Changing labour regulations and labour standards in China: Retrospect and challenges

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Abstract. China’s global economic strength is underpinned by its manufacturing prowess, predicated on a disciplined, skilled but relatively low-paid workforce. Hence the State’s recent regulatory initiatives to improve employment conditions in response to growing labour unrest. In their introductory article, the coordinators of this Special Issue of the International Labour Review contextualize the contributions that follow by reviewing the broader debates on labour regulation in global production – particularly on “soft” vs “hard” regulation – and the changes that have occurred in China’s labour markets, labour regulations, labour standards and labour relations over the past decade. They conclude with suggestions for further research.

China’s resurgence as a global economic and political power is rooted in its success in becoming the hub for global manufacturing (Henderson and Nadvi, 2011; Henderson, Appelbaum and Ho, 2013; Nadvi, 2014). Yet China continues to attract negative attention for poor labour standards (A. Chan, 2003). Since the 1990s, trade unions and consumers’ groups in the West have drawn on
corporate social responsibility (CSR) arguments to exert pressure on transna-
tional corporations (TNCs) that invest in China or outsource production there
to improve working conditions amongst their Chinese suppliers and subsidiaries.
Growing interest in CSR has also given rise to a debate on the extent to which
CSR norms formulated and implemented by the private sector in the Global
North can effectively protect workers or improve working conditions in coun-
tries like China (Tiwari, Chang and Shepherd, 2004; Sum and Pun, 2005). While
the pressure of CSR comes from outside, forces within China have recently been
generating more significant changes in labour regulations and labour relations.
Since 2004, labour shortages and worker protests have resulted in substantial
wage gains and improved working conditions in export-oriented zones, such as
the Pearl River Delta. At the level of central Government, the Chinese State has
steadily legislated new regulations to protect the rights of workers. At the local
levels of provincial, municipal and even county government, researchers have
also found that the extent of implementation of these labour laws has increased
in recent years (C. Chan, 2010 and 2014). These developments suggest a new, and
generally more optimistic, perspective on the future of labour rights in China.

The idea of this Special Issue of the International Labour Review emerged
from a two-day international workshop on “Changing Labour Regulations in
China: Practice and Challenges”, which we organized in Hong Kong in January
2011 in order to consider those changes in China’s labour regulatory regime,
and their consequences for workers. Funded by the United Kingdom’s Eco-
nomic and Social Research Council as part of a grant for a research network
on “Rising Powers and Global Standards”, this major international workshop
brought together over 100 leading Chinese and international labour schol-
ars, trade unionists, and labour activists. The contributions presented here are
motivated by the changing environment of labour regulation, labour relations
and labour outcomes in China; and they consider whether the prospects for
labour standards in China do warrant an optimistic view of the future. How-
ever, the findings of this collection of articles suggest a more complicated pic-
ture: despite the recent regulatory changes, there remain significant problems
and barriers to better protection of labour rights.

As an introduction to the Special Issue, this article’s objectives are as fol-
lows. First, we aim to contextualize this collection by reviewing the broader
debates that have emerged within the literature on the regulation of labour in
global production, particularly the arguments and evidence advanced within
the Chinese context on the “soft” regulation of labour through private codes
of conduct and multi-stakeholder initiatives and “hard” regulation through le-
gislation and public enforcement. Second, we illustrate the changes that have
taken place in labour markets, labour regulations, labour standards and labour
relations in China in the past ten years. Third, we situate the main themes and
arguments of the articles presented in this collection. Fourth, and by way of
conclusion, we draw out the implications of these contributions for the broader
debate on labour regulations and labour standards in global production and
suggest possible directions for future research on labour in China.
Globalization and changing labour regulations

CSR and “soft” regulation

One of the key features of globalization, growing trade liberalization and the growth of outsourced global production networks has been the retreat of state-led regulation of business and the concomitant rise of private regulatory initiatives to govern labour in production. This resulted initially in company-specific codes of conduct, and later a number of sectoral initiatives driven by the growing engagement of private firms and civil society organizations in both defining and monitoring such forms of private regulation (Blowfeld and Frynas, 2005; Nadvi, 2008; Nadvi and Wältring, 2004; O’Rourke, 2003). Much of this has been captured in the concept of CSR. While the latter can have multiple meanings (Blowfeld and Frynas, 2005), for our purposes it can be defined as an attempt by corporate actors to include social, environmental and labour concerns within their core business activities, and to engage with a wide set of stakeholders that interact with, or are impacted by, their business activities (Lund-Thomsen and Pillay, 2012). CSR norms and private regulatory initiatives have thus sought to constrain management practices at a time when public regulation has been in retreat and the influence of organized labour on the decline.

At the same time, over the past 30 years retailers and brand manufacturers in developed countries have reorganized production by increasingly sourcing from a network of dispersed suppliers in the developing world where labour costs are much lower (Gereffi and Korzeniewicz, 1994; Gereffi, Humphrey and Sturgeon, 2005). The global value chain (GVC) framework emphasizes the power of global lead firms, and identifies the basis on which governance ties and attendant asymmetrical power relations are constructed between lead firms and their developing country suppliers (ibid.). In light manufacturing industries, like garments, GVCs are described as being “buyer-driven” (Gereffi, 1999). By 2004, China had become the world’s biggest garment exporter, with 26.6 per cent of global exports. The textile and garment industry accounted for 18.9 per cent of the country’s total manufacturing employment (C. Chan, 2010). However, working conditions in this industry were marked by low hourly pay, long and unstable working hours and detrimental environmental impacts. These features were linked to the competitive pressures within the international garment industry – including persistent demands from global buyers for higher quality, shorter delivery times, and lower prices – and to industrial upgrading strategies (A. Chan and Siu, 2010; Butollo, 2013).

