian) and in Shandong (Qingdao) after 1992 played a significant part in broadening the geography of support for the open policy (Shirk, 1994). Japanese electronic MNCs such as Canon, Toshiba, and Mitsubishi are major investors in Dalian.
Table 4-2: Share of Foreign Investment in Coastal Provinces as a Percentage of National Total

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tianjin</td>
<td>5.0</td>
<td>0.9</td>
<td>2.6</td>
<td>2.0</td>
<td>4.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Shanghai</td>
<td>7.0</td>
<td>13.5</td>
<td>5.5</td>
<td>10.6</td>
<td>8.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Liaoning</td>
<td>1.8</td>
<td>3.4</td>
<td>7.7</td>
<td>3.7</td>
<td>3.7</td>
<td>5.1</td>
</tr>
<tr>
<td>Shandong</td>
<td>0.6</td>
<td>1.5</td>
<td>4.7</td>
<td>8.2</td>
<td>6.9</td>
<td>7.4</td>
</tr>
<tr>
<td>Shandong</td>
<td>1.8</td>
<td>3.8</td>
<td>4.4</td>
<td>11.8</td>
<td>12.7</td>
<td>16.1</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>1.8</td>
<td>1.1</td>
<td>1.5</td>
<td>2.5</td>
<td>3.4</td>
<td>4.0</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>13.3</td>
<td>4.8</td>
<td>9.0</td>
<td>11.9</td>
<td>10.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Fujian</td>
<td>58.0</td>
<td>34.1</td>
<td>45.1</td>
<td>29.9</td>
<td>27.1</td>
<td>28.2</td>
</tr>
<tr>
<td>Guangdong</td>
<td>87.8</td>
<td>61.3</td>
<td>70.5</td>
<td>80.6</td>
<td>77.4</td>
<td>80.2</td>
</tr>
</tbody>
</table>


*Procedures for Entering China*

Different levels of foreign economic relations and trade bureaus in the state administrative hierarchy determine how to deal with foreign investors, depending on the size of investor resources. While the vast majority of smaller foreign investments tend to be handled by the municipal bureaus or below, the provincial bureaus monitor the larger foreign investments. According to our survey data, when a medium-sized Japanese electronics assembly firm established a joint venture in 1995, the Minister of Industry was in charge of the property rights transfer. Usually, however, Municipal Bureaus are in charge of dealing with small East Asian investors. They pass them down to lower levels, such as district, county, or even village bureaus. This manifests divergent property rights arrangements across the state industrial hierarchy. This hierarchy, a surviving remnant of
the planned economy, is thus one of the most crucial factors in a foreign firm's experience of entering China during a period of economic transition (Guthrie, 1999).

Methods for determining investment location also vary substantially among East Asian investors. Korean and Japanese investors prefer to make local surveys or rely on their trade associations before deciding to invest, whereas Hong Kong and Taiwanese investors make inquiries amongst colleagues who have already been through the process. This indicates that the latter are better able to generate rich information through primary guanxi (personal networks amongst relatives and village ties), whereas Korean and Japanese investors still need to cultivate friendly relationships and instrumental guanxi. In this context, Wang (2001) argues that while there are weak formal state institutions in China, informal personal networks play a pivotal role in facilitating foreign direct investment. During my field research, I had a chance to observe how third parties were utilized in the process of facilitating foreign investment. The local party secretary of a rural county in Qingdao invited a Korean Chinese professor for dinner after explaining to us at his county office the optimistic prospects for the county and city in the coming years. During the small banquet after tossing back several drinks, the village chief began calling the female professor Big Sister, hoping that she might in the future introduce Korean investors to the county. These days, it seems that the mayors of coastal cities such as Qingdao or Dalian have become very aggressive in seeking out Korean investors for their respective cities, sending massive delegations to Korea so as to explain the investment environment.
Success or Failure of Business

Corporate caginess makes it difficult for outsiders to estimate investment returns. A total of thirty-nine Japanese firms with investments in China – 45 percent of the firms that returned a valid response – reported that they posted an operating profit in 2001. Twenty-four firms, or 28 percent, said they broke even. The remaining twenty-three firms, of 27 percent, said they suffered operating losses (Nikkei Weekly, Dec. 23, 2002). According to the Taiwanese official report, only 30 percent of Taiwanese-invested firms earned profits in 2001. By the mid-1990s, several informants in Taiwanese-owned firms reported that they found it difficult to earn profits and some withdrew from China (Schak, 1997, 1999).

After the Asian financial crisis in 1997, Korean-invested firms in China have encountered an ambivalent situation. One group, which focused on exporting their processing and assembly products to the mother firm or Korean market, suffered from severe financial setbacks. Another group, which had moved the whole firm to China and only left a liaison office in Seoul, was very successful in exporting their product to western markets and obtaining foreign currency. Korean businessmen today share the rather gloomy view that only 10 percent of Korean-invested firms will succeed in China. Although more than 2,000 Korean firms have invested in Qingdao, only 1,500 are still operating, and half of them do not make a profit. Some firms fail to make a profit due to high logistics costs. In addition, the minimum wage in Qingdao was increased to 410 yuan (US $50) in 2000, a 10 percent rise over the previous year. Thus, labor-intensive factories producing bags, clothes and so on are afraid that they will rapidly become marginalized, along with increasing wages (Daily Chosun, Feb. 9, 2003).
By contrast, according to a report by the American Chamber of Commerce, 64 percent of about 200 firms surveyed in China are profitable (Chang & Wonacott, 2003). Reasons include the emergence of urban consumers, the rapid spread of modern retail outlets, and entrepreneurial partnerships with multi-national corporations. Accordingly, some foreign investors are currently reinvesting profits in China, counting on future healthy returns.

Migration Process and Government Policies

For the most part, young peasants from west or central China seek employment in cities within their own province or in the rapidly industrializing coastal areas in China (Davin, 1999). This phenomenon is called the "floating population" (liudong renkou) or pejoratively, "blind currents" (mengliu). The mass media portrays a stereotypes the image of "blind migrants" arriving in the cities full of hopes, but with little notion of how to achieve their dreams (Davin, 1999).

One important facet of the transitional period in China has been the relaxation of rigid control over population movement (Riskin et al., 2001). Together with household registration (hukou), strict food rationing used to deter people from leaving their native place without official permission. After the government abolished food rationing and allowed a free food market, people began searching for more lucrative work opportunities in the cities along the eastern coast in China.

Internal migration in China has therefore become concomitant with coastal development. In June 1985, the temporary residents permit (zanzhuzheng) system was introduced by the central state (Woon, 1999: 478). It became compulsory for everyone
over sixteen years of age in 1989 (*FBIS*, Dec. 15, 1989). With increasing job opportunities in foreign-invested enterprises and private sectors after reforms, however, rural people begun to migrate to coastal cities without obtaining government approval (Zhao, 2000).

Enterprises have to consolidate supervision over their hiring practices following the demands of local governments. Since 1995, governments at various levels have implemented regulations to control migrant flow into the cities. For instance, non-Beijing residents are required to obtain a house-leasing certificate from the district. According to regulations stipulated by the Ministry of Labor, every migrant is required to get three certificates – an identification certificate, temporary resident certificate, and employment certificate – and an employment card. These verify that the migrant worker is a legal temporary resident. In order to obtain these cards and certificates migrants have to pay at least 200 to 300 yuan per year. Given this expense, some migrant workers opt to disregard them and remain in the cities illegally. Thus, migrants can be categorized as permanent migrants (*de jure* migrants), temporary migrants (*de facto* migrants), and circulatory migrants (Goldstein & Goldstein, 1987, 1988). Relatively few unregistered migrants have been expelled, however. Most have been permitted to stay due to the benefits they bring to state enterprises (White III, 1994).

There are two ways for migrants to enter the urban labor market. One is through formal channels, that is, a government agency. For instance, the Tianjin Municipal Women’s Federation founded labor service companies that operate as brokers to address labor shortages in the peri-urban rural industry and service sectors (Zhang, 1999). By the end of 1994, the function of the government’s Labor Bureau changed from assigning

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employees to enterprises to introducing workers to enterprises through 18,000 employment agencies in twenty-eight provinces (Zhang, 1995). Following changes in the Labor Bureau, different kinds of private labor service agencies have appeared in urban and rural areas (Zhu, 1995). As of 1994, China had over 200,000 such employment service agencies, employing over 9.15 million workers. More than half of them were urban-employed (Zhang, 1995). However, the "floating population" is excluded from this network.

The other way for migrants to enter the urban labor market is through informal channels. Patronage networks are open to transients. Kinship and fellow villagers (laoxiang) networks play pivotal role in migrant destinations and help them find employment (Zhao, 2000). Cases of workers migrating on their own or through employment agencies are rare. In the Dongguan study, only 4 percent of employed workers had come on their own after consulting or conducting an independent job-search (Solinger, 1999). Some county governments in Sichuan have actively recruited migrant labor and sought contracts for workers in the coastal regions. In a similar fashion, a household survey indicates that the vast majority of migrant workers enter urban labor markets by relying on these networks (Du, 2000). Migrant workers use them to minimize the risk and cost of migration, counteracting public information services and labor organizations. These relationships not only provide relief from the stress of urban work, but also enable migrants to share information with respect to job vacancies. For example, I met a personnel officer at an under-performing state-owned mining enterprise in Zibo, Shandong province who wanted to move to Xiamen to seek a job because his sister had gotten married and worked there. 
Just as in obtaining jobs, changing jobs relies upon local network information and recommendations (Lee, 1998). Korean Chinese in Shenzhen, who have migrated from northeastern China (Yanbian) and are managing factories in Korean-owned firms, exchange information about their wages. If they realize their wages are lower than their friends, they consider resigning and moving to another Korean-owned firm. Likewise, a security guard at a college in Dongguan asked me to introduce his wife to my friend, a former manager of a state-owned enterprise who was now running a privately owned firm. His wife wanted to work in the factory because the pay received from her janitorial job in the college was quite low.

Indeed, massive migration is a good example of unintentional politics in the PRC, although the government gives tacit consent to migration (White III, 1994). After opening up an office at Guangzhou in 1992 to coordinate interregional migration, Shanghai set up a municipal office to manage its outsider population in 1994. Its sole responsibility was to issue labor certificates. In Shanghai during 1986-1990, for instance, when construction work was in great demand, roughly two-thirds of registered immigrants were men. This was quite different from the current situation, when labor markets in manufacturing industries in most coastal cities prefer a young female workforce. The demographic makeup of the migratory workforce varies greatly.

Rural peasants migrate more than unemployed workers, including laid-off workers (xiagang) from state-owned enterprises, because they have suffered from heavy taxes levied by local governments. More than half of peasant earnings go to pay local fees and taxes. As a consequence, peasant riots have been an increasing phenomenon across the countryside. Young people from these rural areas often migrate to the
secondary labor market, even though it does not provide social insurance. An urban-biased policy favors registered urban residents (*hukou*) in inland cities. Registered urban residents are eligible for social services and benefits provided by the government, including nonagricultural employment, education, free medical service, and pensions. For instance, a monthly subsidy of 218 yuan was given to the urban poor or laid-off workers in Shanghai in 1997 (Saywell, 1999).

Because of large income differentials between cities and the countryside, peasants prefer to seek jobs in non-agricultural sectors. However, municipal governments tightly regulate the employment of rural migrants with respect to both numbers and jobs in Beijing and Shanghai. Urban dwellers acquire preference in the job markets and are protected against competition from migrants. Even, in coastal cities such as Kunshan and Qingdao, the municipal and/or local governments require foreign-owned firms to hire a certain proportion of local people in the first place. A rural background almost always situates migrants in a disadvantaged position. Migrants are exposed to police extortion or roundups and can be forcefully repatriated to the countryside. Resentment regarding the unequal status of migrant workers could escalate into angry protest (Holland, 1998).
Figure 3: The Largest 30 inter-provincial of Migration Streams: 1990-1995

Key

Volume of Flows

62,000-99,949
100,000-199,949
200,000-399,949
400,000-443,200


Job Destruction: Rising Unemployment

Unemployment figures are downplayed by the government so as not to disclose the hardships arising from economic reform and restructuring. Hundreds of thousands of laid-off (xiagang) workers do not show up in China’s jobless statistics. Since they are offered a tiny monthly stipend by their former employers, they are not counted as unemployed. The official jobless rate of 3.6 percent in 2001 therefore does not include xiagang workers, who are estimated to have reached 10 million in 2000. Nor does it include the peasants who have flowed into the cities, a “floating population” (liudong
million migrants who are less than seasonally unemployed. Hu Angang has researched the unemployment problem using definitions of joblessness more in line with international standards. His conclusion is that China's unemployment rate was 7.6 percent in rural areas and more than 8.5 percent in the cities in 2001, and that this is likely to give rise to social turmoil (Liu, *Newsweek*, April 6, 2002). In the rust-belt cities in the northeastern provinces, the unemployment rate is more like 25 percent - a situation that is expected to worsen (*Businessweek*, April 8, 2002).

**Job Creation: Emerging Labor Market**

The government gives priority to fostering pillar industries such as energy, transport, post and communications, metallurgy, machinery, electronics, automobiles, and chemicals, as part of the austerity program (O’Leary, 1999). Meanwhile, it has withdrawn from non-pillar industries such as consumer goods. The rationalization of SOEs has led to greater number of lay-offs. Market transition and structural transformation imply greater mobility of labor between sectors and jobs (Naughton, 1999).

As seen in Table 4-3, the proportion of the workforce at SOEs has sharply declined, from 63 percent in 1993 to 44 percent in 2000. From 1997 to 1998, during the financial crisis in Asia, the workforce decreased by a dramatic 15 million in the state sector, for both SOEs and UCEs alike. On the other hand, the workforce in the non-state sector increased from 8 percent in 1993 to 40 percent in 2000. Although the employment in other types of ownership reached 13 million in 2000, the true size of employment in China’s non-state sector is much larger (Whyte, 1999). This is due to the rapid development of FIEs and POEs in the littoral cities, as mentioned earlier.
The 1980s policy was adopted to absorb surplus rural labor to rural enterprises (Iredale, 2000). People did not need change their place of residence, only their place of work. As a result, township and village enterprises (TVEs) have grown up rapidly around China, particularly in the coastal areas. They became the impetus for the Chinese market economy, hiring from 30 million in 1979 to 135 million in 1996 and 131 million in 2001, according to official sources (China Statistical Yearbook, 2002).

Table 4-3: Workforce in Manufacturing among Different Types of Ownership in the Urban Sector

<table>
<thead>
<tr>
<th>Year</th>
<th>SOEs</th>
<th>UCEs</th>
<th>Others</th>
<th>Unit: 10,000 employees, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Subtotal</td>
<td>FIEs</td>
</tr>
<tr>
<td>1980</td>
<td>2,601 (-)</td>
<td>1,346 (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1985</td>
<td>2,975 (-)</td>
<td>1,608 (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1990</td>
<td>3,395 (-)</td>
<td>1,773 (-)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>1993</td>
<td>3,444 (63.0)</td>
<td>1,595 (29.2)</td>
<td>430 (7.9)</td>
<td>124 (2.3)</td>
</tr>
<tr>
<td>1995</td>
<td>3,326 (61.2)</td>
<td>1,417 (26.1)</td>
<td>696 (12.8)</td>
<td>236 (4.3)</td>
</tr>
<tr>
<td>1996</td>
<td>3,218 (60.8)</td>
<td>1,346 (25.4)</td>
<td>728 (13.8)</td>
<td>268 (5.1)</td>
</tr>
<tr>
<td>1997</td>
<td>3,011 (59.3)</td>
<td>1,244 (24.5)</td>
<td>826 (16.3)</td>
<td>290 (5.7)</td>
</tr>
<tr>
<td>1998</td>
<td>1,883 (50.0)</td>
<td>742 (19.7)</td>
<td>1,143 (30.3)</td>
<td>280 (7.4)</td>
</tr>
<tr>
<td>1999</td>
<td>1,648 (47.2)</td>
<td>622 (17.8)</td>
<td>1,225 (35.1)</td>
<td>291 (8.3)</td>
</tr>
<tr>
<td>2000</td>
<td>1,415 (43.7)</td>
<td>519 (16.0)</td>
<td>1,305 (40.3)</td>
<td>314 (9.7)</td>
</tr>
</tbody>
</table>


Institutional Discrimination for Job Market

Urban unemployment has been aggravated by the continuous inflow of surplus rural workers. As a consequence, an entry barrier has been set for migrants seeking jobs.
A migrant worker from Hunan province, who is now working in Dongguan, recalled, “In 1997, I searched for a job in Shanghai for a week, but failed to find one. I was very hungry at that time, so I decided to head into the southern provinces.” Although rural migrants are hired, their working conditions are often different from those of urban locals.

Institutional discrimination limits the labor market for peasant migrants (Lee, 2001). The labor sector is clearly categorized into: (a) domestic services such as nannies, construction work, street cleaning; (b) assembly line work in collective firms or foreign-invested enterprises; and (c) service work (Zhang, 2001). Some female workers work on assembly lines, while others are hired in such service sector enterprises as restaurants or massage parlors. The former apparently requires more discipline than the latter. Otherwise, migrant workers are in charge of hard, dirty, and dangerous jobs that urban residents are reluctant to take. Local urbanites tend to prefer office work. Migrant workers realize that they cannot find such jobs without an education. Moreover, entry into the formal sector for middle-aged migrants tends to be very limited. Migrant workers are thus turning to the self-employment, peddling fruits or sundries at bus terminals or on bridges in major cities. They are always on the lookout for police, ready to flee if police approach them.

In-migrants are better able to prosper when they have connections to relatives or friends from the same ethnic group who have already settled in their new communities. Some are able to participate in community organizations shaped by previously settled co-ethnics. Some ethnic groups have even created their own schools and clinics in major cities, since municipal governments are urban-biased and discriminatory against migrant
workers (*Business Week*, Dec. 18, 2000). These ethnic networks also, however, sometimes exploit workers by compelling them to work for long hours in the small-scale, family-run private sector or collective enterprises (Zhang, 1999).

The household registration system has implications for employment relations in urban enterprises. Only urban residents are vested with benefits and government subsidies such as housing and non-staple food price subsidies. The introduction of the new labor contract system to replace the lifetime job tenure system has undermined the long-valued socialist principle of job security, however. New system has brought new problems, including wage exploitation and labor status differentials between permanent and non-permanent employees. In a recent attempt to reduce workplace overstaffing and economic efficiency, incumbent workers have been dismissed. This was another harsh blow to job security.

The institutional boundary dividing the two labor markets of state and non-state sectors in urban China still exists (Gu, 1999). If workers laid-off from state-owned enterprises obtain new jobs in the non-state sector, they may obtain better wages, but they are concerned about not benefiting from the ongoing pension system reform. Housing is another critical issue when laid-off workers accept job offers from enterprises in the non-state sector (Sabin, 1999). Since they are usually relatively mature and already have families, they also find it difficult to secure jobs in the non-state sector as well as risky. The vast majority of laid-off workers would rather be re-employed in the state sector instead of in the non-state sector.

Taking a second job has become popular among laid-off workers, who in their new employment can continue to receive unemployment benefits, lay-off aid, and/or
pensions from their original work units (Sabin, 1999). Some of them are engaged in ‘hidden employment’ while receiving a subsistence allowance from former employers (UNDP, 2000). For instance, some laid-off single female workers have taken advantage of this institutional boundary by migrating into prosperous coastal cities and working there as massage girls in the service industry, while at the same time receiving unemployment benefits from their hometowns.\(^{13}\)

Married migrant workers have had to leave behind their children if they seek work elsewhere, since they do not have time to take care of their kids and can not send them to local public schools or obtain cheap medical care without permanent residency status (Matthews, 1998). Children may only see their parents during vacation time, which can be painful for all concerned.\(^{14}\)

Although urban or rural migrants may find jobs in state-owned enterprises, they are more likely to be penalized than locals or non-native residents due to poor work performance or failure to accomplish work responsibly (Matthews, 1998). In particular, uneducated rural migrants tend to be disdained, distrusted, and discriminated against by employers as a whole. In this sense, there exist covert or overt barriers to developing a \textit{bona fide} internal labor market, despite the emerging external labor markets.

\textit{Job Creation with Globalization}

The labor market in the Pearl River delta involves three critical factors: migrants, foreign capital, and the host local government (Tan, 2000). Foreign capitalists, particularly the export factories of Guangdong, utilize the preferential policies offered in the delta area. Along with an increase in foreign investment, the number of migrants has
rapidly increased in areas like Dongguan (Meng, 2000). In 1992, migrants in Shenzhen were twice as numerous as locals, but in Dongguan, they were no more than half (Lee, 1998). But by 2000, the number of migrants in Shenzhen was about eight times as large as the number of locals, while the number of migrants in Dongguan was four times that of locals, reaching more than 6 million in total.

Depending on the city's dominant industry, the participation of female migrants in the labor market varies. In the Pearl River delta, the migrant labor male-to-female ratio is 1:2, which is the reverse of the national trend (Ye, 2002). Job segregation in the delta pushes women into unskilled, labor-intensive, and lower-paid apparel, footwear, and toy industries. Migrants in Dongguan work less in the service industries, migrants are more often found working in restaurants or in various repair services in Jinan, the capital city of Shandong province (Meng, 2000). According to survey data, in 1995, 93 percent of migrants in Jinan were from Shandong province, whereas intra-provincial migration accounted for only 20 percent in Dongguan. Most migrants in Dongguan were from distant provinces like Sichuan, Hunan, Guangxi, and Jiangxi, which all have small per capita land ratios.

*Job Mobility with Turnover*

One way of expressing job dissatisfaction is to resign from their jobs. According to a survey conducted by a Hong Kong industrial association in 1997, the turnover rate for workers varies across cities. Table 4-4 shows that Guangzhou recorded the highest turnover rate of 41.9 percent, Dongguan was second with 30.8 percent. This also reflects the size of the labor market for migrant workers in southern China, which corresponds to
the advent of large amounts of foreign investment. Among workers, the survey revealed the main reason for resigning was discontentment with wages and work arrangements. More than 35 percent of workers quit within three months, although resignation is the last recourse. Workers who are disgruntled with the long work hours come to realize that money is not the most important thing. They dare to lose their positions to make a point. For instance, in 1999, after workers of a Hong Kong firm in Dongguan finished a 48 hour stint completing a belt buckle order, roughly a quarter of 400 workers decided to quit their jobs (Business Week, Dec. 18, 2000).

Table 4-4: Turnover Rate across Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Beijing</th>
<th>Shanghai</th>
<th>Guangzhou</th>
<th>Dongguan</th>
<th>Shenzhen</th>
<th>Other GD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>27.2%</td>
<td>16.4%</td>
<td>41.9%</td>
<td>30.8%</td>
<td>17.8%</td>
<td>17.9%</td>
<td>25%</td>
</tr>
</tbody>
</table>

Note: Other GD designates other cities in Guangdong

The spring festival (chunjie) is the highest turnover season for migrant workers. To retain experienced workers, firms often only paid half the worker's salary before the spring festival, with the other half paid upon their return to the factory. At present, this strategy has changed. Workers who stay in the factory during the festival period are paid more (Xinbao, Feb. 6. 1996). Job changes seem to proceed regardless of the nature of the labor contract, however (Zhu and Campbell, 2002). If workers leave some firms before their contract expires, the firm retains a deposit.

It is critical to the survival of many FIEs that they maintain a sufficient labor force in small cities such as Kunshan near Shanghai, where workers are not as abundant
as in large cities in the southern provinces. A small FIE stands to lose its labor force if a medium or large firm with modern facilities and dormitories is established nearby. Accordingly, the size and composition of a workforce varies widely even across coastal cities.

Foreign-invested enterprises are rather desperate to hire and retain skilled labor or upper-level managers in major coastal cities. Since an employee who has been taught how to mix concrete can then change to another employer who pays more, some companies wonder why they should invest in worker training. Instead, ‘poaching’ experienced employees from foreign-invested enterprises is on the rise, in particular by smaller Hong Kong and Taiwanese-owned firms (Schak, 1997). They are reluctant to provide extensive training, but are willing to pay extremely high wages to lure talented employees from other companies (Sensenbrenner and Sensenbrenner, 1994). Accordingly, internal markets are being undermined and a great majority of skilled workers are being hired from the outside. Foreign-invested enterprises, on the other hand, make training a priority so as to retain personnel. For example, a Korean electronic-scale producing firm in Shanghai hired a Chinese engineer and then dispatched him to be trained at the “mother firm” in Korea. Surprisingly, he not only learned to communicate fluently with Korean representatives in Korean, but also learned to understand the Korean management style very well.

**Wage Structures**

We now move on to examine how wage structures have changed along with the emerging labor market. Based on an analysis of a 1988 national income survey, Xie and
Hannum (1996) demonstrated that the level of overall earning inequality was quite low in China. However, recent studies (Barnard and Shenkar, 1997; Sarbin, 1999) show that interregional wage disparity has sharply increased in the 1990s. Yao (1999) supports this by stating that per capita GDP in the coastal provinces increased more than 10 percent annually, from the reforms until 1995. In 1978, urban incomes were 2.5 times higher than rural incomes. By 1986, this disparity shrunk to 1.8 times, as the liberation of peasants from commune bondage led to an increase in output and incomes. However, by 2000, the situation had reversed again. This gap was 2.8 times and widening (Bowring, 2001). This income gap is a major factor in explaining labor migration in case of China, as many scholars assert (Cai, 1998).

**Wage by Type of Enterprise**

Wages also vary across ownership types. Table 4-5 illustrates that wholly foreign-owned firms had the highest wage levels until the late 1980s. Since the early 1990s, overseas Chinese-owned firms have shown the highest wage levels among different types of enterprises in China. In the meantime, the average wages in SOEs and COEs have increased slowly (Zhu, 1995). By 1992, the average wage in COEs was less than half the wage amongst overseas Chinese firms, but both the amounts were small. In 2000, the wage gap between state and non-state sectors widened.
Table 4-5: Average Annual Wages (1985-2000)  

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SOEs</td>
<td>1,190</td>
<td>1,543</td>
<td>2,081</td>
<td>2,289</td>
<td>2,889</td>
<td>5,352</td>
<td>6,008</td>
<td>8,554</td>
</tr>
<tr>
<td>COEs</td>
<td>963</td>
<td>1,180</td>
<td>1,523</td>
<td>1,622</td>
<td>2,107</td>
<td>3,717</td>
<td>4,120</td>
<td>5,772</td>
</tr>
<tr>
<td>Others</td>
<td>1,328</td>
<td>1,789</td>
<td>2,889</td>
<td>3,055</td>
<td>4,154</td>
<td>7,245</td>
<td>8,367</td>
<td>10,192</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>2,111</td>
<td>2,245</td>
<td>2,669</td>
<td>2,905</td>
<td>3,973</td>
<td>6,056</td>
<td>7,310</td>
<td>10,663</td>
</tr>
<tr>
<td>Overseas Chinese</td>
<td>2,500</td>
<td>1,830</td>
<td>2,995</td>
<td>3,687</td>
<td>4,415</td>
<td>7,484</td>
<td>9,329</td>
<td>11,914</td>
</tr>
<tr>
<td>Wholly-owned</td>
<td>2,144</td>
<td>2,826</td>
<td>3,567</td>
<td>3,411</td>
<td>3,616</td>
<td>8,058</td>
<td>10,361</td>
<td>14,372</td>
</tr>
</tbody>
</table>

Unit: Yuan


Wage by Type of Ownership across Cities

Table 4-6 indicates that the average wage in major cities and in Guangdong, which opened to foreign investment earlier, are higher than in coastal provinces such as Shandong and Jiangsu, that opened later, among firms with the same types of ownership. In addition, the average wage in foreign-invested enterprises is higher than in the state-sector. The average wage in the FIEs of major cities such as Shenzhen, Shanghai and Tianjin, where MNCs invest heavily is higher than in overseas Chinese-invested enterprises. The average wage at state-owned enterprises in major cities has sharply increased, partly due to the influence of higher wages in the FIEs.
Table 4-6: Annual Wages across Major Cities & Provinces (in Manufacturing)  

<table>
<thead>
<tr>
<th>Year</th>
<th>Type of Enterprises</th>
<th>Guangdong</th>
<th>Jiangsu</th>
<th>Shanghai</th>
<th>Shandong</th>
<th>Tianjin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SOEs</td>
<td>6,900</td>
<td>5,096</td>
<td>7,009</td>
<td>4,110</td>
<td>5,370</td>
</tr>
<tr>
<td>1994</td>
<td>COEs</td>
<td>5,599</td>
<td>3,699</td>
<td>4,554</td>
<td>2,972</td>
<td>3,168</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>7,758</td>
<td>5,647</td>
<td>9,236</td>
<td>4,440</td>
<td>6,869</td>
</tr>
<tr>
<td></td>
<td>FIEs</td>
<td>8,099</td>
<td>5,797</td>
<td>11,445</td>
<td>4,202</td>
<td>7,393</td>
</tr>
<tr>
<td></td>
<td>Overseas Chinese</td>
<td>7,885</td>
<td>5,267</td>
<td>9,597</td>
<td>4,416</td>
<td>6,258</td>
</tr>
<tr>
<td></td>
<td>SOEs</td>
<td>8,451</td>
<td>6,710</td>
<td>10,657</td>
<td>5,529</td>
<td>7,170</td>
</tr>
<tr>
<td>1997</td>
<td>COEs</td>
<td>6,755</td>
<td>4,886</td>
<td>5,649</td>
<td>4,055</td>
<td>4,294</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>10,947</td>
<td>8,306</td>
<td>14,799</td>
<td>6,406</td>
<td>11,003</td>
</tr>
<tr>
<td></td>
<td>FIEs</td>
<td>12,410</td>
<td>9,153</td>
<td>16,857</td>
<td>6,782</td>
<td>11,797</td>
</tr>
<tr>
<td></td>
<td>Overseas Chinese</td>
<td>11,140</td>
<td>7,352</td>
<td>14,175</td>
<td>5,826</td>
<td>8,950</td>
</tr>
<tr>
<td></td>
<td>SOEs</td>
<td>12,668</td>
<td>9,222</td>
<td>16,117</td>
<td>7,401</td>
<td>10,088</td>
</tr>
<tr>
<td>2000</td>
<td>COEs</td>
<td>7,765</td>
<td>6,468</td>
<td>9,468</td>
<td>5,260</td>
<td>6,942</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>15,538</td>
<td>10,968</td>
<td>19,848</td>
<td>7,995</td>
<td>14,145</td>
</tr>
<tr>
<td></td>
<td>FIEs</td>
<td>17,337</td>
<td>14,296</td>
<td>25,521</td>
<td>9,537</td>
<td>15,941</td>
</tr>
<tr>
<td></td>
<td>Overseas Chinese</td>
<td>13,358</td>
<td>11,358</td>
<td>16,943</td>
<td>7,273</td>
<td>12,597</td>
</tr>
</tbody>
</table>


As seen in Table 4-7, wages in state-owned enterprises in some coastal cities such as Shenzhen and Dongguan in 1998 were relatively higher than in other enterprises, including private and foreign-invested ones. Wages in southern coastal cities were by and large higher than those in northern coastal cities. For instance, the average wage in Shenzhen was twice as high as that in Qingdao. However, the annual wage in township and village enterprises in Shenzhen was no more than 6,681 yuan. Overseas Chinese or Korean investors in southern China have taken advantage of this situation. They occasionally establish subsidiaries, TVEs represented by local Chinese or Korean
Chinese, reduce labor costs.\textsuperscript{17} This indicates that there exists a wide array of wages among workers in the southern provinces.

