

Globalisation, 'Chinese Walls' and Industrial Labour

**Paul Bowles and
Xiao-yuan Dong¹**

IDS Bulletin Vol 30 No 4 1999

1 Introduction

In examining the Township and Village Enterprise sector, Bowles and White (1998:266) argued that it was possible that this sector might retain some of its distinctiveness in the face of increasing marketisation. However, it was recognised that this might seem 'unrealistic to those who hold that markets and capitalism can break down all restraining "Chinese walls"'.² The issues raised here concern the extent to which 'markets' lead to convergence and to the weakening, or disappearance, of locally based production 'systems', in this case in China's rural collective industries.

In this article, we consider this question further but on a much larger canvas and examine how the phenomenon of globalisation has affected China. Needless to say, this is a large question to which only partial answers can be given. Nevertheless it is important and links to Gordon White's work in several ways. First, the question raised involves an analysis of how politics and institutions shape the effects of globalisation on China; the centrality of politics in the process of development is therefore confirmed. Second, we need to analyse the extent to which globalisation knocks down Chinese walls and thereby changes the economic, political and social forces that condition the development process.

Our aim here will be to do three things. The first is to specify some of the major dimensions of globalisation as they affect China. The second is to analyse the nature of the Chinese walls in more detail and the third is to provide a more comprehensive assessment of the impacts of globalisation

¹ We are grateful to the participants of the Gordon White Memorial Conference, held at the Institute of Development Studies on 30 April–1 May 1999, for their comments. David Evans and Stephany Griffith-Jones provided valuable comments as discussants and we are particularly indebted to Marc Blecher for his detailed comments on several drafts of this article. We also acknowledge the financial support of SSHRC.

² See Marx and Engels, (1976:488) 'The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilisation. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate.'

on industrial labour in China. In attempting this latter task we pay particular attention to whether the 'external' pressures and actors adapt to Chinese structures or vice versa.

2 Globalisation: Big Numbers, Discernible Pressures

This article focuses on some of the more concrete aspects of globalisation represented by the quantitative expansion of international economic flows. In view of space limitations we consider only two of the major components of such economic flows, namely, trade and foreign direct investment (FDI). Even this limited definition of globalisation enables us to demonstrate that globalisation has led to a set of discernible pressures being generated that have specific impacts for the Chinese economy in general and Chinese labour in particular.

The policy of 'opening up to the outside world' has, since 1978, had a dramatic effect on trade and foreign investment in China. In the immediate pre-reform period, China's trade to GDP ratio was 10 per cent, one of the lowest in the world. Since then, the 'open door' policy has led to a rapid change with China now having a level of trade openness – a 36 per cent trade to GDP ratio by the mid 1990s which is comparable to other large developing countries (World Bank, 1997:6). Much of this increase in foreign trade was the result of China becoming a site for the processing of raw materials and semi-finished goods following changes to import duties announced in 1984. China's exports have been dominated by labour-intensive manufactured goods such as textiles, apparel, footwear and toys, which rely on these imported raw materials. By 1991, 45 per cent of all exports were made of these processed exports, a high figure even by East Asian standards (World Bank, 1997:7). The imported content of these processed goods averaged 90 per cent of the export value. The share of these manufactures in China's exports has probably risen further since.³ Recent figures also suggest that imports account for a large share of the value of exported goods. Zhang and Zheng (1998:4) report that in foreign-funded enterprises, exports are 127

per cent of the value of their imports, again indicating a large reprocessing role.

Much of this trade was undertaken directly by foreign firms and joint ventures. However, Chinese foreign-trade corporations and state-owned enterprises were also significantly involved and the links with the domestic economy were therefore substantial, although trade is highly concentrated in the twelve coastal provinces which accounted for 90 per cent of all trade flows (exports plus imports) in 1997, with Guangdong alone accounting for 41 per cent (EAEP 1999:21). The result has been a shift in the production from inland to coastal provinces with the share of the twelve coastal provinces in GDP rising from 52 per cent in 1980 to 57 per cent in 1995, which has led to increasing per capita differences between the inland and coastal provinces.

With respect to FDI, flows to China were minimal prior to 1978, increased steadily during the 1980s and exploded in the 1990s. By the mid-1990s China had become the leading recipient of FDI among developing countries (accounting for about 40 per cent of total flows to developing countries). The total value of FDI actually used (as opposed to total contact value) was a staggering US \$219 billion between 1979–97 with the trend sharply upwards over this period (Zhang and Zheng, 1998:4). Two features of this FDI flow are worth noting. One is again its geographical concentration with twelve coastal provinces and municipalities accounting for over 90 per cent of all FDI inflows. The second is the concentration by home country with the majority coming from overseas Chinese investors, and 60 per cent from Hong Kong alone (World Bank, 1997:22).

China's opening up has been a steady process leading to cumulative changes that have been quite dramatic and which affected, albeit unequally, a wide spectrum of sectors and regions of the Chinese economy. These developments have led to a set of discernible pressures arising from the dynamics of global production, which are described briefly below.⁴

³ The category 'other manufactures', which consists mainly of labour-intensive reprocessed goods, rose to between 56–60 per cent of exports in the 1992–97 period. See EAEP 1999:22.