While the GVC framework has tended to focus on inter-relationships between commercial actors within the value chain, the cognate Global Production Network (GPN) school has also considered the influence of other actors and factors, such as the State, regulatory frameworks and civil society actors, in determining how the networks are governed (Henderson et al., 2002; Coe, Dicken and Hess, 2008). Thus, while global buyers search the world for lower-cost suppliers, declining labour standards are also linked to the erosion
of the power of state authorities in developing countries to regulate labour in line with the process of economic liberalization. Countries often compete by “weakening” labour standards in order to attract footloose investments. As market drivers, Western retailers and brand manufacturers can indeed use their technical and financial power to exercise effective governance over GVCs and GPNs. And a critical area of governance within these global production arrangements centres on the implementation of standards, especially on working conditions and environmental practices (Gereffi, Humphrey and Sturgeon, 2005; Nadvi, 2008; Nadvi and Wältring, 2004). However, the GVC is not only shaped by the forces of transnational buyers, who can fuel a race to the bottom (A. Chan, 2003). It is also socially and culturally embedded in the social relations of the global political economy (Gereffi and Korzeniewicz, 1994). This means that other social actors can have a role to play in shaping labour standards.

Since the early 1990s, CSR has been presented as “soft” regulation implemented by transnational corporations (TNCs) to constrain the behaviour of their global suppliers (Jenkins, Pearson and Seyfang, 2002; Pearson and Seyfang, 2001; Sum and Pun, 2005). This induced the emergence of new social actors – namely, social networks of consumer movements, NGOs and trade unions – who press retailers and brand manufacturers to take social responsibility for workers within their production network by deploying the “name and shame” strategy (Hale and Willis, 2007). Under this pressure, many retailers or brand companies adopted their own codes of conduct, which set out minimum labour standards for their suppliers, while others collaborated with networks of NGOs and trade unions to form multi-stakeholder initiatives (Lund-Thomsen and Nadvi, 2010). However, monitoring the implementation of these codes at the supplier level remains problematic (Barrientos and Smith, 2007; Locke, 2013; Newell and Frynas, 2007). Recent studies further underline the ineffectiveness of such private initiatives in permeating down the value chain to lower-tier suppliers (Mezzadri, 2014; Nadvi and Raj-Riechert, forthcoming). An impact evaluation of one of the leading international multi-stakeholder initiatives, the United Kingdom-led Ethical Trade Initiative (ETI), showed that while the implementation of private CSR initiatives can help improve occupational safety and health and enhance outcome standards (such as wages and working conditions) amongst first-tier suppliers, such initiatives fail to strengthen process standards aimed at enabling labour rights, including the rights to organize and engage in collective bargaining (Barrientos and Smith, 2007).

These findings are consistent with many case studies on China, which reveal the weakness of private regulation in improving enabling rights, especially since independent trade unions are not legally allowed (Pun, 2005; A. Chan, 2009; C. Chan, 2013). CSR has therefore been criticized as “window dressing” by many labour scholars (C. Chan, 2010; Lin, 2010; Pun, 2005; Sum and Pun, 2005). The most poignant evidence came in 2010 when 13 migrant workers committed suicide in the Shenzhen factory of the Taiwanese-invested firm
Foxconn, Apple’s leading supplier. The suicides were seen as form of passive resistance to inhuman management practices and pressured working conditions in electronics manufacturing (J. Chan and Pun, 2010). Workers’ resistance to poor working conditions and management practices is increasingly well documented in China. Examples include the 2010 strike at the Honda car factory in Guangzhou (C. Chan and Hui, 2012 and 2014), and the April 2014 wildcat strikes in the leading sports footwear producer Yue Yuen – another Taiwanese-owned firm and the major first-tier supplier to Nike and Adidas – on the firm’s failure to make social insurance and pension payments as stipulated under national law. Together, these eye-catching incidents and the continuing rise in wildcat strikes across China serve to highlight the limitations of soft regulation based on private CSR in the Chinese context.

The role of the State and “hard” regulation

The emphasis on soft regulation and the downplaying of the role of the State have been criticized by many labour and industrial relations scholars who put the State and workers’ organizations at the centre of their inquiries. Weiss (1998) argued that it is a myth to claim that the State has become “powerless” in the new political economy. At least some nation-States still play significant roles in the regulation of labour and industry. Edwards and Elger (1999, p. 2) also argue for “[t]he path-dependent distinctiveness and the continual importance of national and regional forms of labour regulations”. More recently, a body of literature has emerged that points to a “regulatory renaissance”, highlighting the potential role that the State can play in the formulation and enforcement of labour standards and labour rights (Amengual, 2010; Coslovsky, 2014; Piore and Schrank, 2008; Pires, 2008; Sabel and Zeitlin, 2012). Drawing on evidence from Brazil, Pires (2008) and Coslovsky (2014) document how public labour inspectorates have assisted private firms in implementing national labour laws and inadvertently filled gaps left by privately run audits and inspections for compliance with private labour standards and codes of conduct. Similarly, Amengual (2010) uses evidence from the Dominican Republic to illustrate how public inspection can work alongside private codes of conduct; he stresses that what is often critical is to not emphasize public over private regulation, but rather the relationship between public and private measures.

Within the wider literature on labour in global production, the growing recognition that public regulation does matter to effective enforcement of labour standards (Locke, 2013) is consonant with what has been happening in China in the past two decades (C. Chan, 2014). The Chinese State has played an increasingly important role through labour legislation, or what we may term “hard” regulation. Yet, the implementation of such legislation is left
to the provincial and local levels of government, resulting in a degree of unevenness in compliance.

