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Collaborative Socially Responsible Practices for Improving the Position of Chinese Workers in Global Supply Chains

Peter S. Hofman [1], Bin Wu [2], Kaiming Liu [3*]

1. Nottingham University Business School China, Ningbo, China
2. School of Contemporary Chinese Studies, University of Nottingham, United Kingdom
3. Institute of Contemporary Observation (ICO), Shenzhen, China

ABSTRACT

We introduce and evaluate three projects with the participation of 40 supplier firms in the Chinese coastal provinces of Guangdong, Jiangsu and Zhejiang that represent multi-stakeholder efforts to take into account the interests of workers by providing alternative channels through which workers can voice their concerns. The supplier firms took on these projects as part of their efforts to develop corporate social responsibility and as a way to reduce worker dissatisfaction and employee turnover. Our research, including literature and empirical review, reveals that Chinese workers, especially migrant workers, have limited channels to voice their concerns as existing actors such as trade unions and local government tend to be mostly concerned with the interests and performance of the supplier firms. The projects fill an institutional void in employer-employee relations within Chinese supplier firms as they provide alternative channels for workers to voice their concerns. Both the supplier firms and their workers who participated in the projects have benefitted as firms take measures to enhance worker satisfaction while the reduced employee turnover has a positive impact on firm performance. The role of civil society organisations focussing on labour interests was a crucial feature of the projects, both in terms of capacity building for workers as in terms of independent operation relative to the management of the firms. We propose that these collaborative socially responsible practices are a potential way forward to both strengthen the position of workers and supplier firms in global supply chains.

Key words: China, corporate social responsibility, employee voice, global supply chains, stakeholders, employee turnover, supplier firms

Introduction

In the last decades China has become strongly integrated into the world economy and Chinese firms now play a key role as suppliers in global production chains. The success of this is partly attributable to a focus on low-cost manufacturing of mature products, significant FDI flows, and an abundant and relatively cheap workforce (Rodrik, 2006; Brandt et al, 2008; Zhang et al., 2009; Deng & Li, 2012). The challenge for the continuation of economic growth depends more and more on the ability of Chinese firms to create more value and increase innovativeness (Altenburg et al., 2008; Zhang et al., 2009; Yue & Evenett, 2010; Barrientos et al, 2011; Deng et al., 2013). This also has implications for labour relations in Chinese firms. Chinese firms' management will find there are increasingly stronger arguments to shift their relation towards the workforce from mostly exploitative to more supportive as it becomes more important to attract a skilled workforce, invest in workers and their skills, and improve retention of workers (Zhang et al., 2009; Jiang et al, 2009). Apart from being driven by the desire and need to improve the position of supplier firms within global value chains, this process is also driven by domestic forces such as a stronger voice of workers towards their employers, illustrated by rising conflicts between workers and employers, increasing strikes and labour shortages in China's coastal provinces (Chen and Estreicher, 2011; Friedman, 2012), and increasing labour costs and domestic policies supporting a focus on innovation in Chinese firms (Zhang et al, 2009). As employer-employee and broader industrial relations (including roles of unions, government and civil society organisations) are an important part of corporate social responsibility, this paper explores the role of CSR practices as a potential win-win for both employers and employees in Chinese supplier firms.

We evaluate three projects with the participation of 40 supplier firms in the Chinese coastal provinces of Guangdong, Jiangsu and Zhejiang that represent efforts to take into account the interests of workers, including a capacity building and goal setting program for employees, the set-up of workers committees, and a confidential hotline for workers. The projects were joint efforts from Chinese and international civil society organizations, Western TNCs and Chinese supplier firms. Chinese supplier firms have mostly been confronted with corporate social responsibility through the requirements set by code of conducts of buyer firms. Several studies have indicated that Chinese supplier firms see CSR and buyers' codes of conduct as being externally imposed and that most firms' strategies were focussed on circumventing the rules of TNCs code of conducts so as to reduce labour costs or implementing more rigorous 'Taylorist' production regimes for their workers (Sum and Pun, 2005; Jiang, 2009; Yu, 2008). More recently, there is some evidence that supplier firms' have a more intrinsic interest to develop CSR practices as they realise the potential positive impacts on their workers in terms of loyalty and motivation (Pai and Yuen-Tsang, 2011; Yin and Zhang, 2012; Hofman and Newman,

2014). This paper extends this discussion further by identifying key elements and mechanisms in the three CSR projects in terms of involved stakeholders, specifics of organization, process and outcomes and the way these impact workers and employers. Key questions the paper addresses are: Do CSR practices that focus on worker empowerment and development lead to increased loyalty, higher attractiveness and reduced conflicts for firms? What are relevant features of these CSR projects that enhance involvement of workers and legitimacy of these CSR practices for the workers?

The paper is organised as follows. We start by sketching the contemporary setting regarding the position of (migrant) labour in Chinese supplier firms. This is followed by a section where we identify potential ways forward to strengthen the position of workers in suppliers firms and to strengthen the position of these supplier firms in global supply chains. The next section introduces three projects where CSR-oriented practices were implemented in a range of supplier firms through joint efforts of various stakeholders. We then proceed to draw key lessons and implications from these projects and end with a concluding section.