⁴ Pressures which come from the global financial system and from the inter-state system (such as the WTO) therefore lie beyond the scope of this paper.

2.1 Pressures from the global production process

From the above discussion of the form that globalisation has taken in China, two discernible pressures emerge from the global production process. One is simply that the location of employment has changed, with the coastal provinces requiring large inflows of labour to satisfy the expansion of global-market oriented production in general, and the needs of foreign invested firms in particular. With respect to foreign-invested enterprises much of this is located in Guangdong. Thus, globalisation has led to the need for increased geographical labour mobility. Second, a distinctive feature of Chinese exports is the high share of processed exports, suggesting that there are strong pressures for the containment of labour costs and increasing labour productivity; in short, labour costs are one of the few costs that can be squeezed to maintain profit margins, given that import costs are likely to be subject to less flexibility. This provides important insights into how China has been incorporated into the global economy, insights which can be better understood with reference to the analytical tool of the 'global commodity chain' (see Gereffi 1995).

Buyer-driven commodity chains are those where brand name retailers play the pivotal role and typically do not engage in production themselves, but operate on the basis of sub-contracting to firms in low-cost countries. This pattern is more typical in labour-intensive industries such as garments, footwear, toys, and consumer electronics, which are, as we have seen, major exports. In China, the organisation of the production of these goods is often a 'triangular' one in which the link between the developed country retailer and the Chinese workers is mediated by overseas investors, who supply the capital and organisational skills through foreign-invested firms.

The pressures on firms are, therefore, to contain labour costs in industries where the scope for raising labour productivity through higher education levels or increased use of sophisticated technology is limited. The increases in productivity must come mainly from increasing the pace and quality of the work itself. These pressures also operate indirectly on governments, in that a policy of attracting foreign investment requires policies that are attractive to international capital in terms of limiting labour demands, both pecuniary and non-pecuniary.

Thus, the pressures from globalisation identified here include those related to the need for increased labour mobility, both geographically and occupationally, and those arising from the logic of the global market where firms may find themselves at the bottom of global commodity chains positioned as suppliers of low-cost labour.

3 Chinese Walls: Social Rules, Institutional Legacies and State Policies

'Chinese walls' operate at several levels. Firstly, social rules – formal and informal – play important roles in conditioning the way in which work is assigned and rewarded. For our purposes the two most important social rules structuring the Chinese labour 'market' are the *hukou* system and patriarchal ideology. The residential registration – or *hukou* – system was introduced and developed during the 1950s and 1960s, primarily to control the rural-urban labour flow. This system divides the Chinese population into urban and rural residents, with the movements of the latter to urban centres controlled, strictly in the pre-reform period and much less so since. This conditions the terms on which the 100 million or so rural residents enter urban labour markets in response to better economic opportunities.

Not only is access to employment conditioned through formal social rules such as the *hukou* system, there are also underlying informal social rules which discriminate against those from interior provinces and against women. The social constructions of 'skill' and 'appropriateness' of work for different groups of individuals, as well as the ideological constructions of gender roles, condition the ways in which access to paid employment is structured and rewarded. For migrant women workers, who are typically young (see Li and Han 1994), this has the potential to result in significant labour market discrimination, a point to which we return below.

Second, the institutional legacy of state socialism provides another Chinese wall. The pre-reform system embodied an implicit 'social contract' with urban, industrial workers, according to which they would receive relatively high rates of wage remuneration, high levels of job security and an extensive array of benefits linked to their employment in an enterprise. While wage levels may have been relatively high, wage incentives were typically low, with

wage profiles determined primarily by seniority and set administratively. Jobs were allocated administratively through labour bureaus and power within the enterprise was exercised by a combination of Party cadres and managers although manager–worker relations also took on clientelistic forms. State-owned enterprises (SOEs) and urban collectives were the sole enterprise types. The organisation representing workers' interests was the All China Federation of Trade Unions (ACFTU) (except during the Cultural Revolution when it was disbanded). The ACFTU's role was not that of independent trade unions but of a 'transmission belt' similar to their role in other state socialist countries. The nature of the social contract was thus as Riskin (1995:324) notes: that 'workers were essentially disenfranchised in return for economic benefits and security'.

The nature of this social contract has come under sustained pressure during the reform period with the introduction of the labour contract system, changes in the basis of remuneration towards piece rates and the widening of wage incentives, increased labour mobility, various mechanisms to permit enterprises to reorganise and reduce their labour forces, most notably with the layoffs (*xiagang*), which began in the early 1990s and which have accelerated rapidly since the mid-1990s, and the reassignment of rights within the enterprise to increase the power of enterprise managers. The one institutional continuity between the pre- and post-reform periods is the maintenance of the ACFTU's monopoly position, while other parts of the social contract have been successively revised and undone. State-owned industry has changed during the reform period, although the extent of that change remains an area of debate for many observers. For some, the changes noted above have already led to major changes in the behaviour and work environment of state-owned enterprises; others, however, maintain that state-owned enterprises remain awash in red ink because of the failure of the reforms to lead to significant changes in their behaviour. New ownership forms, both private and foreign, have been introduced where previously only state and collective ownership existed. These new ownership forms entered an institutional framework which was not originally designed for them. Thus, the key issues have been not simply recasting the social contract with state sector workers, but also dealing with firms that lay outside of the previous institutional structures of control and regulation.