### Table 4-7: Annual Wages in Manufacturing Sector across Cities (1998)

<table>
<thead>
<tr>
<th>Type of Enterprises</th>
<th>Shenzhen</th>
<th>Dongguan(^\wedge)</th>
<th>Shanghai</th>
<th>Qingdao(^*)</th>
<th>Tianjin</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOEs</td>
<td>16,163</td>
<td>13,123</td>
<td>10,510</td>
<td>8,358</td>
<td>10,277</td>
</tr>
<tr>
<td>COEs</td>
<td>10,720</td>
<td>9,362</td>
<td>5,492</td>
<td>6,474</td>
<td>6,121</td>
</tr>
<tr>
<td>Others</td>
<td>NA</td>
<td>11,173</td>
<td>14,385</td>
<td>NA</td>
<td>12,462</td>
</tr>
<tr>
<td>FIEs</td>
<td>17,556</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Overseas Chinese</td>
<td>15,642</td>
<td>NA</td>
<td>16,624</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Average</td>
<td>15,347</td>
<td>11,422</td>
<td>11,127</td>
<td>8,128</td>
<td>9,946</td>
</tr>
</tbody>
</table>


Note: 1) \(^\wedge\): Dongguan data is drawn from the entire sector; it should be less in the manufacturing sector.

2) \(^*\): Qingdao data is from 1999; it would be less for 1998.

**Wages by Position across Cities in FIEs**

Internal labor markets are featured by a cluster of jobs which are hierarchically structured into one or more jobs ladders representing advancement in knowledge or skills. They contain a few “entry ports” at the lower level linking them with wider, external labor markets (Althauser and Kalleberg, 1981). Internal development entails extensive skill building and training in unique and valuable skills, but common and low-value skills are most suitably gained by contracting out (Benson and Zhu, 2002). An internal labor market serves the employee’s interests by offering the prospects of upward mobility through a regularized career of advancement, with increased earning accompanying advancement in skills. However, upward mobility hardly ever happens for
Economic reform has resulted in increased wage differentials and increased workforce segmentation and stratification (Peng, 2000). In 2001, the average white-collar worker was paid 3,000-4,500 yuan and the average IT worker more than 8,000 yuan a month. Unskilled workers, on the other hand, were paid 500 yuan or less (Beijing Journal, Jan. 18, 2002) per month. Similar to other research (Zhu and Campbell, 2002), our study shows that in some firms, such as a Japanese electronics joint venture, there are developed internal labor markets. Each employee is selected for a position in accordance with educational background, experience, and seniority. In the majority of Hong Kong- and Taiwanese-owned firms, by contrast, there is a simple occupational structure in which piece-work prevails.

The data in Table 4-8, based on a 1997 survey conducted among ninety-four FIEs, of which 70 percent were Hong Kong owned, clearly shows wage differentials by position. The gap between managers and workers has been widened, due to a more than 15 percent annual managerial wage increase in recent years in Japanese and Western firms trying to attract talented managers (Ma, 1998). As a result, managers are paid almost nine times as much as skilled or unskilled workers. However, Table 4-8 also shows vast wage variations across cities. Dongguan, where many Hong Kong-owned firms have invested, shows the highest wage difference among major cities. Strikingly, managers there are paid almost thirty times higher than unskilled workers. This situation is likely to create worker discontent.
Table 4-8: Wage Structure by Position in FIEs across Cities (1997)

<table>
<thead>
<tr>
<th>Position</th>
<th>City</th>
<th>#</th>
<th>Annual Basic Wage</th>
<th>Annual Fixed income Bonus</th>
<th>Annual Non-fixed income Other</th>
<th>Annual average Other wages</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Beijing</td>
<td>7</td>
<td>80,340</td>
<td>3,890</td>
<td>-</td>
<td>-</td>
<td>84,230</td>
</tr>
<tr>
<td></td>
<td>Shanghai</td>
<td>4</td>
<td>44,640</td>
<td>4,380</td>
<td>6,690</td>
<td>-</td>
<td>55,710</td>
</tr>
<tr>
<td></td>
<td>Guangzhou</td>
<td>5</td>
<td>57,640</td>
<td>4,600</td>
<td>-</td>
<td>2,400</td>
<td>64,640</td>
</tr>
<tr>
<td>Manager</td>
<td>Dongguan</td>
<td>7</td>
<td>95,150</td>
<td>3,380</td>
<td>19,670</td>
<td>-</td>
<td>121500</td>
</tr>
<tr>
<td></td>
<td>Shenzhen</td>
<td>5</td>
<td>67,210</td>
<td>6,160</td>
<td>4,340</td>
<td>5,000</td>
<td>82,710</td>
</tr>
<tr>
<td></td>
<td>Other GD</td>
<td>3</td>
<td>45,740</td>
<td>6,740</td>
<td>-</td>
<td>-</td>
<td>52,480</td>
</tr>
<tr>
<td></td>
<td>Other cities</td>
<td>3</td>
<td>62,320</td>
<td>3,770</td>
<td>5,280</td>
<td>-</td>
<td>82,540</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>34</td>
<td>72,020</td>
<td>4,490</td>
<td>6,330</td>
<td>1,060</td>
<td>83,610</td>
</tr>
<tr>
<td></td>
<td>Beijing</td>
<td>180</td>
<td>14,700</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14,700</td>
</tr>
<tr>
<td></td>
<td>Shanghai</td>
<td>386</td>
<td>7,940</td>
<td>1,390</td>
<td>-</td>
<td>7,270</td>
<td>20,060</td>
</tr>
<tr>
<td></td>
<td>Guangzhou</td>
<td>978</td>
<td>6,770</td>
<td>510</td>
<td>1,870</td>
<td>1,730</td>
<td>170</td>
</tr>
<tr>
<td>Skilled</td>
<td>Dongguan</td>
<td>8,509</td>
<td>5,490</td>
<td>290</td>
<td>170</td>
<td>440</td>
<td>-</td>
</tr>
<tr>
<td>Worker</td>
<td>Shenzhen</td>
<td>3,815</td>
<td>8,420</td>
<td>550</td>
<td>510</td>
<td>2,950</td>
<td>160</td>
</tr>
<tr>
<td></td>
<td>Other GD</td>
<td>2,674</td>
<td>7,750</td>
<td>530</td>
<td>10</td>
<td>1,850</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other cities</td>
<td>4</td>
<td>2,760</td>
<td>600</td>
<td>4,400</td>
<td>-</td>
<td>7,800</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>16,546</td>
<td>6,770</td>
<td>420</td>
<td>320</td>
<td>1,480</td>
<td>240</td>
</tr>
<tr>
<td></td>
<td>Shanghai</td>
<td>124</td>
<td>7,540</td>
<td>800</td>
<td>-</td>
<td>2,490</td>
<td>3,300</td>
</tr>
<tr>
<td></td>
<td>Guangzhou</td>
<td>2,267</td>
<td>5,490</td>
<td>280</td>
<td>90</td>
<td>3,150</td>
<td>400</td>
</tr>
<tr>
<td>Unskilled</td>
<td>Dongguan</td>
<td>13,984</td>
<td>3,650</td>
<td>280</td>
<td>20</td>
<td>60</td>
<td>-</td>
</tr>
<tr>
<td>Worker</td>
<td>Shenzhen</td>
<td>29,166</td>
<td>6,890</td>
<td>570</td>
<td>90</td>
<td>4,280</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other GD</td>
<td>3,444</td>
<td>5,220</td>
<td>160</td>
<td>350</td>
<td>1,230</td>
<td>270</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>48,985</td>
<td>5,790</td>
<td>440</td>
<td>90</td>
<td>1,230</td>
<td>50</td>
</tr>
</tbody>
</table>


Labor Unrest before 1989

There were two major institutional changes during the period of economic reform up until 1989. First, as mentioned in Chapter Three, a ‘Factory Director Responsibility System’ (FDRS) was introduced in 1984 to enhance efficiency and productivity. This put pressure on workers in SOEs, who faced compulsory transfer of unwanted labor,
significantly reduced salaries, and the long reassignment waiting periods (Walder, 1991). Second, fixed-term contract employment was introduced in 1986. It was designed to reduce the excess workforce in state owned enterprises. This was the first time in the history of the PRC that massive surplus workers were dismissed. According to official statistics, 300,000 workers nationwide were laid off from SOEs by 1988 (Chen, 2000). At the same time, consumer prices and the general retail price index rose as high as 20 percent over the previous year’s figure, a blow to workers’ living standards. This led to “job security panic” (Chen, 1999).

According to official data, there were no more than 129 strikes across China before 1989 (Leong, 1988). Grievances arising from reduced job security and rising double-digit inflation resulted in labor’s support of student demonstrations in 1989. Although the public outcry against price increases was the main reason for the Tiananmen demonstrations, people were also outraged by profiteering practices such as holding goods off the market and the side-streaming of goods by ‘official brokers’ (guandao) in enterprises and government agencies. Punitive management styles, corruption, and reduced job security all generated worker protests in 1989 and added to the general public grievance (Sheehan, 1998). However, political maneuvering attempted to create a chasm between workers and students. Ultimately, few workers had the courage or the commitment to take major political risks (Perry, 1999).
All Types of Ownership: Sources of Labor Unrest in the 1990s

In the 1980s, foreign investment was still in its nascent stage. Hong Kong investors began investing in the late 1980s. Over 30,000 foreign-invested enterprises then poured about US$ 22 billion into China (Howell, 1992). During this period, conflicts arose between foreign and Chinese partners over such managerial issues as work discipline and dismissal, pay raises and bonus distributions, and management techniques. Hong Kong managers in the Xiamen Special Economic Zone tended to dismiss workers as a means of discipline and treat workers strictly (Howell, 1992).

First Half of the 1990s

After the introduction of labor contracts, labor disputes in all types of enterprises began to increase. In 1991, 3,065 labor disputes based on labor contracts occurred. This increased to 11,173 in 1995. From 1993 to 1995, the consumer price increase was one of the critical factors contributing to labor unrest. In the early 1990s the consumer price index increased more than 15 percent annually, while wages were left behind (China Statistics Yearbook, 2000).

Labor disputes in other enterprises including foreign-invested enterprises (FIEs) and private-owned enterprises (POEs) increased rapidly during the first half of the 1990s, as seen in Table 4-9. First of all, the augmented power to terminate contracts was almost unparalleled (Ng and Warner, 1998). Almost all of the disputes involving labor contracts were associated with poor performance, lack of self-discipline, cancellation, termination, and change and renewal of labor contracts. That is, increased instability resulted in labor dispute. Other causes of disputes amongst permanent workers in state-owned enterprises
and urban collective enterprises in 1991 were imposed penalties and dismissals because of violations of labor rules (19,197 cases; 20.8 percent), insufficient insurance and benefits (10,760 cases; 11.7 percent), and insufficient compensation (19,150 cases; 20.7 percent). When the permanent employment system was officially dismantled in 1995, the proportion of disputes over compensation rose to 28.7 percent (25,425 cases) in the state sector. Labor disputes because of penalties and firing became pronounced in urban collective enterprises, amounting to nearly 35 percent of labor disputes in 1995. Before 1995 in fact the leading cause of labor dispute in the non-state sector was firing and dismissing rural migrant workers for poor work performance. Workers were often subject to increasingly draconian industrial regime of rules, fines, and close supervision (Whyte, 2000). In sum, labor contracts and compensation, including insurance, have become more common issues, as opposed to penalties and employment dismissal, among workers in the transitional market economy across all enterprises (Hannan, 1998). Note, however, that these figures do not include disputes handled at the enterprise level or resolved through compromise reached with arbitration committees.
### Table 4-9: Source of Labor Dispute by Ownership Type (Early 1990s)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SOE</td>
<td>3.4</td>
<td>4.9</td>
<td>8.8</td>
<td>12.9</td>
</tr>
<tr>
<td>UCE</td>
<td>3.0</td>
<td>3.2</td>
<td>7.2</td>
<td>7.9</td>
</tr>
<tr>
<td>OE</td>
<td>2.4</td>
<td>24.2</td>
<td>20.1</td>
<td>14.2</td>
</tr>
<tr>
<td>SOE</td>
<td>7.2</td>
<td>21.8</td>
<td>21.8</td>
<td>29.3</td>
</tr>
<tr>
<td>UCE</td>
<td>7.6</td>
<td>18.0</td>
<td>14.6</td>
<td>29.1</td>
</tr>
<tr>
<td>OE</td>
<td>8.8</td>
<td>29.3</td>
<td>29.1</td>
<td>27.9</td>
</tr>
<tr>
<td>SOE</td>
<td>12.9</td>
<td>27.3</td>
<td>9.9</td>
<td>34.9</td>
</tr>
<tr>
<td>UCE</td>
<td>10.5</td>
<td>9.9</td>
<td>3.4</td>
<td>14.0</td>
</tr>
<tr>
<td>OE</td>
<td>13.5</td>
<td>14.0</td>
<td>14.0</td>
<td>17.5</td>
</tr>
</tbody>
</table>

| Labor Contract | 22.2 | 16.9 | 37.7 | 10.9 |
| Penalty & Firing | 22.2 | 22.4 | 18.0 | 21.8 |
| Wages          | 20.0 | 10.9 | 13.2 | 14.6 |
| Welfare        | 12.3 | 11.8 | 10.3 | 17.8 |
| Working Conditions | 8.0  | 20.7 | 10.9 | 7.8  |
| Other          | 34.0 | 41.7 | 44.5 | 37.1 |
| Total Figures  | 68189| 24017| 1370 | 63193|

| SOE       | 100.0| 100.0| 100.0| 100.0|
| UCE       | 100.0| 100.0| 100.0| 100.0|
| OE        | 100.0| 100.0| 100.0| 100.0|
| SOE       | 100.0| 100.0| 100.0| 100.0|
| UCE       | 100.0| 100.0| 100.0| 100.0|
| OE        | 100.0| 100.0| 100.0| 100.0|
| SOE       | 100.0| 100.0| 100.0| 100.0|
| UCE       | 100.0| 100.0| 100.0| 100.0|
| OE        | 100.0| 100.0| 100.0| 100.0|

#### Note:
State-owned Enterprises (SOE), Urban Collective Enterprises (UCE), and Other Enterprises (OE) include Foreign Invested Enterprises (FOE) and Private Owned Enterprises (POE).


Throughout the early 1990s, China’s industrial workers became increasingly disgruntled (Chang, 1998). In Wuhan and Chongqing, the number of labor disputes in the second half of 1992 increased to about two to three times over the previous year. Some 200 labor riots and more than 6,000 strikes are estimated to have occurred in 1993. Workers by and large protested high inflation and reform of state-owned enterprises.

On unusual occasions, labor disputes involving industrial coalitions have occurred. In 1994, for example, staff and workers from more than forty metallurgical, chemical, agricultural machinery, and pharmaceutical enterprises undertook a work slowdown in Shenyang (Cheng, 1994). The workers expressed grievances against inflation and price increases, as well as their opposition to the merger of some enterprises. Workers complained that they had not received wages from bankrupt enterprises or were forced to take time off due to underproduction, at the same time their wages were being reduced.
These Dickensian working conditions were particularly widespread in private enterprises and foreign-invested enterprises. It was reported that one out of every ten manufacturing workers put up with hazardous working conditions, leading to an average of fifty-four deaths a day from industrial fires, poisoning, and explosions in 1993. Furthermore, because of inattention to labor safety, Guangdong alone suffered 8,700 deaths from 45,000 industrial accidents in 1993. Throughout China, 70,000 deaths per year have resulted from labor accidents (Karmel, 1996). However, there are accident compensation laws. If a worker is crippled in Guangdong, he or she is likely to be sent back to his/her hometown with 8,000 yuan (about $1,000).

Second Half of the 1990s

The number of laid-off workers sharply increased in the second half of the 1990s. By late 1998, over 10 million state workers had lost their jobs. To prevent labor protests, the government stipulated that enterprises must continue to provide a living allowance for the laid off (xiagang) in China. According to the Social Blue Book: 1998, in 1997 the number of laid off workers in urban areas reached as high as 7 percent, or 10.28 million. More than half of these were from the manufacturing sector. Combining the unemployed and laid off workers in urban areas, it is likely that the unemployment rate reached about 7.5 percent or 15 million (Hishida, 1998). Because of increasing unemployment, urban household per capita income has decreased. It has been estimated that the average income per person in the urban low-income class is less than 200 yuan, except in big cities such as Beijing and Shanghai. This group is comprised of unemployed, laid off, and retired people, numbering as many as 30 million.
In state-owned enterprises (SOEs), labor disputes are generally considered defensive. Strikes are undertaken to protest unpaid wages, late payments, or unreleased pensions of workers or retirees (Greenfield and Leong, 1997; Liew, 2001). In 1997, about 10 million people constituting about 10 percent of the total labor force in state-owned or collectively-owned enterprises in China, had their pay suspended or reduced (Hishida, 1998). From 1997 to 1999, a number of worker protests in SOEs were reported from such interior provinces as Sichuan, Shanxi, Henan, Hubei, and Gansu (Liew, 2001; Weston, 2000). According to the Hunan Provincial Trade Union, 55.7 percent of protests were attributed to wage and pension issues, while bankruptcy and mergers caused 33.7 percent (China Labor Bulletin, No.50, 1999). Undoubtedly, a subsistence crisis for laid-off or retired workers led to protest (Chen, 1999).

Moreover, many workers at state-owned enterprises believe that economic reform has granted too much a discretionary power to managers, leading to abuses of workers. Managers spend enterprise funds on new cellular phone models, cars, and extravagant entertaining. They are frequently accused of squandering money and rampant embezzlement (Chan., 1999). Workers suspect that their delayed payments are diverted to such uses. Moreover, “fake bankruptcy” has become a common phenomenon in China. Corrupt managers conceal factory assets and declare bankruptcy, only to subsequently purchase the firm themselves at a reduced price, frequently with money they have themselves embezzled (Pan, Jan. 21, 2002).

Chinese workers seem to realize that collective protests are effective tactics (Business China, August 16th 1999). In general, protesting workers have cautiously avoided any activity that might be viewed as unlawful or an overt political challenge to
the government. They refrain from chanting slogans, waving signs, or hanging banners. More often, they simply sit in the factory and refuse to work (Pan, Jan. 21, 2002). One of the more recent protest strategies involved sit-ins at government offices and closing off vital transportation routes such as main streets, bridges, highways and even railroads (Business Week, Feb. 1st, 1999; Chen, 2000). In the northeast provinces, incidents of strikes, sit-ins, petitions and even factory occupations have increased. It is reported that 198,000 labor disputes occurred in 1999 in China (Pringle, 2002).

Table 4-10 shows that the highest proportion of labor disputes at state-owned enterprises and urban collective enterprises in 1997 were mostly due to unpaid wages (about 35 percent), reduced wages and other wage-related issues (about 22 percent) or problems with social insurance (7 percent). These problems arose partly because these enterprises under-performance in 1997. The average wage of staff and workers in state-owned enterprises is only 77 percent of those in other enterprises (FIEs and POEs). Even worse, wages in urban collective enterprises amount to only 51 percent of wages in other types of enterprises (China Statistical Yearbook, 1999). In addition, the proportion of labor disputes caused by non-wage issues such as insurance, pensions, unemployment payments, and other benefits (about 7 percent) in state-owned enterprises was higher than in private or foreign-owned enterprises as a result of an array of drastic restructuring measures, including massive laid-offs.

Private firms, FIEs and overseas Chinese-owned firms have had a relatively higher proportion of labor disputes (over 18 percent) due to hiring and firing at will and failure to sign contracts. This represents a genuine threat to workers who are not given job assurance. In the case of private firms and overseas Chinese-owned firms, such as
with Hong Kong and Taiwanese investors, resignations were the highest proportionate
type of protest (24 percent, 26 percent respectively) against unfair and absurd penalties.
On the other hand, the most frequent cause of labor dispute for workers in FIEs were
related to the expiration and renewal of labor contracts (30.7 percent). Overseas Chinese-
owned firms had fewer disputes related to labor contracts (12.4 percent), but faced
serious disputes over wages in arrears (29.6 percent).

Table 4-10: Sources of Labor Dispute by Ownership Type (1997) (by %)

<table>
<thead>
<tr>
<th>Source of Dispute</th>
<th>State-owned</th>
<th>Urban Collective</th>
<th>Private</th>
<th>Foreign</th>
<th>Overseas Chinese</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Contract</td>
<td>18.7</td>
<td>19.3</td>
<td>14.9</td>
<td>30.7</td>
<td>12.4</td>
<td>24.0</td>
<td>19.6</td>
</tr>
<tr>
<td>Expiration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firing</td>
<td>11.5</td>
<td>11.8</td>
<td>18.3</td>
<td>18.1</td>
<td>19.1</td>
<td>13.9</td>
<td>12.1</td>
</tr>
<tr>
<td>Resignation</td>
<td>9.0</td>
<td>12.9</td>
<td>23.8</td>
<td>19.0</td>
<td>26.3</td>
<td>16.9</td>
<td>11.1</td>
</tr>
<tr>
<td>Wages</td>
<td>28.4</td>
<td>25.7</td>
<td>19.1</td>
<td>11.3</td>
<td>13.7</td>
<td>19.1</td>
<td>26.3</td>
</tr>
<tr>
<td>In arrears</td>
<td>(33.8)</td>
<td>(39.0)</td>
<td>(28.9)</td>
<td>(19.5)</td>
<td>(29.6)</td>
<td>(29.6)</td>
<td>34.4</td>
</tr>
<tr>
<td>Deducted</td>
<td>(23.2)</td>
<td>(19.9)</td>
<td>(11.1)</td>
<td>(26.0)</td>
<td>(8.5)</td>
<td>(23.7)</td>
<td>22.4</td>
</tr>
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<td>6.4</td>
<td>1.7</td>
<td>2.3</td>
<td>3.7</td>
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<td>6.4</td>
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<td>2.6</td>
<td>5.6</td>
<td>4.6</td>
<td>4.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Safety &amp; Sanitation</td>
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<td>1.2</td>
<td>1.7</td>
<td>2.0</td>
<td>2.4</td>
</tr>
<tr>
<td>Training</td>
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<td>0.6</td>
<td>0.6</td>
<td>0.7</td>
</tr>
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<td>Child &amp; Female</td>
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<td>0.9</td>
<td>0.4</td>
<td>0.3</td>
<td>0.6</td>
<td>1.0</td>
<td>1.2</td>
</tr>
<tr>
<td>Protection</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others</td>
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<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
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<td>235</td>
<td>2,326</td>
<td>517</td>
<td>6,298</td>
<td>72,594</td>
</tr>
</tbody>
</table>


There are some interesting cases that show the contrast between the compensation
packages of Western-invested firms and SOEs. Workers in Western firms occasionally
lead sit-in strikes aiming at job protection in the face of the restructuring of FIEs.
Subsequently, U.S. companies increasingly face time-consuming lawsuits from former employees claiming compensation for illegal termination and improvement in their severance packages (Smith, *The Wall Street Journal*, June 9, 1999). In contrast to the SOEs, these companies come under pressure from local governments not to lay off workers at all. At the same time, China's Labor Bureau asked Western firms not to treat workers too well for fear that the vast disparity with severance payments offered by SOEs would provoke workers. Western companies typically offer workers one or two-month salaries for every year of service as part of their severance package, along with other help such as training or job-hunting support (Smith, 1999).

Overall, labor disputes in 2000 have increased almost two times from three years ago. Besides economic causes such as remuneration and social benefits, the expiration of labor contracts has become a major source of labor disputes, constituting about 25 percent of the total in 2000. In particular, the discharge of labor contracts that leads to dismiss employment has become very serious in SOEs, FIEs, and overseas Chinese-invested enterprises, reaching about 20 percent of the total. In the case of ailing state-owned enterprises, the local government sometimes commands neighboring firms to take over the SOEs or hire their workers. Otherwise, it orders state banks to issue loans so the factories can pay their workers. However, when some laid-off workers whose living stipends were curtailed complain about their situation individually, factory leaders harass them and threaten to confiscate their unemployment certification (Saywell, 1999: 47-48).
### Table 4-11: Sources of Labor Dispute by Ownership Type (2000)

<table>
<thead>
<tr>
<th>Source of Dispute</th>
<th>State-owned</th>
<th>Urban</th>
<th>Private</th>
<th>TVEs</th>
<th>Foreign &amp; HK, TW</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Contract Change</td>
<td>3.7</td>
<td>2.5</td>
<td>1.4</td>
<td>1.2</td>
<td>1.6</td>
<td>4.1</td>
<td>2.8(3,829)</td>
</tr>
<tr>
<td>Labor Contract Discharge</td>
<td>19.3</td>
<td>13.6</td>
<td>11.6</td>
<td>6.6</td>
<td>22.1</td>
<td>13.0</td>
<td>15.6(21,149)</td>
</tr>
<tr>
<td>Labor Contract Termination</td>
<td>10.8</td>
<td>7.5</td>
<td>3.6</td>
<td>3.6</td>
<td>8.2</td>
<td>8.7</td>
<td>8.0(10,816)</td>
</tr>
<tr>
<td>Wages</td>
<td>24.8</td>
<td>27.7</td>
<td>37.5</td>
<td>28.9</td>
<td>35.4</td>
<td>32.2</td>
<td>30.8(41,671)</td>
</tr>
<tr>
<td>Social Insurance</td>
<td>25.6</td>
<td>27.2</td>
<td>21.7</td>
<td>35.2</td>
<td>13.0</td>
<td>23.8</td>
<td>23.2(31,350)</td>
</tr>
<tr>
<td>Labor Protection</td>
<td>6.8</td>
<td>8.8</td>
<td>16.6</td>
<td>9.5</td>
<td>11.6</td>
<td>7.5</td>
<td>9.6(13,008)</td>
</tr>
<tr>
<td>Training</td>
<td>0.6</td>
<td>0.4</td>
<td>0.6</td>
<td>0.1</td>
<td>1.1</td>
<td>0.6</td>
<td>0.6(834)</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total Figures</td>
<td>32,715</td>
<td>23,203</td>
<td>20,128</td>
<td>3,927</td>
<td>20,930</td>
<td>34,303</td>
<td>135,206</td>
</tr>
</tbody>
</table>

Source: China Labor Statistical Yearbook (2001)

Economic remuneration has become the major cause of labor disputes in private enterprises, FIEs, and overseas Chinese enterprises, accounting for more than 35 percent of dispute. Social insurance was the most frequent source of labor dispute (35 percent), followed by wages (29 percent), in township and village enterprises (TVEs) (see Table 4-11). At the same time, foreign-invested enterprises (FIEs), privately-owned enterprises (POEs), and township and village enterprises (TVEs) are identified as most likely to have the most oppressive working conditions and neglecting the protection of labor rights (Zhu and Fahey, 2000). Although these enterprises enjoy preferential tax breaks, they tend not to pay for social benefits. They have less concern for workers' well-being and health even though their success is by and large attributed to the blood, sweat, and even lives of migrant workers (China Labor Bulletin, Sep.-Oct. 1997: 12). The working conditions in TVEs are appalling: workers toil twelve hours a day or longer, seven days a week; they operate unsafe equipment and have a higher rate of accidents; and they earn miserable pay. Injured workers are simply substituted by new workers and arbitrary wage
reductions and firings are common (Whyte, 1999). Overseas Chinese investors in southern China sometimes collaborate with their relatives or friends who are offered capital to run private-owned enterprises. By disguising themselves, they can exploit migrant workers more effectively.

The New Pattern of Labor Protest

Workers laid off from under-performing SOEs are likely to explode. In recent years, a large number of workers have staged protests due to unbearable pay or benefits below subsistence level. The Chinese government has been experimentally testing the social safety net system, such as by altering unemployment benefits in Liaoning, where one tenth of SOEs are concentrated. 2000 retirees in Luoyang, Henan occupied main roads in protest of recent wage raises for civil servants while (South China Morning Post, Jan. 21, 2002). Another 2000 workers in the Shuangeng Textile factory struck against pay-cuts, worthless stock shares, corrupt managers, and missing pension funds. One worker blames factory managers, saying, “Officials live off the labor of the workers.” (Pan., Jan. 20, 2002). These protests are acts of desperation by those struggling to survive without the help of effective trade unions, courts or other institutions that counterbalance changes in the transiting market economy (Pan, Jan. 21, 2002).

Several symptoms of the nascent independent labor movement have recently been noticed in China. A small group of informal leaders appear to be operating behind the scenes. They hide in crowds, and communicate only with those they trusted (Pan, Jan. 21, 2002). The methods of resistance do not remain limited to passive work stoppage, but are clearly expressed in banners. In 2002, 50,000 workers marched in protest against the
severance pay at Daqing Petroleum in Heilongjiang province (CNN, March 19, 2002). Executives had warned workers of imminent corporate bankruptcy and the likelihood of massive layoffs with little or no compensation. The 50,000 workers were able to negotiate severance offers of up to $500 for each year of service with negotiation (Eckholm, March 19, 2002). Approximately 30,000 workers from twenty Ferro-Alloys state-owned plants in Liaoyang city, Liaoning province, eventually joined demonstrations for five days against the corruption of the city mayor and state-owned factory managers. An independent trade union is said to have led this demonstration. Demands included sacking the corrupt political leader, stopping lay-offs, providing back pay for eighteen months and a pension, and releasing four detained informal labor leaders (Fackler, March 22, 2002).

Workers are pursuing political change such as the removal of corrupt officials. This is another sight that clusters of men and women are standing or sitting on the sidewalk, holding cards that describe their skills: carpentry, bricklaying, plumbing and heating repair. They make plaintive appeals for work every day (Eckholm, March 20, 2002). The central government has deployed riot police in Daqing and Liaoyang to intimidate demonstrating laid-off workers.

Conclusion

The major barriers to forging the genuine labor market in China are the maintenance of hukou and the continued protection of the SOEs (Irene, 2002; Lambert, 1999; O’Leary, 1998, 1999). The growing private sector has become the only source of jobs for laid-off SOE workers. Millions of young migrant workers and peasants are
entering the fledgling urban labor markets. However, the flexible labor market shaped by the influx of surplus labor from the countryside has tossed aside the job security system, result in deteriorating employment conditions (Kerkvliet et al. 1999; Ng and Warner, 1998). Since WTO membership threatens some 20 million agricultural jobs, the rural surplus might reach to between 150 and 200 million, all seeking jobs in the urban sector (China Daily, Jan. 13, 2003). The continuing flow of migrant workers to the cities is more likely to keep wages low and exacerbate bad working situation. The absence of trade unions prevents a secure income for the majority of workers. The weak purchasing power of workers' meager incomes has led to an imbalance between over-production and demand in the mid-1990s, a continuous disturbing factor in the Chinese economy.