The position of (migrant) labour in Chinese supplier firms

China's economic achievements since the 1980s are to a significant extent based on the mobilisation and full utilisation of its human resources, especially hundreds of millions of so-called 'rural migrant workers', who have moved from the countryside to non-agricultural employment in urban areas but have kept their rural identity due to their fixed rural hukou registration (Chan, 2010). While migrant workers have made an important contribution to China's industrialisation, urbanisation and in particular the growth of its export-oriented economy, in return they have generally experienced low wages (even though higher than in the rural areas where they migrate from), long working hours, poor working conditions and social discrimination (Chan and Siu, 2010; Chan, 2010; Ngai et al, 2010). This arrangement based upon a growth model with utilization of cheap migrant labour lasted for more than two decades, but seems to be approaching its end due to the shortage of migrant workers, soaring of wages (and thus stronger competition from other low-cost and labour-intensive production sites) and increasing discontent with rising inequality in China as evident from the unprecedented growth in labour unrests and conflicts in recent years (Ngai et al, 2010; Chan, 2012; Deng and Li, 2012). An assessment of recent developments in the nature of (1) labour disputes, (2) rate of employee turnover, (3) lack of workplace dignity and (4) worker strikes, give insight in these sources of worker dissatisfaction. Understanding these sources then also provides the basis for a consequent section in this paper where we focus on aspects of more responsible practices towards workers that can help to reduce dissatisfaction.

1) Labour disputes

The number of labour disputes has increased significantly in the past decade. According to data provided by the Chinese Ministry of Labour and Social Security there were 1,287,400 cases of labour disputes reported in 2010 compared with 930,000 in 2008, 314,000 in 2005 and 19,098 in 1994 (HRSS, 2008; 2011). The increase in the number of cases is related to the implementation of the 2008 Labour Contract Law and the 2008 Labour Dispute Arbitration and Mediation Law. These laws represent an effort of Chinese government to enhance the protection of worker's rights and provide more means for workers to bring their cases and grievances to mediation and arbitration committees.

Table 1: Labour dispute cases in 2010, per type of dispute

Type of dispute	No. of cases	% of total
Dismissing labour contract	31,915	5.31%
Signing labour contract	11,844	1.97%
Confirmation of labour relation	24,368	4.06%
Compensation for breaking agreement	132,137	21.99%
Social welfare and security	145,399	24.20%
Wage matter	209,968	34.94%
Other	45,234	7.53%
Total	600,765	100%

Source: The Statistics and Analysis on Settlement of Labour Disputes in China 2010 (2010 年全国劳动人事争议处理情况统计分析)
http://www.labournet.com.cn/ldzy/ckzl/t21.htm

While there has been an increasing effort to solve cases through mediation, in 2010 the total number of cases going to arbitration reached around 600,000 and table 1 shows that 81.13% of cases were related to wage and social welfare issues. Various studies also indicate that the new Labour Contract Law and the Labour Dispute and Arbitration and Mediation Law has led to an increase of workers claiming their legal rights while most of the cases involve disputes regarding overtime pay, wage delays or employers not paying full wages to workers (Su and He, 2010; Li, 2011; Feng, 2012). Studies have indicated that the number of workers without a written labour contract has decreased with the new labour contract law but can still be up to 40% of workers in private SMEs as the implementation and enforcement of the labour laws is limited due to lack of capacity, resource limitations and guanxi of employers (Ho, 2009; Li, 2011). The broader picture however is that most workers do not use the mediation and arbitration committees for their grievances as they are either not aware of this channel, lack time and opportunity to pursue it, believe it is biased towards management of the firms or have broader demands for higher wages and better work conditions (Su and He, 2010; Li, 2011; Friedman, 2012).

2) Employee turnover

Employee turnover in Chinese firms tends to be high, particularly for Chinese supplier firms (Zhang et al., 2009; Jiang et al., 2009). This indicates that workers mostly adopt an exit strategy rather than voicing their dissatisfaction with poor working conditions and low wages towards employers. In an empirical study of 210 export-led factories conducted from 2008 to 2009 the average annual turnover rate of employees exceeded 50% in firms in the Pearl River Delta and Yangtze River Delta (Liu et al, 2013). Employee turnover was significantly higher in electronics factories. Research in 15 electronics firms located in Guangdong from December 2010 to March 2011 showed an average annual turnover rate of 89% (Liu et al, 2013). Other studies also report high turnover levels and confirm the link with employee dissatisfaction (Jiang et al, 2009; Tian-Foreman, 2009). These studies indicate that migrant workers feel limited commitment to their employers because they are not treated well by their supervisors and employers. This is accompanied by limited potential for further personal and career development within firms – as migrant workers are mostly considered temporary personnel, in many cases without official contract (Ngai et al, 2010; Cooke, 2011a). This lack of belonging to the firm and the local community is also maintained through the existing hukou-system and lack of local government and union support for migrant workers (Chan, 2010; Cooke, 2011a). While turnover also tends to be high for skilled workers, the situation they are in is different from migrant workers as they tend to be able to get residential status while they are also in high demand. An increasing number of Chinese supplier firms, such as in the electronics sectors, try to improve their position in the global supply chain and aim to capture more value by increasing quality and innovativeness of their products (Zhang et al, 2009; Yue and Evenett, 2010). Low retention of workers is a problem for supplier firms especially when firms aim to increase quality and innovativeness through training programs that can enhance skill levels of their workers.