The third area that needs to be considered is the interests and autonomy of governments. The central government – meaning here the central decision-making bodies, both government and Party and its implementing ministries – has set the agenda for the opening of the economy to integration with the global capitalist economy. It has shaped the extent to which this has been permitted, directed the geographical and sectoral interaction with the global economy and set national regulations governing the terms on which China has engaged with the world market.

The consistent thrust of central policy has been a controlled opening to the outside world and greater interaction with the global economy. While the rationale for opening up may have changed over time – from technology imports to competitive pressures to employment generation – the main thrust of policy has remained unchanged, with the attraction of FDI being a critical pillar of economic policy. While China has sought to increase foreign investment, and has succeeded dramatically in doing so as indicated above, the central government has also been concerned to ensure that China has not simply become a technologically dependent state. Indeed, since China shares many of the same features as the classic East Asian 'developmental state', emphasis on building China's own enterprises and industries into capable players on the international scene has also been a parallel track. It is the size of China's economy that has allowed both policies to be followed simultaneously.

Local governments – those at the Provincial level and below – have been fully involved in the attraction of foreign investment. Characterising the relationship between local state and international firms has proven a controversial issue; some argue that the international forces are dominant and that local state actors have become an emerging 'comprador class' compliantly serving their interests. This takes a somewhat more benign form in Zweig's (1995) 'transnational alliances', although the commonality of interests between local and international forces are again evident. Zweig's analysis does question how 'dominant' the latter are, a question raised more strongly in Smart, who argues that, even though foreign firms in Southern China have strong links with the global capitalist economy, 'even in this area, where it might be expected that capitalism could be seen as a dominant, external mode of production

penetrating and exploiting Chinese society, capitalist practices have still been largely operating under the constraints of a dominant socialist system' (1995:11). This recalls the 'articulation' debates of the 1970s and suggests that examining the extent to which the capitalist global economy penetrates and dominates the structures of state socialism should be an additional axis of investigation in the Chinese case.

This points to important 'institutional' issues. At the policy level, local government officials have strong pecuniary and career incentives to attract foreign investment to their locale. Foreign investment contracts offer the potential for personal gain through the provision of 'services' to the foreign investor and meet career requirements which continue to be posed in terms of meeting growth targets (see Gore 1999). Gordon and Li (1997) argue that the behaviour of Chinese local governments towards private (including foreign) firms differs from that of their counterparts in the transition economies of the former USSR and Eastern Europe because they face different incentives. In particular, they argue that local government revenue in China depends heavily on the profit taxes and fees levied on new entrants, with the result that officials have strong incentives to support the entry of new private firms in their jurisdictions. These differences between the experience of transition economies arises from the nature of tax incentives and, as such, this Chinese wall is a policy-induced one.

4 The Impacts on Industrial Labour

How have these Chinese walls affected the impact of global pressures on Chinese industrial workers? We analyse this under two separate headings. First, we look at the more traditional economic indicators of employment: wages and income distribution. Second, we analyse industrial relations systems.

4.1 Economic outcomes: employment, wages and distribution

These indicators of the impact of globalisation on labour operate at relatively high levels of aggregation. As such, it is difficult to disentangle 'globalisation' from 'reform liberalisation' and other government policies in determining outcomes. The

approach is more suited to identifying correlations than establishing causalities.

With respect to employment, official data sources suffer from numerous problems (see Rawski 1998). The numbers in formal industrial employment has expanded at a rate of 3.2 per cent per year over the past two decades and has risen from 60.9 million in 1978 to 107.6 million in 1997 (see SSB 1998). Included within these figures is an increase in the percentage of the labour force that is female. Taking the period of reform as a whole, therefore, to Lee's (1996) question 'globalisation and employment: is anxiety justified?', in China's case one is tempted to answer 'no'.

However, it should be noted that the output elasticity of employment has been very low, at least in the state and urban collective sectors where the average annual rate of employment growth was -0.9 per cent and -6.0 per cent respectively for the period 1991-96 despite annual average rates of output growth of 3.9 per cent and 10.0 per cent respectively. China in the 1990s experienced its own version of 'jobless growth'. Furthermore, unemployment has risen substantially. The urban unemployment rate, including laid-off workers, was estimated at 9.36 per cent (or around 16 million workers) in 1997 (see Anon. 1998).