The increasing inflow of foreign agricultural products after WTO membership is achieved will threaten peasant job security and make them more likely to move to the major coastal cities. Indeed, this deregulated labor market not only leaves workers unable to demand higher wages, but also erodes social codes such as labor laws and labor standards (Rowley and Benson, 2000). Furthermore, China may confront the dilemma not only of granting equal rights for the same types of jobs, but also in implementing just labor standards and work conditions for the genuine labor market. Many absurd restrictions, such as the requirement for various certificates and the collection of excessive fees that have been imposed upon rural migrants are likely to remain. Therefore, although external labor market is emerging in China, there are still great barriers to the creation of a mature internal labor market, due to distrust, prejudice, and discrimination towards migrant workers.
As the restructuring of state-owned enterprises has accelerated, many local jurisdictions have reinforced internal migration in an effort to provide preemptive job offers for laid-off workers from SOEs. However, the barriers to the flow of labor across regions are adverse to alleviation of poverty. It is imperative that the central government should implement a policy to explicitly protect workers’ rights to move across regional boundaries and find jobs in new locations (UNDP, 1999). Otherwise, so as to relieve labor unrest, SOEs will have to develop internal labor markets which will offer retraining and re-allocation within the groups of workers, or will help them find alternative employment or self-employment outside the group (Hassard et al., 2002).

To make matters worse, the entry of transnational corporations (TNCs) into China is not expected to provide for the sub-contracting role played by small and medium-sized enterprises (SMEs) run by foreign investors or private businessmen (Yeung, 2002). TNCs are apt to take advantage of their own global sourcing, subcontracting, original equipment manufacturing (OEM), and marketing channels, instead of resting on the tens of thousands of small and medium-sized subcontractors. It seems likely that the workers in POEs will be exposed to lay-offs that may give further rise to labor unrest in China.

Deng Xiaoping’s economic mantra was inculcated in the Chinese workers: “Let some get rich first, the rest can follow.” However, the wealth that has been created over the past during two decades has not resulted in much ‘trickle down’. Rather, inequality has become widespread, deepening by region, sector (state vs. non-state), and educational levels. The chasm between the rich and poor could have significant political implications, as a labor economist claims (Pomfret, March 17, 2002).
A Chinese researcher (Newsweek International, Sep. 18, 2000) alerts us, “China’s next upheaval won’t necessarily arise from the students, but from the workers.” We cannot but accede to this opinion since labor unrest has risen strikingly since economic reform began in 1979. Workers may eventually recognize the conspicuous inequality between capitalists/power elites and themselves. If they start to gain more knowledge about workers’ rights, then they will begin to advocate more vociferously and forcefully. Otherwise, if the dual track labor markets between the state and non-state sector dismantle, workers might form large-scale collective solidarity. Still, a critical question remains unanswered: who would eventually influence and guide new worker organizations? Without the catalytic role of student groups, churches, or genuine trade unions, it is imperative for workers to organize themselves. The long-term service of workers with well-established networks in moribund state-owned enterprises may facilitate greater organization even than the acts amongst desperation of workers than in foreign-invested enterprises or even peasants. SOE workers are thus more likely to precipitate a labor movement in China.

NOTES

1. Irene (2000) points out that these enclaves result when people from the same area or village engage in the same occupation in the city. For instance, migrants from Leqing in Zhejiang mainly work for the garment industry in Beijing. Migrants from Henan have set up rubbish collection and recycling industries in Nanjing and Beijing. ‘Xinjiang village’ in Beijing is another example where people of particular ethnic groups – Uygurs and Kazaks – have set up a community largely composed of restaurant workers and street food vendors.

2. The former were controlled by the central government; the latter were owned and controlled by local governments at the county, township, and village levels (Walder, 1995).

3. Interview with a Korean manager in Qingdao in April, 2000.
Since 1999, more than 2,000 intermediary employment agencies have been closed by local labor and social security authorities across the country due to illegal practices that have harmed interested job-seekers (China Daily, Aug. 24, 2001).

Interview with a personnel worker in Qingdao in July, 2000.

Observed during my field research in Shenzhen in February, 2000.

Interview with a migrant worker in Dongguan in May, 2001.

According to a 1986 survey, seven-tenths of inter-provincial migration to Shanghai came from five other provinces: Jiangsu, 31 percent; Zhejiang, 14 percent; Anhui, 11 percent; Jiangxi, 8 percent; and distant Heilongjiang, 7 percent. The proportions changed over time due to booming rural industries in southern Jiangsu. Only one-fifth of the migrants flew from Jiangsu in 1986-90 (See White III, 1994).

In 1993, more than 200 cases of peasant riots occurred across China (Shambaugh, David, April 29, 1994). In Sichuan, peasants protested against the levy of heavy tax for road repair expenses in June, 1993. Recently, about 1,000 peasants in Hebei province violently demonstrated against the levy of an agricultural tax.

Private firms often register as collective firms so as to favorably access resources. Migrants employed by such firms are frequently excluded from official statistics.

Interview with a migrant worker in Qingdao in March, 2000.

For instance, at a Japanese-invested firm in Shanghai, local workers can abide by the legal forty hours work week, migrant workers are required to work up to sixty hours a week (Survey data in Shanghai in April, 2000).

Interview with a massage worker who was formerly a worker in a state-owned enterprise in Sichuan in May, 2000.

Interview with a migrant worker in Dongguan in May, 2001 told me that the younger child of a migrant worker in Dongguan did not want to separate from his parents. He works as a security guard and his wife works as janitor. It seems common to have more than one child in the countryside in spite of the one-child policy. Even I noticed that the city residents could have two children if they pay the local authorities.

Interview with a Korean Director in Kunshan in April, 2000.

Interview with a Korean Director in Shanghai in April, 2000.

Interview with a Korean Manager in Shenzhen in March, 2000. Overseas Chinese investors often prolong tax breaks by changing the firm name when the first five-year tax break expires.

See the workforce survey results from 1992 to 1999 cited by Feng Tongqing at Beijing Workers’ Movement College.
CHAPTER 5
PREDICTORS OF LABOR DISPUTES

This chapter examines to what extent labor disputes are influenced by a variety of factors, including organizational characteristics, institutional arrangements, work conditions, and composition of the labor force, as well as proportion of expatriate managers and different managerial styles. The quantitative approach used here is of crucial importance as it integrates organizational data on managerial styles into a multivariate analysis.

Two sets of data are combined. The first is based on a managerial survey, and concerns general firm characteristics, such as organizational descriptors, institutional arrangements, the composition of the workforce, and the proportion of expatriate managers. The second set of data, based on a survey of individual workers. It concerns work conditions and the perceptions of managerial style. I categorize different types of managerial styles, such as regulative, authoritarian, and paternalistic after making a discriminant analysis of the survey data of 291 workers. Discriminant analysis is useful for categorizing subjects based on several predictor variables. This enables us to answer these questions such as which type of managerial style is attributed to each country of origin and has the strongest effect on labor disputes among East Asian-invested firms in China. This multivariate analysis then allows us to scrutinize which underlying factors (organizational, institutional, economic, or cultural) most significantly determine labor disputes among East Asian-invested firms, beyond the self-reported direct reasons for such disputes.
Research Setting

Five cities (Dongguan, Shanghai, Kunshan, Qingdao, and Tianjin) were selected as research sites. Each of these cities is very important as a destination of East Asian-invested enterprises mostly due to geographical proximity. Hong Kong and Taiwanese-owned firms prefer Dongguan, Japanese firms congregate in Shanghai, and Korean firms in Qingdao, and so forth. All five cities provide good personal networks and abundant labor. Due to their comparative advantages in articulating local interests, these cities have carried out the vital role of attracting foreign investment to China during a complex period of economic reform. They constitute “corridors” of development, connecting foreign capital with domestic businesses (Chung, 1999).

Dongguan is located in the middle of the Shenzhen-Guangzhou Open Economic Area in the affluent Pearl River delta (Yeung, 2001). Many Dongguan residents moved to Hong Kong during the pre-reform period to seek freedom. Consequently, over 550,000 relatives of Dongguan residents now live in Hong Kong (Lin, 1997). When 12,000 Hong Kong and Taiwanese investors moved to Dongguan, rural migrants flooded the city. The city now has an estimated 6 million migrants, four times the 1.5 million residents in 2000. At present, it is a more popular destination for foreign firms than Shenzhen, which was formerly considered a migration magnet.

Korean investors embarked on investment in Qingdao in the early 1990s; Korean Chinese subsequently flowed into the city. A considerable number of Koreans and Korean Chinese stay in Qingdao, where 1,500 Korean firms were operating as of 2000. Shanghai, which by the late 1980s had a relatively well-developed infrastructure, has been a battleground for 15,000 multi-national corporations. They have responded to a
local demand for their products, and also offer employment opportunities to migrants.\(^1\) Kunshan has attracted Korean and Taiwanese investors because of its geographical proximity to Shanghai. Tianjin is strategically located at the heart of the Bohai area and has access to the vast hinterland of northern China (Cheung, 1999). It has attracted Korean and Japanese since the early stages of reform starting in 1979.

**Data and Methods**

This study is designed to describe worker perceptions of managerial styles and examine the cultural dimensions that might be used to successfully distinguish the unique managerial styles among the East Asian-owned firms in China. Furthermore, models for predicting labor disputes are developed and tested. Besides managerial style, other explanatory variables include organizational characteristics, institutional arrangements, work conditions, composition of workforce, and proportion of expatriate managers. After examining the predictive power of these explanatory variables, we then investigate how individual variables influence labor disputes for each country origin of East Asian firms by decomposing the explanatory variables.

Data on worker perceptions of managerial style and labor dispute was collected through on-visit surveys given to twenty workers at each of forty factories invested in by East Asian firms. Data on firm characteristics and labor dispute was collected from managers of those firms. A discriminant analysis was conducted to determine whether there were significant differences in perceptions of managerial style among workers in the East Asian-owned firms. Preliminary analyses were carried out to describe the respondent population and the data collected in terms of means and standard deviations,
including managerial style. Then, a correlation was performed to determine whether there were significant relationships between the explanatory variables. After data on managerial style was converted into organizational data, a multivariate analysis was conducted to see whether or not these variables are significantly associated with frequency of labor disputes. Subsequently, the decomposition analysis was carried out to identify which explanatory variables have the most significant bearing on the number of labor disputes associated with each country of origin of the firms in Chapter Six. Finally, historical secondary data was combined with the survey to examine which factors are most significant in determining labor unrest over time in Chapter Seven.

Sample

It was impossible to conduct a random sampling of firms. First of all, we cannot obtain a reliable and accurate data book for the mother group. The number of foreign investors has been growing rapidly and the firms are widely spread throughout China. Secondly, many firms refuse to permit visits to their factories for research purposes. Moreover, some enterprises listed in the investor handbooks no longer even exist, due to withdrawal from China or business failure. Accordingly, a non-random purposive sampling through human networking seemed the best way to make contact with firms, taking into consideration the proportion of firms by country of origin and industry. The research results are therefore only exploratory and may not be generalizable. However, if a relatively great effect can be found amongst this group, it is likely that other studies might yield similar outcomes.

Surveys and interviews were conducted at thirty-nine enterprises in light industries (i.e., producing toys, shoes, travel bags, apparel, fishing poles, or textiles) in
Dongguan, Kunshan, and Qindgao, or in the electronics industries (i.e., producing coil, transformer, printer codes, modem cards, speakers, scales, and air conditioners) in Dongguan, Shanghai, Qingdao, and Tianjin. I collected 560 questionnaires from workers, but those answered by office staffs and workers or answered inappropriately were removed. As a consequence, I use data from 291 workers on the factory floor and 39 managers from the firms.

**Instruments**

In the light of the paucity of existing research regarding the managerial styles used in East Asian-owned enterprises in general, no well-accepted instrument could be used for this study. Hence, an instrument addressing the conceptual theory of this study—one that would explore the managerial styles of East Asian-owned enterprises in China—was constructed. The items included were based on existing measures of East Asian firms and an extensive literature review identifying major dimensions of managerial style in East Asian-owned enterprises (Andy Chan, 1999; Chan & Norlund, 1999; Gallager, 2001; Hsing, 1998; Huang, 1998; 1999; Lee, 1998; 1999; Perry, 1993; Pun, 2001, Shack 1997; 1999. See also Chapter Two and Appendix II). The instrument was developed to describe managerial style as perceived by workers on the shop-floor.

Prior to field research in February 2000, a pilot test of the research instrument was conducted in three locations. One was among office workers at a branch of a large Korean firm in Guangzhou. Another was given to two Korean Chinese managers at a Korean-owned album producing factory in Shenzhen. The third was answered by a Hong Kong manager at a Hong Kong-owned toy factory in Dongguan. No major
changes were made to the content of the questionnaires, following this pilot test, although some revisions were made to wording and format. During the pilot study, I also found that managers in Shenzhen and Dongguan were reluctant to distribute my questionnaire to factory workers, although they felt free to talk to me about labor issues in their firms. I thus realized the importance of obtaining key informants in my field research, as well as acquiring permission to distribute my questionnaires.

Data Collection Procedures

Data was obtained from multiple sources such as surveys, interviews, observations, and historical texts (e.g., newspapers). Thirty-nine firms were visited during two periods (February to May, 2000 and May to June, 2001). Respondents at each site were chosen through various agencies and networks. A Municipal Foreign Investment Committee helped me obtain access to Hong Kong- and Taiwanese-owned firms. A Trade Union College provided connections with Japanese-owned firms, and the Korean Industrial Bank Branch and Korean Business Association introduced me to Korean-owned firms. Directors or managers were asked to distribute twenty questionnaires to workers at each firm. In two cases, a Hong Kong apparel firm and a Japanese firm, most of worker questionnaires had identical responses; the data was deleted as unreliable. Chinese managers also seemed particularly reluctant to allow workers to provide sensitive information about the firms, such as wages, frequency of labor disputes, and so on.

In addition, I conducted unstructured interviews with managers while waiting for workers to answer questionnaires. I conducted a few more interviews with managers
from one Hong Kong, two Taiwanese, and four Korean-owned firms who had refused to
distribute questionnaires to workers. I also had the opportunity to interview an official of
the Social Insurance Bureau in southern China, an official at a municipal labor bureau,
and a manager at JETRO in Shanghai. Unstructured interviews were also conducted with
Interviews ranged from forty-five minutes to over two hours. Worker handbooks and
labor regulations from the different firms were also collected and their contents analyzed
and compared. While staying at a Korean-owned factory in Shenzhen for a week in 2000,
I had the chance to observe factory life.

Variables: Organizational Data

Two sets of questionnaires were used (see Appendix I): one for directors or
managers, the other for workers. Both open and closed questions were asked.

Dependent Variables

Both sets of questionnaires contain some sensitive questions regarding labor
disputes, such as the occurrence of strikes or work stoppages and their sources, and other
issues that some managers tend to underreport. It is uncommon for managers to confess
to disputes within the firm (Zhu and Campbell, 2002). By asking both managers and
workers, answers could be double-checked and used as dependent variables.

Independent Variables

Directors and managers were asked about the general characteristics of their
firms. Specifically, the survey included: year of establishment, method of establishment,
firm's shares, amount of investment, number of employees, proportion of social insurance, presence of trade unions and internal mediation committees, length of labor contracts, and the proportion of union member, non-local workers, female workers, and expatriate managers. All of these may be explanatory variables. In addition, they were asked about compensation policies, such as the methods reward.

Factory workers were asked to supply individual demographic data such as former workplace, education, age and place of origin, as well as data related to the firm such as recruitment methods, and training periods, monthly wages, weekly work hours, perception of managerial style, and so on. Work conditions, workforce characteristics, and managerial styles are used as independent variables. A total of 291 factory workers responded to a twenty-four items on the questionnaire.

Managerial Type

The main objectives of this investigation are to clarify the types of managerial style in East Asian-owned enterprises in China and identify important dimensions of managerial style that could prove useful in future studies. Since this study is an initial attempt to develop a quantitative instrument for analyzing managerial style types, it is an exploratory instrument. The analysis aims to describe and discriminate amongst the managerial styles of each country of origin of East Asian-owned firms in China.

Ideal types of managerial style are constructed from previous Chinese studies (Chan, 2001; Huang, 1998; Lee, 1998) and the managerial types described by Whitley (1992, 1999). The instrument contains the attributes of each managerial style. After
categorizing items into different managerial styles by discriminant analysis, the average score of items for each category was assigned to each firm for the multivariate analysis.

Specifically, the items from the survey instrument that constitute the three managerial types are as follows:

Table 5-1: Managerial Attribute Scales

The items in this questionnaire section ask about 1) your own perception concerning the managerial styles of your firms.

Please circle the appropriate response indicating the extent of your agreement with each statement below. For instance, a response of “1” indicates that you strongly disagree with the statement. A response of “5” indicates that you strongly agree with the statement.

<table>
<thead>
<tr>
<th>Part 3. Managerial Styles perceived by workers</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arbitrarily regulative</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Enforce many strict internal rules</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>5. Stimulate productivity by incentives</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>13. Emphasis on individual responsibility</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>14. Biased against different ethnic backgrounds</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>15. Inferior working conditions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>17. Meager compensation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>18. Provide housing (-)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Authoritarian</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Clear hierarchy</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>16. Direct control</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>20. Subjective attitudes toward labor disputes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>21. Emphasis on mental motivation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>22. Tell workers plans and developments (-)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>24. Frequent overtime work</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Paternalistic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Provide leisure activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>3. Encourage suggestions</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>4. Provide convenient facilities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>6. Internal training</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>8. Concern with safety</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>9. Egalitarian rewards</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>10. Treated fairly and humanitarily</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>11. Take care of all aspects of a worker's life</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>12. Job security</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>19. Encourage recreational activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>23. Discourage workers' morale (-)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
Limitations

As noted earlier, the ideal constructs of managerial styles used in this study are broad and complex, and thus difficult to define and investigate. Accordingly, this study represents an initial step toward evaluating a general model of managerial styles in cross-cultural settings.

There are a few drawbacks to this study. First, the data should have represented proportionate numbers of firms by national origin and industrial locations. More ample data would allow us to distinguish more clearly between managerial styles among East Asian-owned firms. Nine cases of thirty-nine had to be removed from the sample because data was missing contained in formation about an irrelevant industry (i.e., one Korean factory in Shanghai produces containers). Second, longitudinal research might be a more appropriate way to delineate patterns of labor unrest. More surveys over a longer period of time and more historical data from newspapers or other secondary sources would further insight. Although I made an attempt to investigate secondary data, sources and time are limited.

Data Analysis

Quantitative Analysis

The unit of analysis for this study is the business organization, categorized by country of origin of the investing firm. Aggregate data on each enterprise was collected from individual workers and managers. This chapter examine see the effect of key variables on labor disputes among East Asian-invested firms, using multivariate analysis. Managerial style as an explanatory variable was integrated into the multivariate analysis
after having been classified by discriminant analysis. We analyze national variations in managerial style across East Asian-owned enterprises based on the perception of workers. Thus, this exploratory multivariate analysis is used to identify key factors contributing to labor disputes as independent variables. This analysis tests H1 to H6 (see Chapter Two).

Discriminant analysis is here used to determine what accounts for any differences in worker perceptions of managerial styles in East Asian-owned firms and which cultural dimensions best discriminate amongst managerial styles. This statistical technique is useful in determining which, if any, of the variables are useful for predicting group membership. Evaluation of the homogeneity of the variance-covariance matrices between groups indicates no threat to the multivariate assumption, despite the different sample sizes in each group (Marcoulides et al., 1998).

**Qualitative Analysis**

During the field research, we had several opportunities to observe workers’ lives, talk with them at work or at a Municipal Labor Bureau, and join them for dinner with local cadres. From time to time, I collected data from factory bulletin boards or recruitment advertisements on the factory wall, or, in one case, by talking with a former worker who is currently a security guard at a college in southern China. We also informally shared subjects’ (managers and workers) perceptions and interpretations of events with them to make sense of workplace relations (Emerson, 1983). The field research was therefore used to explore worker experiences in depth and allowed us to cautiously analyze the social contexts in which they occur (Schutt, 2001).
General Characteristics of Samples

As mentioned earlier, the different levels of Foreign Economic Relations and Trade Bureaus in the state administrative hierarchy determine relations with foreign investors, depending upon size of firm resources. The vast majority of small foreign investments tend to be handled at the municipal level or below, while larger foreign investments are monitored by provincial bureaus. Variation across the state industrial hierarchy leads to divergent property rights arrangements in the transitional economy. The industrial hierarchy, a lingering aspect of the former planned economy, is one of the most crucial factors determines firms’ experiences during economic transition in China (Guthrie, 1999). According to our survey data, when a medium-sized Japanese electronics assembly firm established a joint venture in 1995, the Minister of Industry was in charge of the property rights transfer. However, in most cases, Municipal Bureaus were charged with dealing with small East Asian investors, routinely passing them down to lower levels in the industrial hierarchy, to district, county or even village bureaus.

The methods for determining investment location vary substantially among East Asian investors. Korean and Japanese investors prefer surveys or rely on trade associations before deciding to invest, whereas Hong Kong and Taiwanese investors inquire among friends who have already gone through the process. The research conducted by Vocal (1989) shows that many Hong Kong firms return to do business in their ancestral home regions (yaunji). This suggests that the Taiwanese and Hong Kong business people are able to generate richer information from their primary guanxi, personal networks with relatives or ancestral village residents. Korean and Japanese investors still need to cultivate friendly relationships and instrumental guanxi. Wang
(2001) argues that while there are weak formal state institutions in China, informal personal networks play a pivotal role in facilitating foreign direct investment. During my field research, I had a chance to observe how third parties were utilized in the process of facilitating foreign investment.

Now we turn to the key characteristics of the firms in this sample. Hong Kong firms first entered the light industries in southern China prior to 1990, followed by Taiwanese and Japanese in the early 1990s. Most light industries require less than US$ 1 million as an initial investment in China, although the textile industry requires more expensive machinery and equipment. This is why Korean investments in light industry are the highest, since Korean firms focus on textiles. As the other end of the scale, some toy or clothing firms with less than 1,000 employees only invest $200,000 initially. Light industry firms prefer to set up wholly owned subsidiaries in China to maintain control over the entire managerial process. If multi-national firms that have worldwide brand names order products, foreign-owned firms strive to supply them. The success of small firms is highly contingent upon the stringent conditions set by principal firms or buyers.

East Asian-owned electronics firms began to enter China in the early 1990s, after light industry businesses had already begun to settle. The Japanese prefer to set up medium-sized joint ventures in partnership with Chinese state-owned enterprises, minimizing risks in an uncertain market. Korean firms prefer to establish small wholly owned firms with less than US$ 400,000 and hiring only about 350 Chinese workers (see Table 5-2). Taiwanese electronics firms began to invest from the late 1990s. At first, taking into consideration the sensitive political situation between the two countries, larger investments were avoided as too risky. Later, some Taiwanese electronics firms invested
more than $10 million to produce hardware computer parts, having contracted with IBM
or Dell. Smaller foreign-owned electronics firms in China produce electronics parts such
as coils and transformers for multi-national firms in the mother country.³

Table 5-2: General Characteristics of Samples - FIEs (2000)

<table>
<thead>
<tr>
<th>Location</th>
<th>Hong Kong</th>
<th>Taiwanese</th>
<th>Korean</th>
<th>Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dongguan</td>
<td>Dongguan</td>
<td>Qingdao</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Number Firms</td>
<td>7</td>
<td>10</td>
<td>Other cities 13*</td>
<td>9</td>
</tr>
<tr>
<td>Light Industries</td>
<td>6</td>
<td>4</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Electronics</td>
<td>1</td>
<td>6</td>
<td>8</td>
<td>2</td>
</tr>
<tr>
<td>Average Age of firms (years)</td>
<td>11.4</td>
<td>6.0</td>
<td>7.2</td>
<td>8.1</td>
</tr>
<tr>
<td>Light</td>
<td>13.2</td>
<td>8.0</td>
<td>6.0</td>
<td>8.6</td>
</tr>
<tr>
<td>Electronics</td>
<td>8.0</td>
<td>4.6</td>
<td>8.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Average No. of employees</td>
<td>2,224</td>
<td>675</td>
<td>466</td>
<td>461</td>
</tr>
<tr>
<td>Light</td>
<td>2,369</td>
<td>669</td>
<td>657</td>
<td>371</td>
</tr>
<tr>
<td>Electronics</td>
<td>1,500</td>
<td>680</td>
<td>346</td>
<td>775</td>
</tr>
<tr>
<td>Average Investment ($10,000)</td>
<td>555</td>
<td>590</td>
<td>382</td>
<td>730</td>
</tr>
<tr>
<td>Light</td>
<td>265</td>
<td>383</td>
<td>570</td>
<td>56</td>
</tr>
<tr>
<td>Electronics</td>
<td>2,000</td>
<td>756</td>
<td>264</td>
<td>2,750</td>
</tr>
<tr>
<td>Average % Expatriate Managers</td>
<td>15.9</td>
<td>34.5</td>
<td>26.1</td>
<td>23.8</td>
</tr>
<tr>
<td>Light</td>
<td>17.3</td>
<td>32.3</td>
<td>17.3</td>
<td>29.5</td>
</tr>
<tr>
<td>Electronics</td>
<td>9.1</td>
<td>36.1</td>
<td>31.7</td>
<td>3.5</td>
</tr>
</tbody>
</table>

Note: * includes Kunshan (2), Shanghai (1), Tianjin (2), and Qingdao (8).

Results of Discriminant Analysis: Managerial Style

Table 5-3 summarizes the univariate F-tests. All 24 twenty-four questions related
to managerial style were entered simultaneously into the analysis. As part of the
discriminant analysis, multiple criteria such as the validity of each item and structural
coefficients were grouped and used to evaluate the set of items that best discriminates
between the four national origins under consideration. The univariate F-test allows each item to predict group membership. Note that eight of twenty-four variables show univariate F ratios that are significant (p < .05), and five of them are significant (p < .001). Three functions accounted for the observed variance. All were significant (p < .01): Function 1 accounted for 70 percent, Function 2 for 18 percent, and Function 3 for 12 percent.

Table 5-3: Univariate Tests of Managerial Style

<table>
<thead>
<tr>
<th>Managerial Style</th>
<th>Univariate F-Tests</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Sig. of F</td>
</tr>
<tr>
<td>Favoritism towards same ethnicity</td>
<td>27.8</td>
</tr>
<tr>
<td>Strict regulation</td>
<td>17.5</td>
</tr>
<tr>
<td>Provide housing (-)</td>
<td>16.3</td>
</tr>
<tr>
<td>Direct control</td>
<td>12.2</td>
</tr>
<tr>
<td>Mental motivation</td>
<td>3.6</td>
</tr>
<tr>
<td>Tell workers plans &amp; developments (-)</td>
<td>3.5</td>
</tr>
<tr>
<td>Humanistic treatment</td>
<td>3.4</td>
</tr>
<tr>
<td>Provide facilities</td>
<td>11.3</td>
</tr>
<tr>
<td>Discourage worker morale (-)</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Which aspect of managerial style account for most of the differences in workers' perceptions of managerial styles among country of origin of firms? Discriminant analysis is selected to measure the accuracy by which the predictor variables (i.e., the three managerial styles) discriminate among groups of nominal criterion variables that have been specified in advance. It also provides an efficient method for explaining the nature of the differences of workers’ perceptions of managerial styles among firms categorized by country of origin.
Table 5-4 contains three sets of the structural coefficients and the standardized canonical discriminant function coefficients for each of the three primary functions. Results of the discriminant function analyses indicate that workers’ perceptions of managerial types could, indeed, accurately discriminate between the managerial styles of each nation. For purposes of analysis, the .3 correlation may be deemed sufficient for interpreting the discriminant function (Tabachnick and Fidell, 1983). Analysis of the structural coefficients, which show the correlation between the discriminating variables and the function, indicates that favoritism towards same ethnicity in the workplace (.620), strict regulations (.502) and provision of housing (-.470) best discriminate in Function 1 (Personal Managerial Style). Direct control (.576), mental motivation (.311), and telling workers plans and developments (-.302) best discriminate best in Function 2 (Authoritarian Managerial Style). Humanistic treatment (.556), provision of facilities (.509), and discouraging worker morale (-.336) best discriminate best in Function 3 (Paternalistic Managerial Style).

The effectiveness of the discriminant functions can be judged by their accuracy in correctly classifying national origins by managerial styles. The results of the classification analysis found that two functions classified workers’ perceptions of managerial style by country origin with 65.1 percent accuracy. Therefore, this analysis can be deemed to discriminate workers’ perception of managerial styles much better than chance.
Table 5-4: Results of Discriminant Function Analysis of Cultural Models as Predictors of Managerial Style

<table>
<thead>
<tr>
<th>Managerial Styles</th>
<th>Structure Coefficient</th>
<th>Standardized Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>A</td>
</tr>
<tr>
<td>Personal Favoritism toward same ethnicity</td>
<td>.620*</td>
<td>.341</td>
</tr>
<tr>
<td>(Regulative)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strict regulation</td>
<td>.502*</td>
<td>.248</td>
</tr>
<tr>
<td>Provide housing (-)</td>
<td>-.470*</td>
<td>.235</td>
</tr>
<tr>
<td>Authoritative Direct control</td>
<td>-.318</td>
<td>.217</td>
</tr>
<tr>
<td>Mental motivation</td>
<td>-.183</td>
<td>.020</td>
</tr>
<tr>
<td>Tell workers plans and developments</td>
<td>.163</td>
<td>.182</td>
</tr>
<tr>
<td>Paternalistic Humanistic treatment</td>
<td>.008</td>
<td>.032</td>
</tr>
<tr>
<td>Provide facilities</td>
<td>-.309</td>
<td>.391</td>
</tr>
<tr>
<td>Discourage worker morale (-)</td>
<td>-.140</td>
<td>.096</td>
</tr>
</tbody>
</table>

Note: * Largest absolute correlation between each variable and any discriminant function.

Descriptive Data

The goals of this analysis are to present the results in two parts from the data provided by 30 firms (30 managers and 291 workers) due to missing variables in 39 firms. The first illustrates descriptive patterns in the independent variables, summarizing crucial factors such as organizational characteristics, institution arrangements, work conditions, composition of workforce and, percentage of expatriate managers, and managerial styles. As seen in Table 5-5, independent variables are represented by capital per employee (organizational characteristics), presence of trade unions, mediation committees, and signed labor contracts (institutional arrangements) and monthly wages and weekly work hours (work conditions). Managerial styles are categorized into regulative (personal), authoritarian, or paternalistic. Therefore, the data of the selected items for each managerial style was converted to organizational data by transforming
negative coding and averaging the score for each managerial style for each firm. In this model, we see managerial style as multi-dimensional.