3) Workplace dignity

The whole of China and the international community was shocked by the more than 15 suicides in 2010 at Foxconn's Shenzhen plant, the biggest electronics manufacturing factory in the world. The tragedy has drawn public attention to the fragile life of Chinese workers. Even more, it offers an opportunity for the public, industrial leaders, academic scholars and policy makers in China and beyond to think about labour costs for the world factory in general and the limitations of the current labour regime and cheap labour strategy in particular. Foxconn is the subsidiary company of Hon Hai Precision Industry Company Ltd. Terry Guo founded it in 1974 with US$7,500 in Taiwan, and started its business in mainland China in 1987 from a small factory (less than 200 workers) in Shenzhen, and developed it into a global corporation now ranked 109 at Fortune Global 500, with 900,000 employees in mainland China in 2010 and 420,000 employees in

Shenzhen alone. The company fiscal report (2010) states its manpower increased 9.7% from 2008 to 2009, but its total labour cost was reduced with 28%, and its labour cost/capital ratio was reduced with 34% (Foxconn, 2010: 68)[1].

More than 80% of Foxconn's employees are migrant workers. Foxconn is an original equipment manufacturer (OEM), and produces the products of brand names worldwide such as Apple, Nokia, Motorola, H&P, Sony and Dell. In July 2004, research was carried out that included interviews of Foxconn's workers. Workers indicated they had to endure long working hours, had low wages and limited benefits, experienced poor communication within the firm and would get serious punitive measures if not following company's rules (Liu and Deng, 2005). Workers interviewed stated they have a gray life and extremely repetitive job. They have to repeat continuously a simple routine action 10-12 hours every day like a machine without any social space. Research conducted after the events in 2010 confirms that workers are very strongly disciplined and are subjective to an extreme production regime with very little room for social contacts (Ngai and Chan, 2012). The research of Lucas et al (2013) indicates that workers are treated with little respect and experience a lack of workplace dignity. An independent team of researchers from China, Hong Kong and Taiwan concluded that the suicides are the result of total desperation, alienation and isolation of several of the migrant workers at Foxconn (Ngai and Chan, 2012). Their research also uncovered the use of underage workers recruited as interns from schools, a system supported by local school and government officials who would receive certain benefits in return (Ngai & Chan, 2012). Investigation of labour practices took also place by the Fair Labour Association after Foxconn's major client Apple became a member of the FLA. The FLA found serious and pressing non-compliances with the FLA's code of conduct as well as with the Chinese Labour Law (FLA, 2012). Several measures have been taken and are underway by Foxconn to address these issues (FLA, 2012). In a broader assessment on labor practices the FLA reports excessive working hours are widespread among Chinese supplier firms in the garment industry and electronics manufacturing with detrimental effects on productivity, quality and loyalty (FLA, 2011). They suggest adjustments in labor practices that can reduce these detrimental effects, apart from reducing working hours this also includes a focus on training and strategies to increase retention, which we will also focus on in subsequent sections.

4)   Worker strikes: collective action against poor working conditions
An increasing number of strikes in the last decade within China indicate a rising discontent of workers with their working conditions (Chen, 2010; Chan, 2009, 2012; Friedman, 2012). These collective actions are more sensitive than individual actions and prohibited inside or outside factories. Being aware of their limited rights and possible

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[1] Foxconn International Holding Group fiscal Report 2010, Page 68,
http://pg.jrj.com.cn/acc/HK_DISC/stock_time/2011/04/08/001184514-0.PDF

consequences, Chinese workers would try to avoid a strike unless they have no other choice to have their interests being taken into account. Most were focused on wage, welfare and compensation of termination, as well as compensation of work-related injury/occupational disease. A new phenomenon emerging in recent years is that in some strikes workers raised more fundamental rights' issues, including the selection or re-organization of trade unions to represent their interests (Chen, 2010; Chan, 2012; Chan and Hui, 2012). The typical case is the strike at the Nanhai Honda factory in Foshan, Guangdong province, in 2010 where workers in a 17-day strike demanded "a wage increase of 800 RMB, a seniority subsidy, a better promotion system, and a democratic reform of the enterprise trade union" (Chan, 2012: 319). Initial negotiations between the workers, the factory union (unknown by most workers) and the firm's management broke down and when the factory fired the two workers that initiated the strike, it turned into a broader movement. Although the enterprise union tried to resolve the issues it failed as the workers' felt it was not representing them but mainly the management of the firm. Only after the workers were allowed to elect several representatives themselves who became involved in the negotiations with the firms' management and were assisted by external experts, a solution was reached involving a wage rise of 500 RMB (32.4%) for workers. Later in 2010 elections of trade union representatives took place under the supervision of the provincial trade union federation but workers' voiced concern that candidates were controlled by management. However, in 2011 a new round of negotiations of the newly elected enterprise trade union with the firms' led to an agreement of a further rise in wages with 611 RMB (Chan and Hui, 2012). The initial strike in Honda received widespread media coverage as it led to the halting of production in several Honda factories that depended on the components of the Nanhai Honda plant. It also triggered a wave of strikes in other plants from Honda, Toyota and several other automotive supplier firms (Chan and Hui, 2012). In 2012 a further direct election of trade union representative took place at an electronics firm in Shenzhen, Guangdong, after workers had demanded wage increases and reform to a more democratic union (Nanfang Daily, 2012; Hui, 2012). The Nanfang Daily newspaper also reported that direct elections of union representatives and collective wage bargaining at another electronics firm in 2011 led to a reduction of employee turnover and increased loyalty (Nanfang Daily, 2012). According to Chan and Hui (2012) the movement towards direct union elections and collective bargaining has been controlled by government intervention such as by repressing key activists and activists' organisations and by its stronger involvement in wage bargaining. Overall the emergence of workers' collective action indicate that Chinese workers are more aware of their rights and the potential strength of mobilising their efforts while also several firms have negotiated deals that have led to increased loyalty of workers. Although still fragmented and mostly isolated cases this shows some potential for strategies that focus on increasing channels for workers voicing their concerns towards employers instead of relying mostly on exit options.