Accompanying the increased formal sector employment have been rising average real wages. For industry as a whole, real wages rose by an average of 4.8 per cent from 1978 to 1996. Certainly, rising real wages and greater integration into the global economy seem to have gone together. These two sets of outcomes – employment growth and real wage growth – are typically the key outcomes most often identified by neoclassical economists as affecting workers, and China has therefore been added to the list of countries with visible benefits of globalisation for workers. However, attributing these outcomes to globalisation rather than to high domestic investment rates or reform-induced structural change remains problematic.⁵

The picture of rising average real wages needs to be tempered by the fact of wage discrimination against

⁵ Results of Granger causality tests indicate that over the period 1952-97 domestic investment caused increasing

employment, whereas exports had no effect on employment but caused rising real wages over this period.

Table 1: Increases in Real Wages and Labour Productivity of Industrial Workers

| | Labour productivity | Real wages |
|---------|---------------------|------------|
| 1978–84 | 2.1 | 3.9 |
| 1985–90 | 5.8 | 2.3 |
| 1991–97 | 12.8 | 6.0 |

Source: Computed from SSB, various years.

migrant workers and women. Wage discrimination against migrant workers is common in many countries, although it has particular roots in China in the unique *hukou* system, which conditions the terms on which rural migrants enter the urban labour force. Typically, migrants are given the jobs that urban residents do not want and are found in the more arduous and low-paying sectors of the urban economy (see Zhou Daming 1994; Knight, Song and Jia 1999). With respect to gender wage inequality, estimates by Maurer-Fazio, Rawski and Zhang (1999) suggest that the gender wage gap is large and increased over the period 1988–94. They find (1999:79) that ‘the wages received by the average female worker amounted to between 42 and 55 per cent of the comparable figures for male employees. These observations ... resemble the unadjusted figures obtained from other East Asian economies such as Japan and South Korea.’ While care should be taken in using unadjusted figures, the greater use of the market in rewarding labour seems, therefore, to have produced the same magnitude of sex-based wage discrimination as found in other highly patriarchal societies in East Asia. For women workers, Chinese walls may in fact be East Asian ceilings.

The existence of wage discrimination raises the issue of income distribution. While the impact of faster growth in coastal provinces might have been expected to increase inequality in the regional distribution of income, it is notable that income inequality has significantly increased even within urban areas. Incomes for workers at different educational levels have widened (see Cui 1998). Similar trends in urban-income inequality are

reported by Khan, Griffin and Riskin (1998:2) who find that ‘between 1988 and 1995 the Gini coefficient for the distribution of household income per capita increased from 0.233 to 0.332, or by 42.5 per cent’. Furthermore, they find urban poverty increased by most measures. This result is troubling for the supporters of globalisation, since China’s comparative advantage is undoubtedly in its vast pool of unskilled workers, who might have expected to have been the major beneficiaries of globalisation. It seems, however, that even taking urban residents only, inequality has increased with the unskilled suffering relative and, in some cases, absolute declines in income. Laying the blame for all of this at the door of ‘globalisation’, as opposed to economic reform in general or regressive government policies, is, as ever, more difficult.

One way that some non-mainstream authors have analysed the effect of globalisation on distribution is to look not at the distribution of income between households, but at the relationship between real wages and various measures of capital’s share of national income (Veltmeyer, n.d). If globalisation has changed the balance of power between capital and labour, then we might expect to find that real wage increases are increasingly lagging behind – or even divorced from – changes in labour productivity. Capital is able to extract greater productivity out of workers, but workers are unable to convert this into real wage gains.

Can such a trend be identified in China? Table 1 shows the data for average annual real wage increases and average annual labour productivity increases for industrial workers:⁶

⁶ Drawing inferences from comparisons of rates of labour productivity growth and real wage growth relies upon certain assumptions. If the marginal product of labour is greater than or equal to the wage rate, then, given a fixed labour coefficient and Cobb-Douglas technology, a faster growth in labour productivity

implies a widening gap between the marginal product of labour and the wage rate. Such an intensification of monopsonist exploitation might occur under globalisation if the bargaining power of firms is increased as they face an increasingly ‘global’ labour pool.

Table 2: Increases in Real Wages and Productivity by Enterprise Type

| | Labour productivity | Real wages |
|--------------------|---------------------|------------|
| SOEs: | | |
| 1978–84 | 1.7 | 3.2 |
| 1985–90 | 2.4 | 2.9 |
| 1991–96 | 4.8 | 6.1 |
| Urban collectives: | | |
| 1978–84 | 2.9 | 4.4 |
| 1985–90 | 3.8 | 1.0 |
| 1991–96 | 16.1 | 4.3 |
| Rural enterprises: | | |
| 1978–84 | 5.3 | 8.7 |
| 1985–90 | 7.9 | 3.0 |
| 1991–96 | 24.6 | 7.6 |
| Other enterprises: | | |
| 1985–90 | 8.0 | 5.4 |
| 1991–96 | 8.2 | 5.0 |

Note: other refers to stock ownership enterprises, joint ventures and wholly foreign-owned firms. Figures are obtained from the time trend regressions using the data from *State Statistical Yearbook*, various issues.