Table 5-5: Mean and Standard Deviation (N=30)

<table>
<thead>
<tr>
<th>Organizational Characteristic</th>
<th>Mean</th>
<th>S.D.</th>
<th>Min.</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital / Employee ($10,000)</td>
<td>1.12</td>
<td>(1.42)</td>
<td>0.05</td>
<td>5.54</td>
</tr>
<tr>
<td>Institutional Arrangement</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union (Y=1, N=0)</td>
<td>0.63</td>
<td>(.49)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Internal Mediation Committee (Y=1, N=0)</td>
<td>0.33</td>
<td>(.48)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Labor Contract (Y=1, N=0)</td>
<td>0.70</td>
<td>(.47)</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Managerial Style</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulative (1-5)</td>
<td>2.63</td>
<td>(.657)</td>
<td>1.00</td>
<td>4.00</td>
</tr>
<tr>
<td>Authoritarian (1-5)</td>
<td>2.81</td>
<td>(.338)</td>
<td>2.27</td>
<td>3.33</td>
</tr>
<tr>
<td>Paternalistic (1-5)</td>
<td>3.71</td>
<td>(.508)</td>
<td>2.94</td>
<td>5.00</td>
</tr>
<tr>
<td>Proportion of Expatriate Managers (%)</td>
<td>28.87</td>
<td>(28.51)</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Work Conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly Working Hours</td>
<td>52.5</td>
<td>(12.78)</td>
<td>40</td>
<td>84</td>
</tr>
<tr>
<td>Monthly Wages (Yuan)</td>
<td>613.96</td>
<td>(167.36)</td>
<td>340</td>
<td>1100</td>
</tr>
<tr>
<td>Labor Force Composition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Local (%)</td>
<td>62.8</td>
<td>(34.10)</td>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>

Note: Monthly Wages N=28

Univariate Analysis

Table 5-5 provides descriptive statistics for the key independent variables in the multiple regression models. The average capital investment per employee led by East Asian-investment is slightly over US$ 11,000. The minimum capital investment per employee is no more than US$ 500 in the labor-intensive garment industry. The
maximum capital investment per employee is US$55,400, which is mostly located in the capital and technology-intensive electronics assembly industries.

Table 5-5 also indicates that there are more institutional arrangements in favor of labor than has been previously reported. Trade unions and signed labor contracts in foreign-owned firms were expected to occur in less than 50 percent East Asian-invested firms. However, this study shows that 63 percent of such firms have trade unions and 70% use labor contracts. This still contrasts with the 93 percent rate of trade unions established in state-owned enterprises (Varley, 1998), but it is better than formerly suspected. However, the number of internal mediation committees remains low, at only 33 percent.

On average workers rate their superiors higher on the paternalistic scale (3.71) than the regulative (2.63) or the authoritarian (2.81) scales, irrespective of country of origin of the firm. It is of interest to note, however, that the authoritarian managerial style has a minimum and maximum of 2.27 and 3.33 respectively. Given the standard deviation, the range seems suspiciously small. It suggests respondents may not be entirely truthful in their responses. Roughly 30 percent of the total managers are expatriates.

The average work week of 52.5 is obviously higher than the legal forty work week and even exceeds the permitted maximum with overtime of forty-eight work week. The maximum hours worked per week in one firm was eighty-four hours, more than twice the legal limit. The average monthly wages of 614 yuan appears to be higher than the local minimum wage guidelines, however. Minimum wage varies widely across cities, as discussed in Chapter Three. Wages also range widely, from 340 to 1100 yuan, according to the firm. The firm that pays the least is not paying much more than
government minimum wage. This may be because workers in such firms are paid on the piece-rate basis instead of hourly. However, some multi-national corporations pay their workers relatively well.

The average proportion of migrant workers constitutes 62.8 percent of total workers. The proportion of migrant workers varies from 5 percent to 100 percent, depending upon the regional location of the firm, with migration into the Special Economic Zones (SEZs) in the southern and eastern coastal cities especially high. Eight percent of migrant workers are women, most between the ages of sixteen and twenty-five. They tend to be paid less than their male counterparts (Varley, 1998).

**Correlation among Explanatory Variables**

Table 5-6 presents correlation coefficients among independent variables. The majority of coefficients are extremely low and insignificant. Significant coefficients are seen between the presence of trade unions and internal mediation committees and between working hours and non-local workers, however. It is also interesting to note that institutional arrangements and managerial styles seem to be related to each other. There is a positive relationship between the presence of an internal mediation committee and the regulative managerial style, whereas the settlement committee is negatively associated with an authoritarian managerial style. Likewise, the signing of labor contracts is strongly linked to a paternalistic managerial style.

It is not surprising that a strong correlation is also found between an authoritarian managerial style and work hours and non-local workers (.536 and .468 respectively). This suggests that the higher proportion of migrant workers a firm has, the more likely they are to be exposed to an authoritarian managerial style that demands long work hours.
If we examine the correlations among the types of managerial styles, a *regulative* managerial style has a negative relationship with both *authoritarian* and *paternalistic* styles. It seems that there are some commonalities between each style (i.e., between *authoritarian* and *paternalistic*), however, since they show nearly the same correlation with a *regulative* managerial style. This implies that a firm can simultaneously exhibit characteristics of both managerial styles.

Table 5-6: Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. capital/worker</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. trade union</td>
<td>-.075</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. mediation committee</td>
<td>-.105</td>
<td>.538**</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. contract</td>
<td>.187</td>
<td>.257</td>
<td>.0</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. work week</td>
<td>-.225</td>
<td>-.208</td>
<td>-.240</td>
<td>-.236</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. monthly wages</td>
<td>-.357</td>
<td>.335</td>
<td>.119</td>
<td>.163</td>
<td>-.208</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. expatriate managers</td>
<td>-.033</td>
<td>-.226</td>
<td>.001</td>
<td>.102</td>
<td>-.165</td>
<td>-.117</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. non-local workers</td>
<td>-.158</td>
<td>-.310</td>
<td>-.165</td>
<td>-.266</td>
<td>.540**</td>
<td>-.210</td>
<td>.144</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Regulative</td>
<td>-.022</td>
<td>.333</td>
<td>.373*</td>
<td>-.360</td>
<td>-.340</td>
<td>.234</td>
<td>.035</td>
<td>-.205</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Authoritarian</td>
<td>.013</td>
<td>-.337</td>
<td>-.465**</td>
<td>-.079</td>
<td>.536**</td>
<td>-.128</td>
<td>-.166</td>
<td>.468**</td>
<td>-.518**</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>11. Paternalistic</td>
<td>.131</td>
<td>.018</td>
<td>.004</td>
<td>.501**</td>
<td>.003</td>
<td>.090</td>
<td>.016</td>
<td>.018</td>
<td>.539**</td>
<td>-.149</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Note: ** significant at the 0.01 level, * significant at the 0.05 level

Results of the Multivariate Analysis

This section presents the results of the multivariate analyses of predictors of labor disputes, with a particular focus on organizational, institutional, economic, and cultural factors. These analyses address several questions. First, is the amount of capital investment per employee related to labor dispute? Second, what sorts of institutional arrangements affect labor relations? Third, are work conditions consistently associated with labor disputes, reflecting the reality that workers are very sensitive about a low paid work? Fourth, are the proportions of non-local workers and expatriate managers
significant factors in labor disputes? Fifth, does the effect of managerial style on labor disputes differ by the type?

All three models in Table 5-7 shows that organizational characteristics, institutional arrangements, weekly work hours, the percentage of non-local workforce and of expatriate managers, and authoritarian managerial styles are statistically significant factors in labor disputes. However, monthly wages and paternalistic managerial styles are not statistically significant.
Table 5-7: Coefficients from Multivariate Regression of the Frequency of Labor Disputes on the Selected Independent Variables: Survey of East Asian-owned Firms

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Frequency of Labor Disputes</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Model 1 (N=28)</td>
<td>Model 2 (N=28)</td>
<td>Model 3 (N=30)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>S.E</td>
<td>B</td>
<td>S.E</td>
</tr>
<tr>
<td><strong>Organizational Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital / Employee (H1)</td>
<td>.189*</td>
<td>(.075)</td>
<td>.191*</td>
<td>(.072)</td>
</tr>
<tr>
<td><strong>Institutional Factor</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union (H2-1)</td>
<td>.973**</td>
<td>(.295)</td>
<td>.913**</td>
<td>(.277)</td>
</tr>
<tr>
<td>Mediation Committee (H2-2)</td>
<td>.721**</td>
<td>(.237)</td>
<td>.715**</td>
<td>(.228)</td>
</tr>
<tr>
<td>Labor Contract</td>
<td>-.697*</td>
<td>(.264)</td>
<td>-.705*</td>
<td>(.254)</td>
</tr>
<tr>
<td><strong>Managerial Style</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulative</td>
<td>-.386</td>
<td>(.282)</td>
<td>-.345+</td>
<td>(.191)</td>
</tr>
<tr>
<td>Authoritarian (H3)</td>
<td>1.371*</td>
<td>(.466)</td>
<td>1.414**</td>
<td>(.428)</td>
</tr>
<tr>
<td>Paternalistic</td>
<td>-.069</td>
<td>(.328)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Proportion of Expatriate Managers</strong> (H4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>.0118**</td>
<td>(.004)</td>
<td>.0118**</td>
<td>(.003)</td>
</tr>
<tr>
<td><strong>Work Conditions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly Work Hours (H5-1)</td>
<td>.0441*** (.010)</td>
<td>.0438*** (.009)</td>
<td>.0385** (.010)</td>
<td></td>
</tr>
<tr>
<td>Monthly Wages (H5-2)</td>
<td>-.0008</td>
<td>(.001)</td>
<td>-.0008</td>
<td>(.001)</td>
</tr>
<tr>
<td><strong>Labor Force Composition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Local (%) (H6)</td>
<td>-.013** (.004)</td>
<td>-.0134** (.003)</td>
<td>-.0105* (.004)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-3.575</td>
<td></td>
<td>-3.985*</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>.907</td>
<td></td>
<td>.907</td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td>.822</td>
<td></td>
<td>.822</td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers in parentheses are standard errors.

If we examine the organizational factors that may affect labor disputes, first, we see that the amount of capital per employee has a positive effect on the number of labor disputes.
disputes (Beta = .19). In other words, relatively larger, capital-intensive firms are linked to more labor disputes than small, labor-intensive firms. Given this result, H1 is accepted at p < .05 level in all three Models. This means capital investment has a small positive effect on the frequency of labor disputes.

The presence of a trade union is positively associated with labor disputes throughout all of the models (Beta = .7 or .9). Since it shows a statistical significance (i.e., p < .01 or p < 0.05 level), H2-1 that labor disputes are affected by the institutionalization of labor relations, is accepted. Previous studies show that the trade unions in East Asian-owned firms do not necessarily represent worker interests, since the party branch or the management (in the case of joint ventures) mostly regulate trade unions. Nevertheless, workers are more likely to recognize their shared interests when a trade union is present in a firm.

Second, contrary to expectations, having an internal mediation committee is positively related to the number of labor disputes (Beta = .7). Therefore, H2-2, which proposed that the presence of an internal mediation committee would reduce labor dispute, is rejected. The reason may be that internal mediation committees are formed only after firms have already experienced frequent labor disputes. Furthermore, workers tend to bypass the institutionalized mediation process within the firm to pursue wider legal channels, such as arbitration at the local level or in the civil court (Gallagher, 2002). In particular, workers at foreign-invested enterprises may not trust the union leader who heads the mediation committees, due to their selection process (Zhu and Fahey, 2000). The management chose union leaders in these firms, and some may be the relatives or friends of owners or managers. Personal kinship ties hamper the union from representing
workers’ rights and safeguarding workers’ interests properly. Lubman (1999) has pointed out broad factors contributing to declining mediation: the changing nature of disputes arising out of economic contracts rather than personal relationships, changing values emphasizing materialism and privacy, growing rights-consciousness, and declining authority in the mediation committees.

The stipulation of labor contracts is also negatively related to labor disputes (Beta = -.7). Therefore, H2-3, which proposed that the presence of signed labor contracts reduces labor disputes, is accepted. In other words, if the firm stipulates labor contracts, workers’ rights are more likely to be securely protected, which would reduce the occurrence of labor dispute.

Although a paternalistic managerial style does not show any statistical significance in Model 1, a regulative managerial style is negatively associated with the number of labor disputes, while an authoritarian managerial style is positively related to dispute. This means that firms that adopt an authoritarian managerial style are most likely to face labor disputes. Given that other independent variables are controlled, the authoritarian managerial style has a strong effect on the frequency of labor disputes. The coefficient ranges from 1.13 to 1.41 through all three models, at p < .05 level. Hence, H3, which proposed that the firms that employ authoritarian managerial styles are more likely to have a higher level of labor disputes, is accepted.

Meanwhile, a higher proportion of expatriate managers also have a positive effect on labor dispute. It shows a statistical significance at p < .01 level as we assumed. Thus, H4 is supported.
With regard to work condition factors, work hours influence labor disputes and are statistically important at \( p < .001 \) level in all three models. Therefore, H5-1, which stated that long work hours are likely to produce more labor disputes, is accepted. Work hours seem to be a strong predictor of the frequency of labor disputes (Beta = .04). On the other hand, low wages alone do not cause labor disputes. It shows a statistical insignificance in both Models 1 and 2. The reason is that workers are usually defensive rather than aggressive, which means that they protest against wages held in arrears, pay cuts, and lack of overtime pay, but do not necessarily protest for wage raises (Chan, 2001). H5-2, which proposed that low wages are likely to produce more labor disputes, is rejected.

If we take a closer look at workforce characteristics as an independent variable, the higher proportion of migrant workers in firms has a minor diluting effect on the frequency of labor disputes (Beta = -.011 or -.013). In other words, if there are a larger number of non-locals who come from distant provinces, they are less likely to be organized to strike, due to their insecure position. H6, which stated that a homogeneous labor force in terms of native origin is more likely to organize collective resistance, is accepted.

Overall, the independent variables in all three models have a fairly consistent effect on labor disputes, regardless of adding or subtracting such variables as monthly wages and paternalistic managerial style. That is, the effects are in the same direction and more or less of the same magnitude. For instance, the magnitude of the effect of the authoritarian managerial style is large and the magnitude of the effects of non-local
workers and expatriate managers are small, but the magnitude and significance of all these factors are similar across all three models.

Conclusion

In general, we found considerable consistency of important variables in predicting labor disputes among East Asian-invested enterprises in China. The findings suggest that organizational characteristics, institutional arrangements, work conditions, composition of workforce and expatriate managers, and regulative and authoritarian managerial styles exert significant effects on the number of labor disputes. However, the effects of low wages and a paternalistic managerial style on labor disputes are insignificant, contrary to our expectations. Managerial style turned out to be a useful predictor, after being categorized into regulative, authoritarian, or paternalistic types. The composition of the workforce serves to illustrate its potential for collective action.

Institutional arrangements such as the presence of trade unions and of internal mediation settlement committees and the signing of labor contracts are associated with the frequency of labor disputes. The presence of trade unions is positively associated with labor disputes, although the role of trade unions in China is regarded as nominal. The reason is that workers who have an opportunity to become union members become more aware of their workplace situations, such as wages, benefits, lay-offs, firing, and so forth. Workers in trouble are more likely to consult with a trade union. In cases where they cannot solve their problems within the trade union, they are likely to mobilize labor. Contrary to our hypothesis, however, the presence of internal mediation committees is positively related to the frequency of labor disputes. The reason that they are not well-established and have probably formed a result of increasing labor disputes. If such
committees have yet to respond to labor problems effectively, disputes may actually escalate disputes. Although the trade union leader, the management and workers’ representatives are supposed to be involved in negotiating settlements, workers tend to distrust the union leader. Moreover, if the gap between the interests of two parties is large, it is difficult to compromise and again more likely to generate conflicts. When mediations go awry, workers tend to turn to arbitration committees at the local level or on lawsuit in civil court (Gallagher, 2002). This finding is significantly different from the case of internal mediation committees within state-owned enterprises, which have a negative effect on the occurrence of labor disputes (Guthrie, 1999). This is because of differences in the institutional process and union leadership between state-owned and foreign-owned enterprises.

As we presumed, an authoritarian managerial style has a strong effect on labor disputes in all three models. In other words, firms that adopt an authoritarian managerial style are closely associated with increased labor disputes. Thus, our analysis recognizes the importance of managerial style in labor dispute. We conclude that managerial style is statistically significant, which supports our hypotheses. We assume that an authoritarian managerial style is especially salient, although other explanatory variables simultaneously and differentially interact. To investigate the predicted effects of each explanatory variable among East Asian-invested enterprises by country of origin, we conduct the decomposition analysis in the following chapter.
NOTES

1. Interview with researchers in Dongguan, Shanghai, and Qingdao (March to May, 2000).
2. I also found a case that a Hong Kong toy factory owner invested in his ancestral village in Dongguan (Interview with a Hong Kong manager in February, 2000).
3. For instance, some parts and components with high technology were imported from Japan, processed and assembled in China, and then re-exported under other brand names. Such an OEM system would not continue to create higher value-added products.
CHAPTER 6
EXPLAINING NATIONAL DIFFERENCES
IN LABOR DISPUTES

The previous chapter presented those factors that most significantly determined labor disputes among East Asian-invested firms in China. This chapter explains national differences in the frequency of labor disputes among the firms of different national origins, using the regression results obtained in the previous chapter. In the regression analyses, we used organizational characteristics, institutional arrangements, managerial styles, work conditions, and the characteristics of the labor force as predictors for labor disputes in firms of various countries of origin. We thus scrutinized structural factors, moving beyond the direct sources of labor disputes reported by managers and workers.

This chapter first of all examines firm structure, including the ownership structure and the characteristics of workers (education and age level) in terms of the national origins of firms. We also investigate employment practices, such as recruitment methods, training period, payment methods, and labor regulations. Second, we compare examine each of the crucial factors that contribute to labor disputes to see how they are associated with the national characteristics of firms. We in turn investigate how the predicted values for the frequency of labor disputes compare with the actual ones, grouping firms by each country of origin, by plugging in the averages of the independent variables from the regression equation calculated in Chapter Five. Finally, we examine the effects of individual independent variables through decomposition analysis, which identifies the contribution of each independent variable to the deviation of the predicted mean number of disputes for each country from the predicted grand mean.
Data and Methods

In the first part of this chapter, the unit of analysis is the business organization characterized by its country of origin. Aggregate data was collected from thirty-nine managers and 291 workers. The data is cross-tabulated. The independent variable is the national origin of East Asian-owned firms and the dependent variables are ownership structure, education level of workers, average age of workers, proportion of female workers, recruitment methods, former workplaces, training periods, and reward methods.

In the second part of this chapter, after discussing the significance of the crucial explanatory variables established by multivariate analysis in Chapter Five, we analyze the individual explanatory variables contributing to the frequency of labor disputes according to from what country firms originate, conducting a decomposition analysis. We explore how the predicted values of the number of labor disputes match actual occurrences for firms from each country of origin by putting the average score of the explanatory variable into the regression formula found in Chapter Five. The decomposition analysis identifies the contribution of each explanatory variable to the deviation of the predicted mean number of disputes from the predicted grand mean.

Firm Structure and Employment Relations

Ownership Structure

Table 6-1 shows that Hong Kong and Korean investors prefer to set up wholly owned enterprises in light industries, while Taiwanese and Japanese firms favor joint ventures with Chinese partners. Japanese investors are uncertain of the Chinese market and unfamiliar with host-country managerial practices, so they minimize their risks by
sharing ownership (Taylor, 1999). They provide large investments technology and equipment, for electronics products assembly, while their Chinese offer facilities. Other East Asian-owned firms prefer full ownership so they can fully control managerial decision-making. The ownership structure and the country origin of the firms are moderately correlated in the light industry and the result is significant at the .1 level (p = .066). However, the relationship of the two variables in the electronics industry is insignificant because of the small sample.

### Table 6-1: Ownership Structure of East Asian-invested Enterprises

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 50%</td>
<td>0(0)</td>
<td>2(28.6)</td>
</tr>
<tr>
<td>Light Industry</td>
<td>0(0)</td>
<td>4(57.1)</td>
</tr>
<tr>
<td>100%</td>
<td>5(100.0)</td>
<td>7(100.0)</td>
</tr>
<tr>
<td>Total</td>
<td>5(100.0)</td>
<td>7(100.0)</td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>0(0)</td>
<td>1(50.0)</td>
</tr>
<tr>
<td>100%</td>
<td>1(100.0)</td>
<td>1(50.0)</td>
</tr>
<tr>
<td>Total</td>
<td>1(100.0)</td>
<td>2(100.0)</td>
</tr>
</tbody>
</table>

*Light industry: Cramer’s V = .507, p = .066  
Electronics industry: Cramer’s V = .507, p = .249*

**Characteristics of Chinese Workers**

Table 6-2 shows more than 80 percent of workers graduated from middle school or high school. Primary or middle school graduates constitute approximately 70 percent of the workers in Hong Kong and Korean-owned firms. On the other hand, high school graduates account for almost 50 percent of workers in Taiwanese and Japanese-owned firms. In southern China or Shanghai, where Hong Kong, Taiwanese or Japanese firms
have invested, a few employees with tertiary education work on the factory shopfloors.

There are also a few employees with only a primary education. There is also one college
graduate at a Korean-owned factory in Qingdao, located in North China.

**Table 6-2: Factory Workers' Education Level**

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Origin</td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td>Primary Education</td>
<td>13(35.1)</td>
<td>3(4.3)</td>
</tr>
<tr>
<td>Middle School</td>
<td>15(40.5)</td>
<td>27(39.1)</td>
</tr>
<tr>
<td>High School</td>
<td>8(21.6)</td>
<td>33(47.8)</td>
</tr>
<tr>
<td>Tertiary Education</td>
<td>1(2.7)</td>
<td>6(8.7)</td>
</tr>
<tr>
<td>Total</td>
<td>37(100.0)</td>
<td>69(100.0)</td>
</tr>
</tbody>
</table>

As seen in Table 6-3, workers in Japanese-owned firms appear to be older than in
firms of other East Asian origin. This reflects the fact that they are usually hired for
longer periods than is the case in other firms. The average age of a line supervisor in a
Japanese-owned firm is thirty-eight. This is almost ten years older than in other firms.
The average age of all workers in Japanese-owned firms is also almost five years older
than other foreign-owned firms. The retention rate of workers who are thirty years old or
over is high in Japanese enterprises. This implies that Japanese-owned firms tend to
prefer stable and reliable production by experienced and skilled workers. Also,
employees who have remained in service a long time come to learn the sense of
responsibility expected under paternalistic authority. They become trade union leaders or
forepersons and in turn train younger, less experienced workers.
Table 6-3: Average Age of Workers

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwan</td>
</tr>
<tr>
<td>Worker</td>
<td>26.6</td>
<td>22.5</td>
</tr>
<tr>
<td>Line Supervisor</td>
<td>24</td>
<td>26.8</td>
</tr>
</tbody>
</table>

According to our survey, most East Asian-owned factories employ a predominantly young female workforce. Women constitute more than 80 to 90 percent of their workforce. They occasionally even hire child workers (below the age of sixteen) at their parents' request.¹ Women's smaller, nimbler fingers are best suited for the work (e.g., stitching clothes for export) and they are more docile than men and less likely to strike (Lary, 1997). Their passivity is more likely related to the fact that they are afraid to lose their jobs, instead of any inherent features (Casperz, 2002). The proportion of male workers in Japanese and Taiwanese-owned factories is relatively higher than in other firms.
### Table 6-4: Composition of Female Workers

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Percent (%)</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>90-100</td>
<td>4(80.0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>Light</td>
<td>0(0)</td>
<td>1(25.0)</td>
</tr>
<tr>
<td>Industry</td>
<td>1(20.0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>60-69</td>
<td>0(0)</td>
<td>1(25.0)</td>
</tr>
<tr>
<td>50-59</td>
<td>0(0)</td>
<td>1(25.0)</td>
</tr>
<tr>
<td>0-49</td>
<td>0(0)</td>
<td>1(25.0)</td>
</tr>
<tr>
<td>Total</td>
<td>5(100.0)</td>
<td>4(100.0)</td>
</tr>
<tr>
<td>90-100</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>Electronics</td>
<td>0(0)</td>
<td>2(40.0)</td>
</tr>
<tr>
<td>Industry</td>
<td>1(100)</td>
<td>2(40.0)</td>
</tr>
<tr>
<td>0-49</td>
<td>0(0)</td>
<td>1(20.0)</td>
</tr>
<tr>
<td>Total</td>
<td>1(100.0)</td>
<td>5(100.0)</td>
</tr>
</tbody>
</table>

Light industry: Cramer's $V = .639, p = .041$
Electronics industry: Cramer's $V = .575, p = .248$
Note: Missing data = 3.

**Recruitment Methods**

Workers are recruited through various means. About one third of the workers are recruited through the impersonal method of advertisement. Another important way of recruiting is through personal networks, that is, through friends or relatives. Hong Kong-owned firms prefer hiring workers through this method. Interestingly, Japanese-owned firms hire more workers through relatives than through friends. This could be due to the strict residential registration (*hukou*) procedure in Shanghai, which makes it difficult for outsiders (*waidiren*) to stay there. However, when Japanese joint ventures need a large supply of labor, workers are also hired through formal channels, such as labor agencies.
Their Chinese partners conduct the job interviews. This method accounts for one third of total employed workers in Japanese firms.

In southern China where most of the Hong Kong and Taiwanese factories are located, they post jobs at the factory gates where are easily discovered for migrants waiting for employment. Some female migrants are occasionally found dozing on the streets in exhaustion from the long journey from their hometown. I was surprised to see that over fifty young people waiting in front of the factory gate of a Hong Kong toy factory, which employs ten thousand workers in the outskirts of Dongguan. At another Hong Kong-owned factory in Dongguan, the personnel office has a window at the factory wall where applications can be accepted and processed more efficiently. In southern China migrants, by and large rely on informal channels to find out about employment opportunities.

Table 6-5: Recruitment Methods

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td>Advertisement</td>
<td>10(25.0)</td>
<td>19(26.8)</td>
</tr>
<tr>
<td>Labor Agency</td>
<td>5(12.5)</td>
<td>11(15.5)</td>
</tr>
<tr>
<td>School</td>
<td>0(0)</td>
<td>9(12.7)</td>
</tr>
<tr>
<td>Relative</td>
<td>6(15.0)</td>
<td>6(8.5)</td>
</tr>
<tr>
<td>Friend</td>
<td>13(32.5)</td>
<td>22(31.0)</td>
</tr>
<tr>
<td>Neighbor</td>
<td>6(15.0)</td>
<td>3(4.2)</td>
</tr>
<tr>
<td>Local Cadre</td>
<td>0(0)</td>
<td>1(1.4)</td>
</tr>
<tr>
<td>Other</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>Total</td>
<td>40(100.0)</td>
<td>71(100.0)</td>
</tr>
<tr>
<td></td>
<td>111(100.0)</td>
<td>101(100.0)</td>
</tr>
</tbody>
</table>
More than half of the workers at Japanese-owned firms have had previous work experience at state-owned enterprises or urban collective enterprises. This implies that they were already working at these state-owned enterprises before they were merged into joint ventures. In contrast, other East Asian-owned firms hire more than half of their workers from private enterprises or directly after they have completed their school. These comprise more than 70-80 percent of the workers in Hong Kong and Taiwanese-owned firms in southern China. Twenty percent of workers at Korean and Japanese-owned firms were previously unemployed in northern China.

Table 6-6: Former Workplace/Status of Workers

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Origin</td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td>State Enterprises</td>
<td>3(7.7)</td>
<td>6(8.7)</td>
</tr>
<tr>
<td>Collective Enterprises</td>
<td>4(10.3)</td>
<td>3(4.3)</td>
</tr>
<tr>
<td>Private Enterprises</td>
<td>13(33.3)</td>
<td>22(31.9)</td>
</tr>
<tr>
<td>School Graduate</td>
<td>15(38.5)</td>
<td>35(50.7)</td>
</tr>
<tr>
<td>Unemployment</td>
<td>4(10.3)</td>
<td>3(4.3)</td>
</tr>
<tr>
<td>Total</td>
<td>39(100.0)</td>
<td>69(100.0)</td>
</tr>
</tbody>
</table>

Working Environment

In southern China, most small factories in light industries do not have proper ventilation systems even during hot and humid summer weather. The general impression of the working environment at China's electronics factories is that they are much cleaner than light industry factories. For instance, their workers are required to wear slippers. However, workers at Korean-owned electronics factories express serious concern about
health problems because they manipulate delicate electronics parts, which can cause body and eye fatigue.²

Taiwanese-owned firms put more investment into renovating their factories and dormitories. Some firms even show a concern for landscaping and gardening. The nice facilities of a modern Taiwanese-owned firm can lead to a high turnover at a neighboring Korean garment firm.³

Length of Training

In light industries, most East Asian-owned firms provide less than two weeks of training. Indeed, training is minimal and largely on the job for production workers. One reason is that companies recruit already skilled workers from the Dongguan area, which has a high concentration of garment factories (Chiu and Frenkel, 2000). Even in the electronics industry, the length of training is pretty short, owing to simplistic, circulating, and narrowly specified jobs. They often require little skill within the hierarchical system of control (Benson et al., 2000). From time to time, some workers change their jobs tentatively and without notice due to boredom. This becomes a source of labor dispute. Some Korean-owned firms producing assembled electronics goods do put more emphasis on training skills than firms producing toys and clothing, however.

Geographical proximity also positively affects worker training to a certain extent. For instance, the manager of a Korean factory in faraway Dongguan said that it is very hard to adjust to lean production of various models of products.⁴ However, the electronics factories in Qingdao were able to diversify products because they could easily send trainees to Korea.⁵ Geographical proximity made it possible for some Chinese workers to
be dispatched to the mother firm in Korea just as a Japanese electronics joint venture in Shanghai has done.

Table 6-7: Workers' Training Period

<table>
<thead>
<tr>
<th>Industry</th>
<th>Length</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td>Light Industry</td>
<td>3-10 days</td>
<td>5(83.3)</td>
<td>4(100.0)</td>
</tr>
<tr>
<td></td>
<td>14 days</td>
<td>1(16.7)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>30 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>60 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>90 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>6(100.0)</td>
<td>4(100.0)</td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>3-10 days</td>
<td>1(100.0)</td>
<td>6(100.0)</td>
</tr>
<tr>
<td></td>
<td>30 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>60 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>90 days</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>1(100.0)</td>
<td>6(100.0)</td>
</tr>
</tbody>
</table>

Work and Quality Control

In general, employees on the assembly line or make parts in both light industries and the electronics industry. In the case of one toy factory, most of the factory employees were assigned to assembly lines that stitched together stuffed animals, one worker attaching an eye, the next an ear, and so on. They spent the whole day sitting in front of their sewing machines, repetitively carrying out a single task. In such a Ford-like mass-production system, the work process was unavoidably broken down into small-individualized labor tasks under the direct control of management. This individualization
of tasks and deprivation of control are considered sources of worker alienation (Benson et al., 2000).