China’s current labour regulation framework began to develop during the post-1978 reform period. By the mid-1990s, a new legal framework for labour, wages and workers’ contractual rights had been established to replace the system of “socialist” administrative regulation (Ng and Warner, 1998; Taylor, Chang and Li, 2003; Clarke, Lee and Li, 2004). In 1993, the Ministry of Labour and Social Security issued the “Enterprise Minimum Wage Regulation”. More significantly, the Labour Law passed in 1994 laid down a foundation for workers’ legal and contractual rights, a mechanism for solving labour disputes, and a system of collective consultation and contracting between enterprise trade unions affiliated to the All China Federation of Trade Unions (ACFTU) and management.

However, as Chen (2007) has pointed out, most of China’s labour legislation is concerned with individual rights and thus cannot address the growing problem of conflict over collective interests. Even though a framework of “collective consultation” has technically been in place since 1994, independent trade unions are not allowed and most factory unions are offshoots of management structures; without an effective trade union to represent workers’ interests, neither tripartism nor the system of collective consultation and contracting can be implemented (Ng and Warner, 1998; Clarke, Lee and Li, 2004). Moreover, many of the individual rights enshrined in labour laws are, in reality, not always enforced (A. Chan, 2001). Local authorities can be passive on enforcement, and workers have often been paid below the legal minimum due to patron–client relations between local government officials and business (Cooke, 2005; A. Chan and Siu, 2010). Consequently, the labour dispute arbitration procedure has become the last (and often the sole) legal channel for solving individual and collective disputes between workers and their employers. The significance of this point is reflected in the phenomenal increase in the number of registered labour dispute cases – from 19,098 in 1994 to 226,391 in 2003 (China, various years) – despite the fact that the arbitration procedure is very time-consuming and complicated for workers to pursue (Lee, 2007).

The failure of the Chinese industrial relations framework to handle workers’ grievances has given rise to an emerging pattern of work stoppages, strikes and protests, bypassing the trade unions and the law. The right to strike is not recognized by law since it was removed from the Constitution in 1982 (Taylor, Chang and Li, 2003); and any action to disrupt social order is illegal under section 158 of the Penal Code. Studies thus show that strikes were “scattered, spontaneous and unorganised” in the early 1990s (Leung, 1998, p. 44), and based on “decentralization, cellular activism, and legalism” until the early 2000s (Lee, 2007, p. 236). Since the emergence of a “labour shortage” in 2004, however, more organized forms of collective action have been observed (C. Chan, 2010). The year 2004 is indeed seen as an important landmark in the development of the labour market, labour rights, and labour relations in China (C. Chan and Zhai, 2013). The following section outlines the developments in labour regulation that have taken place during this past decade.
China’s labour market and labour regulations since 2004

After China joined the World Trade Organization (WTO) in November 2001, the growth rate of the inflow of foreign direct investment (FDI), which had been in decline since 1994, returned to double digits: 14.9 per cent in 2001, 12.4 per cent in 2002 and 13.3 per cent in 2004 (see table 1). Since 2003, China had surpassed the United States to become the country with the highest level of FDI inflow in the world. Export-oriented manufacturers of light goods, such as toys and electronics, benefited from a tariff reduction after China joined the WTO, which led to rapid economic growth and an increase in job opportunities. This growth in light manufacturing exports was further stimulated by the phase-out of the Multi-Fibre Arrangement in January 2005, which reduced quota restrictions on Chinese textile and garment exports (although China maintained time-bound voluntary restraints for the major markets of the

Table 1. Foreign direct investment in China, 1990–2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Utilized FDI (US$ billion)</th>
<th>Change from previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>3.5</td>
<td>+3</td>
</tr>
<tr>
<td>1991</td>
<td>4.4</td>
<td>+26</td>
</tr>
<tr>
<td>1992</td>
<td>11.0</td>
<td>+150</td>
</tr>
<tr>
<td>1993</td>
<td>27.5</td>
<td>+150</td>
</tr>
<tr>
<td>1994</td>
<td>33.8</td>
<td>+23</td>
</tr>
<tr>
<td>1995</td>
<td>37.5</td>
<td>+11</td>
</tr>
<tr>
<td>1996</td>
<td>41.4</td>
<td>+9</td>
</tr>
<tr>
<td>1997</td>
<td>45.2</td>
<td>+8</td>
</tr>
<tr>
<td>1998</td>
<td>45.5</td>
<td>+1</td>
</tr>
<tr>
<td>1999</td>
<td>40.4</td>
<td>−11.2</td>
</tr>
<tr>
<td>2000</td>
<td>40.8</td>
<td>+0.94</td>
</tr>
<tr>
<td>2001</td>
<td>46.9</td>
<td>+14.9</td>
</tr>
<tr>
<td>2002</td>
<td>52.7</td>
<td>+12.4</td>
</tr>
<tr>
<td>2003</td>
<td>53.5</td>
<td>+1.5</td>
</tr>
<tr>
<td>2004</td>
<td>60.6</td>
<td>+13.3</td>
</tr>
<tr>
<td>2005</td>
<td>72.41</td>
<td>+19.42</td>
</tr>
<tr>
<td>2006</td>
<td>69.468</td>
<td>−4.06</td>
</tr>
<tr>
<td>2007</td>
<td>82.658</td>
<td>+13.8</td>
</tr>
<tr>
<td>2008</td>
<td>92.395</td>
<td>+23.58</td>
</tr>
<tr>
<td>2009</td>
<td>900.33</td>
<td>−2.56</td>
</tr>
<tr>
<td>2010</td>
<td>105.735</td>
<td>+17.44</td>
</tr>
<tr>
<td>2011</td>
<td>116.0</td>
<td>+9.72</td>
</tr>
</tbody>
</table>

Source: Ministry of Commerce, various years.