These figures would certainly seem to support the argument that the period of globalisation has been accompanied by an increasing tendency for labour productivity increases to outstrip real wage increases. However, further disaggregation by sector does not permit such a clear-cut link with globalisation. Disaggregation shows real wage increases in excess of productivity increases for the SOE sector, but productivity increases in excess of real wage increases in the 'other enterprise' category since 1985.⁷ However, the big changes are in the productivity–wage relationship in urban collectives and rural enterprises. It is in these sectors that we see the emergence of the widest gaps between rates of labour productivity increase and rates of real wage increases as shown in Table 2.

These changes may well represent responses by enterprises to the pressures of increased market competition, both domestic and international, and, possibly, to changes in managerial autonomy as part of the reform process. SOEs appear to have been insulated from these pressures, but the more market-oriented domestic sectors display this trend clearly. The fact that enterprises in the 'other'

category do not display this trend as clearly, however, casts doubt on the extent to which 'globalisation' can be seen as the leading cause, notwithstanding the imperfect nature of the 'other' category as an indicator of what is happening in foreign firms.

The examination of wage data implies that wages are, in fact, actually paid. A further feature of the reform period has been the rise of the phenomenon of unpaid wages. While workers in other Asian countries have protested about falling money and real wages and bonus cuts, as part of the restructuring resulting from the Asian financial crisis, it is wage arrears which have sparked protests in China. The phenomenon of unpaid wages requires special analysis because, as Earle and Sabirianova (1999:3) note, 'wage arrears are peculiar in that, unlike [enterprise and tax] arrears, they are virtually unheard of in market economies'. And yet they have become routinised in many (although not all) transitional economies.

Data published by the ACFTU (1995–6:348–49) indicate that wage arrears in Chinese industry are widespread. Approximately one in six workers was

⁷ Unfortunately, it is not possible to compute the figures for foreign firms only, or for the 'other' category prior to 1985.

owed wages. Wage arrears are inversely related to the enterprise's financial situation, although even firms in good and excellent financial situations had wages owing to 8–9 per cent of their workers. It appears that, contrary to the Russian evidence presented by Earle and Sabirianova (1999), in China private firms are the worst offenders with SOEs having one of the lowest incidences of wage arrears; joint ventures and foreign-invested firms fell in between, although much nearer the SOE end. Similar to the Russian evidence, workers with less employment security seem to experience higher incidences of wage arrears. It would seem that wage arrears are common to all ownership forms and that foreign firms have adapted to the Chinese institutional context in this respect.

How can we explain the phenomenon of widespread wage arrears? With respect to financial assets, Bowles and White (1993:139) argued that 'the struggle for resources through bond issue can by no means be described as a real 'bond market', meaning the free and voluntary sale and purchase of bonds. The politico-economic relationships involved are more complex, with at least three main aspects: ... *coercion* ... *collusion* ...[and] *market*. Such a diversity of relationships falls short of anything that can be called a 'market' and can be understood as reflecting the dynamics of a partly reformed and structurally ambiguous economy'. The phenomenon of wage arrears would appear to be a new and particularly virulent form of this politico-economic struggle for resources. This type of explanation suggests that transitional economies are, as Earle and Sabirianova argue, distinctive types of economies which operate in ways quite different from market economies. This Chinese wall has not been broken down by the integration into the global capitalist economy; in fact, conversely it is foreign firms which quickly adapted their behaviour to take advantage of the opportunities offered by the 'transitional economy'.

4.2 Industrial relations systems

An alternative approach to analysing the impact of globalisation on Chinese workers is to analyse industrial labour systems. With respect to the operation of foreign firms in China, it is often here that some of the worst forms of labour abuse are found, with long work hours, enforced overtime, authoritarian management-worker relations, physical punishment of

workers and, in the very worst cases, even death. Asian foreign invested firms are often identified as being among the worst offenders of labour rights. Previous work in this area has tended to stress either the cultural origins of the foreign investor, or to argue that home country conditions are important in determining how firms operate abroad, so that firms from social democratic Europe or rights-based US tend to treat workers better than enterprises from countries with strictly controlled unions such as Taiwan, Hong Kong and Singapore (see Chan 1998b).

We would agree with the home country conditions' explanation, but would add to it the importance of the enterprise's position in the global commodity chain and the characteristics of that chain. Thus, foreign investors at the lower levels of buyer-driven commodity chains have great incentives to lower labour costs. The attraction of China is precisely its low paid labour force, and China's incorporation into the global economy depends crucially on this feature. The result is continuous pressure to increase output and reduce unit labour costs by increasing hours of work and under-paying workers. The increase in the employment of young unmarried (usually migrant) women workers in the export processing factories of southern China parallels that found in other developing countries in Asia and elsewhere. The increase in pay and economic independence which may accompany such employment needs to be heavily balanced against the new forms of control and subordination which are also typical accompaniments.