Quality control is conducted at various stages of the production process. In most cases, workers themselves conduct quality checks, followed by a work-mate or workgroup, and finally external quality assessors (Taylor, 2002). In Taiwanese or Hong Kong-owned firms that prefer piece payment, quality control specialists check up on the product at the final stage of production. A Hong Kong-owned children’s fashion apparel factory in Dongguan employed the ‘one-to-one product control’ method (Yeung, 2001). A Korean-owned album factory in Shenzhen introduced a harsh disciplinary approach to quality control, insisting its employees to work standing up so forepersons can watch them a watch and spot faults.

A Korean-owned electronics firm in Qingdao emphasizes reducing the rate of defective parts. The results are assessed on a weekly or monthly basis. The management posts histograms on the factory wall, which indicate the monthly change of defect rates by team. Teams that perform well in certain months are awarded a small bonus. The teamwork allows workers to regain a sense of autonomy and responsibility for their work. It also increases work flexibility and profitability through peer or group pressure (Benson et al., 2000). One of the reasons may be that stringent quality control is simultaneously carried out through constant supervision by expatriate technicians stationed in the workplace (Yeung, 2001).

A Korean firm in Shanghai which produces electronic scales ambitiously plans to hire family members of workers when demand for its products increases. Since family members can work at home, not only will family income increase, but product quality
will be enhanced because the experienced factory worker will oversee production at home as a matter of family pride. A Korean manager at the firm said, “If this method is introduced in the future, it will contribute to cost reduction.” These unique styles of job control have very different effects on the performance of the organization.

**Reward**

**Reward Methods and Labor Regulations**

Burawoy (1979) explained the reason that workers worked hard is due to a bargain over piecework prices characterized in a wider workplace “rule of law” including a seniority system, collective bargaining, and grievance arbitration. However, in southern China and Shanghai, the rules about piecework pay negotiation seem not to apply to light industries. Migrant workers try to maximize their earnings by focusing on product quantity rather than quality. The forms of payment-by-results attempt to confront the problem of poor quality by linking earnings to production, but fail to solve the problem. When monetary incentives are too meager or wages are constant, workers continue to focus on producing quantity.

When neither wage nor the quantity of production is affected by worker performance, workers shift their attention to time management as another payment methods, the certain amount being assigned to them a day. Under these circumstances, increasing the work pace to finish early seems quite natural, as long as the technical organization of production allows it. Employees can go home upon completion of their daily routine, the “job-and-finish” approach (Belanger, 1994). For example, Korean managers in an electronics firm in Qingdao allocate daily assignments to their workers.
They cannot go home until they finish these tasks. When they finish the required volume of daily or monthly production, they are paid. The piece-rate payment in Hong Kong, Taiwanese, and Japanese-owned firms in light industries is commonly used to motivate workers. In addition, firms avoid paying overtime even for those working on holidays (China Labor Bulletin, March-April 2000).

Payment methods and the country origin of the firms are moderately correlated for the light industry with the result being significant at the .1 level (p = .082). The relationship in the electronics industry is not significant because of the small sample size, as seen in Table 6-8.

Table 6-8: Reward Methods

<table>
<thead>
<tr>
<th>Industry</th>
<th>Methods</th>
<th>Southern China</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
<td>Korean</td>
<td>Japanese</td>
<td></td>
</tr>
<tr>
<td>Light Industry</td>
<td>Piece rate</td>
<td>5(83.3)</td>
<td>2(50.0)</td>
<td>1(20.0)</td>
<td>6(85.7)</td>
<td></td>
</tr>
<tr>
<td>Light Industry</td>
<td>Hourly</td>
<td>0(0)</td>
<td>0(0)</td>
<td>3(60.0)</td>
<td>0(0)</td>
<td></td>
</tr>
<tr>
<td>Light Industry</td>
<td>Daily</td>
<td>1(16.7)</td>
<td>0(0)</td>
<td>1(20.0)</td>
<td>0(0)</td>
<td></td>
</tr>
<tr>
<td>Light Industry</td>
<td>Monthly</td>
<td>0(0)</td>
<td>2(50.0)</td>
<td>0(0)</td>
<td>1(14.3)</td>
<td></td>
</tr>
<tr>
<td>Light Industry</td>
<td>Total</td>
<td>6(100.0)</td>
<td>4(100.0)</td>
<td>5(100.0)</td>
<td>7(100.0)</td>
<td></td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>Piece rate</td>
<td>0(0)</td>
<td>0(0)</td>
<td>0(0)</td>
<td>1(50.0)</td>
<td></td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>Daily</td>
<td>1(100.0)</td>
<td>2(40.0)</td>
<td>2(25.0)</td>
<td>0(0)</td>
<td></td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>Monthly</td>
<td>0(0)</td>
<td>3(60.0)</td>
<td>6(75.0)</td>
<td>1(50.0)</td>
<td></td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>Total</td>
<td>1(100.0)</td>
<td>5(100.0)</td>
<td>8(100.0)</td>
<td>2(100.0)</td>
<td></td>
</tr>
</tbody>
</table>

Light industry: Cramer's $V = .552$, $p = .017$
Electronics industry: Cramer's $V = .566$, $p = .115$
Basis of Reward

The complex set of rules on internal job structure and seniority regulate a whole range of issues associated with assignments (Belanger, 1994). The seniority-based promotion and payment at Japanese-owned firms or joint ventures are more institutionalized than in other firms, although the data in Table 6-9 does not clearly indicate this. Senior female workers in Japanese-owned firms who had worked there for almost ten years were assured of becoming forepersons or trade union leader.

While Korean-owned firms consider age and family size in determining financial remuneration, other East Asian-owned firms in the light industries place a higher value on skills and experience as the basis of payment. In the electronics industry, however, almost all East Asian-owned firms provide financial remuneration according to technical expertise and years of experience.

The criteria for establishing a pay scale are moderately correlated with the country of origins of firms in the light industry, with the result significant at .05 level (p = .031). The association between these variables is not significant for the electronics industry due to the small sample size, as seen in Table 6-9.
Table 6-9: Basis of Reward

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry</td>
<td>Basis</td>
<td>Hong Kong</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>0(0)</td>
</tr>
<tr>
<td>Light</td>
<td>No. of Family</td>
<td>0(0)</td>
</tr>
<tr>
<td>Industry</td>
<td>Experience</td>
<td>1(16.7)</td>
</tr>
<tr>
<td></td>
<td>Technique</td>
<td>5(83.3)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6(100.0)</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>0(0)</td>
</tr>
<tr>
<td>Electronic</td>
<td>Experience</td>
<td>0(0)</td>
</tr>
<tr>
<td>Industry</td>
<td>Technique</td>
<td>1(100.0)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1(100.0)</td>
</tr>
</tbody>
</table>

Light industry: Cramer's V = .528, p = .031
Electronics industry: Cramer's V = .342, p = .713

Factors Contributing to Labor Disputes

Organizational Characteristics

If the scale of an enterprise is small in terms of capital investment, its workers will be vulnerable to repression and are thus less likely to make demands for higher wages. Therefore, the higher the capital per employee a firm has, the more likely it is to encounter labor disputes. Table 6-10 indicates that Korean-owned firms invest the highest amount of capital per employee among East Asian firms, followed by Japanese, Taiwanese, and Hong Kong firms. This suggests that Korean and Japanese-owned firms tend to invest in capital-intensive industries, such as textiles, electronics assembly plants, and so on, while Taiwanese and Hong Kong-owned firms are apt to invest in more labor-intensive industries, such as garments, toys, or electronics parts processing. Table 6-10 shows that Hong Kong firms invest least investment per employee, on average no more
than US $6,400. Korean investment per employee is $16,000, two and half times higher than Hong Kong-run enterprises.

Table 6-10: Differences in the Means of Independent Variables: Comparisons between the Firms of each Country of Origin and the Total Sample (N=30)

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong (N=4)</th>
<th>Taiwan (N=9)</th>
<th>Korea (N=9)</th>
<th>Japan (N=8)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital / Employee ($10,000)</td>
<td>0.6399 (0.61)</td>
<td>1.0476 (1.03)</td>
<td>1.6036 (1.94)</td>
<td>1.1949 (1.51)</td>
</tr>
<tr>
<td><strong>Institutional Arrangement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union (Y=1, N=0)</td>
<td>0.75 (0.50)</td>
<td>0.11 (0.33)</td>
<td>0.78 (0.441)</td>
<td>1.00 (0)</td>
</tr>
<tr>
<td>Internal Mediation Committee</td>
<td>0.50 (0.577)</td>
<td>0 (0)</td>
<td>0.33 (0)</td>
<td>0.63 (0.52)</td>
</tr>
<tr>
<td>Labor Contract (Y=1, N=0)</td>
<td>1.00 (0)</td>
<td>0.33 (0.50)</td>
<td>1.0 (0)</td>
<td>0.63 (0.52)</td>
</tr>
<tr>
<td><strong>Proportion of Expatriates (%)</strong></td>
<td>21.33 (24.46)</td>
<td>34.45 (37.28)</td>
<td>29.26 (20.0)</td>
<td>25.93 (31.35)</td>
</tr>
<tr>
<td><strong>Work Conditions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weekly Work Hours</td>
<td>60.25 (16.82)</td>
<td>61.0 (13.12)</td>
<td>47.44 (6.71)</td>
<td>44.63 (8.73)</td>
</tr>
<tr>
<td>Monthly Wages (Yuan)</td>
<td>579.0 (119.11)</td>
<td>542.75 (117.29)</td>
<td>545.37 (92.624)</td>
<td>771.25 (198.7)</td>
</tr>
<tr>
<td><strong>Composition of Labor Force</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Local (%)</td>
<td>92.75 (4.57)</td>
<td>92.0 (7.73)</td>
<td>29.11 (30.16)</td>
<td>52.88 (22.8)</td>
</tr>
</tbody>
</table>

Note: Monthly Wages N=28, US$ 1 = 8.3 yuan (2000)
S.D. is in parentheses.

Institutional Arrangements

Presence of Trade Unions

A dynamic, flexible industry tends to support autocratic foreign management to be (Deyo, 1997). The great majorities of profit-driven, foreign-invested enterprises in
southern China overlook safety standards and national regulations, and discourage the presence of trade unions, while enjoying preferential treatment from local governments. In Shanghai, on the other hand, management-controlled union branches have begun to flourish (Chan and Norlund, 1999). Korean-owned firms in Qingdao were asked to establish trade unions until 1997, after the 1995 Labor Law was implemented. Although firms may establish trade unions in compliance with labor laws, managers may purposely ask union leaders to continue to do shop-floor work so as to distract them from their new duties in the union. This mixing of roles in a single individual is an effective means of diluting any trade union identity (Chan, 1998). Neither a trade union nor workers’ representatives are allowed at one Korean toy firm in Qingdao where the manager has prior experience running a factory in southern China. Without any consultation with workers regarding pay raises, management makes arbitrary decisions on the matter twice a year. Nonetheless, findings suggest that the vast majority of Japanese and Korean-owned firms in northern China allow trade unions that are more likely to safeguard labor contracts, in response to the demand of local governments.

Astonishingly, all of the Japanese-owned firms and joint ventures in Shanghai have trade unions, while 78 percent of Korean-owned firms have trade unions and some have workers’ representatives. This is congruent with a statement by Chang and Norlund (1999) that in the Shanghai region the management-controlled union branches have mushroomed in recent years. It seems that this trend has dispersed to Korean-owned firms in Qingdao. Since Korean management recognizes the compliance of pseudo-trade unions, in stark contrast to the militant trade unions of their own country, they are rather cooperative in their establishment. This implies that the institutional arrangements of
local governments are of great importance in Shanghai and Qingdao. Foreign-invested enterprises simultaneously undergo organizational learning and mimic institutionalization. Once a trade union is present, it is likely to lead to higher union membership that would have a positive effect on labor disputes, although most of them are regarded as nominal, or so called, "yellow unions".

According to the survey, 75 percent of Hong Kong-owned firms have set up trade unions, while only one Taiwanese-owned firm has a trade union. Almost 90 percent of Taiwanese-owned firms do not permit trade unions. At the same time, there are very few worker representatives in Hong Kong- and Taiwanese-owned firms. Only one electronics industry firm claims that it has worker representatives in lieu of a trade union. Even where there are worker representatives, most are controlled by the management and fail to support the workers.

All together, the institutionalization of trade unions in southern China is below 30 percent. Recently Taiwanese authorities have become concerned about the presence of communist party branch representatives in medium-sized Taiwanese firms, which may politically influence workers. However, based on the experience of Japanese firms, the political influence of such party officials seems to be very weak. Since the interests of labor and management are substantially different, the institutionalization of collective bargaining is unlikely to take place (Baik, 2000).

Given the nominal or nonexistent institutionalization of labor relations in southern China, most of collective action by workers occurs as a spontaneous result of "associations of workers from the same native place (laoxiang)," clamoring for pay held
in arrears or wage increases. Workers who migrated from the same region are more likely to take a more unified collective action against inhuman and illegal treatment.

Presence of Internal Mediation Committees

In southern China, it seems that Hong Kong-owned firms that have trade unions are also concerned with forming internal settlement committees. By contrast, none of the Taiwanese-owned firms have one. Meanwhile, in northern China, Korean and Japanese-owned firms less institutionalized labor relations in terms of setting up internal mediation committees. Only 33 percent of Korean-owned firms have an internal mediation committee, while 65 percent of Japanese-owned firms have set up one. When conflicts emerge in many state-owned enterprises, workers or management are more likely to ask for assistance from an internal committee due to the strong institutional capacity for mediation (Gallagher, 2002). In Sino-Japanese joint ventures, the situation is similar because the institutional arrangements are based in state-owned enterprises. Most conflicts are resolved within the enterprise since Chinese management and communist party leaders play a pivotal role (Kajima, 1998). However, other East Asian-invested enterprises are still burgeoning, so the role of any mediation committee would be rather meager. As a result, in the eyes of most workers, both the trade unions and the internal mediation committees lack legitimacy; workers tend to proceed directly to arbitration at the local level (Gallagher, 2002).
Specification of Labor Contracts

It is found that there are slightly differential regional effects on the presence of labor contracts. Korean and Japanese-owned firms in northern China have more labor contracts compared to their counterparts in southern China, which only have 33 percent, particularly in Taiwanese-owned firms. Although in our survey all four cases of Hong Kong-owned firms had labor contracts, in fact a vast majority of Hong Kong- and Taiwanese-owned firms located in southern China prefer to have no or only one-year contracts. In Guangdong, for instance, one survey revealed that 33 to 87 percent of Hong Kong and Taiwanese-owned firms had not concluded work contracts (Chinese Trade Unions, 1994). In Table 6-10, Taiwanese-owned firms in southern China indeed show a strong propensity either to have no contract or only a one-year labor contract with their unskilled workers. One approach emphasizes emotional attachments:

One Hong Kong manager said that the incidence of a completed labor contract was very low. That is, only ten percent signed labor contracts among one thousand workers. They often take care of workers by throwing worker birthday parties, providing medical treatment, and having recreation time together with bosses and workers. It creates a harmonious atmosphere. As a result, actually signing a labor contract is insignificant (Tequgongbao, July 23, 1996).

Can personal attachment replace labor contracts? Many skilled workers in foreign-invested enterprises move easily from firm to firm. Joint ventures that sign few labor contracts see 30 percent of their workers quit every year. Such firms subsequently suffer the financial burden training new workers. By contrast, Korean and Japanese-owned firms situated above the Yangzi River prefer labor contracts of up to three or four years in order to retain an experienced labor force. Although it is not a relational contract, the long-term career perspective is similar to firms operating within Japan (Dore, 1987). This also reflects more competitiveness in the recruitment of skilled
workers in the northern Chinese labor market, such as Shanghai and Qingdao. On the other hand, it also implies that Hong Kong and Taiwanese-owned firms have access to an abundant labor pool of unskilled workers in southern China.

Overall, under the new social contract, employment security and in-kind benefits are diminishing (Tang and Parish, 2000). One Korean Chinese manager in southern China justified the right to fire trouble-making workers at will because workers were allowed to resign whenever they want under the flexible conditions offered by local governments (Yeung, 2000). This phenomenon is prevalent in southern China in particular, whereas the local governments in northern China closely supervise employment relations and reinforce social insurance for workers. In other words, administrative flexibility exists in southern China to the favor of overseas Chinese investors, while other foreign investors must protect themselves from the economic uncertainty by signing labor contracts. The influence of this institutional environment and organizational decision-making process is somewhat different from Guthrie’s argument (1999) that both administrative and economic uncertainty support institutionalization of labor contracts in state-owned enterprises and joint ventures in Shanghai. In general, then, firms that have labor contracts are less likely to encounter labor disputes, since workers are secured for specific periods.

Managerial Style: Governing Authority

Can a profile of managerial styles be identified within and across firms by country of origin in China? An exploratory discriminant analysis will establish the construct
validity and the appropriateness of describing the unique managerial styles of each firm by country of origin.

To determine the appropriateness of the model, we examine whether the three attributes that comprise each managerial type work as a set to characterize particular managerial styles. For example, the respondents characterizing managerial style as personal (arbitrarily regulative) chose attributes that relate to the personal managerial style. They were asked to assess each item by indicating the extent to which it described their managerial style. For each item, responses range from Strongly Disagree to Strongly Agree on a five-point Likert scale.

The means and standard deviations of the congruence measures were examined to determine whether this exploratory model works well enough to justify further investigation of managerial style using this model. Table 6-11 presents the means and standard deviations of the congruence measures of the three managerial styles by firms of each national origin. The range is considerable, from a low of 1.52 to a high of 4.39. The differences in the means of managerial style attributes of each country of origin demonstrate agreement as well as disagreement and similarities as well as differences in perceptions of managerial style between firms from the same national origin. Such variation is important in establishing the model’s construct validity. Moreover, this variation suggests that there is discriminant validity in the measures. In other words, the managerial style model discriminates between firms by national origin. The standard deviation provides an estimate of the strength of agreement of each managerial style. The smaller the standard deviation, the greater the agreement.
Although the combined firms from any particular country showed blend of managerial styles, it was still possible to identify patterns of managerial style according to national origin of a set of firms. Dominant managerial style was evident in some of the firms correlated to their country of origin. Table 6-11 demonstrates that Japanese-owned firms score highest (3.29) on regulative managerial styles, followed by Korean (2.58), Taiwanese (2.39), and Hong Kong (1.95) firms, respectively. The workers’ perceptions are therefore not the same as our reading of regulations in workers’ handbooks from Hong Kong and Taiwanese-owned firms, which seemed shockingly harsh and arbitrary. It is possible that the workers selected for the survey underestimate the realities of the workplace in those firms.

According to workers’ handbooks, Japanese and Taiwanese-owned firms rigorously adopt regulative managerial styles. For instance, the handbook of a Japanese firm that produces luggage bags includes sixty-six articles describing penalties and thirteen articles about the reward system.\(^\text{14}\) A Japanese air conditioner company similarly imposes fines ranging from 50 yuan to 500 yuan.\(^\text{15}\) This not only restrains worker behavior, it inhibits collective action. Rules are imposed to discipline migrant workers by almost any means. A Taiwanese electronics factory in Dongguan detailed 105 penalties from warnings through fines up to firing.\(^\text{16}\) Only twenty-two articles were included to explain the award system. One Hong Kong factory has forty-six rules for deducting wages or fining workers (Lee, 1995). This is a double-barreled threat, since Chinese labor law already prohibits strikes.
Table 6-11: Comparison of Shop-floor Workers’ Perceptions of Managerial Style

<table>
<thead>
<tr>
<th>Managerial Styles</th>
<th>Hong Kong (n=4)</th>
<th>Taiwanese (n=9)</th>
<th>Korean (n=9)</th>
<th>Japanese (n=8)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M</td>
<td>SD</td>
<td>M</td>
<td>SD</td>
</tr>
<tr>
<td>Personal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Regulative)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>village/ethnic Favoritism</td>
<td>1.85</td>
<td>.60</td>
<td>2.80</td>
<td>.55</td>
</tr>
<tr>
<td>Strict regulations</td>
<td>2.47</td>
<td>.49</td>
<td>2.25</td>
<td>.68</td>
</tr>
<tr>
<td>Housing (-)</td>
<td>1.54</td>
<td>.58</td>
<td>2.12</td>
<td>.55</td>
</tr>
<tr>
<td>Mean</td>
<td>1.95</td>
<td>2.39</td>
<td>2.58</td>
<td>3.29</td>
</tr>
<tr>
<td>Authoritative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct control</td>
<td>2.46</td>
<td>1.04</td>
<td>3.04</td>
<td>.92</td>
</tr>
<tr>
<td>Mental motivation</td>
<td>4.43</td>
<td>.38</td>
<td>3.92</td>
<td>.57</td>
</tr>
<tr>
<td>Plan Development (-)</td>
<td>1.52</td>
<td>.43</td>
<td>2.21</td>
<td>.68</td>
</tr>
<tr>
<td>Mean</td>
<td>2.80</td>
<td>3.06</td>
<td>2.68</td>
<td>2.66</td>
</tr>
<tr>
<td>Paternalistic</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humanistic treatment</td>
<td>4.39</td>
<td>.43</td>
<td>3.61</td>
<td>.66</td>
</tr>
<tr>
<td>Provides facilities</td>
<td>4.08</td>
<td>1.11</td>
<td>3.34</td>
<td>.52</td>
</tr>
<tr>
<td>Discourages morale (-)</td>
<td>4.39</td>
<td>.43</td>
<td>3.77</td>
<td>.96</td>
</tr>
<tr>
<td>Mean</td>
<td>4.28</td>
<td>3.57</td>
<td>3.80</td>
<td>3.47</td>
</tr>
</tbody>
</table>

Note: 1) The score is based on averages of answers on a 5-point Likert scale; 2) (-) reverse code; 3) TU (trade union).

Taiwanese-owned firms exhibit the highest rates of authoritarian management (3.06) while Japanese-owned-firms have the lowest (2.66). Korean-owned firms are less authoritarian (2.68) than expected. Some managers expect workers to follow their orders in military fashion, however. For instance, at a Taiwanese enterprise that produces canisters in Dongguan, I saw about forty young workers, appearing less than twenty years old, marching in formation to lunch in the factory yard. The factory site has the appearance of a military camp, with continuous surveillance by security guards.

Some Korean-owned firms in Qingdao emphasize Korean norms by teaching customs to their factory workers or holding morning meetings. The Korean business association in Qingdao distributes books about Korean customs to Korean-run factories after translating them into Chinese. They seem to believe that this brings labor stability.
This instance may indicate normative authoritarian style at Korean-owned firms. For this reason, workers that did not perceive the managerial style as authoritarian could be attributed to the institutional influence of local governments in northern China. For instance, they are more likely to require Japanese and Korean-owned firms to abide by legal work hours and set up trade unions than Hong Kong and Taiwanese-owned firms. On some occasions, Korean-owned firms have difficulty acquiring imported raw materials from customs. Thus, they are unable operate their factories and rest days are unexpectedly given to workers.\textsuperscript{17} This indicates that the institutional environment can constrain managerial style, preventing expatriate managers from practicing the managerial style of their home country.

Hong Kong- and Korean-owned firms show higher rates of a \textit{paternalistic} managerial style (4.28, 3.80 respectively) than firms from other national origins. Firms in light industry allow local or Korean Chinese managers to indirectly but personally control workers in a paternalistic fashion. For example, workers at a Korean-owned firm in Qingdao held a sports event on the enterprise's tenth anniversary. Hong Kong firms provide recreational activities such as Karaoke, billiards, and so on. At the same time, they manage time by checking work hours with punch cards. One Hong Kong firm prohibits female workers from using cellular phones or pagers inside the factory even in emergency cases. If they do so, they are fined on the first offence and fired on the second \textit{(China Labor Bulletin, July 29, 2001)}. In this sense, Hong Kong-owned firms exhibit a \textit{hybrid} managerial style - paternalistic (4.28) and moderately authoritarian (2.80), albeit less regulative (1.95).
Japanese-owned firms offer better social insurance, so their managerial style could be regarded as *institutionalized paternalistic*. However, it seems that the workers' recognition of the *paternalistic* managerial style remains low. On the other hand, Japanese-owned firms in Shanghai require workers to keep all firm information, such as technology, finances, materials, product styles, skills, and so forth, confidential. The worker's handbook mainly introduces safety features and facility management rules. Japanese-owned firms tend to leave labor management in the hands of local managers, adopting a management method on consignment, (i.e., *remote paternalistic approach*), although the score on *paternalistic* is the lowest, 3.47. Again, their method is more institutionalized than that of their counterparts. They abide by labor laws and offer social insurance, including medical insurance. Japanese joint ventures in Shanghai depend on the accumulated experience of their Chinese partners to handle labor matters such as wages, recruitment and selection, and grievances (Taylor, 1999). On the other hand, the Japanese side is in control of production methods such as quality control and workers participation in small groups on the work-floor. Therefore, personnel management is more localized and they minimize the hiring of expatriates as middle managers (Taylor, 1999).

My analysis confirms that the profiles of managerial styles can be identified across firms of different country origins. The only exception is Korean-owned firms, which are revealed as paternalistic rather than authoritarian. In terms of validity, there is congruence in the agreement of scores by managerial types and by the low standard deviations. Moreover, there is discriminant validity between countries as indicated by the different cultural types that characterize firms by country of origin. Therefore, it can be
concluded that managerial style models are appropriate for investigating the managerial styles of firms by their country of origin.

Cases of Inhumane Managerial Practices

There still appear to be various cases of inhumane treatment occurring at East Asian-owned factories in China. Public humiliation is used as form of punishment (Tang and Parish, 2000). By chance, I noticed a letter in a glass-cased bulletin board on the wall at a Taiwanese factory in Dongguan. There were bloodstains on the glass. The letter was from a worker apologizing for not being able to return to the factory on time following the Chinese New Year holidays that he had spent in his hometown in Sichuan. When he came to the factory the following day, the personnel department asked him to write an apology stating he would not let it happen again. When some workers saw the letter, they were indignant. One of the workers rubbed his blood on the bulletin board. It may be the worker’s way of protesting such shaming tactics.

It is common in southern China for twelve or more workers to sleep together in a single room. The breakfast provided is too poor, so they eat dumplings (mantou) sold by bicycle peddlers in front of factory gates. The food subsidy is no more than 5 yuan daily, which is very low, considering that the price for a can of Coke is 2 yuan. Accordingly, though we may consider meal service or factory housing (dormitories) as non-wage benefits, such firms may not really indicate as paternalism because of the facilities are frequently in a poor state. This contrasts with the view held by Hsing (1998), who considers such accommodations examples of paternalistic management at Taiwanese-owned firms in southern China.
As one factory in Qingdao, the majorities of workers commute from home or live in standardized houses that the village government built near the factory. However, at a Korean-owned toy factory in Qingdao, non-local workers must live in a dormitory. Twenty workers share a single room in the dormitory, as is often seen in southern China.18

It is obvious that workers do not enjoy quality of life due to a lack of finances and leisure time. For instance, Korean or Hong Kong-owned firms located in Shenzhen are not concerned with workers’ leisure activities at all. Even when the work finishes early around seven p.m., workers do not think of e activities since it taking the mini-bus thirty minutes to participate in more leisure activities in the county. It costs 2 yuan (25 cents) to get there, which is the equivalent to two hours pay. If they are not working overtime, they just watch television or play pool on a worn-out table in a small shop outside the factory. In short, my observations and empirical data to a certain extent coincide with C.K. Lee (1995) assertion that a local despotic regime is prevalent in small- or medium-sized foreign-invested firms in southern China. This is somewhat different from northern China.

Proportion of Expatriate Managers

Direct labor control by expatriate managers is more likely to give rise to labor disputes than the indirect labor controls used by local Chinese managers. Taiwanese and Korean-owned firms prefer to bring in expatriate middle managers from their mother firms. According to my survey data, Taiwanese-owned firms demonstrate the highest proportion of expatriate managers, reaching almost 35 percent of all managers, followed
by Korean-owned firms with about 30 percent (see Table 6-10). In contrast, Hong Kong and Japanese-owned firms tend to leave labor management in the hands of local Chinese managers. Hong Kong firm owners usually depend on their local relatives to run small apparel factories. These managers are already accustomed to local labor practices. For instance, if workers do not share personal connections with the managers, they are more likely to be fired.19 This can be identified as a fragmented business system that represents a low-commitment economy (Whitley, 1999).

On the other hand, medium-sized Hong Kong electronics firms tend to control their labor more directly. Japanese joint ventures in Shanghai rely on the accumulated experience of their Chinese partners to handle labor matters. Personnel managers are usually local and hiring expatriates as middle managers is avoided. If they need managerial and technical assistance, they send their local employees to the mother firm for training. In contrast, Japanese managers maintain control over production and production methods (Taylor, 1999).

Ethnic and Regional Hierarchy

Ethnic and regional hierarchies are salient at Hong Kong, Taiwanese, and Korean-owned factories in China. In southern China, Chinese managers may be relatives or friends of a Hong Kong factory boss. Migrant workers are located at the bottom of the hierarchy. Many northern workers recognize that their secondary status is due to the dominance of Cantonese shop-floor managers (Perry, 1995). Taiwanese are similarly dispatched to manage Taiwanese electronics factories.
Regional discrimination is frequently found in factories where local governments require recruitment of local workers. At Japanese-owned factories, even in Shanghai, non-locals are discriminated against in terms of work hours. While the locals normally work the legal working hours of forty hours a week, outsiders are forced to work up to sixty hours a week, according to my survey data.

Ethnic hierarchies are also found at Korean-owned firms in southern China. The director and some of the managers are usually Korean. Middle managers in charge of factory production are Korean Chinese. Workers, who mostly come from other provinces, comprise the rank and file on the shopfloor. Korean-owned firms provide better benefits, such as housing and food, for the Korean Chinese managers or workers. I was told that once a Korean-owned firm in Kunshan segregated its three dining rooms by ethnicity—Korean, Korean Chinese, and Chinese. The Chinese workers went on strike against the discrimination.20

The Korean Chinese managers are usually in charge of controlling migrant laborers from various provinces. Whenever a worker stops paying attention to the work process, a Korean Chinese supervisor scolds and intimidates him. In the event that the company does not have enough orders from the U.S. and Europe, thirty to forty workers may be laid off. After imposing fines for wasting materials, only 70 percent of their salaries are paid. Disgruntled fired workers occasionally threaten Korean Chinese managers on the phone.21

On the basis of regional discrimination under the auspices of local governments, migrant workers are forced to accommodate unfair decisions such as lay-offs. In the case of a Korean textile factory in Kunshan near Shanghai, the workers who come from
outside the city are more discriminated against in terms of job security than local workers. When Korean firms requested permission from the labor bureaus to dismiss workers, they limited dismissal to those over thirty years old for those from Kunshan, while those workers from outside the region were dismissed even if they were less than thirty years old.  

Unless they have a personal connection with the foremen, migrant workers are more likely to leave the factory as a form of passive resistance (Tang and Parish, 2000). At the beginning, Korean-owned firms employed a considerable number of Korean Chinese as interpreters or middle managers in Qingdao in northern China. As the job market in the service sector became larger, these employees started to transfer to that sector. Korean-invested firms become reluctant to hire Korean Chinese as factory workers. For instance, one Korean-invested electronics factory in Qingdao used to employ up to 200 Korean Chinese workers. Many of them left, however, and today only a few continue working as interpreters and office workers. Managers complain that as their employees acquire skills, they leave because of better opportunities in the service industries. The higher salaries of Korean Chinese also make the Korean management reluctant to hire them except as interpreters. In some Korean toy factories in northern China, management is left to Korean Chinese for the purpose of cost reduction, but they seldom reach the highest position (chongjingli) in the enterprise.  