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2 For a detailed analysis, see C. Chan and Zhai (2013) and C. Chan (2010 and 2014).
United States and the European Union). Since the start of its transition to a market economy in 1978, China has always been heavily dependent on its export industries, but the years between 2003 and the onset of global economic recession in 2008 were a period of particularly rapid growth in exports. According to the World Bank (2009), China’s exports of goods and services as a percentage of its GDP jumped from 23 per cent in 2003 to 42 per cent in 2007.

Apart from these economic developments, there were also dramatic political changes in China after 2003. The ten years between 2003 and 2012 were acclaimed as “Hu-Wen’s New Deal” (Hu Wen Xin Zheng) by the media and China scholars (Cheng, 2012). This referred to the policies of President Hu Jintao and Premier Wen Jiabao who took power in 2003 with the avowed goal of constructing a “harmonious society”. In particular, they introduced a series of socio-economic reforms to protect the rights of farmers and “peasant workers”. In 2004, the Central Committee of the Chinese Communist Party (CCP) and the State Council issued a “Document No. 1” (yihao wenjian) entitled “Opinions on Policies for Facilitating Increases in Farmers’ Incomes”. The document focused on the stabilization of food production, increases in farmers’ income and infrastructural development in rural villages. It also highlighted the rights and interests of peasant workers, stating that “peasant workers are an important component of the production workforce” and therefore deserved state protection and basic civic rights. Since then, migrant workers have replaced urban workers as the key concern of the State’s employment and welfare policies.

These dramatic changes both in the urban economy – i.e. rapid growth driven by export-oriented manufacturing – and in the rural economy, through improvements in socio-economic conditions under the State’s new policy, have given rise to a new phenomenon since 2003: a shortage of rural labour willing to move to urban jobs (Mingong Huang). This stands in stark contrast to the “tidal wave of peasant workers” (Mingong Chao) seen during the early 1990s. The labour shortage spread from Fujian province to the Pearl River Delta and then to the Yangtse River Delta, and eventually to the whole country. Surveys conducted by the Ministry of Labour and Social Security revealed that 13 per cent more migrant workers were employed in 2004 than in 2003 (Nanfang Zhoumo, 2004a). But there were still shortages of at least 1 million workers in the Pearl River Delta and 300,000 in Shenzhen (idem, 2004b).

The recent labour shortages, particularly in the Pearl River Delta, reflect the desire of many migrant workers to seek employment nearer to home, resulting in higher levels of labour turnover, especially following the Chinese New Year break when flows of migrant workers to the Pearl River Delta often decline. This, in turn, has also led to shifts of capital. This process has been encouraged by the State at the central and provincial levels: the “Go West, Go

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1 The first document issued by the Central Committee of the Chinese Communist Party (CCP) each year is called “yihao wenjian” (Document No. 1). It usually refers to issues considered important by the CCP.
Out” policy has indeed promoted significant relocation of labour-intensive manufacturing facilities away from the coastal areas, especially in the garment industry of the Pearl River Delta, to inland provinces and abroad (Zhu and Pickles, 2014; Azmeh and Nadvi, 2014). These developments have generated a growing debate within China on whether the labour market has reached the “Lewisian turning point” of the classical dual-economy growth model, and whether this might result both in an increase in real wages and incomes for urban workers, and in additional investment in more capital- and knowledge-intensive production (Cai, Wang and Qu, 2014; Takada and Li, 2014; Wang, 2010). This debate remains moot: it may well be that China’s “turning point” is best understood in terms of regionally distinct, and uneven, patterns. What is apparent, however, is that these labour market dynamics clearly constitute an important agenda for ongoing industrial and labour policy-making at the central, provincial and local levels of government (Zhu and Pickles, 2014).

The labour shortages have had political and economic causes and encouraged labour activism in China. Labour shortages and increasing job opportunities have given Chinese workers greater bargaining power and the courage to exercise their “voice” and take action. Since 2004, there have been a series of semi-organized strikes, especially in the Pearl River Delta (C. Chan, 2010 and 2014). The wave of strikes reached a new high in 2010, when two remarkable outbreaks of worker protest occurred: the first was the series of workers’ suicides in Foxconn; and the second, the wave of strikes led by Honda workers. The former signified workers’ passive individual resistance, while the latter represented a proactive collective struggle. The Western media widely reported these two stories by highlighting China’s rising labour costs, alleging it was “the end of cheap Chinese labour”.4 The workers’ strike at the Honda car and engine factory resulted in a 32.4 to 70 per cent pay rise in June 2010. This, in turn, forced the Guangdong provincial government to increase the minimum wage rate significantly (idem, 2014). The provincial government had just increased the monthly minimum wage in May 2010 by almost 20 per cent, from 770 to 920 yuan, for Guangdong’s cities including Foshan, where the Honda strike took place.5 But after the wave of strikes led by Honda, the provincial government unusually announced another upward adjustment in the minimum wage, to 1,100 yuan in January 2011, effective from March 2011. In total, that meant a 42 per cent rise in minimum wages over a ten-month period.6

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5 In Guangdong province (except the Shenzhen Special Economic Zone, where minimum wages were decided by its city government), the minimum wage rates had been adjusted biennially since 2004 by the provincial government and less frequently before 2004.

6 See “The minimum wage rate in Guangdong raised by 21.1% on average in 2010”, in Xinhua Net, 18 March 2010; and “Guangdong raises its minimum wage rate on 1st March”, in Yangcheng Wanbao, 20 January 2011 (title translated from Chinese).
city government of Shenzhen, where the main Foxconn factory is located, announced an increase in the minimum wage within its jurisdiction, from 900 to 1,100 yuan a few days after Foxconn announced wage adjustments twice in the same week, increasing workers’ basic monthly pay from 900 to 2,000 yuan. In fact, such local government efforts to pacify striking workers by increasing minimum wage rates were not new. In Shenzhen, for example, the minimum wage had risen significantly since 2004.