Providing channels for workers' voice: Towards a collaborative stakeholder model

The previous section suggests significant and increasing dissatisfaction of workers with the way they are treated within Chinese firms. There is also evidence that it is more difficult for firms to ignore this dissatisfaction as workers' availability has become less abundant while the government has become more responsive to and less inclined to suppress the workers' claims. New labour laws were intended to enhance workers' rights and to strengthen processes of conflict resolution within and outside of firms. The effects of these have been mixed until now: while it has created more scope for workers to claim their rights, it has also led firms to circumvent the new rules by firing workers that were on the verge of a permanent contract and by increasing the use external employment agencies for their employees or so-called dispatch workers (Cooke, 2009; Friedman and Lee, 2010; Li, 2011). Moreover the practice of not establishing formal contracts is continued for millions of migrant workers (Cooke, 2011b; Li, 2011). Implementation and enforcement of the new labour laws is also mixed and mostly at the discretion of the local governments who more often than not tend to give economic development and employers priority over the interests of workers (Su and He, 2010). Overall the picture is that the strong reliance on the rule of the law and its top-down implementation has only a limited positive effect on employees as they perceive a lack of support on the local level specifically from local government and the trade union.

Nevertheless there also signs that a range of firms have taken interests of employees more into account, in some cases as a way to solve and reduce conflicts. Several cases of enhanced employer-employee relations have relied on providing channels for workers to express their voice and concerns – which were then taken seriously by management. In several studies exploitation, ill-treatment and ignorance of workers and their interest by their supervisors has been identified as a major source for dissatisfaction and exit (Jiang et al, 2009; Tian-Foreman, 2009; Ngai and Chan, 2011; Lucas et al, 2013). Academic research has provided evidence that stronger voice will enhance work satisfaction (Morrison, 2011; Si & Li, 2012). There has been limited work on understanding the various channels through which employees can express their voices and their awareness and ability to express their voice. This is particularly relevant in the Chinese context as the role of the union as a traditional channel for employee voice is much more limited due to its primary function of supporting management in achieving a productive enterprise and the perception of it being an extension of government (Benson et al, 2000; Chan, 2009; Cooke, 2011b; Friedman et al, 2010). In other cases there has been a stronger focus on the development of workers – so that they feel their work is providing opportunities for further personal and career development. In a recent study Si and Li

(2012) find that comprehensive training reduced employee turnover and a focus on developmental performance appraisal increased employee loyalty.

Our study extends the previous research on the relationship between employee voice, worker development and employee satisfaction. We investigate a number of projects where the focus was on enhancing workers' empowerment through various channels. The projects included a combination of capacity building and creating channels for workers' voice. The projects involved multiple stakeholders such as domestic civil society organisations focussing on labour issues, international NGOs, industry associations, multinational corporations, supplier firms, local managers, employees and migrant workers. The whole rational behind the projects is the idea of mutual interest in strengthening the position of workers within supplier firms. Our key assumption is that a process of empowerment of workers will increase worker satisfaction and lead to reduced turnover, thus benefitting both employees and employers. Elements in the process of empowerment include capacity building so as to raise awareness of workers regarding their rights, potential channels through which they can raise their concerns, and some insight in the nature of workers' obligations and rights and in the negotiation position of workers relative to employers. A further element is the creation of various channels through which workers can express their concerns and where workers are not confronted with direct reciprocal action from employers. This implies that the organisation of this voicing channel needs to have some independence relative to the employer so as to be able to gain trust from the workers. A final element includes some level of coordination and communication between different stakeholders involved in capacity building and the creation of channels for workers' voices and the supplier firm. The basis for success of this collaborative model is that employers and employees treat each other with respect, and that legitimate concerns expressed by workers will be dealt with by the employers. Overall we propose this as a model of collaborative socially responsible practices, see figure 1, to enhance the position of workers in global supply chains that can be successful if the following conditions are met:

- Meaningful w*orkers' participation*: workers as the most important stakeholder should be put at the top of the communication, interaction and cooperation in order to ensure that the actions and solutions developed reflect their concerns and needs. Without direct participation and contribution from workers, any measures or incentives, even those aimed at workers' interests such as the increase of wage or improvement of their welfare that take not into the concerns, needs and priorities of workers, are likely to fail. Various studies have indicated although wage issues are important for workers in several instances issues related to treatment with respect, the potential for personal and career development, and the opportunity to have a meaningful worker representation were considered more important by workers.
- Engagement of multiple stakeholders: various studies have suggested that workers concerns have not been taken seriously by employers, unions, local governments,

and CCP branches within factories. The engagement of stakeholders such as labour CSOs, international NGOs, transnational corporations, and international industry associations or labor associations seems to be crucial for constructive communication and the establishment of some level of trust between Chinese workers and employers.