Since the electronics industry also requires special knowledge at the management level, Korean firms normally also bring in Korean managers from their home companies. However, they occasionally prefer hiring knowledgeable Chinese engineers. For instance, two Korean electronics factory directors in Qingdao and Shanghai are Chinese, but this is
unusual. This localization of personnel nevertheless undoubtedly contributes to labor stability because of better communication skills and cultural understanding.

**Work Conditions**

**Reward**

Low rewards often become a main source of labor dispute in general. Table 6-10 shows that the average wages of workers in Japanese wholly-owned firms or joint ventures in Shanghai are significantly higher than those of any of their counterparts. Taiwanese-owned firms offer the lowest pay at 543 yuan per month. While most workers receive only 400 to 500 yuan monthly, workers at a Japanese apparel firm in Shanghai that have worked for more than ten years have wages of 1,200 yuan monthly. This is sometimes even higher for factory team leaders.

Adjusted for consumer price in each region and work hours, and grouped by national origin of firms, it is apparent that the average wages at Hong Kong or Taiwanese-owned firms in Dongguan are not as high as in Korean-owned firms in Qingdao or Tianjin. For instance, a Hong Kong printing factory pays workers as low as 300 yuan per month, which is even lower than the local minimum wage, yet requires workers to work more than sixty hours per week. Korean electronics factories in Tianjin paid only 370 yuan per month in 2000, but had less than fifty work hours per week. This salary rose to 420 yuan per month in 2001. Workers at Korean-owned firms tend to more strongly demand overtime pay compared to their counterparts, who seem to accept the same piece-rate wages for overtime.
Current strikes in Korean-owned firms arise mainly out of economic reason rather than from normative value differences between Korea and China, as was the case during the earlier investment period of the mid-1990s. There is also a wide wage difference between expatriate managers and workers. In 1997, the monthly income after taxes for expatriate managers from Hong Kong, Taiwan, and Korea ranged from 10,000 to 12,000 yuan. As a Korean manager in Kunshan confided,

"My family can live in China just on my overseas work bonus which is equivalent to 50 percent of my wage. Then we can save the whole wage in Korea. Before the financial crisis, we used to have a bonus equivalent to 100 percent of my wage."

The income of expatriate office workers reached 9,000 to 10,000 yuan. Expatriate income is therefore almost twenty times higher than the average Chinese worker's monthly wage of 500 yuan. Moreover, overseas Chinese expatriates are often exempt from income taxes while the local government charges workers even for using bicycles on the factory site. In general, this vast wage differential seems to give rise to relative deprivation, which may become a major cause of labor unrest in East Asian-owned firms.

Work Hours

Table 6-10 also presents the differences in the weekly work hours required by East Asian-owned firms in China. Taiwanese-owned firms in southern China require workers to work the longest, an average of sixty-one hours a week. In one Hong Kong-owned firm that produces clothing, some migrant workers report that they painstakingly sweat for ninety-eight hours a week to earn more money, although most Hong Kong-owned firms require only sixty hours a week of work on average. Migrant workers at Taiwanese canisters and chemical products factories in Dongguan also work long
hours with low pay. Similarly, in a Taiwanese plastics firm, employees are compelled to work up to twelve hours a day, eighty hours a week, without rest in order to keep up the rush orders. If they cannot meet the work pace, they are fired. In fact, five workers were fired recently. Strikes against unjust lay-offs are not uncommon. Managers assert that workers are not qualified if they produce defective products or they do not obey managerial demands or regulations.

Overall, taking into consideration work hours and wages, this study suggests that Taiwanese-owned firms pay the lowest wages among East Asian-owned firms. All Japanese firms except one apparel firm abide by the five day work week and the legal limit of forty work hours a week for local workers. Korean-owned firms in northern China tend to allow workers to have at least one day off a week. However, I observed that work hours at Korean-owned firms in southern China are the same as at the Hong Kong- and Taiwanese-owned firms there. It was common for them to ask workers to work for long hours, often until one a.m. or even work for more than thirty days straight without a day off when they have rush orders to fill. This also suggests that similar patterns of institutionalization of work exist, with regional variations.

**Characteristics of the Labor Force: Regional Identity to Solidarity**

Strong regional identity at the workplace facilitates labor unrest. Migrants from the same native place are more likely to undertake collective action. Linguistic affinities and feelings of alienation against the dominant local culture act to shape a sense of separateness and solidarity among migrant workers (Perry, 1993; Perry & Li, 1997). A shared “native place,” or “people from the old village” (laoxiang) give them a profound
embedded identity. By the same token, coming from different places would undermine solidarity, making migrant workers more vulnerable to managerial control.

Before discussing this issue in detail, let us examine first the definitions of ‘local’ (bendiren) and ‘outsider’ (waidiren) and their use among coastal regions and the cities. The workers in Qingdao define local (insider) as being from the same district, rather than the same municipality or province. This means that over 90 percent of workers are considered outsiders or migrant workers at factories in Qingdao, even though most of them have simply flown in from rural areas to the city within the same Shandong province. For instance, 90.2 percent of workers in a Korean toy factory at Qingdao are from Shandong. Roughly 5 percent of the workers are from the local village. Around 9.3 percent of workers are from other provinces, and 0.5 percent is managers from Korea. Thus, migrant workers from other provinces are estimated at less than 10 percent although Table 6-10 indicates that non-locals (outsiders) in Korean-owned firms constitute around 29 percent of workers. A Korean manager in Qingdao complained about this situation because his firm has to pay an extra 300 yuan as an administration fee for each worker coming from a neighboring county, who is regarded as an outsider even within the city.

This is substantively different from the situation in the Guangdong province. The concept of the local insider in Guangdong and Shanghai differs, which is portrayed by the use of languages. Spoken languages amongst outsiders are conspicuously distinct from Mandarin, let alone totally different dialects of Cantonese and Shanghai language. The 1995 statistics also indicated that Jinan in Shandong has a very different demographic composition from Dongguan in Guangdong, where around 90 percent are inter-provincial
migrant workers since foreign-invested enterprises share a different labor market pool, as seen in Table 6-10. In Shanghai, however, the considerable majority of migrant workers hail from the neighboring provinces of Jiangsu or Zhejiang.

The heterogeneous composition of labor means more than demographic figures. It can shape workers' resistance against management. Unless elders or leaders from different provinces form a coalition, workers coming from the same locality are likely to remain in cliques. Strikes are then unlikely to occur (Lee, 1999). In Qingdao, however, it would be easier to resist management since the workers still share common experiences, interests, and heritage, such as language and food. In China, language is the most significant source of difference where integration and mobility are concerned (Solinger, 2002). Since many regions of China take pride in their own dialects, the language barrier people confront when moving to new locales can segregate and subordinate them in relation to their host communities. Indeed, people from the same area work well together in groups and exhibit solidarity (Lary, 1997). In the Chinese context, having the same cultural and regional background creates social trust. A Korean-Chinese manager at a Korean factory in Qingdao made this point:

Collective action mostly occurs among workers who come from the same village and town. They protest against frequent overtime work, paycheck delay, and unjust firing. They would not reveal their leader for fear of unjust firing even at negotiations.  

A homogeneous labor pool is more likely to form solid resistance when workers confront unfair foreign management. An embedded network is thus social capital. Since it performs the crucial function of transferring news and money at the micro-level, migrant workers maintain a strong connection to their hometowns through native place associations (tongxianhui) (Gottschang and Lary, 2000). This can replace the role of the
trade union in representing worker interests. On the other hand, a network divided by region mitigates workers’ propensity to take action against arbitrarily regulative-despotic management. For this reason, even in the heterogeneous labor situation in southern China, regional rivalry conflict sometimes leads to strikes. For instance, if a line leader is from Hunan, workers may protest against perceived favoritism on the part of the line leader towards workers from his/her own village (Andy Chan, 1999). In this sense, an embedded network can operate as limited goods or a double-edge sword that could either generate positive change, or strain inter-group relations in the organization.

**Labor Disputes and the Decomposition Analysis**

Table 6-12 summarizes managers’ and workers’ replies regarding the frequency of labor disputes, including strikes and work stoppages. Japanese-owned firms have had the fewest labor disputes, less than one occurrence per firm in 1999. Taiwanese and Korean-owned firms show the highest levels. When we add the average values of individual independent variables into the regression equation from Chapter Five, the predicted values of labor disputes appear to be roughly similar to the actual values in Table 6-12. Moreover, the coefficients for Hong Kong, Taiwanese, and Korean-owned firms are close to each other, indicating more than one occurrence per firm in 1999.
Table 6-12: Comparison of Actual & Predicted Frequency of Labor Disputes (1999)

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
<th>Grand</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country Origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1</td>
<td>1.1</td>
<td>1.07</td>
<td>1.00</td>
</tr>
<tr>
<td>Taiwanese</td>
<td>1.1</td>
<td>1.08</td>
<td>1.08</td>
<td>1.00</td>
</tr>
<tr>
<td>Korean</td>
<td>1.1</td>
<td>1.04</td>
<td>1.04</td>
<td>1.00</td>
</tr>
<tr>
<td>Japanese</td>
<td>0.75</td>
<td>0.83</td>
<td>0.83</td>
<td>1.00</td>
</tr>
<tr>
<td>Actual (n=30)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Predicted (n=30)</td>
<td>1.07</td>
<td>1.08</td>
<td>1.04</td>
<td>0.83</td>
</tr>
</tbody>
</table>

Note: The predicted values are calculated from the regression equation of Model 3 in Chapter 5.

We move on to investigating to what extent individual factors determine the occurrence of labor disputes in firms of East Asian origin. From the cross-sectional results, the decomposition analysis uses the following equation, designed for ordinary least squares, but also applicable to the multiple regression in Model 3 (see Chapter Five). These findings are exploratory because of the small numbers used in the regression (N=30).

**Equation 1: Contribution of Underlying Predictors to the Differences between Actual and Predicted Frequecy of Labor Disputes**

\[ Y_i - Y^* = [b_0 - b_*] + b_1 [X_i - X_1^*] + b_2 [X_2 - X_2^*] + b_3 [X_3 - X_3^*] + \ldots + b_9 [X_9 - X_9^*] \]

\[ Y_i = \text{the predicted value of labor disputes "for firms from country } i\text{"} \]

\[ Y^* = \text{the predicted value of labor disputes for the total sample} \]

\[ X_i = \text{the mean values of independent variables for firms from country } i \]

\[ X_i^* = \text{the mean values of independent variables for the total sample} \]

\[ B_1, b_2, \ldots, b_9 = \text{coefficients} \]

\[ b_0 = \text{intercept} \]
According to this equation, the difference in the frequency of labor disputes between each group of firms from the same country and the average predictors can be accounted for with six factors: (1) organizational characteristics, (2) institutional arrangements, (3) managerial style, (4) proportion of expatriates, (5) work conditions, and (6) composition of the labor force. Institutional arrangements include three independent variables: the presence of trade unions, internal mediation committees, and signed labor contracts. Weekly work hours represent work conditions. The managerial styles factor consists of either Regulative or Authoritarian. By decomposing these factors, we can examine to what extent each factor contributes to the difference between the mean number of predicted labor disputes for each country of origin of East Asian firms in China and the predicted grand mean. Before investigating the contributions of each factor to the frequency of labor disputes, however, we examine the difference between the mean of each independent variable for each country of origin and the grand mean. We present the contribution of each variable to the difference between the mean number of predicted labor disputes for each country of origin and the predicted grand mean in Table 6-13.

For Hong Kong-owned firms, longer work hours and less regulative managerial styles significantly contribute to increased labor disputes, while a higher proportion of non-local workers and well-institutionalized labor contracts have negative effects on the number of labor disputes. A lower proportion of expatriate managers is negatively and modestly associated with the frequency of labor disputes.

In the case of Taiwanese-owned firms, long work hours and authoritarian managerial styles are the most significant and pronounced factors leading to an increase in labor disputes. However, the lower level of institutional arrangements, such as no
unions and few internal mediation committees, somewhat negatively influences labor disputes. On the other hand, low signed labor contracts are positively associated with increased labor disputes. The higher proportion of non-local workers reduces the frequency of labor disputes.

For Korean-owned firms, the lower proportion of non-local workers is the most significant factor increasing labor disputes. Higher numbers of trade unions and greater capital investment per employee also have significant bearings on the occurrence of labor disputes. However, the higher rates of signed labor contracts and relatively short work hours contribute to a decrease in labor disputes. Since the managerial style is less authoritarian than hypothesized, it also negatively affects the number of labor disputes. Since the presence of internal mediation settlement committees is average, it shows no effect on the number of labor disputes. The effect of having expatriate managers is also rather negligent.

The lowest frequency of labor disputes among East Asian-invested firms are found in Japanese-owned firms. Contributing factors are the observance of legal work hours and a more regulative managerial style. The high institutionalization of labor relations, particularly the presence of trade unions and internal mediation committees impinge on the frequency of labor disputes. The effects of the other variables, such as capital investment per employee, signing of labor contracts, the composition of migrant workers, and proportion of expatriate managers, are all relatively insignificant for Japanese-invested firms.
Table 6-13: Contribution of each of the Predictors to the differences between the Predicted Labor Disputes for each Firm according to Country of Origin and the Grand Mean of Labor Disputes

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong (N=4)</th>
<th>Taiwan (N=9)</th>
<th>Korea (N=9)</th>
<th>Japan (N=8)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital / Employee</td>
<td>-.1074 (-137)</td>
<td>-.0291 (-34)</td>
<td>.0776 (181)</td>
<td>-.0008 (.5)</td>
</tr>
<tr>
<td><strong>Institutional Arrangement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade Union</td>
<td>.087 (111)</td>
<td>- .377 (-435)</td>
<td>.109 (254)</td>
<td>.2683 (-160)</td>
</tr>
<tr>
<td>Internal Mediation</td>
<td>.1141 (145)</td>
<td>-.2214 (-256)</td>
<td>0 (0)</td>
<td>.2013 (-120)</td>
</tr>
<tr>
<td>Committee</td>
<td>-.1935 (-246)</td>
<td>.2387 (275)</td>
<td>-.1936 (-451)</td>
<td>.0452 (-27)</td>
</tr>
<tr>
<td>Labor Contract</td>
<td>-.1935 (-246)</td>
<td>.2387 (275)</td>
<td>-.1936 (-451)</td>
<td>.0452 (-27)</td>
</tr>
<tr>
<td><strong>Managerial Styles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulative</td>
<td>.287 (366)</td>
<td>.0995 (115)</td>
<td>.0229 (53)</td>
<td>-.2813 (168)</td>
</tr>
<tr>
<td>Authoritarian</td>
<td>-.0027 (-3)</td>
<td>.2881 (332)</td>
<td>-.1384 (-323)</td>
<td>-.1672 (100)</td>
</tr>
<tr>
<td><strong>Proportion of Expatriate Managers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work Condition</td>
<td>-.0904 (-115)</td>
<td>.0669 (77)</td>
<td>.0047 (11)</td>
<td>-.0353 (21)</td>
</tr>
<tr>
<td>Working Hours</td>
<td>.2994 (381)</td>
<td>.3282 (379)</td>
<td>-.1936 (-452)</td>
<td>-.3017 (181)</td>
</tr>
<tr>
<td><strong>Labor Force Composition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Local</td>
<td>-.3151 (-401)</td>
<td>-.3072 (-355)</td>
<td>.354 (827)</td>
<td>.1044 (-62)</td>
</tr>
<tr>
<td><strong>Total (Yi-Y^*)</strong></td>
<td>.0785 (100)</td>
<td>.0866 (100)</td>
<td>.0427 (100)</td>
<td>-.1671 (100)</td>
</tr>
</tbody>
</table>

Note: Percentage = b[M_i-M_g] X 100 / (Y_l-Y^*)

b = unstandardized regression coefficient
M_g = grand mean

Conclusion

The purpose of this chapter has been to identify which factors significantly determine the frequency of labor disputes in each national category of East Asian-owned
firms. The predicted and actual numbers of labor disputes more or less match, after the average scores of each individual variable are put into the regression formula. The decomposition analysis, however, shows that labor disputes are significantly and differentially influenced by various crucial variables according to the national origin of the firms.

This research also finds that the most important explanatory variables contributing to labor disputes are organizational characteristics, institutional arrangements, work conditions, composition of the labor force, and managerial style. The pattern is relatively complete. First, with respect to organizational characteristics, the lower capital invested per employee in Hong Kong-owned firms negatively affects the frequency of labor disputes, while the higher capital per employee in Korean-owned firms positively affects the number of labor disputes. Second, the low level of institutional arrangements, including trade unions and mediation committees in Taiwanese-owned firms negatively affects the number of labor disputes, while the high level of institutional arrangements in other East Asian firms have a positive bearing on the frequency of labor disputes. However, the low level of signed labor contracts in Taiwanese-owned firms positively contributes to the number of labor disputes, while the higher level of contracts in Hong Kong and Korean-owned firms reduces the number of labor disputes.

Third, workers accurately perceive personal (arbitrarily regulatory) and authoritarian managerial styles, which present differential effects on labor disputes. Contrary to our speculation, the least regulative managerial style of Hong Kong-owned firms has a significant positive bearing on the number of labor disputes. Meanwhile, the less authoritarian managerial style in Korean-owned firms and the more regulative and
the least authoritarian managerial style of Japanese-owned firms negatively influence the number of labor disputes. However, the most authoritarian managerial style of Taiwanese-owned firms is significantly associated with the number of labor disputes.

Fourth, the lowest proportion of expatriate managers, found in Hong Kong-owned firms, negatively contributes to the number of labor disputes. Their low proportion in Japanese-owned firms also has a minor negative effect. The higher proportion of expatriate managers in Taiwanese and Korean-owned firms, on the other hand, has a minor positive effect on the frequency of labor disputes.

Fifth, while longer work hours in Hong Kong and Taiwanese-owned firms significantly affect the occurrence of labor disputes, the shorter work hours in Korean and Japanese-owned firms negatively influence the number of labor disputes. Sixth, the higher proportion of non-local (migrant) workers has a significant reverse effect on the frequency of labor disputes in Hong Kong and Taiwanese-owned firms.

From the decomposition analysis, we recognize the substantive differential effect of individual factors on the frequency of labor disputes in terms of different national origins of East Asian-owned firms in China, although the differential between the actual values of labor disputes and the predicted ones is even smaller, since the frequency of labor disputes is very small. If we had a larger set of samples, we might see their effects more accurately and conspicuously.

NOTES

1. Interview with a Korean Manager Qingdao (April, 2000).
2. Surveyed from workers in Korean electronics firms in Qingdao (April, 2000).
3. Interview with a Korean Manager in Kunshan (March 2000).
4. Interview with a Korean manager in Dongguan (February, 2000).
5. Interview with a Korean manager in Qingdao (April, 2000).
6. Interview with a Korean Manager in Shanghai (April 2000).
7. Interview with a Korean Manager in Qingdao (May 2000).
8. The labor law stipulates 1.5 times overtime pay for ordinary days; 2 times for weekends; 3 times for holidays.
10. Interview with a Korean manager in Qingdao (May, 2000).
11. Interview with a Korean manager in Qingdao (May, 2000).
12. Interview with a Korean manager in Qingdao (May, 2000).
14. Quoted from the worker's handbook at a Japanese bag factory in Shanghai.
15. Quoted from the worker's handbook at a Japanese electronics factory in Dongguan.
16. Quoted from the worker's handbook at a Taiwanese electronics factory in Dongguan.
17. When I was looking for a Korean-owned firm in the development zone (Kaifaqu) in Tianjin, workers who were off-duty due to a delay in delivering raw materials guided me to the factory. Interview with a Korean Manager in Tianjin (June, 2001).
18. Interview with a Korean manager in Qingdao (April, 2000).
20. Interview with a Korean manager in Kunshan (March 2000).
22. Interview with a Korean Manager in Kunshan (March, 2000).
23. Interview with a Korean manager in Qingdao (April, 2000).
24. Interview with the Chairman of the Korean Business Association in Dongguan (May, 2001).
25. In this sense, the payment for workers in Hong Kong and Taiwanese-owned firms is actually meager, since overtime rates are not applied in the piece-rate payment system.
26. Interview with a Korean manager in Kunshan (March 2000).
27. Based on accounting data and an interview with a Hong Kong accountant at Dongguan (February, 2000).
28. Interview with Korean managers in Kunshan (March 2000) and Tianjin (June 2001).
29. The Chinese Labor Law stipulates a maximum overtime of thirty-six hours a month.
30. Observed in a Korean album factory and an interview from a Korean manager in a Korean bag factory in Shenzhen.
31. They are sensitive to the differences in dialects and accents from district to district.
32. Interview with a Korean-Chinese manager in Qingdao (April 2000).
33. Interview with a Korean-Chinese manager in Qingdao (April 2000).
34. For instance, in a Korean firm in Shenzhen, 36% of workers are from Sichuan, 27% from Jiangxi, 22% from Hubei, 8% from Henan, and 7% from other provinces. Based on an interview with a Korean-Chinese manager in Shenzhen, February 2000.
35. This shows a strikingly similar pattern to my data, although outsiders have increased since the survey was first conducted in Dongguan in 1995, when they were 29% from Sichuan, 24% from Jiangxi, 17% from Hunan, 10% from Guangxi, and 20% from Guangdong (Meng, 2000).
CHAPTER 7

HISTORICAL TREND OF WORKER RESISTANCE

The purpose of this chapter is to describe the changing sources of labor disputes arising in East Asian-owned enterprises in China. We examine various types of worker resistance, including organized collective action as well as individual forms of resistance following perceived violations of the work contract (Toth, 1999: 48). That is, our analysis accounts for incidences of collective strikes, work stoppages, and work slow downs over a given year, as well as everyday individual resistance such as planned absenteeism, pilfering, and so on.

More specifically, this chapter first investigates strategies of everyday resistance as expressions of worker discontent. These forms of resistance are employed when workers face powerful opposition. We discuss whether organized or unorganized resistance is associated with firms by country of origin, as well as various sources of labor disputes. At the same time we examine the differences between light industries and the electronics industry. We also investigate the relationship between worker turnover rate and the frequency of labor disputes and unsatisfactory labor relations according to the country of origin of firms. The first part of this chapter is based on survey research conducted in thirty-nine factories located in Chinese coastal cities from 2000 to 2001, and includes thirty-nine managers and 291 workers as respondents.

In the second half of this chapter, an important question is raised concerning which factors (institutional, cultural, and economic) will remain significant sources of labor disputes in the non-state sector, particularly in East Asian-invested sectors, as the Chinese market economy proceeds to develop. In this study, we explore historical
patterns of labor unrest among those enterprises in China. We also scrutinize several
significant cases of labor disputes in East Asian-invested enterprises. We then investigate
how local authorities have reacted to labor protests. This analysis, we rely on historical
and comparative data for descriptive explanations, and systematically code variables for
quantitative purposes (Schutt, 2001). This study compiled secondary data from labor
publications and local newspaper articles. These provided more than sixty cases of labor
disputes that have occurred in East Asian-invested firms in the 1990s. In using
documentary works as data sources, we combine the strengths of qualitative and
quantitative analysis (Hodson, 1999). This part of the chapter tests H7, concerning which
institutional and economic factors become more important than cultural factors in
affecting labor dispute, as the market economy proceeds.

Diversity of Worker Resistance

There are two types of overt labor resistance: (1) individual labor disputes which
involve individual grievances or petitions, and (2) collective labor disputes which involve
collective petitions, wildcat strikes, work stoppages, work slow downs, or massive
resignations (Howell 1998). The former pattern corresponds to unorganized labor
disputes, while the latter corresponds to organized labor disputes. Another angle in the
examination of labor disputes involves labor rights advocacy, which defines labor
disputes as offensive, in which workers demand wage increases, or defensive, in which
workers protest severe unfair treatment, such as wages being withheld on pay day, lack of
compensation for work-related injuries, and breaches of labor contract. Labor research
concerns under what conditions such grievances develop into passive or aggressive labor
disputes at the factory floor level and what processes workers go through that lead to resistance.

Workplace resistance often occurs on an immediate and often informal level. Such everyday forms of resistance include covert and subtle forms of action, like restriction of output and rule violations, or more illicit forms of resistance such as sabotage and theft (Jermier et al. 1994). Labor discontent may also be expressed in individualized acts such as absenteeism and resignations. Workers are no less class actors because they avoid open confrontation with the coercive instruments of capital by engaging in mass strikes or even contract strikes (Jermier, 1988). Giddens (1982) supports the idea that even in Taylorist situations of the kind argued by Baverman (1974), workers maintain a significant degree of control over their work and are in a position to offer substantial resistance to their employers.

**Gender Issues**

Traditional Chinese gendered socialization practices often lead to reduced career motivation and docility among young, unskilled female workers in labor-intensive manufacturing enterprises. According to ‘modernity discourses’, the traditional values persist, despite of structural change (Wong, 1998). The traditional ways of hierarchical and paternalistic interactions in the family are reflected in the modern firm (Wilkinson, 1994). This hampers collective worker resistance. Sargeson (2001), however, observed young female workers at a joint venture in China carrying out clandestine tactics against what they perceived as discriminatory management. Most resistance by young female workers on the shop-floor of township and village enterprises is individual rather than
collective. It takes the form of open defiance or passive resistance. For example, migrant workers in weaving workshops express unwillingness to work on machines when asked to do so by their supervisors (Xu, 2000). Lee (1998) also notes that women’s resistance strategies at foreign-invested enterprises in southern China tend to be low-risk, low-gain plans, occasionally conceived collectively, but most frequently conducted to protect one’s individual economic interests.

According to our survey (see Chapter Seven), most of the East Asian-owned factories employ a predominantly young female workforce. The proportion of male workers in Japanese- and Taiwanese-owned factories is slightly higher than in Korean- and Hong-owned factories. Generally speaking, the proportion of females in the labor force differentially affects labor disputes. That is, a higher proportion of females mean less likelihood of organized collective resistance.

Organized and Everyday Resistance

Organized resistance such as strikes and work stoppages frequently occurs in Hong Kong-, Taiwanese-, and Korean-owned light industry firms. Japanese joint ventures experience the fewest labor disputes, since they resort to committee mediation before issues escalate. Korean-owned firms in the electronics industry are confronted with the highest number of strikes among East Asian-owned firms.

Although almost 90 percent of workers are trade union members, their opinions regarding labor conditions are hardly articulated by their unions (Leong, 1997). Moreover, processing plants subcontracted from East Asian manufacturers of light industries, including apparel promise no job security. Unorganized resistance is therefore
widespread in these firms. Workers deliberately use absenteeism or go-slow strategies to indicate their lack of normative commitment to managerial interests (Edwards & Scullion, 1982). Hidden transgressions, such as slowing work speed or collectively calling in sick, are also prevalent tactics of resistance (Pun, 2001).

In southern China, workers in Hong Kong and Taiwanese electronics factories adopt passive resistance strategies, such as mass resignation, stealing, work slowdown, and absenteeism. Some cases of sabotage are also found in Taiwanese-owned firms in light industries and in Korean-owned firms in the electronics industry. Disgruntled workers damage machinery or materials in resistance to regulative or authoritarian managerial styles. Another reason for such resistance is that some of these firms do not compensate for overtime work. Although changing to a piece-rate pay scheme would link earnings to production, this does not solve the problem. On the contrary, when monetary incentives are too meager or wages remain constant, workers pay more attention to quantity output and cease to produce quality products. Since pay depends on number of pieces completed, rather than hours worked, the pressure on workers to maintain a quick work pace is high (Lin, 1997). Such pressures lead to the gradual erosion of production norms (Belanger, 1995).

Problems with quality sometimes occur even after completed parts arrive at the home company for a second inspection. For instance, husks of sunflower seeds were found in sealed packages left by Chinese female employees who were eating as they worked. It is hard for management to punish the team as a whole, since individual team members might have left them there purposely. Management then ceases to trust the workers, and may install surveillance monitors on the shop floor.
Overall, it seems that a close relationship exists between the frequency of labor disputes and other types of worker resistance, particularly in Korean and Taiwanese-owned firms. At Hong Kong-owned firms in the light industry, which have also experienced a high number of labor disputes, except for planned absenteeism, several cases of unorganized resistance have occurred. The reverse is also true: at Japanese-owned firms, lower frequency of organized collective action is closely related to the lower occurrence of unorganized resistance.

Table 7-1: Types of Worker Resistance in Light Industries (1999)

<table>
<thead>
<tr>
<th>Light Industries(#firms)</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td>Strikes</td>
<td>3 (6)</td>
<td>4 (4)</td>
</tr>
<tr>
<td>Stoppage</td>
<td>4 (6)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>Slowdown</td>
<td>2 (6)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>Petitions</td>
<td>1 (6)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>Massive resignation</td>
<td>1 (6)</td>
<td>1 (4)</td>
</tr>
<tr>
<td>Sabotage</td>
<td>0 (6)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>Theft</td>
<td>1 (6)</td>
<td>3 (4)</td>
</tr>
<tr>
<td>Planned Absenteeism</td>
<td>4 (6)</td>
<td>4 (4)</td>
</tr>
<tr>
<td>No contract renewal</td>
<td>0 (6)</td>
<td>0 (4)</td>
</tr>
</tbody>
</table>
Table 7-2: Types of Worker Resistance in the Electronics Industry (1999)

<table>
<thead>
<tr>
<th></th>
<th>Southern China</th>
<th></th>
<th>Northern China</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
<td>Korean</td>
<td>Japanese</td>
</tr>
<tr>
<td>Electronics (# firms)</td>
<td>(1)</td>
<td>(6)</td>
<td>(8)</td>
<td>(2)</td>
</tr>
<tr>
<td>Strikes</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Stoppage</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Slowdown</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Petitions</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Massive resignation</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sabotage</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Theft</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>Planned absenteeism</td>
<td>1</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>No contract renewal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Sources of Labor Dispute

At the beginning of foreign investment in China, workers' preference for the old socialist institutions that were the cause of labor disputes. When Koreans first established joint ventures, Chinese workers deliberately instigated protests. Chinese workers protested in hope that the Korean investors would abandon their business ventures in China. As a consequence of these experiences, Korean investors prefer wholly-owned investments to joint ventures. Another cause of labor dispute for early Korean investors was related to wage payment. According to a Korean manager in Qingdao, management usually paid a lump sum to a Chinese team in the mid-1990s, when they first invested in China. The supervisors of the teams, who had high discretionary power, were supposed to distribute the money to the workers for their salaries. Some supervisors paid wages unevenly however, giving rise to labor protest. It seems that the sources of labor disputes continue to change with the stages of the Chinese market economy.
Tables 7-3 and 7-4 show that offensive labor disputes, triggered by low monthly wages of around 500 yuan are prevalent in Taiwanese- and Korean-owned firms. In Hong Kong- and Taiwanese-owned firms in Dongguan, migrant workers tend to go on strike due to payment delays and lack of overtime pay. Some cases of pay delays in Korean electronics factories in Tianjin have also induced labor disputes. In Qingdao or Tianjin, where Koreans have heavily invested, it is easier for workers to demand wage increases and overtime payment since the labor force is more homogenous in terms of native origins. Payment in arrears and reduced wages are also serious problems for workers in southern China. If they do not receive pay for two or three months and are then fired, they have little alternative but to protest or make a collective petition as an expression of their discontent. Workers in a Taiwanese chemical product factory in Donguan went on a strike when some of them were fired.