As table 2 indicates, although the minimum wage has been adjusted almost annually in the Shenzhen Special Economic Zone, it has increased significantly only since 2005. This reflects two sources of pressure on local governments: the first is the “shortage of labour”, and the second, the wave of strikes (C. Chan, 2010). Since 2005, minimum wage increases have generally been higher than inflation, indicating a rise in real wage levels (see table 3 for inflation rates).

Apart from local government initiatives to increase the minimum wage in locations where strike activity and labour activism has been most pronounced, the central Government has also sought to strengthen workplace regulations and legislated better labour rights in response to workers’ unrest (idem, 2010 and 2014). Three new labour laws were passed in 2007: the Employment Promotion Law, the Labour Dispute Mediation and Arbitration Law and the Labour Contract Law. The Employment Promotion Law provided county governments with guidelines on monitoring employment agencies and facilitating vocational training. The Labour Dispute Mediation and Arbitration Law simplified the legal procedures for mediation and arbitration, thereby reducing their cost to workers in time and money. The Labour Contract Law sought to stabilize and regulate employment relations by making written contracts a legal obligation for employers and clearly specifying the conditions under which employers may legally terminate a labour contract, the procedures they must follow and their legal responsibilities should they fail to do so. Then, in 2010, the Social Insurance Law was passed, providing basic social security for the whole population. Two of these new laws – the Labour Contract Law and the Labour Dispute Mediation and Arbitration Law – aim to regulate workplace relations and limit labour conflict. The other two – the Employment Promotion Law and the Social Insurance Law – address problems in the broader labour market.

These developments could suggest an end to the era of cheap labour in China and a relatively more optimistic future for Chinese workers, marked by increasing real wages, better social protection and pension benefits, and improved labour rights. However, as will be shown by the articles in this Special Issue, the reality is more complex.

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7 See “Wage increases in the past week exceed those in the past ten years; Foxconn raises the entrance salaries to 2,000 yuan” in Oriental Morning Post, 8 June 2010; and “Wages of rank-and-file workers in Foxconn increased from 900 to 1,200 yuan”, in Shenzhen Commercial Daily, 9 June 2010 (titles translated from Chinese).
Table 2. The statutory minimum wage in Shenzhen Special Economic Zone, 2001–11

<table>
<thead>
<tr>
<th>Year</th>
<th>Minimum wage (yuan)</th>
<th>Increase (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001–02</td>
<td>574</td>
<td></td>
</tr>
<tr>
<td>2002–03</td>
<td>594</td>
<td>3.5</td>
</tr>
<tr>
<td>2003–04</td>
<td>600</td>
<td>1.0</td>
</tr>
<tr>
<td>2004–05</td>
<td>610</td>
<td>1.7</td>
</tr>
<tr>
<td>2005–06</td>
<td>690</td>
<td>13.1</td>
</tr>
<tr>
<td>2006–07</td>
<td>810</td>
<td>17.4</td>
</tr>
<tr>
<td>2007–08</td>
<td>850</td>
<td>4.9</td>
</tr>
<tr>
<td>2008–09</td>
<td>1000</td>
<td>17.6</td>
</tr>
<tr>
<td>2009–10</td>
<td>1000</td>
<td>0</td>
</tr>
<tr>
<td>2010–11</td>
<td>1 100</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Source: Shen Zhen Municipal Statistical Bureau, various years.

Table 3. National rates of inflation, 2005–12 (percentages)

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>1.8</td>
</tr>
<tr>
<td>2006</td>
<td>1.5</td>
</tr>
<tr>
<td>2007</td>
<td>4.8</td>
</tr>
<tr>
<td>2008</td>
<td>5.9</td>
</tr>
<tr>
<td>2009</td>
<td>-0.7</td>
</tr>
<tr>
<td>2010</td>
<td>3.3</td>
</tr>
<tr>
<td>2011</td>
<td>5.4</td>
</tr>
<tr>
<td>2012</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: China (2013).

Themes of the articles in this Special Issue

This collection of articles focuses on how labour regulations and their enforcement impact upon labour standards and working conditions in China. Our interest is motivated in large measure by two distinct strands of literature. The first is primarily concerned with conceptual and empirical research on labour regulation and the governance of labour standards and working conditions in the globalized production arrangements associated with GVCs and GPNs. The growing consensus within this literature is that private initiatives aimed at monitoring working conditions have not proven to be effective tools in ensuring good labour standards and decent working conditions within the diverse and extensive production networks that characterize today’s global economy. There is an increasing awareness amongst researchers of a need to look beyond private regulations encapsulated within company-specific codes.
of conduct and CSR frameworks and to identify how public policy can help to improve labour standards. The notion of a “regulatory renaissance” within the field of labour regulation and enforcement is in effect a reflection of the emergence of a post-neoliberal era characterized by recognition of the significance of state policy working in conjunction with the initiatives taken by other social actors. The other strand of literature that has influenced this collection is the now vast body of research on labour in China. This comprises extensive and empirically rich studies which have stressed that while China has experienced rapid economic and export growth over the past two decades, the working conditions and real wages of Chinese workers, especially migrant workers, have often been poor. This pattern has emerged in spite of the existence of private CSR initiatives, often at the behest of global brands and international non-governmental organizations. The increasing incidence of wildcat strikes and worker protests points to a rise in workers’ awareness of their rights, and in their willingness to engage in collective action to improve their conditions of employment. We have argued in this introductory article that the Chinese State has sought to engage with and respond to these pressures (C. Chan, 2010), most notably through a series of regulatory interventions aimed at improving the individual contractual rights of workers and strengthening the social floor through social insurance and pension provisioning. These advances are important, and have potentially positive implications for many Chinese workers, yet they fail to address a critical aspect of the debate, namely, collective labour rights (idem, 2014).