However, foreign firms in China do not operate in an institutional vacuum. For these practices to occur requires compliance by Chinese governments. How have they responded to these pressures? The central government has, as we have seen, been instrumental in setting the policy of attracting foreign investment as a pillar of policy to modernise the economy, and has been keen to continue the flow of resources into the economy. However, examples of worker mistreatment and the open discussion of 'exploitation' in the Chinese media have forced the government to act. The new Labour Law of 1994 was a response to this and has been accompanied by an aim to have Trade Unions in all of China's foreign enterprises and joint ventures. It is claimed that this has been achieved in about 70–80 per cent of cases, with the Trade Unions being

designed to eliminate the worst cases of abuse but still controlled by the state to implement pro-reform policies. The intention has been to extend the traditional role of the ACFTU as a 'conveyor belt' for central policy in the state sector into the foreign sector. Such a trade union is, of course, compromised by this role in protecting workers' rights and serving as a vehicle for workers mobilisation.⁸ Implementation of the labour law has also been, to say the least, patchy and has been a low priority for governments at all levels.

The position of migrant workers is perhaps worst of all. As Chan (1998a:3) notes, 'the household registration system provides fertile conditions for the creation of a system of forced and bonded labour'. In Chan's work on the footwear industry she has shown that migrant workers, especially in foreign, joint venture and private firms, are much more likely to be charged a 'deposit' than other workers, and this ties them to the enterprise even in the face of poor working conditions. However, it is not always the case that it is only foreign firms that seem to be engaged in the violation of labour rights. Chan (1998a:6) also reports that 'even in the state sector, the low-skill footwear industry has begun to employ migrant workers, and [there appears to be] a transfer of the harsh labour regime of the foreign Asian managers to the mainland state and collective sectors'. The competitive pressures of production for the global economy seem therefore to have forced many firms in the footwear industry to adopt more authoritarian forms of work practices – a clear example of the race to the bottom in labour standards that critics of globalisation predict. Furthermore, ACFTU data indicate that this result is applicable much more widely than simply the footwear industry and evidence of violations of the labour law provisions on the length of the working week, payment for overtime, and violations of other labour rights are widespread (see ACFTU, 1995–96: 357, 358, 390, 391).

While this may be the case for firms operating in highly competitive labour-intensive manufacturing

industries, what is happening elsewhere? Producer-driven commodity chains are typically more capital intensive and give firms more market power and there is thus a greater scope for rent-sharing with workers, a factor enhanced by the fact that more capital-intensive firms typically have longer investment horizons than labour-intensive firms. Data presented by Zhang and Zheng (1998) show that MNCs operating in China have higher profit rates than the average of all foreign-funded firms, have higher capital per employee, pay higher wages, have lower export to sales ratios and operate in more concentrated markets.

It is not surprising to find, therefore, that US, European and Japanese MNCs operating in China typically display different labour-management practices than those outlined above. Again, they have to deal with Chinese institutional settings and there is evidence that in joint ventures, MNCs often adopt the practices of SOEs. For example, research by Goodall and Warner (1997:592) on joint ventures in Beijing and Shanghai between Chinese firms and partners from the US, Holland, Switzerland, Germany, Japan and Hong Kong find that 'the "iron rice bowl" is ... still in evidence and may be found in foreign-invested joint ventures as well as many SOEs.' Thus, there is also evidence of foreign firms adapting to Chinese institutional frameworks in ways which might, in some but not all respects, benefit workers.

One other sector to analyse in terms of assessing the impact of globalisation on labour is China's attempt to build its own global conglomerates.⁹ Enterprise reform in the state-owned sector has, since the early 1990s and most explicitly since the 15th Party Congress in September 1997, focused on building large conglomerates to compete internationally. The aristocracy of labour in state-owned enterprise which included a large proportion of the urban work-force in the Maoist period will shrink to the core workers employed in China's new, large globally focused conglomerates. It is here that the parallels which some scholars have seen with Japanese employment practices may be evident. As Chan

⁸ In some firms the union representatives are managers or management appointees. This has led to protests. See 'AFP Reports Workers Protest "Imposed" Union Leaders', Agence France-Presse, 22 October 1998, in FBIS-CHI-98-295.

⁹ For more extended discussion see, for example, Nolan and Wang, 1999.

(1997:202) argues “Socialism with Chinese characteristics’ (and even core-sector ‘capitalism with Chinese characteristics’) may well end up meaning an organisation-oriented system akin in many ways to that of core Japanese industry’.

Whether such an outcome will occur is an open question. This an area where more research is needed, but it is important to note that the result of developing countries ‘going global’ is not necessarily the adoption of developed country labour relations systems. To take the example of perhaps the most global manufacturing industry, that of the automobile, wide variations in labour-management relations exist. Thus, Rodgers (1996) in his examination of the globally successful South Korean automobile industry, argues that, given institutional path-dependence, there is little prospect of a transition to newer – and more worker friendly – production methods. He argues that ‘as might be expected in a society where the traditional mass production model is predominant, government and business elites do not seem to consider the benefits of cooperative labour-management relations to be worth the cost in terms of higher wages or reduced managerial prerogatives’ (1996:110). Similarly, Deyo’s account of the Thai auto industry also concludes that workers in developing countries are unlikely to enjoy the benefits of changing production methods that are sometimes identified for their advanced country counterparts. Instead, ‘autocratic low-trust flexibility may provide an adequate basis for competitive success in the second-tier technology-dependent automotive industries of developing countries’ (1996:152).