The workers are also much concerned with safety and health issues, since several industrial hazards have occurred in southern China, which threatened worker lives. In general, electronics factories are much cleaner than light industry factories. For example, workers are required to wear slippers in a Korean-owned electronics firm. Electronics firms also put greater emphasis on skills training. However, workers in Korean-owned factories in the electronics industry express serious concern over health problems. Working with delicate electronics parts like coils causes body and eye fatigue. Although better working conditions in Japanese electronics firms has meant fewer strikes compared to other East Asian firms, tight regulative managerial control has brought about monotonous and repetitive jobs. Bored workers want to switch jobs, so the problem of refusal to renew labor contracts has arisen. This in turn has led to labor disputes.
Table 7-3: Causes of Labor Disputes in Light Industries (1999)

<table>
<thead>
<tr>
<th>Light Industry (# firms)</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td><strong>Offensive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage increase</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Other reasons</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td><strong>Defensive</strong></td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Paycheck delay</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Enforced overtime</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Firing</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Inhumane treatment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Safety and health</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Contract expirations</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: other reasons include demand to establish trade unions.

Table 7-4: Causes of Labor Disputes in the Electronics Industry (1999)

<table>
<thead>
<tr>
<th>Electronics Industry (No.)</th>
<th>Southern China</th>
<th>Northern China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Hong Kong</td>
<td>Taiwanese</td>
</tr>
<tr>
<td><strong>Offensive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage increase</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Other reason</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Defensive</strong></td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Overtime pay</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Paycheck delay</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Enforced overtime</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Firing</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Safety and health</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Contract expirations</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: * Occurred in Tianjin.
Overall, Hong Kong and Japanese-owned firms face fewer labor disputes than their counterparts. These firms retain a heterogeneous workforce that dilutes organized resistance. On the other hand, wages held in arrears have been a significant source of labor disputes in Hong Kong and Taiwanese-owned firms. Despite stringent work regulations, workers in Taiwanese-owned firms tend to adopt everyday resistance strategies such as planned absenteeism, theft, sabotage, and so on. Korean-owned firms are more likely to confront collective action, organized by a homogeneous local workforce against low wages and unfair pay for overtime work.

Workers in most East Asian-invested enterprises are less likely to strike or conduct work stoppages because they risk having several months of pay docked, being fired, being forced into unpaid overtime hours, so on. These workers normally engage in covert resistance strategies such as planned absenteeism, theft, work slowdown, shoddy work, and so forth. There is a close association between labor disputes and these types of worker resistance, particularly in Taiwanese and Korean-invested enterprises. So long as there is reluctance on the part of local governments to rigorously enforce labor laws in order to continue to attract foreign investment (Yeung, 2001), such covert worker resistance as an expression of labor discontent will not disappear.

**Job Turnover**

Job turnover can be divided into four types based on period of occurrence (Chen, 2001). Migrant workers who quit in less than three months usually do so because they cannot stand the work intensity. Second, workers quit around the Chinese New Year holiday season. Since it is very difficult to obtain train tickets during this time of year,
workers often resign a month earlier to go home. Third, the time that turnover increases is
during production peaks when a lot of temporary workers are hired. When such
temporary workers tire of their work, they are likely to resign en masse. Finally, female
workers often quit to get married after working for about four years.

I talked to one worker who resigned his job at a Taiwanese shoe factory. Leaving
behind his children and his hometown in Hunan province, he now works as a security
guard at a college in Dongguan. He recalled,

> Working in the Taiwanese shoe factory as a trainee was very difficult and painful. Everyday I worked twelve hours without a day off on weekends. After ten days work, I decided to flee the factory without being paid for those days I’d worked.\(^5\)

Statistics bear out his subjective experience. According to our survey, the
turnover rate at Taiwanese-owned enterprises is the highest among East Asian-invested firms, as shown in Table 7-5. It is followed by Korean and Hong Kong-owned firms, which record two digit turnover figures in both industries (less Hong Kong-owned firms in the electronics industry). A Taiwanese factory in Dongguan that produces canisters has a resignation rate of 20 percent. The labor markets that emerged in the 1990s in the coastal regions of China certainly offer greater opportunities for workers to move on to better jobs.

Japanese-owned firms have a relatively low turnover rate of about 5 to 6 percent for several reasons. First, Japanese firms tend to follow labor laws and provide better piece-rate wages than other East Asian-owned firms. Second, because Japanese investors favor joint ventures, they put Chinese managers in charge of personnel and labor management. These local managers are more perceptive about Chinese worker psychology as well as labor law. Third, the Japanese take advantage of trade union
activities. Japanese-invested firms in Shanghai not only have a trade union, but 90 percent of their workers participate in it. Management encourages workers to take part in various social activities, such as the publication of a firm or factory newsletter and recreational and sports events, which are traditional among Chinese trade unions (Ma, 2000). Fourth, the Japanese-owned firms are, by and large, concerned about worker safety, and specify safety measures in worker handbooks. All these strategies result in greater worker satisfaction and lower turnover rates.

<table>
<thead>
<tr>
<th>Location</th>
<th>Southern China</th>
<th>Northern China</th>
<th>Unit: %</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Origin</td>
<td>Hong Kong</td>
<td>Taiwanese</td>
<td>Korean</td>
</tr>
<tr>
<td>Light Industry</td>
<td>10.4</td>
<td>22.5</td>
<td>17.8</td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>5.0</td>
<td>12.3</td>
<td>9.9</td>
</tr>
<tr>
<td>Both industries</td>
<td>9.4</td>
<td>15.2</td>
<td>13.2</td>
</tr>
</tbody>
</table>

N = 30 (missing data = 9)

It is interesting to note that incidences of labor discontent and higher rates of workers resistance are consistent with turnover rates. The turnover rate of Taiwanese-owned firms is the highest, followed by Korean, Hong Kong, and Japanese firms. This is closely associated with the higher pay, fringe benefits, and social activities offered by Hong Kong and Japanese-owned firms, in addition to better work environments in general.
Worker Resistance and its Sources in the 1990s

We now turn to labor disputes in East Asian-owned enterprises throughout the 1990s. Frequent disputes arose over inimical working conditions that paid little attention to the health and safety of low-paid workers (Zhang, 1995). From the second half of 1988 to the end of 1992, there were fourteen strikes and work slowdowns in Xiamen, where most enterprises are Taiwanese (43 percent of all enterprises), Hong Kong (28 percent), and Korean (7 percent). Migrant workers were unfavorably treated. Management defaulted on their labor contracts, imposed harsh penalties, forced them into overtime of up to twelve hours a day, and reduced their wages. This led them to organize strikes (Lin and Chen, 1993). For seventy-five days from May to July 1993, twelve wildcat strikes were held in the Zhuhai special economic zone (Zhongguo Laodong Bao, Feb. 3, 1994). Of the strikes, six took place at wholly foreign-owned firms. In 1994, after more than twenty strikes were conducted in six months, when authorities in the Dalian Development Zone passed a labor law cracking down on independent union activities. However, despite a stringent law that allowed anyone involved in a protest to be fired, independent union activities were not eradicated (Karmel, 1996).

Table 7-6 shows substantial differences in worker resistance among East Asian-owned enterprises during the first half of the 1990s. In Taiwanese-owned firms, workers employed resistance strategies ranging from the proactive, organized tactics to individual, disorganized ones to resolve their disputes. Korean and Japanese-owned firms were confronted with frequent strikes. There were several cases of collective petitions in Hong Kong-owned firms, but fewer strikes, because Hong Kong managers were able to make use of the labor law strongly prohibiting strikes in China.
Table 7-6: Types of Workers Resistance in East Asian-owned firms (1990-1994)

<table>
<thead>
<tr>
<th></th>
<th>Hong Kong</th>
<th>Taiwanese</th>
<th>Korean</th>
<th>Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strikes</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Work Stoppage</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Collective petition</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Individual petition</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: In Tianjin, ten major strikes occurred at joint-ventures and foreign-owned firms during the first nine months of 1993. Nine of them were in Korean firms; one in a Japanese firm. The causes of these labor disputes are not known, so these cases are excluded here.


Table 7-7 presents the range of sources of labor disputes in the first half of the 1990s in some selected East Asian-owned enterprises. Some Japanese multi-national firms such as Panasonic and Canon experienced strikes for wage increases in 1993. This resulted in an agreement to raise monthly wages by 25 percent, to 1,000 yuan ($115). A few more strikes subsequently occurred at other Japanese electronics firms in Zhuhai, also in demand for higher wages. In the case of Panasonic in Zhuhai, workers came to realize their rights after requesting copies of the new (1994) version of the labor law.

By contrast, Hong Kong-and Taiwanese-owned firms have faced labor disputes mostly due to holding pay in arrears and enforcing overtime work. Some Hong Kong-owned firms have faced dispute over hazardous working conditions. At the beginning of the 1990s, several factory fires were reported every year in the delta region, giving rise to hundreds of deaths and casualties (China Labor Bulletin, Jan-Feb., 1997). Fire exits in the dormitories had been locked from the outside to prevent pilfering. This turned the already unsafe factories into death traps, as seen in the Zhili toy factory that burned in 1993. A total of eighty-seven workers died and another forty-five suffered from severe burns and permanent injuries (Chan, 2001). In another incident, the worker dormitory of
a Hong Kong-owned firm collapsed. All of these catastrophes happened because of the lack of legal enforcement of regulations and inspections by the police, labor bureaus, and public health bureaus. Authorities had focused their attention merely on creating an “environment favorable for investors” (Chan, 2001; Gallagher, 1997). This was also a result of arrangements having been made with local connections based on social ties rather than on formal rules (Levy, 1995). Although social ties have facilitated Hong Kong investors in gaining vital information on how to operate on the mainland, they sometimes lead to be disaster (Hsiao & So, 1994).

Late investors, including some Taiwanese-and Korean firms, have been confronted with labor disputes over inhumane managerial practices similar to the punishments employed during the early Industrial Revolution. These included direct personal control that relied on verbal and physical coercion and the threat of firing (Edwards, 1979). There were a few serious cases. In 1993, for example, a female worker was put a dog cage after being suspected of pilfering shoes in a Taiwanese shoe factory in Fuzhou. A similar case occurred in a Korean-owned factory in Tianjin in 1993 (The Economist, Oct. 2. 1993). A Korean manger punished workers by having them keel down. These incidents might arise from cultural misunderstandings, disrespect for workers, or lax labor regulations in China. More often than not, the legitimate rights of workers were being neglected.

Some East Asian-owned enterprises adopted capitalistic payment methods that were not embraced by workers. For example, in 1993, in Qingdao, a Korean joint venture that produced wigs introduced the piece-rate pay system widely used in southern China. The management had to deal with strikes for two or three months. They had not realized
that the egalitarian tradition in northern China was much stronger than in the south (Lee and Choi, 1997).

In general, strikes did not occur in several factories all at once because there was no organization capable of orchestrating concurrent strikes. Notwithstanding, after workers successfully struck for better pay in some Japanese electronics enterprises, striking spread to other areas in Zhuhai. Overall, strikes for wage increases in Japanese-invested enterprises, while strikes focused on inhumane treatment of workers in Taiwanese- and Korean-owned firms and the neglect of safety in Hong Kong-owned firms. These economic and cultural factors were the main sources of labor disputes in the first half of the 1990s.

Table 7-7: Sources of Labor Disputes in East Asian-owned firms (1990-1994)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Sources</th>
<th>Hong Kong</th>
<th>Taiwanese</th>
<th>Korean</th>
<th>Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Offensive</strong></td>
<td></td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Wage rise</td>
<td></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Institutional</strong></td>
<td></td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TU establishment</td>
<td></td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Pay method</td>
<td></td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Economic</strong></td>
<td><strong>Defensive</strong></td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Pay Arrears</td>
<td></td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cultural</strong></td>
<td>Enforcemnet of overtime</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Inhumane treatment</td>
<td></td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Industrial hazard</td>
<td></td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: In some Hong Kong-owned firms, there was more than one cause of a given labor dispute. Source: FBIS, May, 1993: 32-33; May 19, 1993: 42; May 25, 1993: 45; September 28, 1993: 36-37.

Table 7-8 indicates that between the first and the second half of the 1990s, resistance strategies of migrant workers became more diversified, organized, and intense, particularly among workers in Hong Kong and Taiwanese-owned firms. During the late
1990s, they went strike more than before and more than their counterparts in Japanese-or Korean-owned firms. About six hundred workers in a Hong Kong-owned firm in Shenzhen went on strike for better pay (Xingdao, March 27, 1996). Workers in Hong Kong-owned firms also adopted a wide array of resistance strategies. Since collective action is prohibited in China, workers relied more on making collective petitions to a Labor Arbitration Committee or appealing directly to the civil court at the local governmental level to solve labor disputes. As with migrant workers in township and village enterprises (TVEs), resistance on the shop-floor was usually individual rather than collective in form, taking the form of either open defiance or covert passive tactics (Xu, 2000).

Table 7-8: Types of Worker Resistance in East Asian-owned firms (1995-1999)

<table>
<thead>
<tr>
<th>Type of Resistance</th>
<th>Hong Kong</th>
<th>Taiwanese</th>
<th>Korean</th>
<th>Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strikes</td>
<td>5</td>
<td>7</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Stoppage</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Collective petition</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Individual petition</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>19</td>
<td>16</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

Sources: China Labor Bulletin (July-Aug., 97; May-June, 2000); Dongfang (2.12.97); Gongren Ribao (1.13.97); Guangdong Laodong Bao (2.6.96; 2.16.96; 4.24.97), Huanan Xiwen (4.12.96; 5.14.97; 2.11.97; 8.1.97); Remin Ribao, Korean House for International Solidarity (KHIS). 1999; Mingbao (12.4.96; 5.1.97; 5.29.97); Nanfang Ribao, Gongren Ribao (4.4.96); Nanfang gongbo (1.2.96; 4.21.96; 6.17.96); Xingdao (2.27.96); Zhongguo Laodong (2.17.97).

In southern China, where migrant workers have migrated in from different provinces, strike patterns are still sporadic, partial, and fractured. The following case represents the current situation of the workers’ plight very well. In 1999, discontent spilled over in the polishing section of a Taiwanese-owned footwear factory in
Dongguan. Workers went on a spontaneous strike to protest the very low piece-rate pay. Even after ten hours of work daily, six to seven days a week, they earned almost nothing after paying for food and housing. The strike was immediately broken and the factory fired thirty of the most active workers who had taken part. A second strike occurred in the molding section, but that was also immediately crushed. After firing the workers, a manager let it be known “that the remaining workers should behave, or they would also be fired. The manager went on to explain to the workers how easy it is to recruit new staff to replace them” (NLC, 2000)

One problem migrant workers face lies in labor division according to where they originated from. At an electronic plant owned by Hong Kong businessman in Shenzhen, workers went on strike in 1996. The strike lasted for about three days. The owner wanted to move the plant further inland where labor is even cheaper and the local authorities offered a better tax break. Striking workers demanded redundancy compensation. The management immediately started dismissing striking workers, giving them only twenty-four hours to vacate the dormitories. Although the local labor bureau assured workers several times that compensation would come, in fact few received any payments after the factory relocated. This suggests that the absence of a trade union results in workers being isolated when it comes to organizing effective resistance. Furthermore, workers from different villages are unlikely to stick together since they rarely interact with each other. When they do so, it is with wariness about the plant’s security unit (China Labor Bulletin, Jan.-Feb., 1997). Overall, the sources of labor disputes became more complex and diversified in the second half of the 1990s, as seen in Table 7-9.
Table 7-9: Sources of Labor Disputes in East Asian-owned firms (1995-1999)

<table>
<thead>
<tr>
<th>Factors</th>
<th>Sources</th>
<th>Hong Kong</th>
<th>Taiwanese</th>
<th>Korean</th>
<th>Japanese</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>19</td>
<td>16</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Offensive</td>
<td>Wage increase</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>19</strong></td>
<td><strong>16</strong></td>
<td><strong>6</strong></td>
</tr>
<tr>
<td>Defensive</td>
<td></td>
<td><strong>15</strong></td>
<td><strong>15</strong></td>
<td><strong>5</strong></td>
<td><strong>3</strong></td>
</tr>
<tr>
<td>Institutional</td>
<td>Contract default</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Contract expiration</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Firing</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Economic</td>
<td>Bonus</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Pay in arrears</td>
<td>5</td>
<td>4</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Deducted pay</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Enforced overtime</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Cultural</td>
<td>Inhumane treatment</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Industrial hazard</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td><strong>19</strong></td>
<td><strong>16</strong></td>
<td><strong>6</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Note: In some Hong Kong-owned firms, there was more than one cause of labor disputes.

Sources: China Labor Bulletin (July-Aug., 97; May-June, 2000); Dongfang (2.12.97); Gongren Ribo (1.13.97); Guangdong Laodong Bao (2.6.96; 2.16.96; 4.24.97), Huanan Xiwen (4.12.96; 5.14.97; 2.11.97; 8.1.97); Remin Ribao, Korean House for International Solidarity (KHIIS). 1999; Mingbao (12.4..96; 5.1.97; 5.29.97); Nanfang Ribo, Gongren Ribo (4.4.96); Nanfang gongbo (1.2.96; 4.21.96; 6.17.96); Xingdao (2.27.96): Zhongguo Laodong (2.17.97).

Labor disputes in 1996, for the most part, resulted from wage and welfare or contract disputes, such as over labor contract expiration and termination, which leads to unstable employment. Cultural factors remained significant in mid-1990s, but declined in importance in the late 1990s. Table 7-9 demonstrates that inhumane treatment is still reported throughout all East Asian-owned firms in China. However, managerial behaviors had not changed much by that time. Security guards, on the order of managers, have often beaten female migrant workers at Hong Kong- and Japanese-owned firms (Xingdao, Feb. 27, 1996; Gangdong Laodongbao, March 17, 1997). In the same year, a Taiwanese boss punished several workers for stealing shoes by having them kneel on the factory floor. This incident was reported to local authorities, which demanded that the

Most inhumane treatment as a source of labor disputes in Korean-owned enterprises occurred in the early stages of Korean investment in China, in the mid-1990s. In 1995, a female Korean manager at an electrical goods factory in Zhuhai compelled 120 female workers to kneel down as punishment having left the workshop in disorder (*Zhuhai Laodong Bao*, 1995). In another example, managers in Korean-owned firms were accused conducting illegal searches for lost parts in the worker dormitories (*Nanfang*, June 17, 1997). The labor law stipulates that this is a violation of worker privacy.

Workers do not tolerate inhumane management and occasionally organized a protest. In 1996, 600 workers protested at a Taiwanese joint venture in Zhongshan producing leather material for shoes after three workers were fired for suspected theft. Two hundred workers resigned in protest. The workers' representative demanded: 1) an apology from the management; 2) medical costs and emotional damage compensation; 3) payment of wages lost during the strike period; and 4) no forced resignation of striking workers. The management accepted these demands. After production returned to normal, however, management laid off the three of the most active strikers, although they had been promised job security (*Huananxinwen*, April 12, 1996).

In 1996, 600 workers went on an offensive strike when management failed to clarify the annual wage raise rate at a Hong Kong metal joint venture in Shenzhen. The management blamed the local labor bureau for the strike because it had failed to announce the standard minimum wage guidelines (*Pingguoribao*, March 28, 1996). Also
in 1996, during the economic depression, some firms could not pay wages on time. As a result, labor disputes increased (Xingdao, April 4, 1996). Foreign-invested firms in Shenzhen faced labor disputes over reduced or delayed pay for workers. Frequent pay delays led to work stoppages and collective petitions. Despotic regulations such as reduced pay, high overtime hours, and arbitrary lay-offs at Taiwan-owned firms also led to collective petitioning. Hong Kong-and Taiwanese-owned firms usually faced labor disputes over pay held in arrears, reduced pay, or enforcement of overtime without proper pay. In 1995, for instance, after a long stoppage at a Taiwanese-owned factory that produced craft products, a worker called to request an investigation from the Labor Department at Xiamen. The workers sued the enterprise because they had not been paid for eight months. The court decided that the firm should pay all back wages as well as the court costs (Zhongguo Laodong, Feb. 27, 1997).

In fact, as seen in Table 7-9, the vast majority of labor disputes have been defensive in East Asian-owned firms, even during the second half of the 1990s. For instance, in 1997, eight workers who had not been paid for three months held sit-in strikes in front of a Hong Kong-owned plastics factory in Dongguan. Usually, the strikers were co-workers from different provinces (Hunan, Sichuan, Hubei, and Guangxi). Although some other workers witnessed this and wished to join the strike, they were not allowed to exit the factory cafeteria to do so. One worker reported the incident to the City Labor Bureau. An investigator ordered the factory boss to pay all unpaid wages. The monthly salary was between 200 to 370 yuan, so each worker was supposed to receive about 800 yuan. However, they were penalized for violations such as arriving late to
work and damage tools, so they were paid less than expected. The workers who had gone on strike were eventually laid-off (Mingbao, May 1, 1997).

Other incidents also show that East Asian-owned enterprises in southern China deprive workers of their rights. In 1997, a Hong Kong joint venture in Guangzhou violated labor law by imposing arbitrary overtime. Workers were asked to work more than for twelve hours a day. For working more than 100 hours of overtime a month, they should have been paid more than 700 yuan each. However, they were only paid 150 yuan. Moreover, regulations protecting female workers were violated when a pregnant woman was compelled to work overtime. Because of this, the trade union and the Municipal Labor Bureau requested the firm to pay medical costs of seriously ill workers (Gongrenribao, Jan. 13, 1997).

When labor protests occurred, most East Asian-owned firms resorted to harsh measures against strikers. For instance, in 1995, when a Korean-owned firm in Qingdao faced strikes over bonus pay during the Chinese New Year (Chunjie), the management searched out the leaders of the strikes and then fired eighty of their 350 workers (KHIS, 1999).

In the second half of 1990s, the greater incidence of multiple worker demands in Hong Kong-or Taiwanese-owned firms suggests that Chinese workers planned their strikes more carefully or conducted them in a more organized fashion. In general, Chinese workers were less concerned with authority issues, but more focused on encroachment of their compensation and employment rights. Multiple elements and factors became the cause of labor discontent and dispute. In 1997, about ten female workers requested the Municipal Labor Bureau to investigate a gloves-producing
Taiwanese joint venture in Dongguan. The cause of labor discontent was again frequent overtime, often until 11:30 p.m., with meager payment. The total amount of a three-month salary was no more than 145 yuan. After food (40 yuan) and labor expenses (30 yuan) were deducted, they received only 75 yuan. The minimum wage in the Guangdong province was 320 yuan. Furthermore, the firm was in arrears for five weeks pay and holidays or days off did not exist. Even asking for a day off could be a cause for a fine. The Provincial Labor Bureau eventually got involved in solving this problem (Huannanxinwen, May 14, 1997).

Another case of complicated and multiple sources of labor disputes occurred in 1997. One thousand two hundred workers went on protest because a Hong Kong-owned electronics factory did not pay the annual bonus of 1,200 yuan to each worker in keeping with their labor contracts after they returned to the factory following the Chinese New Year (Chunjie) holiday. Some protested by holding a sit-in, while others stood by in voiceless protest. The management informed the Municipal Labor Bureau of this fact. Afterwards, the management, worker representatives, and officials negotiated a settlement. The management then offered workers a month wages in compensation, but the worker representatives recognized a big gap between 1,200 yuan and 360 yuan. The management strongly urged them to accept this offer and even threatened to withdraw from negotiations and dismiss all workers who failed to return to their posts the following day (Pingguoribao, March 11, 1997).

Workers seemed most concerned with the institutional factor of stipulation of labor contracts. As workers in northern China started to recognize their labor rights, they began to advocate them as a preventive measure preferable to suddenly losing their jobs.
In March, 2000, when a Hong Kong joint venture in Tianjin failed to specify the terms of employment, a considerable number of workers were disgruntled with their new labor contracts. When the boss refused to talk with them and had a bulletin posed announcing the termination of labor contracts with the workers, the workers blocked in six overseas personnel from entering the building. A local police rushed to the site. The local authority was immediately called to mediate. Eventually, the management revoked its contract termination announcement and offered compensation to the workers (Xinhua News Agency, Aug. 25, 2000).

In sum, institutional factors such as default on labor contracts, expiration, and even demands to set up trade unions became significant sources of labor disputes in the second half of the 1990s, while cultural factors and inhumane managerial styles became slightly less important. Therefore, H7 is accepted: As the market economy proceeds, institutional and economic factors become more important than cultural factors in affecting labor dispute. Workers in East Asian-invested enterprises seem to articulate their rights better than before, albeit taking a defensive than offensive stand. Worker resistance has become more organized on the basis of the work section or regional ties, but still remains spontaneous and sporadic.

Coping Strategies of Local Authorities and Foreign Capital

Whenever protests break out, local authorities respond with a mixture of mediation, threat, and pay-outs (Saywell, 1999). In many cases during the 1990s, strike organizers were unduly sacked or, in more extreme cases, put into prison. When they brought their cases to local courts, judges stated they could find no article in the Labor
Law that was being violated (Han, 1997). The Labor Law did not protect the workers. On the other hand, in the case of some Hong Kong and Taiwanese owners who fled without covering pay held in arrears, courts ordered labor authorities to sell the firm assets to pay the workers or provided them with emergency loans. They thus alleviated the conditions of the dismissed workers, who were barely surviving at the subsistence level (Guangdong Laodongbao, March 17, 1997).

New capitalists and state sector managers have made attempts to divide the workforce and dismantle the collective social and cultural identities of workers (Greenfield and Leong, 1997). In the Special Economic Zones and open cities, migrant workers were initially recruited based upon nepotistic ties, drawn from friends and relatives from the same provinces. This contributed to the consolidation of collective identities and provided the foundation of a robust sense of common interest and a propensity toward collective action. This in turn enabled workers to challenge the power and authority of managers and supervisors. To prevent this, managers have implemented segregation policies. They have made sure that workers from the same provinces are evenly distributed among different sections of their factories.

Conclusion

Since foreign investments were still in their nascent stage in the 1980s, labor disputes were infrequent. Conflicts between foreign investors and their Chinese partners were more prevalent, usually over management issues, such as discipline and dismissal, wage raises, bonus distributions, and management techniques. However, labor unrest has increased strikingly since the 1990s. The data suggests that workers have protested
industrial hazards in Hong Kong-owned firms, while workers at Japanese electronics firms mostly struck for higher wages from the early 1990s. During the mid-1990s, workers were more disgruntled over inhumane treatment arising from cultural misunderstandings in Korean and Taiwanese-owned firms. During the second half of the 1990s, worker plights in many Hong Kong and Taiwanese-owned firms turned into defensive labor disputes over unpaid enforced overtime and pay held in arrears. Pay cuts were also sources of labor disputes at Taiwanese-owned firms. Moreover, institutional factors such as labor contract defaults, expiration, or lack of trade unions, became a significant element of labor disputes in the second half of 1990s. In sum, as the Chinese market economy moves ahead, institutional and economic factors will remain more significant sources of labor disputes than cultural factors. Thus, H7 is accepted.

Worker resistance strategies were, for the most part, collective petitions rather than strikes. Few strikes were not organized; they usually happened spontaneously amongst local networks or work-floor sections. There have been almost no firm- or industry-wide unions that have orchestrating strikes, particularly in the case of East Asian-invested enterprises.

The data drawn from historical documents present past trends in labor disputes at East Asian-owned firms in China, including worker resistance strategies and sources of labor dispute. Due to the inherent limitation of available information, however, the study does not include the unreported or minor (unorganized and passive) labor disputes or all the details of causes for resistance. The more detailed and purposive survey research was undertaken to make a closer examination of the underlying crucial factors in labor
disputes and everyday workplace resistance, as we have been demonstrated in previous chapters and the first part of this chapter.

NOTES

1. Interview with a Korean manager in Qingdao (April, 2000).
2. Interview with a Korean manager in Qingdao (April, 2000).
3. Interview with a former worker in Dongguan and several interviews with workers who came for arbitration at a municipal labor bureau in Guangdong (May 2001). When I talked with a Chinese professor who had recently had his pocket picked, he blamed the crime on the influx of migrants to the city and the lack of policemen. I asked him what else workers could be expected to do, if workers have not been paid for a few months, then are laid off, and local authorities refuse to help them.
5. Interview with a security guard in Dongguan (February, 2000).
6. The firm produces VCD, records and so on. The total workforce numbers 3,000; approximately 90 percent are female. Most workers came from Hunan and Sichuan provinces. Their monthly salary is 360 yuan. After deducting 20 yuan for dormitory fees, they receive only 340 yuan. The management provides an additional 90 yuan stipend month for food.
Chapter 8

Conclusion

In this chapter, first of all, we summarize our main findings about how organizational, institutional, cultural, and economic factors contribute to the number of labor disputes in firms of various East Asian origins operating in China. Second, we examine several ingredients that deter the improvement of the work environment and the development of a labor movement, such as passive status of migrant workers, role of mass media, independent monitoring and international labor standards, and repressive government. Finally, we consider the future direction of the labor movement and suggest alternatives that could enhance the workplace situations in China.

Summary

The essentially ‘disorganized’ nature of labor unrest among East Asian-owned firms in China can be traced to several main sources. First of all, Chinese authorities prohibit collective action through rule of law. Second, the lack of institutional opportunities operates as a barrier to organized labor on the whole, although local governments in northern China have encouraged establishment of trade unions and internal mediation committees. Third, each firm has its own authority to regulate labor. Fourth, the Communist Party firmly controls the Chinese labor market by maintaining low wages and admitting a massive flow of migrants across provinces. Long-distance migrant workers of southern China are very vulnerable compared to intra-provincial migrants and locals. They hardly dare to form a resistant counterculture against unfair and arbitrary regulative managerial practices.
Our findings suggest that the highest frequency of labor disputes is found in Taiwanese and Korean-owned firms, followed by Hong Kong and Japanese firms. However, the only significant difference in the frequency of labor disputes among East Asian-owned firms occurs between Japanese-owned enterprises and the rest of East Asian-owned firms. There is a close relationship between the frequency of labor disputes and other types of worker resistance, particularly in Korean and Taiwanese-owned firms. There seems to be more regional similarity in firm-labor patterns among firms than what was expected, given varied managerial styles associated with different national origins. It is noted that East Asian-owned firms tend to practice similar managerial styles to what are found in their countries of origin. However, the managerial style of Korean-owned firms in southern China seems especially likely to resemble their past counterparts in Korea than was expected. In any case, the cultural factor of managerial style does not alone affect labor disputes. Institutional constraints and organizational characteristics and location also significantly affect labor disputes. It is still true that the managerial style adopted by the foreign firm, in interaction with the law enforcement and institutional arrangement of local governments that affect work conditions. In turn, the characteristics of the work force play a mediating role in influencing labor unrest.