Within the wider context of these two broad strands of literature, the collection of articles presented in this Special Issue seeks to explore distinct aspects of the unfolding environment of labour regulation, labour organization and labour outcomes in China. Four substantive articles address this wider agenda through focused investigations into production regimes, labour dynamics and labour relations in the Chinese automotive sector (Lüthje); the relationship between regulations and China’s public labour inspection regime in enforcing regulatory initiatives (Ngok and Zhuang); the role of overseas business associations in lobbying and in seeking to shape the emergent labour regulatory environment (Hui and Chan); and the collective consultation strategy being used by the Chinese State and the ACFTU to defuse labour conflict (Wu and Sun). We outline here some of the main arguments made in these four articles, and how they inform the broader themes that are the focus of this Special Issue.

Boy Lüthje’s article looks at the relationship between production regimes and labour relations in the Chinese automotive industry, where labour strife and wildcat strikes have been significant. China’s auto industry is important not only because China is now the world’s single largest automobile market, but also because the industry features diverse forms of ownership (including many of the more prominent Chinese national and local state-owned firms, and joint ventures with leading European, American and Asian car manufacturers); production networks (of assembly plants and supplier factories); and
production regimes (which Lüthje categorizes as “state bureaucratic”, “corporate bureaucratic”, “corporate high performance”, “flexible mass production”, and “low-wage classic”). Lüthje observes that the Chinese auto industry is marked by two distinct and divergent tendencies – one characterized by industrial upgrading in production and signifying more “modern” labour practices in work organization and the other, by growing segmentation of the workforce. Lüthje’s typology of production regimes provides a basis for distinguishing different forms of work practices and labour relations within the industry. While auto workers appear to fare better in terms of wages and working conditions than workers in relatively more labour-intensive industries, upgrading within the auto industry and the growing adoption of lean manufacturing principles have, in effect, increased the intensity and pressure of work as greater emphasis is placed on productivity enhancement measures and labour flexibility. Lüthje’s study also underlines the growing disparity in wages, working conditions and employment stability between the leading, core assembly plants and their first- and second-tier suppliers. For example, the wave of strikes led by Honda workers in 2010 (C. Chan, 2014) took place at the lower end of the typology of production regimes, showing that the industry’s core workers, who enjoy better working conditions, were not mobilized and that a nationwide labour movement led by the automobile workers, as Silver (2003) imagined, may not come about in the near future. More generally, Lüthje’s article underlines the importance of detailed industry-specific studies that investigate labour relations on the basis of a careful understanding and analysis of the competitive, technological and work organization dynamics that impact on different groups of workers in different ways. The growing segmentation of the labour force observed by Lüthje in the automotive industry may well be prevalent across other manufacturing and service industries in China.

Wenjia Zhuang and Kinglun Ngok’s article investigates the labour inspection regime in China. As we have stressed earlier, there is growing recognition that labour inspectorates can play an important function both in ensuring better compliance with labour standards and in helping firms to address the root causes of non-compliance (Coslovsky, 2014; Piore and Schrank, 2008; Pires, 2008). Piore and Schrank (2008) distinguish between two types of labour inspection regimes: the “Anglo Saxon” and the “Latin” models. The former is one where labour inspection is framed around the enforcement of legal requirements and is relatively adversarial in nature. Such forms of labour inspection can also result in rent-seeking behaviour, especially in developing country contexts. The latter model, by contrast, emphasizes an approach where labour inspectors work proactively with firms to identify and address the root causes of non-compliance with labour regulations. This model appears to be especially prominent in parts of Latin America (see Coslovsky, 2014, and Pires, 2008, for evidence from Brazil). The literature on labour inspection regimes in China is relatively thin. Zhuang and Ngok address this gap. They find that despite China’s new labour legislation, the labour inspection regime remains ineffective and regionally uneven. They contend that the current system of
labour inspection in China is similar to the Anglo-Saxon model; it is built upon fragmented institutions (rather than centralized ones) and reactive regulatory practice (rather than proactive practices). The fragmentation of labour inspection in China implies highly uneven regional patterns and challenges in terms of the administrative and financial resources and human resource capacities of inspection agencies within provinces. It also implies that local labour inspectorates are prone to interventions by local government, whose interests are often closely allied to those of local business. Thus, despite the enactment of the new legislation, its effective enforcement on the ground remains a substantial challenge. To improve labour inspection practices in China and to ensure the full implementation of labour laws, Zhuang and Ngok suggest that tripartite cooperation between the Government, employers’ and employees’ representatives should be incorporated into the system. Another important suggestion they make is that there should be greater scope for linking the work of grass-roots trade unions and labour activists with that of public regulators. For this to come about, however, there is a need for more substantial reform of China’s trade union structure and of the role of the ACFTU. While there is much that the Chinese labour inspection administration could learn from its “Latin” counterpart, Zhuang and Ngok also note that reforms of the public regulatory machinery for the enforcement of labour laws in China are likely to develop into a hybrid model. The shape such a model might take calls for further enquiry, yet it is important to note that without effective reform of the administrative structures for labour enforcement in China, it is unlikely that the new legislation will, on its own, ensure more harmonious labour relations.