In China, the desire to build global conglomerates – and to create a modern enterprise system more generally in the state sector – has paid little attention to what type of industrial relations system might be required for a ‘modern’ or ‘global’ firm. The institutional legacy of state socialism is one where the social bargain was based on employment stability in return for state/managerial control of the workplace; it would seem a difficult transition from this to a more worker-empowering work-place. Even in those enterprises which succeed in ‘going global’, workers might expect to enjoy greater employment stability and higher wages than their counterparts elsewhere in Chinese industry; but ‘going global’ is unlikely, in itself, to change the nature of industrial relations.

5 Conclusion

This article has argued that the pressures from globalisation have taken clearly discernible forms in China. These pressures arise from the way in which China has been incorporated into the global production process and are evident in the geographical mobility of labour, in the pressures for labour-cost minimisation as a result of the processing trade, and in the creation of China’s own global conglomerates.

The ways in which these pressures have been mediated by ‘Chinese walls’ have indicated the importance of contextualising these global pressures with reference to social rules, such as the *hukou* system and patriarchy, the role played by the institutional legacy of state socialism and the policy choices made by various levels of government. We have found examples of phenomena – such as wage arrears, industrial relations systems in MNC-Chinese joint ventures, the particular conditions under which migrant and women workers have been employed – which point to the importance of analysing these ‘Chinese walls’ for understanding the impact of globalisation on industrial labour.

And yet, while these walls are important, there are also some striking examples of similar outcomes in other countries. In many developing countries in East and Southeast Asia, the balance sheet of globalisation has been – at least pre-1997 – increased employment and wages on the positive side of the ledger, but increased insecurity and deteriorating working conditions on the negative side (see, for example, Manning 1993). China is joined by many other countries in which migrant workers enjoy less security and worse working conditions than other workers; many countries have found the enforcement of their labour laws problematic either by neglect or design; many countries have repressed organised labour and/or sought to control it under the auspices of the state; many countries offer lax labour conditions to attract foreign investment; many countries have gender discrimination in employment; and some other countries, noticeably in East Asia, have sought to sponsor their own global firms. The Chinese walls may affect some of the details but the general pattern seems clear: global pressures are associated with similar outcomes. Furthermore, the intensification of the pressures on labour arising from the Asian financial crisis are evident in China as elsewhere in the region.

This conclusion may seem overly deterministic and it is necessary to remember that policy choices and institutional design retain some relevance. Indeed, this article has argued that institutional factors have some explanatory power in determining the ways in which the impacts of globalisation are transmitted in specific national contexts. This theme has recently been taken up by economists, with the work of Rodrik (1999), for example, stressing the importance of national political and civil institutions in determining the impacts of globalisation. With his uncanny ability to identify trends and issues before

many of his colleagues, it is not surprising to find that Gordon White, in his last work, explored this same ground. His work on civil society in China – including the analysis of the possibilities for a changed role for the ACFTU – as well his work on East Asian welfare systems, all focused on some of the critical institutional factors which will help to shape the effects of globalisation on China in the future. Institutions do evolve over time; it was in the analysis of institutional change that Gordon White excelled and his work serves as a key reference point for the analysis that remains to be done.