The multivariate analyses in Chapter Five reveal that multiple factors such as organizational characteristics, institutional arrangements, work conditions, workforce composition, proportion of expatriate managers, and an authoritarian managerial style are all predictors of labor dispute in East Asian-owned enterprises in China. The sources of labor disputes used as explanatory variables are as follows: organizational characteristics refer to the level of capital investment per employee; institutional
arrangements include the presence of trade unions and/or internal mediation committees; weekly work hours and monthly wages represent work conditions; the degree of workforce homogeneity is measured by the composition of non-local (migrant) workers; and significant managerial styles are categorized as either regulative or authoritarian. Monthly wages and paternalistic managerial style were found to be insignificant as predictors of labor dispute.

A close look at the effects of these explanatory variables on labor disputes in East Asian-owned firms leads us to accept most of our hypotheses, but reject a few. First, larger, more capital-intensive firms are more likely to confront labor disputes; so H1 is accepted. Second, both higher presence of trade unions and internal mediation settlement committees are positively associated with labor disputes; so H2-1 is accepted, but H2-2 is rejected. Contrary to expectations, it was found that internal mediation committees may be formed as a result of prior labor disputes. In contrast with the significant diminishing effect of internal mediation committees on labor disputes in the state sector in Shanghai (Guthrie, 1999), mediation committees have an insignificant effect or may even magnify disputes in the foreign sector. This is probably a result of the lack of trust workers have regarding internal institutions such as trade unions and mediation committees, since they mostly remain under the control of management in the non-state sector. If and when labor disputes occur, workers are more likely to seek to resolve them outside the firm, appealing to local authorities such as the Labor Disputes Arbitration Committee in the municipal labor bureau or civic courts (Baik, 2001; Gallagher, 2002). The signing of labor contracts is negatively linked to the frequency of labor disputes; however, so H2-3 is accepted.
With regard to work conditions, work hours significantly influence the frequency of labor disputes, while monthly wages do not significantly affect labor disputes. H3-1 is accepted, but H3-2 is rejected. This may be attributed to the fact that labor disputes in East Asian-owned firms are usually defensive, in pursuit of pay held in arrear, or in protest of pay cuts and/or enforced overtime without proper pay.

Fourth, a higher proportion of non-local workers have a diluting effect on labor disputes, while a higher proportion of expatriate managers have a positive effect on the occurrence of labor disputes; so both H4 and H5 are accepted. Finally, the study shows that a *regulative* managerial style is negatively related to the number of labor disputes, while an *authoritarian* managerial style most positively predicts labor disputes: H6 is accepted.

Overall, the explanatory variables in all three models show a fairly consistent effect on labor disputes in East Asian-owned enterprises in China. The effects are in the same direction and roughly of the same magnitude. For example, the magnitude of the effect of having an *authoritarian* managerial style is large, while the magnitude of the effect of a higher proportion of expatriate managers is small, but their magnitude and significance level on the frequency of labor disputes remain more or less similar across all three models.

Following the multivariate analyses in Chapter Six, a decomposition analysis was undertaken to see how individual explanatory variables affect labor disputes in firms from each country. The findings clearly demonstrate that labor disputes are determined at very different degrees of interaction among these variables, according to the national origins of the firms in question.
For Hong Kong-owned firms, long work hours and a less *regulative* managerial style have a significant positive effect on the frequency of labor disputes. On the other hand, the higher composition of non-local workers and well-institutionalized labor contracts reduce the number of labor disputes. A large number of long-distance migrant workers in Hong Kong and Taiwanese-owned firms in southern China, who constitute more than 90 percent of the workforce, are in an inherently vulnerable position. They do not want to lose their jobs since they have come from distant provinces and they lack solidarity due to divergent regional identities. They are therefore more prone to adopt passive individualized resistance strategies such as stealing, absenteeism, resignation, or slow-downs. Even so, workers at Taiwanese-owned firms in light industries express strong discontent towards low wages, docks in pay, low overtime pay, and paycheck delays (Chan, 2001).  

For Taiwanese-owned firms, long work hours and an *authoritarian* managerial style are the most pronounced factors contributing to increased labor disputes. Chinese workers in Taiwanese-owned firms receive low wages while working long hours. Enforced overtime work averages up to seventy hours per week, at the lowest pay of 500 yuan per month. Overtime pay is neglected and social insurance benefits hardly ever provided. The low level of institutional arrangements, such as the proscription on unions and low lack of internal mediation committees, has a negative effect on the number of labor disputes. However, lower rates of signed labor contracts are positively associated with the number of labor disputes. In general, for Hong Kong or Taiwanese-owned firms in southern China, local governments tend to disregard institutional arrangements in favor
of foreign investment. The higher proportion of non-local workers also pulls down the numbers of labor disputes.

In contrast with Hong Kong and Taiwanese-owned firms in the southern provinces, for Korean-owned firms, the lower composition of non-local workers, which translates to a relatively homogeneous migrant workforce, is the most pronounced factor conducive to increasing labor disputes. In Korean-owned firms, most Chinese workers who migrated in from the same native place show a greater capacity to organize against low wages. In such cases, whenever labor practices or wages turn out to be unfavorable to workers, the homogeneous workforce serves as a catalyst for a strong regional-based identity. This, in turn, gives rise to unanimous protest or organized strikes without exposing the leader of the group. Higher rates of trade unions and higher levels of capital investment per employee in Korean-owned firms also influence the incidence of labor disputes. On the other hand, higher rates of signed labor contracts and relatively short work hours are likely to diminish the number of labor disputes. A less authoritarian managerial style also contributes to reducing the frequency of labor disputes.

Japanese-owned firms experience the lowest frequency of labor disputes among East Asian-invested enterprises. This is mainly explained by their compliance with legal work hours and their regulative managerial style. On the other hand, the higher level of institutional arrangements in the form of trade unions and/or internal mediation committees has a significant bearing on the number of labor disputes. Japanese-owned firms seem to be the most cooperative in abiding by Chinese labor laws, under the well-implemented trade unions or party branches in Shanghai. The effects of other explanatory
variables such as capital investment per employee, signing labor contracts, and the composition of non-local workers and expatriate managers are relatively insignificant.

As the market economy has proceeded, different factors have had an impact on the frequency of labor disputes in East Asian-invested enterprises in China. As the economy matures, we would expect to see a corresponding increase in the importance of institutional and economic factors as direct sources of labor disputes, while cultural factors are likely to diminish. Based upon our investigation of changing sources of labor disputes over time using secondary data, we find that when Taiwanese and Korean-owned firms first entered China in the mid-1990s, cultural factors such as managerial style appeared to be important factors in labor disputes. However, institutional and economic factors have become more crucial in affecting labor disputes, as the Chinese economy has become more market-oriented. H7 is accepted. Nevertheless, our study finds cultural factors still exert a persistent affect upon labor disputes, concurrent with the salient variations in managerial styles among East Asian-invested enterprises.

It is therefore imperative for local governments to reinforce institutional arrangements through effective supervision and enforcement of labor regulations and legislation, as well as for foreign investors to enhance their intercultural understanding in order to reduce industrial conflict in the workplace in China (Zhu, 2000). It is also imperative for workers to better understand their rights and empower themselves in order to improve their working conditions. The role of a global civil society is to enlighten and monitor the activities of these three parties in China.

This study argues that institutional constraints, as well as economic and cultural effects according to country of origin of firms, should be taken into account when
analyzing the dynamics of workplace relations in the cross-cultural settings. At the same time, we need a longitudinal study to further investigate how these factors differentially affect labor disputes over time. Accordingly, our exploratory model seems exhibit stronger explanatory power when taken into consideration of organizational, institutional, cultural, and rational factors with time variations.

Current circumstances are still severely detrimental to Chinese workers due to the absence of union leadership in the non-state sector and coordination by the state government. Even so, industrial labor action is bound to increase, as workers demand a series of concessions, including wage increases, sufficient overtime pay, holidays, and better work and living conditions. Indeed, most Labor Arbitration Committees are overwhelmed by the high rate of disputes, while remaining under-funded and understaffed (Gallagher, 2002; Pan, Feb. 13, 2003). With the absence of strong leadership, the support of civic associations, or genuine political reform, these industrial conflicts are likely to remain spontaneous and sporadic. They are very unlikely to generate class-consciousness and develop into a large-scale labor movement in the non-state sector.

There are some lessons to be gained from past experiences of cross-cultural conflicts between management and workers. Other East Asian-invested enterprises could learn from the experiences of Japanese investors in Asia. From the ends of the 1960, when Japanese textile factories were first established in Southeast Asia, particularly in Indonesia, firms asked indigenous people to purchase their products through foreign aid. The Japanese were pursuing short-term profits in the light industries. In 1974, when Prime Minister Tanaka visited Jakarta, massive anti-Japanese riots were held by tens of thousands of Indonesians. After this incident, the Japanese changed to a mode of conduct
that said in effect, "We respect the local social situation and make an effort to accommodate it." They started to offer scholarships to Indonesian students and opened welfare facilities to residents. As a result of their apologies and reconciliation efforts, the Japanese succeeded in promoting a pro-Japanese atmosphere in Indonesia. This tells us that without pursuing mutual benefits between the foreign investors and the Chinese workers, the foreign investors would face to endanger their stance in the long run, although they may succeed in making a profit in the short term.

Implications for the Labor Movement

The major challenge facing the labor relations in China lies in the workers' rights to organize trade unions that represent the workers in collective bargaining. Only when the workers can organize to present their grievances and recommendations do the mechanisms of a fair and reasonable labor relation system work (Chinese Labor Bulletin, July-August 2000). If local governments are keen to increase local revenues and speed up local economic development at the expense of working class rights, then labor strains as well as corruption will become widespread. This is more likely to result in an outbreak of another large-scale democratic and labor movement. Let us examine the current ingredients that deter labor movement.

Deterrence against Improving the Workplace and Developing a Labor Movement

Passive Status of Migrant Workers

As mentioned before, long distance inter-provincial migrant workers remain incapable of defending their interests at private enterprises and foreign-invested
enterprises in southern China. This is partly due to their weak status, but also to a lack of concern on the part of the local labor authorities. Migrants do not have much education; they are mostly middle school graduates and they are treated as second-class citizens since they don't have urban residence registration cards (*hukou*) (Pan, Feb. 13, 2003).

Most of the workers have hardly any knowledge of workers' rights and labor law (Pan, Oct. 15, 2002). Accordingly, a majority of these workers do not sign labor contracts with their employers. Those that do have little negotiating power thus consent to the terms and conditions offered by their employers (Ye, 2002). Moreover, the increasing segmentation of the labor market, not merely in terms of status, skill level, remuneration, gender, native-born place (*laoxiang*), and the like, but also in terms of union coverage and conditions, clearly deter the formation of a united working class consciousness (Perry, 1995).

**Role of Mass Media**

Central control over information in China is part of a systematic, institutionalized mechanism (Beach, 2002). As a result, the media pays little attention to ordinary workers, peasants and the unemployed, and hardly ever to strikers (Sklair, 2002). There are still some myths perpetuated by the mass media in China, if only by lack of coverage. First, the media rarely condemn overseas Chinese businessmen, even when they exploit local Chinese workers. Hong Kong or Taiwanese firms are hardly reported, save for a few cases of industrial accidents. By contrast, exploitation and inhumane treatment by a Korean electronics firm in Zhuhai and a Korean wig firm in Shenzhen were severely
criticized by the local and national media. The weaker position or ties a foreign-owned firm has, the more likely it is to be publicly criticized by the national media.

Second, the Chinese mass media does not generally cover international labor issues, either. Strikes in neighboring countries such as Korea, for example, are unlikely to influence labor activism in China. Satellite broadcasts remain restricted to foreigners and the Chinese upper class. Unless workers are employed in service industries, such as massage saloon or hotels, they are unlikely to gain access to such sensitive world news.

Third, the authorities strictly censor the newspapers. If a newspaper runs into trouble for reporting on labor issues, the editors or reporters are fired. Journalists investigating touchy issues such as official wrongdoings on the local level become the victims of the system (Sklair, 2002). Despite increased internet access, censorship in China continues to prevent the public and the workers from learning about important labor issues.

**Independent Monitoring and International Labor Standards**

There are initiatives to set up independent monitoring of codes of conduct by some unions and international union associations (*Chinese Labor Bulletin*, July-August 2000). However, such monitoring remains focused on labor malpractice by individual firms or specific production sites. Monitoring from the outside can only serve as a back-up system to on-site labor-management relations.

International minimum labor standards have been proposed to provide all workers with decent work environments. These minimum labor standards seek to prevent the exploitation of workers in developing countries. These minimum standards need not
specify minimum wages, but concentrate on workplace safety, bans on physical
punishment, reasonable time for toilet breaks, and so on (Liew, 2001). However, local
governments and foreign investors may still strongly object to such proposals.

The enforcement of monitoring and certification of standard programs, such as
SA 8000 program developed by the Social Accountability International (SAI), a New
York-based labor rights group, are thus undermined by factory managers’ fabrications
and consumer indifference (Gilley, May 10, 2001). It is said that they even makes easier
for factory managers to forge evidence of worker participation. For example, factory
managers at a Taiwanese-owned shoe factory in Guangdong compelled 3,000 workers
not to punch their time cards in order to conceal the huge overtime they were working.
Also, the SA8000 standard program remains little known, even by U.S. consumers. Anita
Chan believes that groups like SAI should get local governments on board (Gilley, May
10, 2001). Although they may succeed in alleviating harsh work conditions through this
kind of monitoring, it would not promote fundamental changes in predatory capitalism
wherein capitalist practices and power elites such as lawyers collaborate in squeezing the
workers and compelling them to work long hours.

Repressive Government

The Chinese government has adopted a carrot and stick approach in dealing with
recent labor unrest in the northeastern provinces (Pomfret, March 22, 2002). While they
promise some increase in fringe benefits, they detain labor leaders and deploy the
military police to intimidate furious laid-off workers.
Since migrant workers in FIEs and private enterprises often face many problems, they wanted to safeguard their rights and mediate these disputes. Thus, they set up a non-profit, non-political migrant workers' association in a village near Tangxia (Pan, Oct. 15, 2002). However, after some initial positive reports that the association was encouraging other migrant workers across China to set up similar 'autonomous organizations', the union officials regarded it a union outside the All-China Federation of Trade Unions (ACFTU), which is against the law. The association had to be abandoned.

Labor Arbitration Committees and civil courts tend to be ambivalent about how they handle labor disputes on the local level. As Gallagher (2002) argues, workers increasingly rely on these institutions for labor dispute resolution: 27 percent seek mediation, 50 percent bring lawsuits, and 23 percent seek other methods. Although workers won about 50 percent of the cases in the result of settlement, the management won about 18% and the rest by both parties in foreign-invested firms. This implies that a considerable number of cases are closely entwined with personal power connections. Many arbitrators are paid off by the businessmen, as seen in a case in Shenzhen (Pan, June 28, 2002).

Alternative Approach: Global Civil Society

The transnational social forces that have managed to set up connections between local action and global campaigns, such as the international human rights movements and the labor movement, are promoters of 'globalization from below' (Falk, 1992). These transnational social movements push for a global civil society (Hyden, 1997). This could
be achieved through cooperation of multinational corporations, governmental organizations, and non-governmental organizations.

A few multinational firms have started to not only scrutinize work conditions, but also support NGO initiatives. For instance, the leading apparel marketer, Levi Strauss & Co., routinely audits all of its contractors for compliance with the Global Sourcing and Operating Guidelines, a code of conduct that directs business practices such as fair employment, worker health and safety, and environmental standards. Levi Strauss goes beyond the factories to support local communities through the Levi Strauss Foundation. The foundation has been committed to China (including Hong Kong) for the past three years, with significant grants to NGOs for projects in the Pearl River delta region (Hulme, 2002). The foundation’s main initiative in China so far is an Asia Foundation project to help migrant women factory workers in Guangdong through legal rights, health, and education programs.

The Asia Foundation offers the local governmental services such as Women Workers’ Legal Aid Centers, Women Workers’ Mobile Health Services, and Women Workers’ Education and Counseling Centers. It has thus consulted with the local government agencies in China such as the Guangdong Women’s Federation and the Guangdong Labor Union. These centers provide various services and education programs. Although there are some conflicts with firms because of work schedules, such centers would undoubtedly help migrant workers’ self-empowerment. With the support of foreign foundations and companies, the main governmental mass organizations such as ACFTU and the All-China-Women’s Federation have converted their attention to the
well-being of migrant women workers, addressing issues such as legal rights and health conditions (Ye, 2002).

Some of the Chinese media are getting to play a significant role in raising awareness about migrant labor. Guangdong newspapers collaborate with the women's federation, the labor union, and the local judiciary (Ye, 2002). Thanks to social pressure through the media, victimized workers have won lawsuits and received compensation. In the same vein, foreign NGOs based in Hong Kong or Korea such as the Asian Monitor Resource Center, the Korean House for International Solidarity, are scrutinizing the conditions of factories in the host countries and publicizing management behaviors to the media to raise the awareness of their own people, bringing in international pressure to bear on the Chinese government and foreign investors.

There are some interesting examples of unions initiating international linkages and forming a “new internationalism” (Lambert, 1999). With rising competition from low wage Asian economies, Australian unions did not take a merely defensive position. Their a longer term tactic has been to support creating local unions in these Asian economies so that they are able to go up against exploitation, demand fair wages and conditions, and diminish inconsistency within the Asian region. Australian workers will also gain in the long run. Unfortunately, this has yet to come true in the case of China.

It seems, however, that there is still some room for trade unions in developed countries to negotiate and cooperate with the ACFTU. This would exert a great deal of influence on labor relations in China. At the same time, the ACFTU has to adapt to the market system. It has to transform from a bureaucratic centralist to a representative organization (Gao, 2001; Taylor, 2000). Since the mid-1990s, workplace “collective
consultation” has developed between trade unions and employers (Warner and Ng, 1999). The most recent such development has been the establishment of *tripartite consultation* between representatives of government, employers, and employees at national, provincial, and municipal levels. The first stage of implementation of the new system of *tripartite consultation* introduced in China in August 2001, were identified as premature. The main barrier to the achievement of such a system seem to be not so much the subordination of trade union and employer representatives to the Party-state as dependence of trade unions on management in the workplace (Clarke and Lee, 2003). China may need further institutional reform to enhance and reestablish good overall industrial relations.

**NOTES**

1. Interview with a former factory worker in Dongguan and with several workers employed at Hong Kong and Taiwanese-owned firms who arrived seeking arbitration at a municipal labor bureau in Guangdong because they were laid off without pay (May 2001).
2. In fact, the SAI code of conduct is tougher than labor standards. It limits work time to 48 hours of regular shifts and 12 hours of overtime per week proposes sufficient wages to meet basic needs. Moreover, workers must have a say in setting factory rules.
3. From calculations in the *China Statistical Yearbook, 2002*.
4. From calculations in the *China Statistical Yearbook, 2002*.
Appendix 1: Survey Questionnaire

Dear Personnel Manager,

Hello. I am conducting a study that compares labor relations from an organizational perspective among Hong Kong, Taiwanese, Korean, and Japanese firms operating in China. This questionnaire will be used only for research purposes. Therefore, the information about the individual company that you provide will be treated in a strictly confidential manner. However, if you would like to see the outcome of this research, I would be very willing to furnish you with a report after it is completed.

I would appreciate it very much if you would fill in this questionnaire. If you have any questions, please feel free to contact me. Thank you in advance for your support and cooperation.

Sincerely yours,

Young-Jin Choi
Manager Questionnaire

Part 1. General Information

1. When did your firm start operating in China? _______ year

2. Where did your firm obtain decisive information about getting established in China?
   1) consulting firms in home country _____ 2) trade associations in home country _______ 3) field investigation _______ 4) local cadres _______ 5) friends in home country _______ 6) local friends _______ 7) others _______

3. What are the most important factors in arranging a joint venture in China in your case?
   Please rank in order of importance with 1 most important.
   1) Guanxi ______ 2) technology _______ 3) capital _______ 4) low wages _______

4. What kind of Guanxi has been used? (You can check more than one.)
   1) relatives _____ 2) schoolmates _______ 3) same townspeople _______
   4) colleagues _____ 5) same club _______ 6) third party _______

5. What is the national origin of your firm?
   1) Taiwanese ______ 2) Korean _______ 3) Japanese _______ 4) Hong Kong _______

6. What products do you produce?
   1) chemicals _____ 2) electronics _______ 3) foods _______ 4) garments _______
   5) leather & shoes _______ 6) machinery _______ 7) toys _______ 8) metal _______
   9) furniture _______ 10) others _______

7. At which office or level is the property rights of your firm registered?
   1) ministry ______ 2) province _______ 3) municipality _______ 4) district _______
   5) county _______ 6) village _______ 7) private _______ 8) wholly-owned _______

8. What is the most important market for your firm?
   1) Chinese market penetration _______ 2) export to your own country _______
   3) export to international market _______

9. How much of the firm does your firm own, as opposed to the Chinese partner? _____ %

10. How many employees does your firm have? _______ employees
    1) middle managers _______ 2) technicians _______ 3) workers _______

11. How many of your employees are migrant labor? _______ employees

12. What is temporary labor force like? _______ employees
13. What percentage of the workers in your firm are female? _______ %

14. How much has your firm invested since its establishment in China? _______ US$

15. Which office or bureaucratic level supervises your firm?
   1) ministry _____ 2) province _____ 3) municipality _____ 4) district _____
   5) county _____ 6) village __________

16. Do representatives of your firm attend Chinese business association meetings? regularly to get information? Yes ____ No _____

17. Do representatives of your firm attend your own country's business association meetings regularly to get information? Yes ____ No _____

18. How does your firm decide on personnel and labor management policies regarding reward, promotion, and punishment. Please rank in order of importance with 1 the highest.
   1) Chinese labor requirements _______ 2) rules in home country _______
   3) customs or norm in home country _______
   4) advice from consulting or trade associations in home country ______
   5) information from local business associations of your nationality ______
   6) information from local Chinese business association setting _______
   7) information from different national firm in the local ______

19. What percentage of your employees quit their jobs last year? ______ %

20. How do you determine wages?
   1) piece-work rate ____ 2) hourly rate ____ 3) daily rate ____ 4) monthly salary ____

21. What is the basis for determining employee payment and how important? Please rank on 4-point scale with 1 the most important.
   
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22. Does your firm employ Chinese managers?
   1) No ( )
   2) Yes ( ) How many? ______

23. Does your firm have expatriate managers?
   1) No ( )
   2) Yes ( ) How many? ______

24. Your firm is: 1) the mother firm ____ 2) a subsidiary ________.
Part 2. Labor Issues

1. How does your firm recruit workers? Check all that apply.
   1) advertisement  2) recruiting agency  3) school  
   4) relatives  5) friends  6) local neighbors  7) cadres  

2. The previous positions of your co-workers are mainly:
   1) from state-owned unit  2) from a collective unit  
   3) graduated from school  4) from a private enterprise  5) unemployed  

3. Please check whether your firm has factory handbooks, labor contracts or written regulations.
   1) Handbooks  2) Labor contracts  ( ___ years)  3) Written regulations  

4. Does your employer offer job training for new employees?
   1) Yes  ( ____ days)  2) No  

5. Which of the organizations below does your firm have?
   1) Party branch  2) Labor union  3) Workers’ representatives  4) None  

6. If you have a trade union, what percentage of employees join?  ____ %

7. Please tell us the employer’s contribution to social insurance funds.
   Pension plan  ____ %  Housing  ____ %  Unemployment  ____ %  
   Disability  ____ %  Maternity  ____ %  Welfare  ____ %  Total  ____ %

8. How often did your firm experience labor disputes in 1999?
   1) None  2) once  3) twice  4) three times  5) Often  ( ___ times a year)  

9. How many days were lost in 1999 because of strikes?  ____ days  

10. What kinds of labor disputes or labor discontent has your firm had? Choose all that are relevant.
    1) Strikes  2) Work stoppage  3) Go-slow  4) Petitions  
    5) Massive resignation  6) Sabotage  7) Theft  8) Planned absenteeism  

11. If your firm had labor disputes, what was the most frequent cause? Check only one.
    1) Wage increase  2) Bonus or overtime pay  3) Paycheck delay  
    4) Enforcement of overtime work  5) Lay-off for union activity  
    6) Inhuman treatment  7) Safety and health problems  

12. Do you have a mediation committee in your firm? Yes  No  

13. What percentage of disputes has this committee settled?  ____ %
14. What percentage of employees laid off from your firm last year? ______ %

15. How much is your firm’s monthly pay for workers? ______ yuan

16. How many hours do workers work a week? ______ hours

17. Does your firm pay a bonus? 1) Yes _____ (average _____ yuan) 2) No ______

18. Does your firm have methods to enhance workers’ sense of belonging to the firm? Check all that apply.
   1) Meetings ______ 2) Factory newspaper ______ 3) Pictorial paper ______
   4) Recreational activity ______ 5) Sports activity ______

19. Do workers have opportunities for promotion? 1) Yes ______ 2) No ______

20. Your education level:
   1) elementary school graduate _____ 2) middle school graduate _____
   3) high school graduate _____ 4) college graduate _____ 5) university graduate _____

21. Have you served in the military? 1) Yes _____ (_____ years) 2) No ______

22. Your position is: ________

23. Your sex is: 1) male _____ 2) female _____
Employee Questionnaire

Part 1. Labor Issues

1. How were you recruited?
   1) advertisement ____ 2) recruiting agency ____ 3) school ______
   4) relatives ____ 5) friends ____ 6) local neighbors ____ 7) cadres _____

2. The previous positions of your co-workers are mainly
   1) from state-owned units ______ 2) from collective units ______
   3) graduates from school _____ 4) from private enterprises _____ 5) unemployed ______

3. Please check whether your firm has factory handbooks, labor contract, or written regulations.
   1) Handbooks ____ 2) Labor contracts ____ (____ years) 3) Written regulations ____

4. Does your employer offer job training for new employees?
   1) Yes ______ (____ days) 2) No ______

5. Which of the organizations below does your firm have?
   1) Party branch ____ 2) Labor union ____ 3) Workers’ representatives ____ 4) None ____

6. If you have a trade union, what percentage of employees are members of the union?
   ______ %

7. What are labor relations like?
   1) normal ____ 2) harmonious ____ 3) disharmonious ____ 4) tense ____

8. How often has your firm had labor disputes in 1999?
   1) None ____ 2) once ____ 3) twice ____ 4) three times ____ 5) Often ____ (____ times a year)

9. What kinds of labor disputes or labor discontent has your firm had? Check all that are relevant.
   1) Strikes _____ 2) Work stoppage _____ 3) Go-slow _____ 4) Petitions _____
   5) Massive resignation _____ 6) Sabotage _____ 7) Theft _____
   8) Planned absenteeism _____

10. If your firm had labor disputes, what was the most frequent cause? Check only one.
   1) Wage increase ____ 2) bonus or overtime pay ____ 3) paycheck delay ______
    4) Enforcement of overtime work ______ 5) lay-off for union activity ______
    6) Inhuman treatment ______ 7) safety and health problems ______

11. Do you have a mediation committee in your firm? Yes _____ No _____

12. What percentage of disputes has this committee settled down? ______ %
13. How many people were laid-off in your firm last year? _______ people

14. How much are you paid monthly? _______ yuan

15. How many rest days do you have monthly (including Sundays)? _______ days

16. How many hours do workers usually work a week? _______ hours

Part 2. Corporate Culture

Please express your candid opinion based on the reality of your firm. Circle a number from 1-5, with 1 as strongly disagree, and 5 as strongly agree.

1. My employer provides leisure activities for employees. _______ _______ _______ _______ _______

2. My employer enforces many strict internal rules and controls on the job. _______ _______ _______ _______ _______

3. Management encourages us to make suggestions for improvement. _______ _______ _______ _______ _______

4. Management makes an effort to maintain a good relationship with employees, including providing convenient facilities. _______ _______ _______ _______ _______

5. Productivity increases are reflected in incentives paid to employees. _______ _______ _______ _______ _______

6. My employer provides employees with new skills through internal training. _______ _______ _______ _______ _______

7. The organizational structure is very hierarchical. _______ _______ _______ _______ _______

8. Management is concerned about safety and exhaustion from overtime. _______ _______ _______ _______ _______

9. Rewards are fairly distributed between employers and employees. _______ _______ _______ _______ _______

10. The manager treats employees fairly and humanely. _______ _______ _______ _______ _______

11. Management thoroughly supervises workers. _______ _______ _______ _______ _______

12. I can be sure of my job as long as I do good work. _______ _______ _______ _______ _______
13. My employer expects me to take personal responsibility for my work.

14. Management tends to treat employees from their ethnic group better than employees of different ethnicities.

15. Poor working conditions keep me from doing my best work.

16. The top management tends to directly control labor.

17. I am very much underpaid for the work that I do.

18. My firm provides subsidies for housing and health insurance.

19. Management encourages cultural and recreational activities.

20. Management exhibits subjective attitudes in handling labor disputes.


22. Management tells workers about plans and developments.

23. Management discourages worker morale.

24. Management requests workers to do frequent overtime.

**Part 3. Demographic Data**

1. What is the national origin of your firm?
   1) Taiwanese 2) Korean 3) Japanese 4) Hong Kong

2. What products do you produce?
   1) chemicals 2) electronics 3) foods 4) garments
   5) leather & Shoes 6) machinery 7) toys 8) metal
   9) furniture 10) others

3. Your educational level:
   1) elementary school graduate 2) middle school graduate
   3) high school graduate 4) college graduate 5) university graduate

4. Have you served in the military? 1) Yes ( ______ years) 2) No

5. Your position is: _________
6. Your job is: ________.

7. Your skill level is: 1) unskilled ____ 2) semi-skilled ____ 3) skilled ____

8. Your sex is: 1) male ____ 2) female ______

9. Your age is: ____ years.

10. The province of your hometown: ________
## Appendix 2: Selected Sources of the Historical Analysis of Labor

### Disputes in the 1990s

<table>
<thead>
<tr>
<th>Year</th>
<th>Origin</th>
<th>Product</th>
<th>Place</th>
<th>Dispute</th>
<th>Causes</th>
<th>Source</th>
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<td>1992</td>
<td>TW</td>
<td>Shoe</td>
<td>Xiamen</td>
<td>Strike</td>
<td>Lost fingers</td>
<td>Xu, 1998</td>
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<td>1993</td>
<td>HK</td>
<td>Toy</td>
<td>Shenzhen</td>
<td>Strike</td>
<td>Fire (87 killed)</td>
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<td>TW</td>
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<td>Fuzhou</td>
<td>Strike</td>
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<td>Tianjin</td>
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<td>Pay methods</td>
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Note: * joint venture; CLB (China Labor Bulletin); KHIS (Korean House for International Solidarity);
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