Although labour regulations in China are individual-rights-based (Chen, 2007), collective bargaining and direct elections of enterprise trade union officials (gonghui zhixuan) have become an important agenda of the Chinese party-State and the ACFTU since the wave of strikes ignited by the Honda workers in 2010 (C. Chan and Hui, 2014; Hui and Chan, forthcoming). In August 2010, the Guangdong provincial government resumed debate on a second draft of Regulations on the Democratic Management of Enterprises, after a suspension of almost two years since the global economic crisis. At the same time, the city of Shenzhen resumed public consultation on the Shenzhen Collective Consultation Ordinance (amended draft), which had also been suspended. However, neither of these two initiatives has been successfully legislated due to the opposition of global business and the party-State’s concern over independent trade unionism, as Elaine Hui and Chris Chan’s article elaborates. Their research also finds that the positions of the chambers of commerce that represent the interests of foreign investors are not uniform, but shaped by two determining factors – their position in global production chains and the industrial relations model in their home country. Business associations based in Hong Kong opposed the collective bargaining legislation most strongly because their members are typically small and medium-sized enterprises in the manufacturing industries which would be most affected by the legislation. Hong Kong is not only a major source of direct investment flows
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into other parts of China, but also the only region where collective bargaining is excluded from the legal framework. The implications of this article are two-fold. First, it reinforces the criticism of the TNCs’ approach to labour rights under systems of “soft” regulation. Second, it underlines the importance of not neglecting the role of global forces in shaping “hard” regulation in China alongside national and local actors.

The article by Wu and Sun investigates the model of industrial relations adopted by the Chinese Government, in which the ACFTU and its affiliated unions are considered the sole representatives of labour interests in collective consultations with employers. According to ACFTU data cited by Wu and Sun, collective consultation contracts covered some 267 million workers in 5.8 million enterprises in 2012. Such collective contracts can be negotiated at the enterprise, industry and regional levels. This forms the basis for the “normal” practice of negotiations on wages and working conditions between ACFTU affiliates (including formally designated enterprise-level unions) and enterprises. Firms are not required by law to agree to such collective consultation processes, but unions can call on the State to intervene to ensure that employers engage with the consultative process and conclude collective contracts. This unique system of “collective bargaining” thus features extensive involvement by local levels of government and by the ACFTU, which remains at its core a party, and thus state, body.

The actual practice of collective consultation suggests something very far from real collective bargaining and has little impact on workers’ actual wages and working conditions. At the central level, the ACFTU and the State set quotas of collective contracts that have to be signed at provincial and local levels. Since the emphasis is on the numbers of collective contracts to be concluded rather than on their content or the extent to which they are enforced, local level unions – with the support of local government agencies – “encourage” employers to sign contracts that are often copied verbatim from higher-level contracts and legislation in order to show that they are meeting central government targets. While in practice this may ensure that enterprises engage with ACFTU affiliates supported by local government, it effectively makes the pursuit of collective consultation an administrative and political tool rather than a means of better enforcing public labour regulations or improving outcomes for workers. One implication of this insight into industrial relations practices in China is that the bureaucratization of collective consultation leaves workers with scant formal channels to seek redress on issues relating to working conditions and labour rights. Reforms of these procedures and, implicitly, of ACFTU structures are necessary in order to improve real labour negotiations and industrial relations and to reduce the incidence of wildcat actions.

Finally, this collection includes two brief notes. The first (by Zhu, Chen and Zhao) addresses the issue of occupational safety and health (OSH) and the challenges that China’s rapid industrialization has posed for the safety and well-being of workers. The note highlights the main obstacles to the effective implementation of OSH regulations in China. Drawing on qualitative
case study interviews with 25 injured workers, the authors illustrate the difficulties faced by victims in addressing the issues associated with work-related injuries. The second note (by Wang) considers the relationship between social protection and labour market mobility in China. It emphasizes the fact that urban labour shortages also imply growing rural labour surpluses, and that there needs to be more careful alignment between social protection measures and labour dynamics to ensure more effective and improved forms of labour mobility. The note draws on a case study of Zhoushan, a prefecture-level city in Zhejiang province, to show that structural urban labour shortages can persist alongside rural labour surpluses and that rural-to-urban labour mobility may face structural impediments, including skills and social security provisioning for rural migrants.

Conclusion
Although CSR and private “soft” regulation have been highlighted as an effective alternative for the protection of labour rights in the age of globalization and weakened state power, the evidence from China tells a different story. Here, it seems that it is the Chinese state and its “hard” public regulation that may provide more effective protection for workers, especially for China’s vast numbers of migrant workers who have limited “Hukou” (local citizenship) rights. Recent years have seen growing labour strife and the power of workers’ activism becoming the important forces behind improvement in wages and working conditions. Such forms of labour activism and the growing shortages of skilled workers in many of the coastal zones have also acted as key drivers of the Chinese State’s greater engagement in labour legislation and labour policy (C. Chan, 2010 and 2014). This suggests a relatively brighter outlook for Chinese workers, as more effective public regulation leads to improved labour outcomes. One significant measure of this trend is the substantial increase in wages seen in China over the past decade.