Figure 1 A model for collaborative socially responsible practices
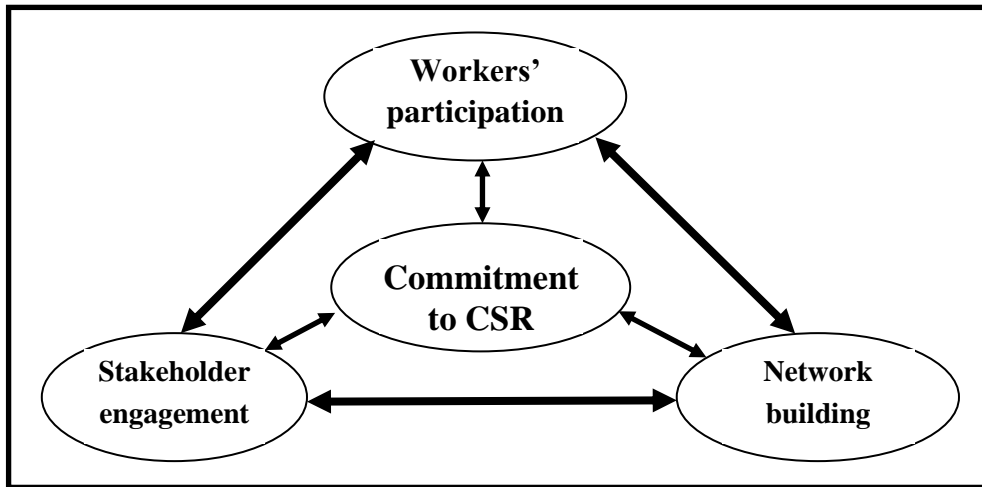
- The creation of network mechanisms for coordination and communication between relevant stakeholders. The core of the network building is mutual trust and respect between stakeholders and in particular between workers and employers. Mutual trust and respect are never easy to build up due to different interests, values and a relatively large power distance between employers and employees. Regular meetings and periodic reports about voiced concerns and actions taken or planned demand a significant level of transparency. Trade unions, labour NGOs or other competent civil society organisations can play a positive role in this regard as their knowledge, experience and skills, despite significant gaps at moment, are suitable for initiating and maintaining such a process.
- Commitment to corporate social responsibility. The active role of supplier firms and their management in the proposed projects demand commitment of these employers to more socially responsible practices. The basis of the projects is the commitment of employers to take the interests of workers more into account. The various mechanisms created within the projects help workers to define their interests more clearly and provide pathways for employers to develop responses.

In the next section we introduce three projects that are based on this model. After introduction of the various aspects of the projects we continue with an evaluation of the process and its outcomes and discuss further implications.

Stakeholder collaboration for strengthening the voice of workers in practice

We report on three projects with the participation of 40 supplier firms in the Chinese coastal provinces of Guangdong, Jiangsu and Zhejiang that represent efforts to take into account the interests of workers, including a capacity building and goal setting program for employees, the establishment and development of workers committees, and a confidential hotline for workers. The projects were joint efforts of Chinese and international civil society organizations, Western TNCs and Chinese supplier firms[2]. The purpose of the projects was to show the feasibility of the earlier introduced collaborative model to relevant stakeholders. The intention was to demonstrate to employers that investment in workers would not only generate benefits to employers in the short-term but also in the long-term as it would enhance sustainable business development and cultivate a more harmonious relationship between workers and employers. The different projects focused on different aspects of worker's empowerment, including: workers representation, participation and voice; and worker's capacity building for long term sustainable development of enterprises. Table 2 gives a summary and comparison of key characteristics among three projects. The three projects are described in more detail below and included capacity building and goal setting for employees, the establishment and development of workers' committees, and the creation of a confidential worker hotline.

1) Capacity building and goal setting for employees

Traditional Chinese culture and the Chinese educational system for centuries have not encouraged independent thinking of its developing youth. The result is that only few young people know how to set up their life, develop long-term goals, and find ways on how to reach these goals. This is particularly the case for migrant workers who come from the countryside and move to urban areas with so many uncertainties and an environment of social discrimination, who have no real grasp about their potential future apart from aspiring a modern life in an urban community. Developing suitable skills and methods for their career plan and personal development can be beneficial not only for migrant workers to reduce the costs of their integration into the local community but also for employers to increase retention rates of migrant workers, which has become more relevant as employers face increasingly serious labour shortages. The project focused on capacity building by helping workers to identify feasible goals and the constraints they experience in reaching them, but also to think about shared goals between employer and employees in factories that can benefit for both employers and employees. The project

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[2] In these projects the Institute for Contemporary Observation, a Chinese labour civil society organisation located in Shenzhen, Guangdong province, played a key role. One of the authors of this paper, Kaiming Liu, is the director of ICO and was actively involved in these projects.

commenced in 2007 in a small garment factory and was extended to 4 other factories in Guangdong and Jiangsu provinces that were involved in the manufacturing of garments, handbags and electronics. By 2012, close to 4,000 employees participated in this programme, and around 80% of them were migrant workers. The training programme in each factory consisted of three stages:

1. A communication workshop takes place to raise workers' awareness of their job, their personal goals and the company's objectives. Workers from production lines discuss key issues and concerns they have related to their work. At the end of the one-day workshop participants are able to recognise the needs of employees and employers, while a priority list of key concerns is developed based upon the input of all employees; workers have identified potential gaps between the existing situation and their expectations; and have thought about ways to reduce this gap.

2. A goal setting workshop is set up with the aim to: a) organize teams of employees that formulate goals (not more than 10 persons per team) and work towards these goals over a period of several months, b) coach team members to use professional tools for measuring their strengths, weaknesses, opportunities and threats (SWOT); to understand their personal inner voice; c) to build up a network of support between the team members; d) to collect data of personal goals and individual SWOTs from participants of the workshop in order to assess their needs and to design training modules that can help the employees to reach their goals.

3. A process of capacity building then takes place where the project facilitators provide support to the various worker teams based on their specific needs and work towards realising set goals and implementation of an action plan agreed by the employees and the employer that helps the employees' long term development but also contribute to the factory's business. This comprehensive capacity building programme for both employers and workers includes elements to improve working conditions such as courses related to physical and mental health and anti-corruption but also on personal finance, while implementation of the agreed action plan takes place over a period of 10 months.