References

- All China Federation of Trade Unions (ACFTU), 1995–96, *Zhonggou Gonghui Tongji Nianjin*, ('Chinese trade unions statistical yearbook'), Beijing: Zhonggou Tongji Chubanshe.
- Anon., 1998, 'Report recommends keeping jobless rate under 8 per cent', *Zhonggou Tongxun She* (China News Agency), 11 September, in FBIS-CHI-98-254.
- Bowles, P and G. White, 1998, 'Labour systems in transitional economies: an analysis of China's township and village enterprises', *International Review of Comparative Public Policy*, Vol. 10: 243–70.
- Bowles, P., and G. White, 1993, *The Political Economy of China's Financial Reforms: Finance in Late Development*, Boulder, Co: Westview Press.
- Chan, A., 1997, 'Chinese Danwei reforms: convergence with the Japanese model?', in X. Lu and E. Perry (eds), *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective*, Armonk: M.E. Sharpe: 91–113.
- Chan, A., 1998a, 'Globalization, China's 'free' (read bonded) labour market, and the Chinese trade unions', mimeo, forthcoming in the *Asia Pacific Business Review*.
- Chan, A., 1998b, 'Labour relations in foreign-funded ventures, Chinese trade unions and the prospects for collective bargaining', in G. O'Leary (ed.), *Adjusting to Capitalism: Chinese Workers and the State*, Armonk: M.E. Sharpe: 122–49.
- Cui, J., 1998, 'Widening income gaps in cities', *Beijing Renkou Yu Jingji* in Beijing's Population and Economy, 25 March, No. 107: 54–56 in FBIS-CHI-98-174.
- Deyo, F., 1996, 'Competition, flexibility and industrial ascent: the Thai auto industry', in F. Deyo (ed.), *Social Reconstructions of the World Automobile Industry*, Macmillan: 136–56.
- EAEP, 1999, 'Recent trends and prospects for major Asian economies', *East Asian Economic Perspectives*, Vol. 10, February, special issue.
- Earle, J., and K. Sabirianova, 1999, 'Understanding wage arrears in Russia', *Stockholm Institute of Transitional Economies Working Paper* No. 139, January. Note that this is a preliminary paper.
- Gereffi, G., 1995, 'Global commodity chains and third world development', Paper No. 3 prepared for the International Institute for Labour Studies Forum on Labour in a Changing World Economy, Bangkok, 23–6 January.
- Goodall, K., and M. Warner, 1997, 'Human resources in Sino-foreign joint ventures: selected case-studies in Shanghai, compared with Beijing', *International Journal of Human Resource Management*, Vol. 8, No. 5: 569–94.
- Gordon, R., and Li, D., 1997, 'Taxes and government incentives: Eastern Europe versus China', *CEPR Discussion Paper* No. 1657, June.
- Gore, L., 1999, 'The Communist legacy in post-Mao economic growth', *The China Journal*, January, Vol. 41: 25–54.
- Khan, A., K. Griffin and C. Riskin, 1998, 'Income distribution in urban China during the period of economic reform and globalization', mimeo.
- Knight, J., L. Song, and H. Jia., 1999, 'Chinese rural migrants in urban enterprises: three perspectives', in S. Cook and M. Maurer-Fazio (eds), 'The workers' state meets the market: labour in China's transition', *Journal of Development Studies*, special issue, Vol. 35, No. 3, February.

- Lee, E., 1996, 'Globalization and employment: is anxiety justified?', *International Labour Review*, Vol. 135, No. 5: 485–98.
- Li, F., and X. Han, 1994, 'Waichu Dagong Renyuan de Nianling Jiegou Ji Wenhua Goucheng – Zhonggou Nongcun Laodongli Liudong Wenti Yanjiu Zhiyi', ('The structures of age and education of out-flow labourers – part one of research on Chinese rural labour inter-regional flows'), *Zhonggou Nongcun Jingji*, ('China's rural economy'), Vol. 8, 10–14.
- Marx K., and F. Engels 1976, 'Manifesto of the Communist Party', in K. Marx and F. Engels, *The Collected Works*, London: Lawrence and Wishart, Vol. 6: 477–519.
- Maurer-Fazio, M., T. Rawski, and W. Zhang, 1999, 'Inequality in the rewards for holding up half the sky: gender wage gaps in China's urban labour market, 1988–1994', *The China Journal*, January, Vol. 41: 55–88.
- Manning, C., 1993, 'Examining both sides of the ledger: employment and wages during the new order', in C. Manning and J. Hardijono (eds), *Indonesia assessment 1993 – Labour: sharing the benefits of growth, political and social change*, Monograph No. 20, Research School of Pacific Studies, Canberra: Australian National University: 61–87.
- Nolan, P., and X. Wang, 1999, 'Beyond privatisation: institutional innovation and growth in China's large state-owned enterprises', *World Development*, January, Vol. 27, No. 1: 169–200.
- Rawski, T., 1998, 'China: prospects for full employment', mimeo, October.
- Riskin, C., 1995, 'Reform and system change in China', in J. Schor, and J-I. You (eds), *Capital, Labour and the State: A Global Perspective*, Aldershot: Edward Elgar: 319–44.
- Rodgers, R., 1996, 'Industrial relations in the Korean auto industry: the implications of industrial sector requirements and societal effects for international competitiveness', in F. Deyo (ed.), *Social Reconstructions of the World Automobile Industry*, Macmillan: 87–135.
- Rodrik, D., 1999, *The New Global Economy and Developing Countries: Making Openness Work*, Baltimore: John Hopkins University Press.
- Smart, A., 1995, 'Local capitalisms: situated social support for capitalist production in China', *Department of Geography, Chinese University of Hong Kong Occasional Paper Series No. 121*, Hong Kong: Chinese University of Hong Kong.
- State Statistical Bureau (SSB), *Statistical Yearbook of China*, Beijing: Zhongguo Tongji Chubanshe, various years.
- Veltmeyer, H., (n.d.), 'The restructuring of labour in Latin America', mimeo.
- World Bank, 1997, *China Engaged*, Washington DC: The World Bank.
- Zhang, F., and J. Zheng, 1998, 'The impact of multinational enterprises on economic structure and efficiency in China', mimeo.
- Zhou, D., 1994, 'Guangzhou 'Wailai Sangon' de Tiaocha Fenxi', ('An investigation and analysis of the "income temporary worker" in Guangzhou'), *Shehuixue Yanjiu*, ('Sociological studies'), No. 4: 47–55.
- Zweig, D., 1995 '“Developmental communities” on China's coast: the impact of trade, investment and transnational alliances', *Comparative Politics*, Vol. 27, No. 3, April: 253–74.