The selection of contributions in this Special Issue was motivated by this changing scenario of labour regulation and labour organization and asks what it might imply for improving labour standards in China. The findings of the articles suggest a much more mixed picture than has often been assumed. For example, significant labour conflicts occurred in the auto industry in 2010 (C. Chan and Hui, 2014), although this industry was considered to provide relatively elite working conditions and wages for Chinese workers. On this point, Lüthje’s study illustrates how labour organization and GVC dynamics result in growing differentiation across the labour force of the automotive industry and impact upon unrest amongst auto workers. Zhuang and Ngok’s article stresses the need for caution on the effect that improved labour regulations could have in China given the inherent weaknesses and regionally uneven practices of labour inspection. The article by Hui and Chan underlines the need to consider the significant role of external actors in the shaping, formulation and implementation of labour regulations in China. And finally, as explored by Wu and
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sun, the administrative practices inherent in the chinese state model of industrial relations, structured around collective consultations, raise further questions about the efficacy with which these arrangements actually address wages, working conditions or workers’ outcomes.

what is clear from this collection of articles is that despite the growing importance of public regulatory interventions around labour, labour contracts and worker’s contractual rights, the chinese state is not homogenous and its role in the protection of labour rights is multifaceted and uneven. the implication is that in places where workers’ power is weak, the local government may not effectively implement labour regulations. moreover, where the collective institutions of industrial capital are better mobilized, their own associational power to pressure the government may well imply that workers’ power to influence state policy is constrained. this calls for further and more detailed research into changes in china’s labour regimes resulting from shifts in labour regulations and labour dynamics, and their implications for labour standards. we conclude by suggesting a number of areas where such further studies, drawing on multi-disciplinary approaches, and providing more nuanced, more substantial and more rigorous evidence, would be helpful.

first, there is a need for more careful analysis of the chinese state by labour scholars, within the framework of the broader social relations between labour and capital at the global, national and local levels (jessop, 2008). this implies both conceptual and empirical work. it also includes the need to understand better the relationships between national and local levels of government in china. furthermore, it calls for a more in-depth understanding of the evolving nature of political consensus in china and an understanding of why an effective social contract or a social consensus around labour standards or csr norms in production remains somewhat out of reach in the chinese context (knorringa and nadvi, 2014; lin, 2010).

second, the questions about collective bargaining should be further examined. although the shenzhen collective consultation ordinance and guangdong democratic management regulations have been suspended as hui and chan report, a softer version of the guangdong province enterprise collective contract regulations was passed in september 2014 with effect from january 2015. its impact on workers’ activism and workplace relations is an important issue to be examined. in guangdong, pilots of direct trade union elections and collective bargaining have been carried out in the core cities of the pearl river delta such as guangzhou, shenzhen, foshan and dongguan (hui and chan, forthcoming). further evaluation of such projects within the pearl river delta will be helpful to inform both theoretical reflection and policy on industrial relations more widely, across other regions in china. this raises broader questions as to whether, why and how guangdong – the first province to be opened up to labour-intensive export manufacturing – will offer lessons to other parts of the country in terms of bringing about more effective labour regulations, better labour relations and consequently improved labour standards.
Third, while labour-intensive manufacturing industries have begun to relocate from the coastal metropolitan cities to lower-wage inner provinces in response to the local government’s campaign for industrial upgrading and for lowering businesses’ production costs (Zhu and Pickles, 2014), questions arise as to what impacts this is likely to have on labour regimes and worker’s conditions both in the inner provinces and in the coastal regions. In the early 2000s, the internal relocation was from the Pearl River Delta to the Yangtse River Delta; the new pattern is from both of these regions to inland provinces and from the Pearl River Delta to the outskirts of Guangdong, or from the South Jiangsu region to North Jiangsu. Building on Zhuang and Ngok’s article, further comparative studies of local labour regimes, including local practices on labour inspection, will help to reveal the impact of industrial relocation on regional patterns of labour standards.

Fourth, this uneven pattern of labour rights protection is also shaped by other factors, such as the form of ownership, industry, and area of protection. One can indeed assume that the level of enforcement of labour laws varies between state-owned and foreign-invested enterprises, technology-intensive and labour-intensive industries, wage and social security protections, and individual and collective rights. To clarify this complicated picture, the implementation of various labour regulations and its impact on labour standards must be studied in comparative perspective. Similarly, while Lüthje’s article aptly captures the dynamics of the automobile industry, more research is needed on other industries that have been relatively less well explored (e.g. services, construction and heavy manufacturing), where labour standards issues and associated labour conflict remain germane.

Fifth, although China’s economic growth in the post-reform era has been predicated on its export manufacturing performance, the Chinese State has, since the 2008 global economic crisis, begun to recognize the economic importance of the domestic market and domestic consumption. Robust and sustained growth within the Chinese market has prompted Western retailers and brands to view China not only as a manufacturing platform but also as a key end market for industries as diverse as electronics, clothing, sports goods, foods and automobiles. Many Chinese producers have also begun to refocus their energies on the domestic market. This then raises questions as to whether and how rising domestic consumption, and a large and growing middle class, might influence labour and environmental considerations in the Chinese context (Guarin and Knorringa, 2014), and how the State might respond to this in terms of regulatory interventions.

Finally, while there is much specificity inherent in China’s experience of labour regulation and labour activism, there are also a number of important lessons to be drawn for other parts of the world. The growing interest in emerging economies and the very different patterns of labour regulation, labour inspection and labour practices seen across China, Brazil and India call for further international comparative analysis of labour regimes across these rising powers and how they are shaped (Nadvi, 2014). Furthermore, Chinese
capital is increasingly internationalizing, with Chinese firms investing in primary commodities, manufacturing, construction and service industries across the developed and developing worlds. In many cases these international movements of Chinese capital are accompanied by international movements of Chinese labour. What are the labour regimes that govern these Chinese migrant workers? How do Chinese firms that are becoming global players engage with labour issues in the management of their own complex supply chains, including on the wages of workers from lower-income countries and their working conditions?

The contributions to this Special Issue of the *International Labour Review* illustrate the changing dynamics of labour regulations and labour standards in China. The recent rise in grass-roots labour activism alongside proactive changes in labour regulations highlights the fact that the nature of labour regimes in China is rapidly evolving. The articles presented in this collection analyse aspects of these changes and suggest caution in considering whether the overall outcomes are positive. What they do bear out is that this remains an area of contestation calling for further reforms and regulatory interventions in order to bring about better labour standards in China.

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