We report on the outcomes for one of the participating factories that had invited the Institute for Contemporary Observation (ICO), a labour CSO located in Shenzhen, to carry out this programme as it was facing high turnover rates of its employees. There were 300 employees in the Spring of 2010 at the factory but this number declined to 125 in August 2010. An investigation carried out at the start of the project at the end of 2010 showed that 95% of interviewees (migrant workers) prepared to leave the factory after Chinese New Year of 2011 due to dissatisfaction with working conditions, such as low wage and long working hours compared to other factories in the region, lack of leisure opportunities and poor catering management. With the two workshops taking place in

December 2010 and employee teams formed in the process of capacity building employee satisfaction increased significantly and turnover was reduced. The communication workshop helped the company to identify key concerns of employees and priority areas for improvement of worker conditions. At the end of February 2011 (after Chinese New Year), 92% of employees returned[3] (the highest rate of return after the Chinese New Year for the company), and the number of employees in the firm increased back to 300 in April 2011. As the director of the firm was able to reduce delays in delivery of products to its clients the firm was able to expand its business. As a result, workers in the factory were able to increase their wage also based on a new salary and welfare plan that was introduced, and became more aware of opportunities for developing their skills as part of their personal and career development. The company expanded leisure time and recreation facilities for its employees. The company also produced its first sustainability report in 2011 with specific attention to the capacity building project and its outcomes[4].

2) The establishment and development of workers' committees

The worker's committee project provides support for Chinese workers to exercise the rights of association and collective bargaining through a joint training for workers and managers. This was a collaborative effort by four organisations, led by Social Accountability International (SAI, an international NGO based in New York, USA) and including the Institute for Contemporary Observation (ICO, a labour CSO based in Shenzen, China), International Textile Garment and Leather Workers Federation of Trade Unions (ITGLWF, with headquarters in Brussels, Belgium) and the Chinese Women Workers Network (CWWN, a labour CSO based in Hong Kong). The first firms that participated in the project were five subsidiary factories of US MNC's in China in the period 2003 to 2005. In the subsidiary firms worker's committees were set up. The four organisations responsible for the implementation conducted training of workers and facilitated the independent election of worker representatives in the worker committees. Workers were trained on how to exercise their rights, and how to communicate and/or negotiate with factory managers. Also courses were provided to managers on how to respect and cooperate with worker's representatives in order to build a win-win situation. This all was not a straightforward process as is documented in the more detailed case study by Ma (2009) on one of the companies involved in the project. The management of the company had to be convinced to join the project and this took significant effort, time and negotiations from SAI. The use of a preliminary cost-benefit analysis that showed how such a project could help reduce employee turnover and flexibility in training dates to minimise interruption to the production process were important arguments that made the company go ahead (Ma, 2009: 13). Initially also workers were reluctant to actively participate in the training sessions and share their concerns. As the trainers were able to gain trust of the workers, they started to speak up about problems in the firm. Worker teams started to identify problems related to their work and workplace and voiced some

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[3] BP Bag, Sustainability Report 2010, page 37.
[4] More detailed information about the project and the results in the participating firm can be found in the 2010 sustainability report of B.P Bag. at http://www.bpbag.com/e_main.html

of these concerns to line supervisors and managers (Ma, 2009). This created unease at the management level as "managers began to feel that the enlightened and mobilized workers were likely to challenge the existing management structure" (Ma, 2009: 16). The management started to frustrate the formation of workers' committees by not specifying a date for workers' elections. Only through further meetings with managers and management by trainers, and by inviting ideas from management on how to improve communication with workers the company decided to continue with the program and the worker committee was set up (Ma 2009, 16-17).

Several criteria were set up by the project team to be able to evaluate the outcomes of the project, related to issues such as wages, working hours, productivity, quality, worker satisfaction, employee turnover, recruitment cost, training cost, delivery time and firm profits. When the project was wrapped up in December 2005, evaluation of the results showed that working conditions and performance, including quality control, productivity and profitability, all had improved for the five participating firms. For the exemplary case provided by Ma (2009) average job tenure increased from 12 months before the project to 25 months after the project, while the company also had a significant reduction in late delivery which positively affected profitability (Ma, 2009: 20).

From 2006 on another nine factories in Jiangsu, Zhejiang and Guangdong provinces joined the programme with similar outcomes: when workers become more aware of their rights, they like to exercise these rights via the committee they elected and increase communication with management in order to improve working conditions. The workers' committees established a more balanced interaction between workers and managers and both sides find they share common goals and interests which in turn can lead to both increases in factory profits and workers' satisfaction. As a result, all the nine participating factories have not only enhanced their reputation towards workers and towards their clients, but also gained more orders and profits in the competitive markets in which they operate.

The results of the project indicate that the establishment of worker committees, the strengthened position of workers and the increased respect for workers' rights and interests in the participating firms can enhance returns both to the employers and employees.

3) W*orker's* confidential hotline

Coordinated by Business for Social Responsibility (a San Francisco-based organization that promotes corporate social responsibility), the ICO collaborated with five multinational corporations (Nike, Adidas, Reebok, Sears, Li & Fung) to establish a worker's hotline project in March 2002 at 500 of their supplier firms in Guangdong province. The hotline was intended for two-way communication. It aimed to transfer relevant knowledge, laws, regulations and resources to front-line workers on the one hand, and on the other it facilitated workers in filing complaints to local government agencies, including the local labour bureau, governmental legal aid agencies, labour arbitration court and the court of justice. Through the hotline workers could approach a team of advisors and this facilitated their communication about specific concerns to outside

NGOs, CSR managers of international companies, as well as to local governmental agencies. This direct communication and interaction on workers' concerns with the broader public and various outside organizations led to an increasing negative image of these firms. The participating firms felt a strong negative bias in the communication and public image and decided to block the initiative. Based on the lesson learned from this instead a confidential worker's hotline was launched. The confidential hotline was intended to complement the employer-employee interaction and communication and thus would provide an additional support or channel for the communication between employers and workers. The issues that could be discussed were not limited only to working conditions or management issues within the selected factories, but could also include personal issues or concerns such as psychological pressure or family matters. After voicing a concern or issue the worker would be able communicate about the issue with a representative from the hotline team within 12 hours. The information collected through the issues and concerns raised by the workers would be shared by the various stakeholders in the project so as to be able to assess pressing needs of workers, but anonymity of callers would be guaranteed.

After the launch of the confidential hotline in 2007 a number of 21 Chinese factories participated in the project and more than 21,000 workers raised issues and concerns through the hotline. The hotline was welcomed by workers but also appreciated by relevant participants including international trade associations and Chinese factory owners and managers. From 2007 to 2012, the confidential hotline solved 1,055 specific cases, among which 46% were related to legal issues, 30% were work-related concerns, 14% were mental and physical health problems and 10% were other private issues. The confidential hotline has facilitated better communication between workers and relevant stakeholders, and led to better understanding of workers' interests and concerns by the participating firms. Since the firms joined the program, no strikes occurred at the participating firms. Interviews with factories' managers showed that they find it easier to recruit workers relative to other factories because workers know there is hotline, a monitoring channel, at their factories while also they observed a reduction in employee turnover. The worker's confidential hotline has provided a channel for workers to voice their concerns. It is also an alternative channel for Chinese factory owners and managers, local governments, international players, as well as civil society organisations to learn about the needs and concerns of migrant workers.

Table 2 Summary and comparison of key characteristics among three projects

Aspect	Project 1	Project 2	Project 3
Title of project	Goal setting programs	Workers' committees	Confidential hotline
Start year	2007	2003	2007
Current status of project	Ongoing	Ongoing	Ongoing
Chinese firms involved	5	14	21
Industrial sector	Garments, handbags	Garments, handbags	Garments, handbags and

involved	and electronics		jewellery
Geographic location	Guangdong, Jiangsu	Jiangsu, Zhejiang and Guangdong	Guangdong, Jiangsu, Zhejiang, Beijing, Hebei, Anhui
Workers involved	3,900	7000	20,000
Who initiated the project?	Transnational corporations and Chinese owners of firms	International NGOs and Transnational corporations	Transnational corporations
Primary motivation	High turnover rate; lack of personal development and capacity building within firms	Lack of communication between workers and management; lack of workers' knowledge of labour rights	Mistrust between workers and management; Internal barriers for workers voicing concerns
Key stakeholders	Transnational corporations /Chinese owners/managers, frontline workers, professional facilitators	International NGOs, Transnational corporations, Chinese firms, frontline workers, Chinese labour NGOs	Transnational corporations, Chinese firms, frontline workers, Chinese labour NGOs
Key input	Goal setting and communication workshops	Training workshops provided for both workers & managers	Commitment, trust and collaboration between all key stakeholders
Key outcomes	- decline of turnover rate - increase of workers' loyalty & participation in firm management - long-term joint development of both workers and firms	- mutual respect and trust between workers and owners/managers - increase of workers' loyalty & participation in firm management - decline of turnover rate	- decline of tension and mistrust between workers and owners/managers - increased understanding of management regarding employee concerns - decline of turnover rate

Evaluation and discussion

In a recent paper Weihe Guo (2012) is mostly critical about the increased focus on corporate social responsibility in Chinese firms and argues it is mostly driven by outside pressures and largely symbolic. Other studies also have indicated that CSR in Chinese supplier firms is mostly driven by buyers' codes of conduct and thus largely externally imposed. Most supplier firms therefore tend to focus on CSR for reasons of image, but in reality tend to develop practices that circumvent the standards imposed by codes of conduct in order to maintain a harsh labour regime of minimal investment in improving worker welfare, wages and work conditions (Sum and Pun, 2005; Yu, 2008; Jiang, 2009). The projects we introduced and the socially responsible practices implemented by Chinese supplier firms in collaboration with labour-oriented civil society organisations and international stakeholders indicate the presence of supplier firms who are changing their mindset towards more intrinsic and substantive CSR. Although mainly instrumentally driven, the practices implemented in the three projects represent an improvement in the position of employees in global supply chains, while the results of the projects also indicate that a strengthening of the performance of the supplier firms.

Other studies have also provided initial evidence that a stronger orientation of Chinese firms on the interests of workers can generate positive impacts in terms of increased loyalty and motivation (Pai and Yuen-Tsang, 2011; Yin and Zhang, 2012; Hofman and Newman, 2014).

In analysing the three projects several observations can be made in terms of the nature of employer-employee relations and the importance of worker voice, the importance of capacity building and the nature of the stakeholders involved in the projects.

(1) The nature of employer-employee relations

The review showed that a critical element in employer-employee relations in Chinese firms is the limited scope of workers to voice their concerns towards employers. In developed Western economies trade unions play a crucial role in this regard but this channel is not perceived as viable or legitimate by workers as trade unions are not independent from government (communist party) and management. As Chinese firms tend to be characterised by relative hierarchical management and large power distance the main option for dissatisfied workers is to exit the firm, as voicing concerns is often met with negative reciprocal action by management. The projects make an important contribution as they show the relevance and feasibility of developing alternative channels through which workers can voice their concerns. Based on the issues raised, the management of the supplier firms consequently gained insight in key concerns of their workers and could develop plans and measure to mitigate these concerns.

(2) The importance of capacity building within the projects

Apart from providing a platform for raising their direct concerns the projects also served as a pathway for capacity building and personal and career development of workers. This points at the importance of empowerment of workers, the projects and its platforms in triggering a feeling of empowerment in the workers which increased their self-esteem and their loyalty to the organisation (Blanchard et al, 1996; Wilkinson, 1998). The combination of the possibility to voice short-term concerns and the opportunity to develop more long-term capabilities had a positive effect on retention and motivation of the workers. This in turn had positive effects on the performance of the participating firms.

(3) the nature of the stakeholders involved in the projects

Intermediary organisations played a crucial role in the projects next to transnational corporations who played a leading role in initiating the projects. The channels through which workers could voice their concerns were managed by labour-oriented civil society organisations. These were seen as credible, independent and legitimate actors by the workers, and thus the workers were prepared to voice their concerns without being worried about negative reciprocal actions. From the perspective of corporate social responsibility this is a critical aspect of the projects. In traditional, western-based

corporate social responsibility, firm take into account the interests of their workers mostly through internal processes (unions, internal meetings, team building, etc). One of the key issues in Chinese organizations is that subordinates are not likely to voice their concerns as they feel this might be met by negative reciprocal action, while unions are not seen as legitimately representing the interests of workers. Therefore the success of the socially responsible practices relied to a significant extent on the introduction and use of a credible and legitimate intermediary organization. This indicates that collaborative socially responsible practices are more feasible than launching these practices internally in supplier firms although it is possible that the trust in these internal practices increases over time. This insight also points at the relevance of emerging civil society organisations in China and the potential of network governance (Fulda, 2012) where the projects which combines credibility and legitimacy of a more diverse set of actors is more likely to be successful although this obviously also creates more complexity in terms of developing and implementing an effective project (Hartman et al, 1999).

Limitations and suggestions for further research

While overall the projects indicate the potential of collaborative socially responsible practices in addressing the needs and interests of workers more effectively and in contributing to the long-term performance of the supplier firms, we would caution for too broad generalisation from these cases. The companies that participated in the project were mostly preferential suppliers of transnational corporations, and therefore part of the explanation of their participation could be based upon their position in the supply chain. Further and broader research is needed to assess to what extent supplier firms with a different and for example less prominent role in the supply chain can benefit from similar projects and practices. Moreover most of the projects were initiated by international stakeholders such as NGOs, labour associations and transnational corporations and subsequently embraced by a particular set of supplier firms. Further research is needed to identify similar practices where supplier firms have taken the lead to understand key driving factors underlying some of these emerging practices. The location of the projects and companies is mostly confined to the more developed coastal provinces of China, this calls for further research assessing to what extent similar practices are emerging and can be successful in other regions of China that are now gaining prominence as manufacturing bases in global supply chains. Finally recent research indicates that upgrading in Chinese supplier firms has differential effects on workers and workplaces. In a study on firms in the garment industry and LED industry Butollo (2013) reports that a transition from labour-intensive to more capital and knowledge intensive production models can be observed. Increased automation in these industry tends to lead to increased detachment between knowledge based work and workers and more unskilled labour-intensive work. The extent to which these changes in workplace can go hand in hand with

collaborative socially responsible practices need to be further investigated. Overall, differences in the nature of supplier firms and their position in global supply chains calls for better understanding of appropriate design of worker voice arrangements that enhance employee-employer relations.

Conclusion

In the introduction and our review of the position of workers within supplier firms we argued that in many cases workers have been treated poorly while not being able to voice their concerns effectively to employers and other groups. While in more developed Western economies most often trade unions, courts, NGOs, and sometimes (local) governments tend to provide institutionalized mechanisms through which workers can voice their concerns, these channels are mostly absent or ineffective within China as they are either biased toward employers or difficult to access for migrant workers. Our research, including literature and empirical review, reveals that Chinese workers, especially migrant workers, have limited channels to voice their concerns as existing actors such as trade unions and local government tend to be mostly concerned with the interests and performance of the supplier firms - formulated differently: there seems to be an institutional void in employer-employee relations. The projects introduced in this paper fill this institutional void in employer-employee relations within Chinese supplier firms as they provide alternative channels for workers to voice their concerns. Both the supplier firms and their workers who participated in the projects have benefitted as firms take measures to enhance worker satisfaction while the reduced employee turnover has a positive impact on firm performance. The emergence of socially responsible practices by Chinese supplier firms in collaboration with labour-oriented civil society organisations and international stakeholders indicate the presence of supplier firms who are changing their mindset towards more intrinsic and substantive CSR. Further research is needed to assess how these emerging practices are challenging or blending with mainstream practices. The role of civil society organisations focussing on labour interests were a crucial feature of the projects, both in terms of capacity building for workers as in terms of independent operation relative to the management of the firms and thus involvement of labour CSOs provides legitimacy to the practices in the eyes of the workers. While our study indicates benefits of these practices for both employees and supplier firms, our sample of firms does not fully capture the differentiated nature of supplier firms and their position in global supply chains. Further insight is needed on the extent to which these collaborative socially responsible practices can be a way forward in various types of supplier firms to strengthen the position of workers and supplier firms in global supply chains.

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